

We started off with a dream...



## 2016 Sustainability Report







We started off with a dream...

The dream of a better future, savings blossom into sustainable investments; transparency triggers continuous improvement and innovation; technology is utilized to liberate individuals and protect the nature; competition yields to collaboration for the sake of our children's future; the business world creates shared value for economy, society, and nature...

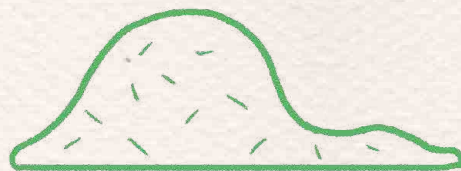
Taking solid steps in this journey, Garanti is here to make dreams come true through the power of growing together.

Thus, there is a hopeful future to tell our children.





# CONTENTS



## 5. ABOUT THIS REPORT



## 6. GARANTI IN BRIEF

- 6. Garanti Bank in Key Figures
- 10. Message from the CEO
- 16. Corporate Profile
- 18. Products and Services
- 18. Integrated Subsidiaries
- 18. 2016 Highlights
- 21. Financial Performance
- 25. Group Structure
- 27. Credit Ratings

## 28. OUR STRATEGY

- 28. Our Vision
- 28. Our Mission
- 29. Main Pillars of Our Strategy
- 30. Our Strategic Priorities
- 31. Our Core Values
- 32. Garanti Bank's Competitive Advantages
- 33. Sustainability Policy
- 35. Sustainability Principles
- 37. Sustainability Strategy

## 38. MATERIAL ISSUES

- 38. How Did We Identify Our Material Issues?
- 40. How Do We Manage Our Material Issues?
- 43. How Do We Include Our Stakeholders in the Process?
- 48. Supported Initiatives

## 50. PIONEERING SUSTAINABLE BANKING

- 55. Sustainability Milestones
- 60. Sustainable Development Goals and Garanti Bank



## 62. TRANSPARENT AND RESPONSIBLE GOVERNANCE

- 64. Governance Structure
- 64. Risk Management and Internal Audit
- 66. Code of Conduct
- 69. Regaining Trust in Banking and Reputation Management
- 70. Anti-Money Laundering Policy
- 72. Fines Incurred during the Reporting Period
- 72. Sustainability Governance

## 76. CUSTOMER CENTRICITY

- 80. Customer Experience in Garanti
- 85. Ethical Sales
- 86. Financial Health
- 88. Support for Financial Planning
- 88. Financial Inclusion
- 90. Disabled-Friendly Banking
- 92. Financial Education and Capacity Building
- 95. Capacity Building Efforts for SMEs
- 100. Supporting Rural Development with 'Agricultural Banking' Products
- 101. Retail Banking Programs

## 102. DIGITAL

- TRANSFORMATION
- 107. Garanti Branchless Banking
- 112. Operational Efficiency
- 113. Customer Privacy and Information Security

## 116. SUPPORTING ECONOMIC AND SOCIAL DEVELOPMENT

- 118. Our Indirect Impact on the Economy
- 118. Supporting the Employment
- 119. Community Investment Programs and Social Impact
- 127. Responsible Supply Chain

## 128. INVESTING IN HUMAN CAPITAL

- 131. Talent Management
- 135. Fair Remuneration
- 137. Equal Opportunity and Diversity
- 139. Employee Dialogue and Satisfaction
- 143. Employee Benefits
- 145. Work-Life Balance
- 147. Occupational Health and Safety

## 184. INDEPENDENT ASSURANCE STATEMENT

## 187. APPENDIX

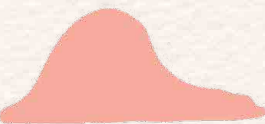


## 150. RESPONSIBLE FINANCE

- 154. Environmental and Social Risk Management
- 166. Responsible Products and Services

## 174. CLIMATE CHANGE AND ENERGY

- 177. Climate Change Management



## 188. Appendix 1: Relevant Topics Covered under Materiality Analysis

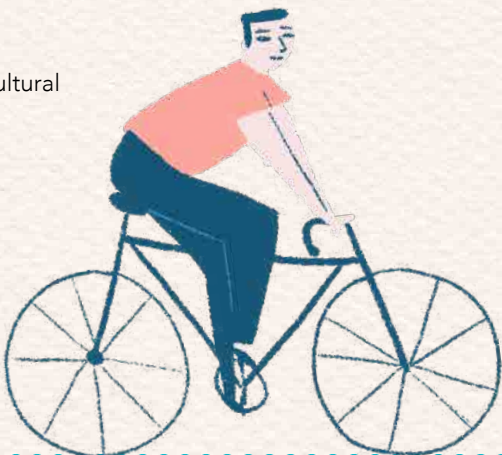
## 192. Appendix 2: Reporting Guidance

## 196. Appendix 3: Social Performance Data

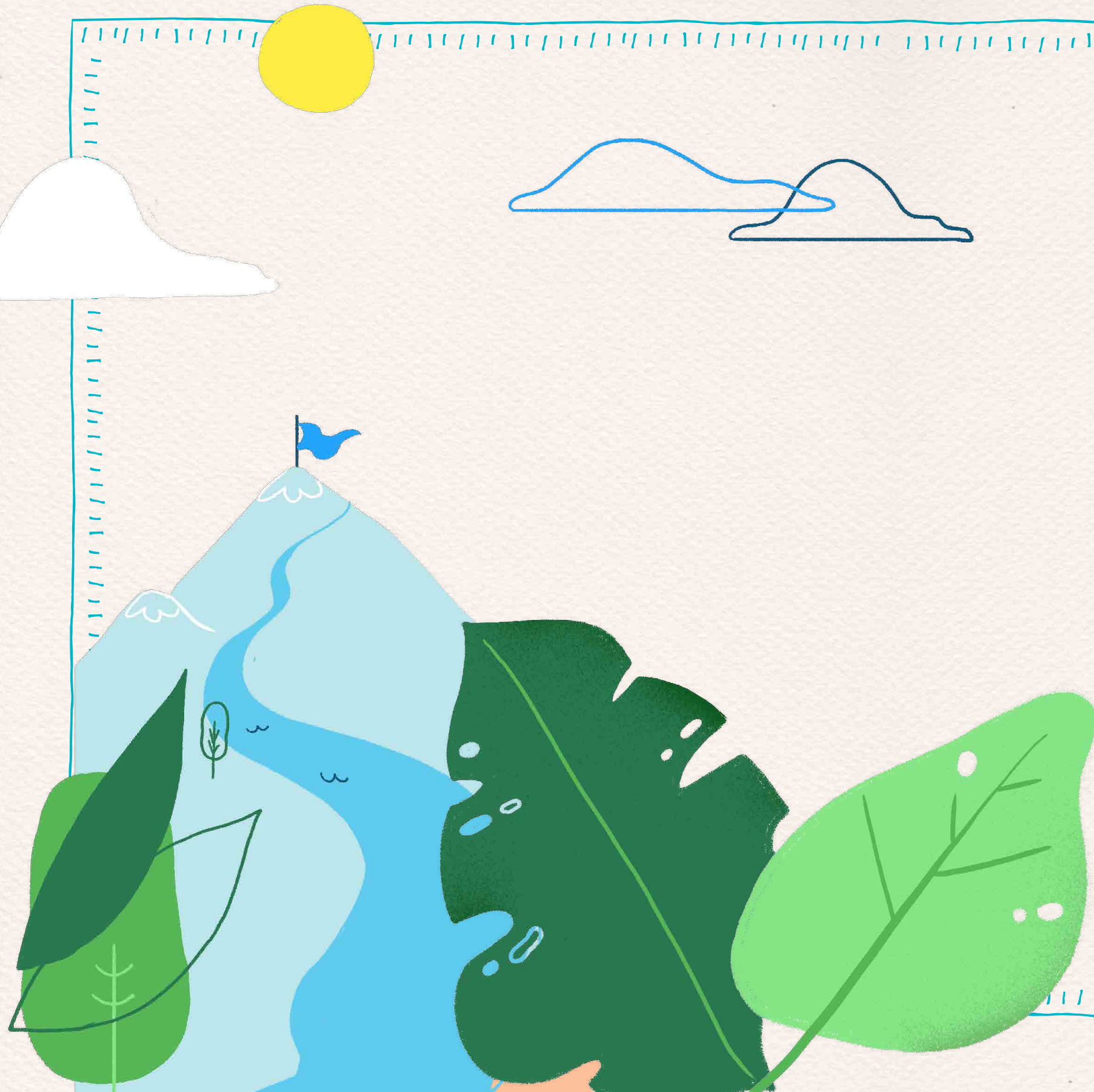
## 200. Appendix 4: Energy Consumption within the Organization

## 202. Appendix 5: UNGC and WEPS Principles Analysis according to GRI G4 Content

## 205. GRI CONTENT INDEX







## ABOUT THIS REPORT

**T**his fifth sustainability report from T. Garanti Bankası A.Ş. ('Garanti Bank') prepared in line with the GRI guidelines represents the Bank's performance related to sustainability issues identified with the feedback of its stakeholders for the 12-month period ending 31 December 2016. Where relevant, the Bank has also included data from the previous reporting period for comparative purposes.

The report has been prepared in accordance with Global Reporting Initiative's (GRI) G4 reporting guidelines to comprehensive option and also includes the G4 Financial Services Sector Disclosures, United Nations Global Compact (UNGC) and Women's Empowerment Principles Progress Report. Sustainability Accounting Standards Board Provisional Standard for Commercial Banks has also been used.

Please send your feedback and insights regarding the report via [sustainability@garanti.com.tr](mailto:sustainability@garanti.com.tr)

G4-17



## GARANTI IN BRIEF

### Garanti Bank in Key Figures

Turkey's most valuable bank  
with a market value of  
**TL 32 billion**



Total Assets  
**TL 312.1 billion**

More than  
**14.6 million**  
customers

Nearly **20,000** employees

Nearly **1,000** branches

Geographical coverage  
by branches  
**100%**

**92%** of non-cash  
financial transactions via  
digital channels

Digital customers comprise  
**57%** of customer portfolio

Nearly **3.7** million  
mobile banking customers

Nearly **70%** increase in  
mobile transactions <sup>1</sup>

Number of ATMs capable  
of **200+** different  
operations: **4,825**

**36 hours** of training  
per employee on average

<sup>1</sup> Compared to 2015 data



Garanti Bank in Key Figures

Ratio of women employees in decision-making positions<sup>2</sup>: **40%**, in senior management<sup>3</sup>: **26%**

Number of women reached via financial literacy programs<sup>4</sup>: **53,000**

Total loans granted to women entrepreneurs: **TL 3.2 billion**

Share of projects financed by Garanti Bank in Turkey's total operational installed wind power capacity: **32%**

Loans provided to renewable energy projects: **USD 4.8 billion**

Percentage of renewable energy<sup>5</sup> in the resources allocated to greenfield energy projects in 2016: **100%**

Number of projects subjected to Environmental and Social Risk Management System <sup>6</sup>: **44**

- SROI <sup>7</sup> value of education and skills gap projects: **2.49**
- SROI value of entrepreneurship projects: **2.19**
- SROI value of culture and art projects: **2.46**

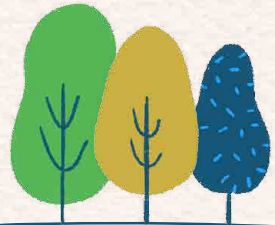


<sup>2</sup> Comprises of managers, branch managers and senior positions.  
<sup>3</sup> Comprises of coordinators and senior positions.  
<sup>4</sup> Comprises of KALP Women's Platform practices.

<sup>5</sup> Consists of project finance activities  
<sup>6</sup> By the end of 2016.  
<sup>7</sup> Social Return on Investment.



## MESSAGE FROM THE CEO



Within the scope of  
our responsible  
financing activities,  
we focus on  
social development,  
as well as  
environmental issues  
such as  
climate change



In 2016, global economic agenda was marked by US presidential elections and UK referendum on leaving the European Union. Despite unexpected events in Turkey and increasing volatility in the world economy, Turkish economy and banking sector managed to overcome challenges and sustained its strong indicators.

Global efforts aiming to increase social prosperity and equal distribution of wealth among nations accelerated in 2016. With the intention to steer the world towards a more inclusive, sustainable and resilient development path, Sustainable Development Goals targeting issues such as poverty, gender equality and climate actions gained more importance than ever for business. Shortly after being signed on 22 April 2016, the Paris Agreement officially came into force on 4 November 2016.

In 2016 we continued to integrate sustainability into our business operations, by also taking into consideration the needs shaped by global and local trends. We focused on putting forward a sustainable

growth model, which will create value for all stakeholders, by leading and promoting sustainable practices in the financial sector. As Garanti Bank, we have successfully completed this rough year with our solid balance sheet structure, leading capital, asset quality and liquidity indicators. We continued to stand by our customers with our competent human resources which ensures our dream of a better future and our customer-centric approach. In every customer contact point, we promise a good customer experience based on our “transparent”, “clear” and “responsible” customer approach. As a result, by the end of 2016, we surpassed TL 256 billion in total cash and non-cash loans and reached 11.8% market share in cash loans. As usual, we built our growth strategy on prioritizing risk-return balance. Our NPL ratio was registered as 2.8%, thus maintaining a level below the sector’s average. We preserved our financial sustainability by ending the year as the strongest bank in the sector in terms of solvency ratios. We are in a position to support consistent growth with our solid capital base.



We continued to lead the transformation in sustainability with our impact area of approximately 20,000 employees and more than 14.5 million customers. We manage our environmental and social impacts in the projects which we support through lending activities in addition to serving our customers and, being aware of our responsibilities resulting from the size of our sphere of influence. Until today we assessed 44 projects within the scope of our context of our Environmental and Social Impact Assessment Model (ESIAM) and supported our customers to implement their investments in a more sustainable way. In 2016, we made new additions to ESIAM and included the projects which were provided with financial consultancy and financed abroad. In addition, we reduced the lower limit of investment amount to US Dollar 10 million from US Dollar 20 million, thus taking another step to comply with Equator Principles recognized by the finance sector on an international scale.

In 2016, we made a commitment to set Science Based Targets and supported the global movement to set realistic goals.

Within this framework, we continue our renewable energy investments at a great pace. As of the end of 2016, the amount of total loans that we provided to renewable energy projects reached US Dollar 4.8 million. In Climate Change Action Plan we set the target of keeping the renewable energy ratio at a minimum 60% in new investment projects but achieved 100%. In wind power financing, we are the market leader by far with a share of 32% in Turkey's total operational installed wind power capacity.

Within the scope of our responsible financing activities, we focus on social development, as well as environmental issues such as climate change. With a broad range of products and services we aim to support our clients in managing their personal finances, establish a culture of saving and realize their short- and long-term plans. We aim to give financial education to our stakeholders, especially SMEs which are important for the economy and key to sustainable development, to develop their capacities and become self-sufficient, powerful



institutions and conscious decision-making customers.

As having the largest digital customer base which covers approximately five million digital customers; we support everyone to benefit the opportunities of digitalization and we develop solutions which enables more people to access banking services.

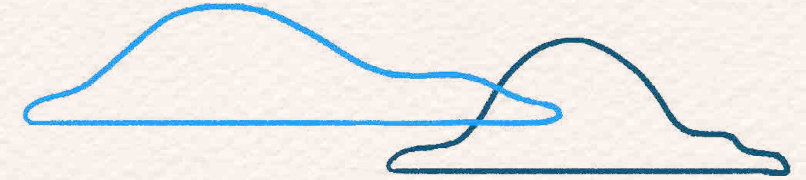
Last year, we kept facilitating the lives of our customers in terms of personal finance management by digital channels, such as internet banking and mobile banking. The solutions such as CepBank Money withdrawal, cardless bill payments, Disabled-Friendly Banking, Gold Guaranteed Credit, we enabled the access to financial services for people with limited-access.

By realizing the importance of women labor for emerging economies like Turkey, we have got into action in 2006, we celebrated the 10th year in women entrepreneurship by considering it as a different segment. Woman Entrepreneurs' Executive School, which has been realized in cooperation

with BÜYEM, continued to give trainings titled sustainable company management in four different cities, in 2016. In cooperation with KAGİDER, we organized the 33rd session of Woman Entrepreneurs' Meetings in Kırklareli, which has reached more than 7,000 women since 2008. In partnership with Ekonomist Magazine and KAGİDER, we organized the 10th "Turkey's Woman Entrepreneur" competition, which has had approximately 33,000 applications to date.

In order to contribute to the development of entrepreneurship ecosystems in Turkey, we initiated the "GarantiPartners Initiative Base" in June 2016 where all participants can benefit from offices with technical infrastructure. Until today, nearly 1,500 entrepreneurs applied for the program, and we have included 14 projects in GarantiPartners portfolio and made sure they gained speed.

By maintaining our sustainability focus, as of 2016, we accelerated our efforts to carry out our social investment programs with a strategic point of view,





compatible in a strategic way with the Bank's main lines of business in parallel with our responsible banking principles and in a more effective and long-term manner. Using Social Return on Investment Analysis method, we made a pioneering work by determining the impact of social investment programs financially with quantitative data.

Within the scope of education projects that we have identified as one of our focus areas; we support our teachers' professional and personal development with the Teachers Academy Foundation (ÖRAV). We also aim to bring nearly 100,000 children in primary education a basic knowledge and skills of science and mathematics in 3.5 years with the "Math and Science Learning with Fun" project that we carry out in cooperation with Turkish Education Volunteers Foundation. We aim to empower women and increase financial literacy with the Facebook group called KALP Women Platform, which achieved more than 50,000 followers in its first year. In culture and arts, we hosted 75 exhibitions visited by 1.8 million art lovers and more than 30,000 music lovers

with the sponsorship of "Garanti Jazz Green" under the roof of SALT. Our work focusing on sustainable and responsible banking, has been continued to be noticed by international organizations in 2016 as well. We became the first and only company entitled to be listed in "Bloomberg Financial Services Gender-Equality Index", due to our work in gender equality in terms of human resources, customers and the society. Moreover, we became listed in the FTSE4Good Emerging Markets Index, implemented this year for the first time. In addition, we succeeded in making the "CDP Global A List", which is the highest group in CDP scoring among the companies which have disclosed their climate change strategies using the CDP platform. As the first company which succeeded in being included in the list for two consecutive times, we also became part of the "CDP 2016 Climate Leaders". As a result of all these efforts, in 2016, we became the first company to be listed in the Dow Jones Sustainability Index again, which is regarded as one of the most reputable sustainability indexes of the world. I believe that all these development and achievements

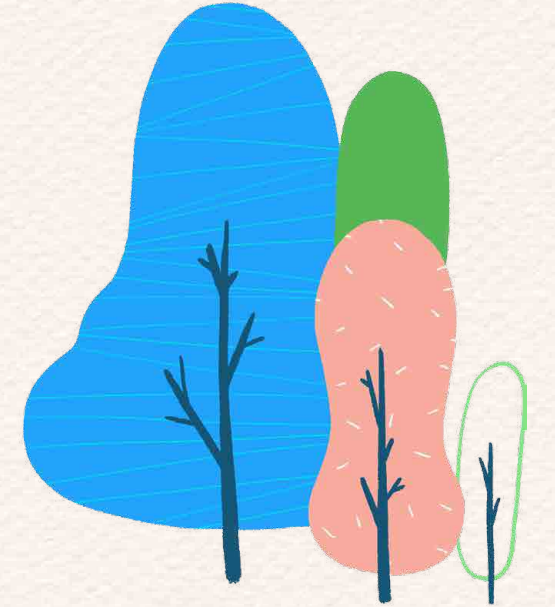
are the greatest indicators that we have integrated "sustainability" within our banking activities.

I am pleased to share our Sustainability Report with you, where you will find all these developments which have taken place in line with our vision and more. Believing that sustainable operations have a key role in the Bank's long term success, we will continue our efforts and our mission to transform the sector in 2017. I would like to thank all my colleagues and our stakeholders who contribute to our sustainability efforts.

Sincerely,



**Ali Fuat Erbil**  
President & CEO





## Corporate Profile

**E**stablished in 1946, Garanti Bank is Turkey's second largest private bank with consolidated assets of TL 312.1 billion as of December 31, 2016.

Garanti 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, 2016, Garanti provides a wide range of financial services to its more than 14.6 million customers with approximately 20,000 employees through an extensive distribution network of 959 domestic branches; 7 foreign branches in Cyprus, one in Luxembourg and

one in Malta; 3 international representative offices in London, Düsseldorf and Shanghai with 4,825 ATMs, an award-winning Call Center, internet, mobile and social banking platforms, all built on cutting-edge technological infrastructure.

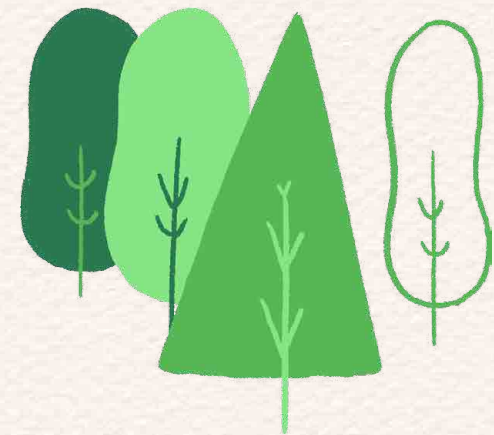
Moving forward to maintain sustainable growth by creating value to all its stakeholders, Garanti builds its strategy on the principles of always approaching its customers in a "transparent", "clear" and "responsible" manner, improving customer experience continuously by offering products and services that are tailored to their needs. Its competent and dynamic human resources, unique technological infrastructure, customer-centric service approach, innovative products and services offered with strict adherence to quality carry Garanti to a leading position in the Turkish banking sector.



Following the best practices in corporate governance, Garanti's majority shareholder is Banco Bilbao Vizcaya Argentaria S.A. (BBVA) with 49.85%. Having shares publicly traded in Turkey, depositary receipts in the UK and the USA, Garanti has an actual free float of 50.06% in Borsa Istanbul as of December 30, 2016.<sup>8</sup>

With its dynamic business model and superior technology integrated to its innovative products and services, Garanti continues to differentiate itself and facilitate the lives of its customers. Its custom-tailored solutions and wide product variety play a key role in reaching TL257.5 billion cash and non-cash loans. The high asset quality attained through advanced risk management systems and established risk culture place Garanti apart in the sector.

Building on the Bank's core values, Garanti Bank defines Sustainability as a commitment to build a strong and successful business for the future, while minimizing negative environmental and social impacts, and sharing long-term values with its customers, staff, shareholders and the communities it operates in. Garanti further strengthens its sustainable banking approach through community investment programs in a variety of topics ranging from sports to education, arts to nature and informing the business world.



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<sup>8</sup> BBVA's acquisition of Garanti Bank's 9.95% total issued share capital from Doğuş Group was completed pursuant to March 22, 2017 statement and BBVA's share in Garanti Bank reached to 49.85%.



## Products and Services

With hundreds of products and services that we provide

in segments including retail, corporate, private, investment, SMEs and payment systems, we are committed to creating value. For a detailed description of our products and services, please see “About Garanti” section on our website <sup>9</sup> and the 2016 Annual Report.

## 2016 Highlights

Despite the extraordinary and challenging circumstances Turkey experienced in 2016, as Garanti Bank, we overcame the difficulties of this period successfully thanks to our strong and stable balance structure. We maintain our leading position in the sector with our trailblazing indicators such as capital, liquidity, risk management and

## Integrated Subsidiaries

For a detailed description of our integrated subsidiaries, please see “Garanti’s Integrated Subsidiaries” <sup>10</sup> section on the Investor Relations website and the 2016 Annual Report.



asset quality. Overall, as we grew above sector averages in all segments, we continued to contribute to Turkey’s economy with over USD257 billion cash and non-cash loans in total. We will keep providing new solutions for our customers in SME, commercial and corporate banking and support infrastructure and energy projects in the forthcoming period for Turkey’s sustainable growth.



- Once again, became the only Turkish company to be listed in the Dow Jones Sustainability™ Emerging Markets Index.
- Launched efforts to be listed in the FTSE4Good Emerging Index, and listed in the first month of 2017.
- Secured our place in the Borsa Istanbul Sustainability Index.
- Conducted studies to be listed on Bloomberg Financial Services Gender-Equality Index, where companies which operate in the finance sector are evaluated based on their gender equality practices. We were listed in the index in 2017.
- Became the only company in the Turkish banking sector to receive “CDP 2016 Climate Leader Award” by entering the CDP Climate Change A list.
- Ranked amongst the highest-scoring Turkish companies in

- CDP Water Program and received the “CDP Turkey 2016 Water Leadership Award”.
- Supported Educational Volunteers Foundation of Turkey (TEGV)’s “Math and Science Learning with Fun” training program.<sup>11</sup>
- Became the first company from Turkey to determine the impact of social investment programs financially with quantitative data via SROI Analysis.
- Became the first company from Turkey to conduct a materiality analysis solely on social investment programs to integrate these investments into the corporate strategy, in accordance with global methodologies.
- A total of 44 projects, including the reporting period, were evaluated based on the Environmental and Social Impact Assessment Model.

<sup>9</sup> [https://www.garanti.com.tr/en/our\\_company.page](https://www.garanti.com.tr/en/our_company.page)  
<sup>10</sup> <https://www.garantiinvestorrelations.com/en/about-garanti/detay/Garantis-Integrated-Subsidiaries/18/27/0>

<sup>11</sup> TEGV’s program is developed to increase primary education students’ skills and problem solving abilities in science and mathematics.





- Loans provided to renewable energy investments reached USD4.8 billion.
- Total loans provided to women entrepreneurs reached TL 3.2 billion.
- Provided TL 13 billion new installment commercial loans to SMEs.
- Received 300,000 customer feedback in 2016 and achieved a 30% reduction in the average number of complaints per month.
- Achieved approximately 10% reduction compared to 2015

and 56% reduction compared to 2012 in the ratio of Scope 1 and 2 greenhouse gas emissions to our total assets

- Maintained our leading position among all banks, with the highest share in Turkey's total operational installed wind capacity, with 32%.
- Received an award in the "Carbon and Energy Management" category under the "Sustainable Business Awards" with our Climate Change Action Plan.
- Committed to setting Science Based Targets.
- Gathered all our practices regarding customer experience under Garanti Empathy.
- Established the Ethics and Integrity Committee, with members from top management.
- In the 17th edition of the "Best Digital Banks Awards" organized by Global Finance, we were awarded in the "Best Website Design", "Best Integrated Consumer Bank Site", and "Best Mobile Banking App" sub-categories under the Consumer Banks main category.

## Financial Performance

Table 1: Garanti Bank's Selected Consolidated Financial Indicators (TL billion)

	31.12.2014	31.12.2015	31.12.2016
Cash Loans	144.0	171.8	201.4
Non-Cash Loans	37.7	48.9	56.1
Total Assets	241.1	279.6	312.1
Shareholders' Equity	26.7	31.2	35.8
Total Deposits	133.4	156.1	178.7
Profit before Taxes and Provisions	7.0	7.4	9.9
Profit before Taxes	4.8	4.7	6.5
Net Profit	3.7	3.6	5.1

\* Branchless banking which is shown separately in previous years, integrated into the 'Other' group by 2015.



Table 2: Key Financial Ratios (%)

	31.12.2014	31.12.2015	31.12.2016
<b>Average Return on Equity</b>	14.8	12.8	15.4
<b>Average Return on Assets</b>	1.6	1.4	1.8
<b>Non-Performing Loans Ratio</b>	3.0	3.2	3.0
<b>Capital Adequacy Ratio</b>	13.9 (Basel III)	13.5 (Basel III)	14.7 (Basel III)

Note: Figures are based on December 31, 2016 consolidated financials.

Table 3: Market Shares\* (%)

	31.12.2014	31.12.2015	31.12.2016
<b>Total Performing Loans</b>	11.9	11.8	11.8
<b>TL Performing Loans</b>	10.6	10.7	11.3
<b>FC Performing Loans</b>	15.3	14.0	12.8
<b>Credit Cards – Issuing Volume (Cumulative)</b>	18.3	19.2	20.2
<b>Credit Cards – Acquiring Volume Cumulative)</b>	19,8	20,6	20.9
<b>Consumer Loans**</b>	13.8	14.3	14.6
<b>Total Customer Deposits</b>	11.7	11.6	11.5
<b>TL Customer Deposits</b>	9.9	9.6	9.5
<b>FC Customer Deposits</b>	14.8	14.2	14.2
<b>Customer Demand Deposits</b>	14.0	13.6	13.2
<b>Mutual Funds</b>	10.8	10.4	10.1

\* For sector comparison, BRSA unconsolidated financials are used in market share calculation. Sector data is based on BRSA, commercial banks only

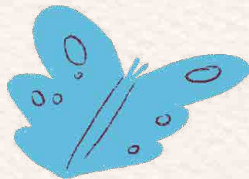
\*\* Includes consumer credit cards.



Table 4: Garanti Bank in Numbers

	31.12.2014	31.12.2015	31.12.2016
Branch Network	1,005	983	971
+ Domestic	994	971	959
+ Abroad	11	12	12
Personnel	19,036	19,692	19,689
ATM	4,152	4,504	4,825
Total Customers	13,075,181	13,863,933	14,615,584
Internet Customers *	3,264,206	3,993,457	4,878,893
Mobile Banking Customers ***	1,547,579	2,530,757	3,682,950
Credit Cards	9,374,003	9,706,572	9,792,199
Debit Cards (Paracard)	8,020,023	8,640,478	8,930,780

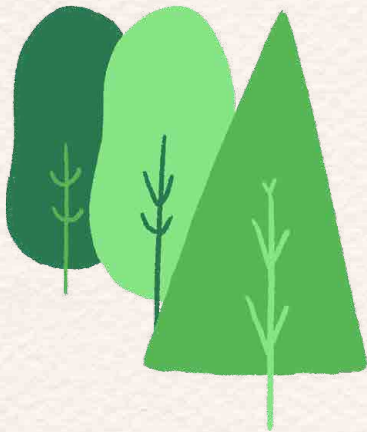
\* Active customers only.



## Group Structure

Table 5: Garanti Bank’s Ownership Structure and Share Holdings:

	Number of Shares	Nominal (TL)	Share (%)
Banco Bilbao Vizcaya Argentaria S.A. (BBVA)	209,370,000,000	2,093,700,000.00	49.85
Other	210,630,000,000	2,106,300,000.00	50.15
Total	420,000,000,000	4,200,000,000.00	100



Garanti Bank initially offered its shares to public in 1990 and has become the first company from Turkey to offer its shares on international markets in 1993. Garanti’s Depository Receipts are listed on the London Stock Exchange Main Market and OTC (Over-The-Counter) Markets in the USA. In 2012, Garanti participated in the prestigious tier of the U.S. Over-The-Counter (OTC) market, OTCQX International Premier, where companies traded must

meet high financial standards and an effective disclosure process. Having qualified in 2014 to join OTCQX® ADR 30 Index launched by OTC Markets Group Inc. In cooperation with the Bank of New York Mellon, Garanti has established itself among the top 30 Depository Receipts traded on the OTCQX marketplace, selected based on their market capitalization, volume and liquidity.

Garanti Bank has a market capitalization of TL 32 billion (USD 9 billion) as of the end of





**TL 16 billion**  
floating market  
capitalization  
**Highest in**  
**BIST 100**

2016. With a free float ratio of 50.06% and TL 16 billion floating market capitalization, Garanti also has the highest free float in BIST 100.

Garanti's Depository Receipts program reached a size of 130 million shares as of 2016 year-end. Garanti Bank share (GARAN) is the most traded stock in Istanbul Stock Exchange with an average daily turnover of TL 770 million (USD 256 million) and has BIST 100 turnover market share of 21%. GARAN was the most traded stock by foreign investors with a total foreign transactions turnover of USD 30 billion in 2016. Share has the highest weight of around 10% in BIST 100 and 11% in BIST 30 as of 2016 year end.

In 2014, with the coordinated efforts of our Sustainability Team and Investor Relations Department, we supported the rating process carried out by EIRIS, an international independent research company that Borsa Istanbul collaborated for the launch of the Sustainability Index. Our approach to sustainability was evaluated according to criteria covering topics such as environment, biodiversity, climate change, human rights, structure of the board of directors, anti-bribery and Occupational Health and Safety (OHS). On 4 November 2014, we earned a place among the 15 BIST 30 companies qualifying for the Borsa Istanbul Sustainability

Index. So far, we have qualified to be listed in the Index three consecutive times. In addition to the Borsa Istanbul Sustainability Index, we became the only Turkish company to qualify two consecutive times for the Dow Jones Sustainability™ Emerging Markets Index. We proved once again that we successfully integrated sustainability into all our activities and banking operations.

As Garanti Bank, we are included in the Borsa Istanbul (BIST) Corporate Governance Index by achieving an overall corporate governance score of 9.27 over 10, improving from 9.20, assigned by JCR Eurasia Ratings for our superior compliance with Capital Markets Board Corporate

Governance Principles, as specified in the report published on 9 December 2016. We also maintained our "Positive" outlook. We are still listed in the Borsa Istanbul (BIST) Corporate Governance Index, while our score on Corporate Governance Principles is above the threshold of 7.



## Credit Ratings

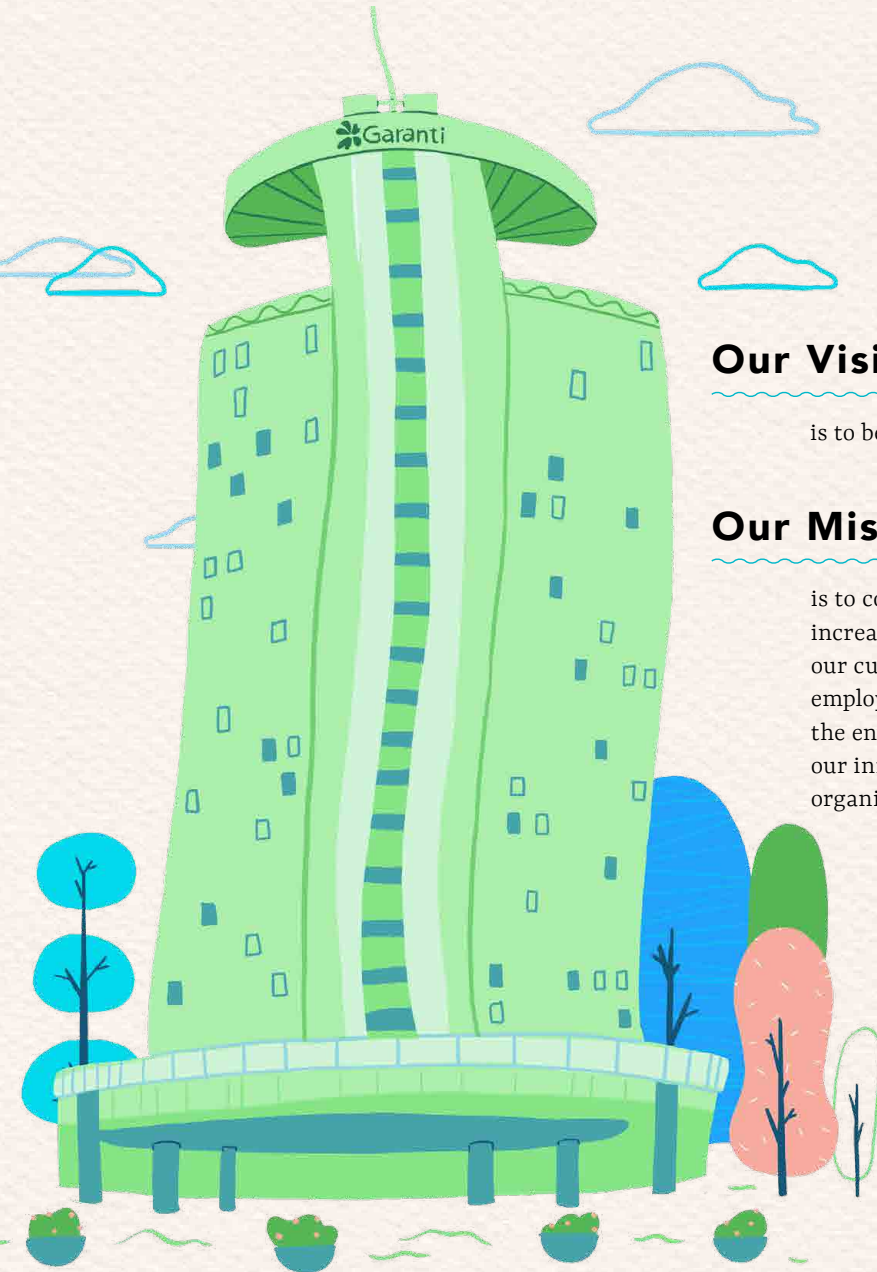
**F**or the ratings by international independent rating agencies on our performance on credit rating and corporate governance, please see the "Ratings" section on our Investor Relations website <sup>12</sup>.



<sup>12</sup> <https://www.garantiinvestorrelations.com/en/about-garanti/detay/Ratings/17/26/0>



## OUR STRATEGY



### Our Vision

is to be the best bank in Europe.

### Our Mission

is to continuously and noticeably increase the value we create for our customers, shareholders, employees, the society and the environment by utilizing our influence, agility and organizational efficiency.

## Main Pillars of Our Strategy

### "Our Customers"

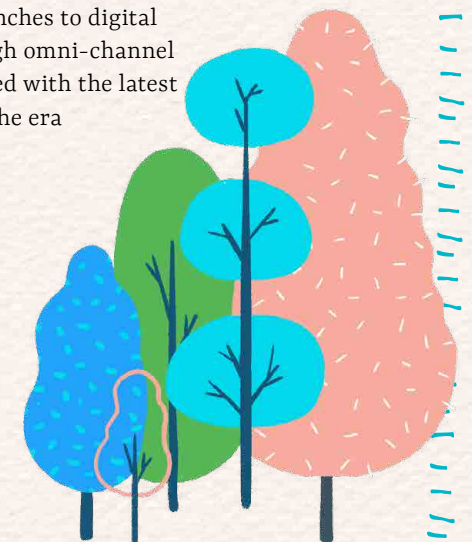
- Listen to our customers, understand their needs, satisfy them above and beyond their expectations by offering the highest service quality and innovative solutions
- Help our customers achieve their targets and make an impact on their lives
- Garanti customer satisfaction constitution

### "Garanti Employees"

- Competent, well-educated and who value continuous progress
- Respectful of the society and the environment, pleasant, solution-oriented, enthusiastic and leader of their own tasks
- Fair, transparent, responsible and ethical banking professionals

### "Our Business Model"

- Leading transformation in parallel with technological and digital developments
- Backed by state-of-the-art IT infrastructure, the best and the fastest technological equipment
- Effectiveness and productivity focused efficient business model from branches to digital channels through omni-channel approach, aligned with the latest innovations of the era





## Our Strategic Priorities

### Improve customer experience and effectively expand our customer base

- Offer our customers an excellent customer experience by placing them at the center of all our activities and efforts
- Design our processes from our customers' perspective, vesting them in a swift, easy and plain format
- Always be clear, transparent, respectful, solution-oriented and pleasant with our customers
- Having long-lived relationships with our customers that is built on trust by enhancing their satisfaction and promoter scores

### Digitalization

- Constantly invest in digital platforms so as to provide unrivaled customer experience, transaction convenience, and pioneering solution suggestions
- Expand our digital customer base and increase the share of digital channels in our sales

### Sustainable growth and optimal capital utilization

- Use capital effectively so as to maximize the value to be created
- Create the highest value for our investors, stakeholders and the economy
- Focus on disciplined and sustainable growth in all business lines from retail to corporate banking on the basis of true banking principle

### Efficient risk management

- World-class risk measurements
- Strict adherence to solid asset quality

### Efficiency focus

- Constantly improve business models and processes with operational efficiency point of view
- Cost and revenue synergies

### Employee happiness

- Enhance employee satisfaction and focus on employee development
- Form teams possessing team spirit, acting with shared wisdom and delivering results
- Embrace a fair and transparent management policy, based on performance and focused on promoting from within

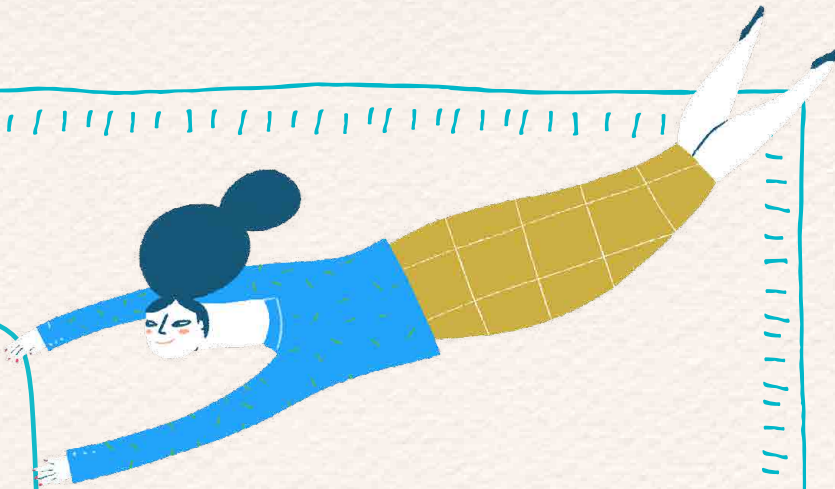
## Our Core Values

### "As a bank and as banking professionals, we are ethical and responsible"

- We are banking professionals who are transparent, clear and responsible in interactions with all stakeholders, particularly with our customers.
- We abide by corporate governance values, ethical and corporate values.
- We rigorously follow rules and regulations without compromise.
- We are aware of the impact of our personal reputation upon our corporate reputation.
- Individual and organizational clean conscience is of paramount importance.

### "The most important element for us is the people"

- The strength and assurance of our quality lies within our employees.
- We place emphasis on delegating responsibilities and encourage to take initiative.
- We recognize good work and exemplary behavior, and care about appreciation.
- We are highly energetic, we support each other, we share information and experience.





### "We value continuous progress"

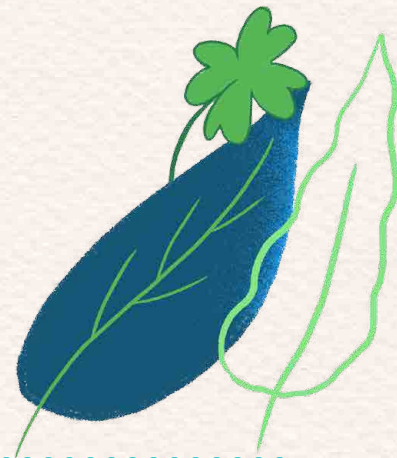
- We aim to achieve continuous progress in our competence and quality in all aspects.
- Investing in our people and technology to achieve continuous progress is an inseparable element of our policy.
- Our approach to improve our service quality is proactive.
- We aim to anticipate our customers' needs and expectations and strive to provide solutions in advance.

### "We are aware of our environmental and social responsibilities"

- We minimize the environmental and social impact of the Bank's operations, products and services.
- We develop high standards for supporting social development and environmental protection paying regard to value creation for the society and the environment.
- We believe the environmental and social values Garanti creates for all stakeholders will set an example not only for the banking sector but also for the entire economy and provide significant contribution to the development of our country.

## Garanti Bank's Competitive Advantages

**Y**ou can find our detailed competitive advantages in 10 different areas in the investor relations website.<sup>13</sup>



<sup>13</sup> <https://www.garantiinvestorrelations.com/en/about-garanti/detay/Competitive-Advantages/13/22/0>

## Sustainability Policy

**T**o strengthen its Vision to be the best bank in Europe, and its Mission of increasing the value it creates for customers, shareholders, employees, the society and the environment by utilizing its influence, agility and organizational efficiency, Garanti Bank acknowledges the importance of conducting its business activities in a responsible manner, and aims through this Policy Statement to ascertain the guiding principles for its Sustainability strategy and efforts.

The principles support Garanti Bank in effectively defining and addressing material Sustainability risks and opportunities facing the Bank in Turkey.

This Policy Statement, covering 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.

### Overall Sustainability Vision

Sustainability issues are gaining importance within Turkish society, and are increasingly impacting the banking sector. Garanti Bank strongly believes that operating sustainably is a key driver to the long-term success of the Bank, and aims to be the leader in introducing and implementing sustainable banking to Turkey.

Building on the Bank's Core Values, Garanti Bank defines Sustainability as a commitment to building a strong and successful business for the future, while minimizing negative environmental and social impacts, and sharing long-term values with its customers, staff, shareholders and the communities it operates in.

Garanti Bank aspires to achieve its aim of sustainable banking through technological innovations, managing the environmental footprint of its operations and developing sound environmental and social risk assessment as part of its risk management framework.

G4-17



The Bank also recognizes the importance of an effective organizational structure and strong corporate governance to maintain ongoing development and successfully deliver its sustainability objectives.

Furthermore, Garanti Bank is aware of the need to collaborate and engage with its peers and suppliers at a global level to identify new opportunities, capture emerging best practices and products and remain a sustainability leader in Turkey.

**Responsibility for Sustainability Policy Framework**

The Board of Directors is ultimately responsible for the approval of any changes to the Bank’s Sustainability Policy. The monitoring, amendment, improvement, implementation and enforcement of the Policy are under the direct responsibility of the Sustainability Committee. All changes and amendments should be subsequently approved by the Board of Directors, then published internally and made public through the Bank’s website.

Sustainability Principles

Garanti Bank focuses on the following principles in order to improve the basics of banking by integrating sustainability into its operations:

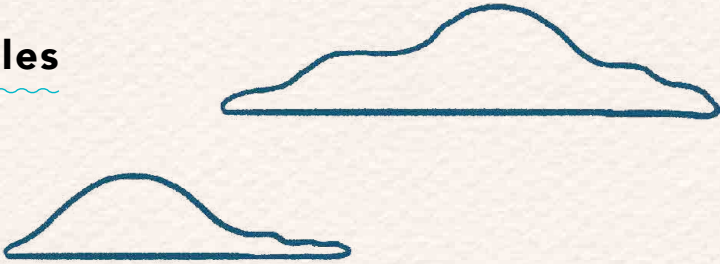


Table 6: Garanti Bank Sustainability Principles and Areas of Focus

Principle	Focus Areas
Customers through Sustainable Finance	Introduce new practices to Turkey that go beyond common practices and compliance to relevant national laws and regulations;
	Enhance E&S risk processes across the Bank and its subsidiaries to minimize the negative impact of lending and investment activities;
	Educate customers on sustainability and become a trusted advisor in supporting and facilitating customers to minimize their own footprint;
	Develop products and services that help catalyze the transition towards a more sustainable economy, increase financial inclusion and increase commitment to ethical marketing and selling.
Environmental Impact of Operations	Measure and monitor the Bank’s environmental footprint, and implement measures to increase resource and energy efficiency;
	Set targets to reduce emissions and resource usage in targeted areas and increase cost effectiveness;
	Work closely with suppliers to benefit from the latest environmental-friendly solutions and expand sustainability across the supply chain.







#### Communities

Create value for society and stakeholders with projects in various fields such as education, culture and cultural heritage, disabled-friendly banking and women entrepreneurship;

Develop projects in strategic compliance with the core business lines of the Bank by adopting responsible banking principles, increase the impact by measuring the results and the impact of the projects.

#### Stakeholders

Liaise and engage with different stakeholders at the national and international levels to follow the latest developments and include their views into decision making processes;

Play an active role in increasing financial education and sustainability awareness within Turkish society;

Report in a transparent manner on issues important for the Bank and its major stakeholders.

#### Human Resources

Monitor employee satisfaction and ensure a fair remuneration and benefits scheme at all seniority levels;

Continuously educate employees and proactively engage them to develop and implement sustainable initiatives in their day-to-day activities, both at and outside work.

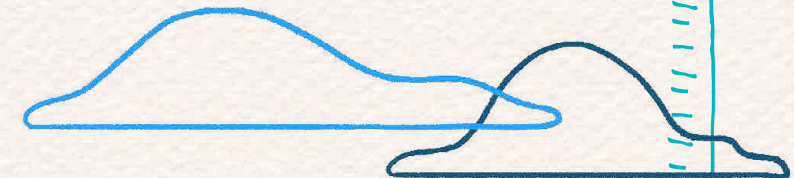
#### Corporate Sustainability Governance

Adopt an effective governance structure to develop, implement and monitor sustainability actions within the Bank;

Integrate sustainable banking into Garanti Bank's operations in line with the bank's identity and culture.

## Sustainability Strategy

In April 2014, Garanti Bank officially approved a new sustainability strategy and policy in order to acknowledge the importance it places on conducting its business activities in a responsible manner and strengthen its vision to be the best bank in Europe and its mission of increasing the value it creates for its stakeholders.



## Garanti Bank's Strategic Priorities are:

### Corporate & Commercial customers

- Advise our corporate clients to help them make their businesses more sustainable
- Extend E&S risk framework and management systems across the bank, local and international subsidiaries yaymak

### Stakeholders

- Develop and implement a financial education program
- Engage with stakeholders
- Build partnership Support philanthropic programs with a focus on material issues for society

### SME & Retail Customers

- Strengthen the financial capacity of Turkish women by providing them financial education and access to our products and services
- Support financial planning and health of our retail clients
- Develop innovative sustainable financial products linked to material issues for society and Garanti

To reach its strategic priorities, Garanti Bank emphasizes on: Governance to enhance integration of sustainability within the Bank; HR to enhance employees' knowledge and life style and its Environmental Footprint to enhance operational efficiency.

Through this strategy, Garanti Bank aims to create a positive impact on: The Business World, Financial System, Communities and Individuals.



# MATERIAL ISSUES

Material issues underlie the reporting process and indicate the most important areas that affect companies to create value among the economic, governance, social and

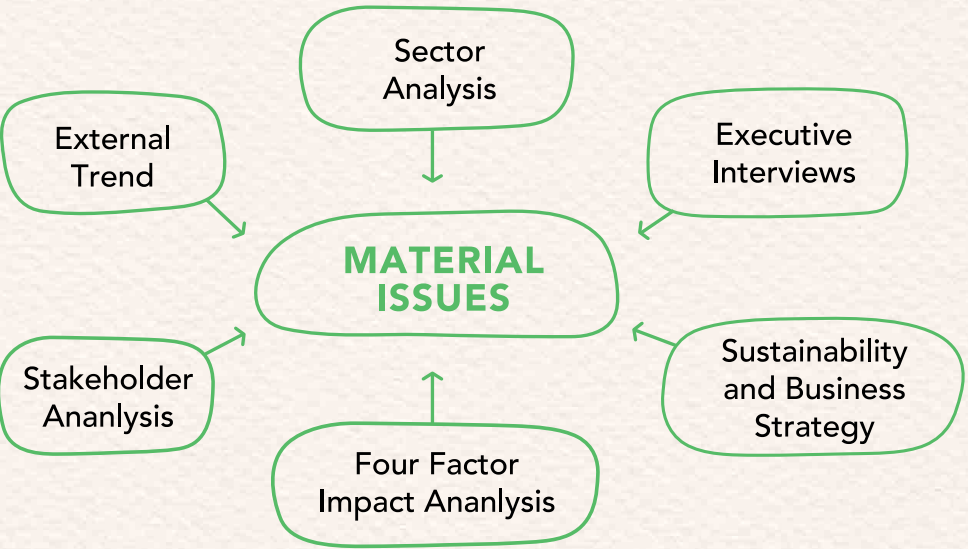
environmental issues which they face. The issues should be regularly updated in line with the business and sustainability strategy.



## How Did We Identify Our Material Issues?

In the report, we focused on areas in which we aspire to create value for our stakeholders, our Bank and society. While identifying the areas, we listened to

our internal and external stakeholders and reviewed the connection between our corporate strategy and global trends which impact the banking sector.



G4-18   G4-22   G4-23

While identifying the relevant topics list to be prioritized, we carried out a desk study and reviewed the trends, sectoral reports, reports of global banks, and advice by international professional organizations such as GRI and SASB. We determined the topics' impact areas as internal and external. After identifying the long topics list, we started the materiality process. Stakeholder views and external trends formed the topics on the y axis of the materiality matrix while the issues on the x axis were identified based on executive views, sustainability and business strategy. Common topics which are highly important for both sides constituted the material issues.

We conducted a comprehensive stakeholder analysis by reaching all stakeholder groups via online questionnaires, focus group meetings and phone to take their opinion. In the external trend analysis, we reviewed the priorities of initiatives which guide the business world and financial sector, such as the Sustainable Development Goals, UN Principles for Responsible Investments, and Global Alliance - for Banking on Values and integrated these views to stakeholder analysis.

In executive interviews, we included the views of top management, closely involved in determining the Bank's future strategy. The executives evaluated the topics according to the five-year corporate strategy and topics' risk and opportunity areas as well as their operational, reputational, strategic, legal and financial impact. In addition to executive interviews we evaluated the topics 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;

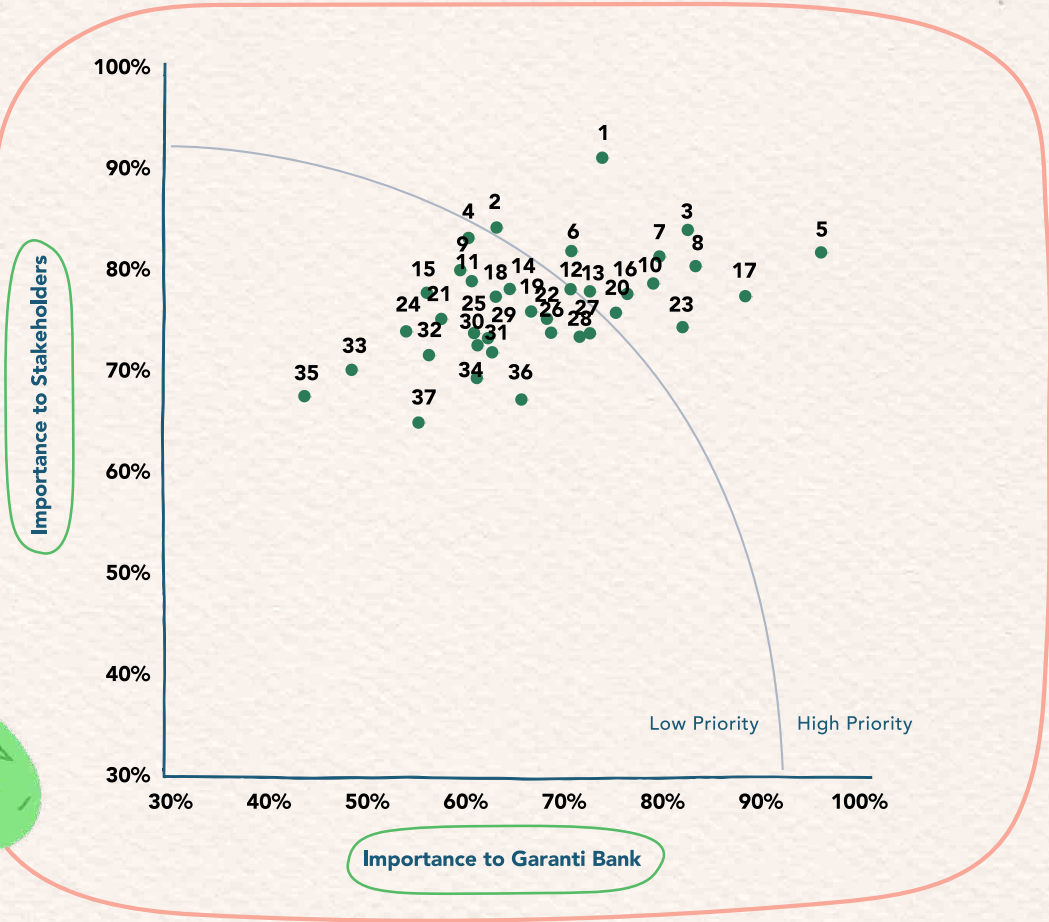
- Direct financial impact and risk,
- Legal, regulatory and policy drivers,
- Opportunities for innovation,
- Industry norms, best practices and competitive advantage

In an integrated governance approach, we finalized the Bank's material issues considering the alignment of topics with sustainability and business strategy. Thus, we made the connections which are of great importance to the integrated report materiality process, and adopted a versatile and holistic view.





Figure 1: Garanti Bank Materiality Analysis



The explanation of the numbering on materiality analysis chart are provided in Appendix 1.

# How Do We Manage Our Material Issues?

Table 7 contains the page numbers and related headings of material issues. Also how each material issue coincides with our strategy <sup>14</sup> is described.

G4-18 G4-19 G4-22 G4-23

<sup>14</sup> In the table the following abbreviations are used: For Garanti Banks's Strategic Priorities SP, for Core Values CV, for Garanti Bank's Main Pillars of Strategy MPS, for Garanti Bank's Competitive Advantages CA, for Sustainability Strategy SS.

Table 7: Material Issues

Material Issue	Internal and External Impacts	Related Principles	Relevant Section
(5) Being Customer Focused	The approach to prioritize customers and their needs has an impact on customers and Garanti's financials and reputation.	MPS SP CA	Customer Centricity
(3) Risk and Crisis Management	Garanti's ability to manage its financial and non-financial and customer-related risks and crises that is important for both the Bank and external stakeholders.	SP CV SS	Transparent and Responsible Governance
(17) Digital Transformation	Digitalization of internal processes and services offered to customers has importance for customers and Garanti.	MPS CA	Digital Transformation
(1) Transparency and Reporting	Transparent reporting informs all stakeholders about Garanti, and is important for both Garanti's reputation and all stakeholders.	CV SS	Transparent and Responsible Governance
(8) Financial Performance and Direct and Indirect Impact on Economy	This has an impact on Garanti and persons and institutions that Garanti attributes economic value.	SP	Garanti In Brief Supporting Economic and Social Development
(7) Customer Privacy and Information Security	Customer information privacy is important for all customers. Security violations have financial and reputational impacts on Garanti.	MPS	Digital Transformation
(10) Management of customer ESG risks	This issue has an impact on Garanti and its customers according to their environmental, social and ethical risk levels and sizes.	SP SS	Responsible Finance
(23) Financial health and supporting customers in making conscious financial decisions	Customers' ability to take healthy financial decisions and make savings has an impact on Garanti and its customers.	SP SS	Customer Centricity





Material Issue	Internal and External Impacts	Related Principles	Relevant Section
(16) Pioneering Sustainable Banking	This points to Garanti's leadership in the sector and the transformation of the sector by Garanti, and has an impact on particularly Garanti and all sectoral stakeholders.	CV CA SS	Pioneering Sustainable Banking
(6) Investing in Employees	Investing in employees and increase of engagement and well-being is important for Garanti's performance.	MPS CA	Investing in Human Capital
(13) Climate Change and Energy	This comprises the effects of climate change which occur both through Garanti's own and its customers' activities.	SS	Climate Change and Energy
(20) Stakeholder Dialogue	Stakeholder dialogue expresses Garanti's two-way communication and inclusion of these opinions into its decision-making mechanisms and processes, and is important for all stakeholders and Garanti.	SP CA	Material Issues
(12) Compliance	This issue includes Garanti's compliance with banking and financial sector regulations and other legal regulations to which Garanti is subjected.	CV	Transparent and Responsible Governance
(2) Good Corporate Governance	This points out that internal operations and management mechanisms work in an efficient, accountable and responsible way, and are efficient for Garanti and its external stakeholders.	SP CV SS	Transparent and Responsible Governance

The complete list of relevant topics included in the analysis and their explanation can be found in Appendix 1.



## How Do We Include Our Stakeholders in the Process?

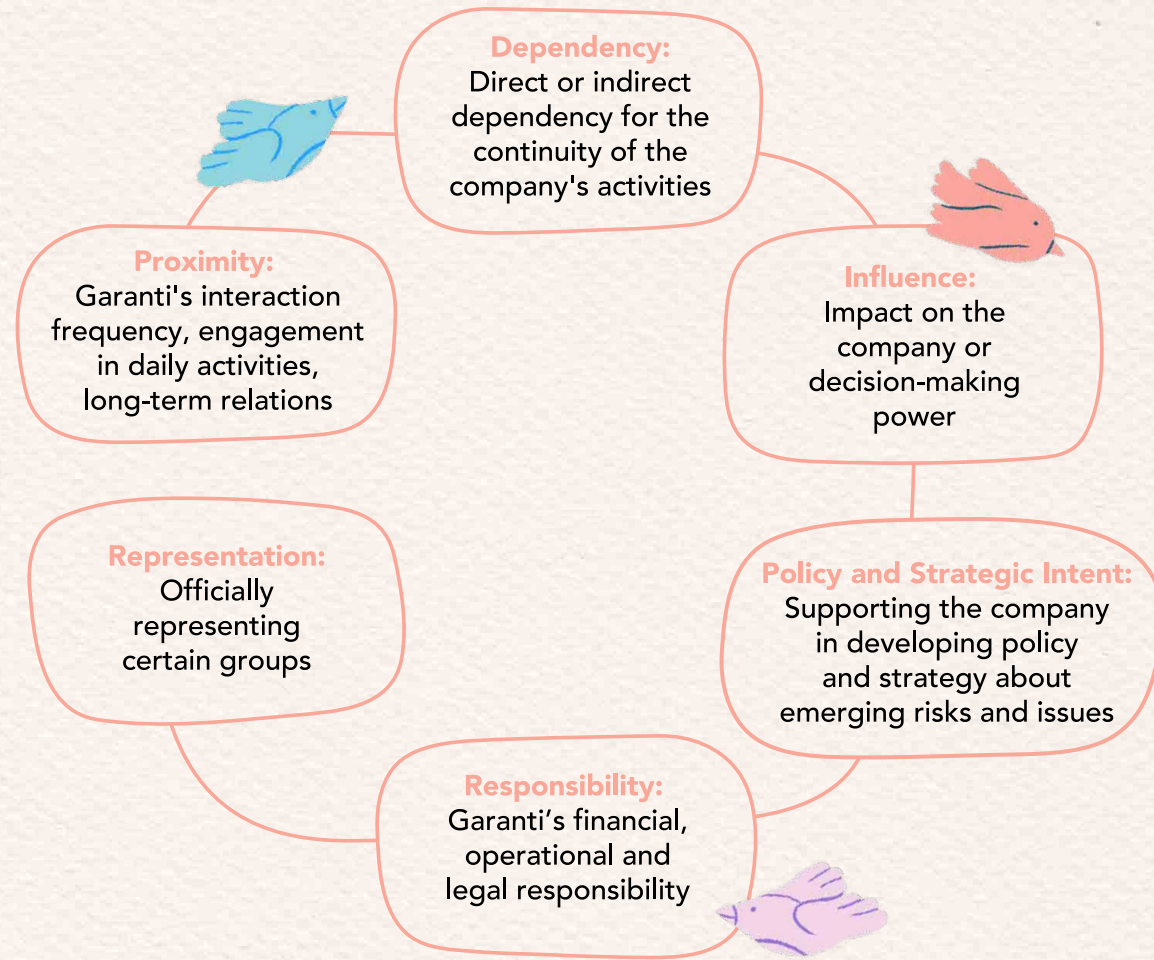
Regular communication with stakeholders is an important part of being a participatory and transparent Bank. The feedback from our stakeholders allows us to determine risk and opportunity areas more comprehensively as well as understand stakeholder expectations and meet their needs more sensitively.

In addition to maintaining dialogue with our stakeholders through various channels all year round, while identifying the material sustainability issues to be included in the report, we used the AA1000SE Stakeholder Engagement Standard as a reference to conduct the stakeholder engagement process in a more strategic, deep and

comprehensive way. With a 22% response rate we took the opinions of 152 people with an analysis carried out by an independent company.

Firstly, we grouped our stakeholders according to three criteria as directly impacting Garanti, indirectly impacting Garanti and bringing in new opportunities, insights and approaches. We prioritized our stakeholders, which were grouped as customers, employees, shareholders, investors, analysts, suppliers, NGOs and associations, media, universities, finance institutions, governmental institutions and international organizations according the criteria of dependency, influence, proximity, representation, policy and strategic intent and responsibility.

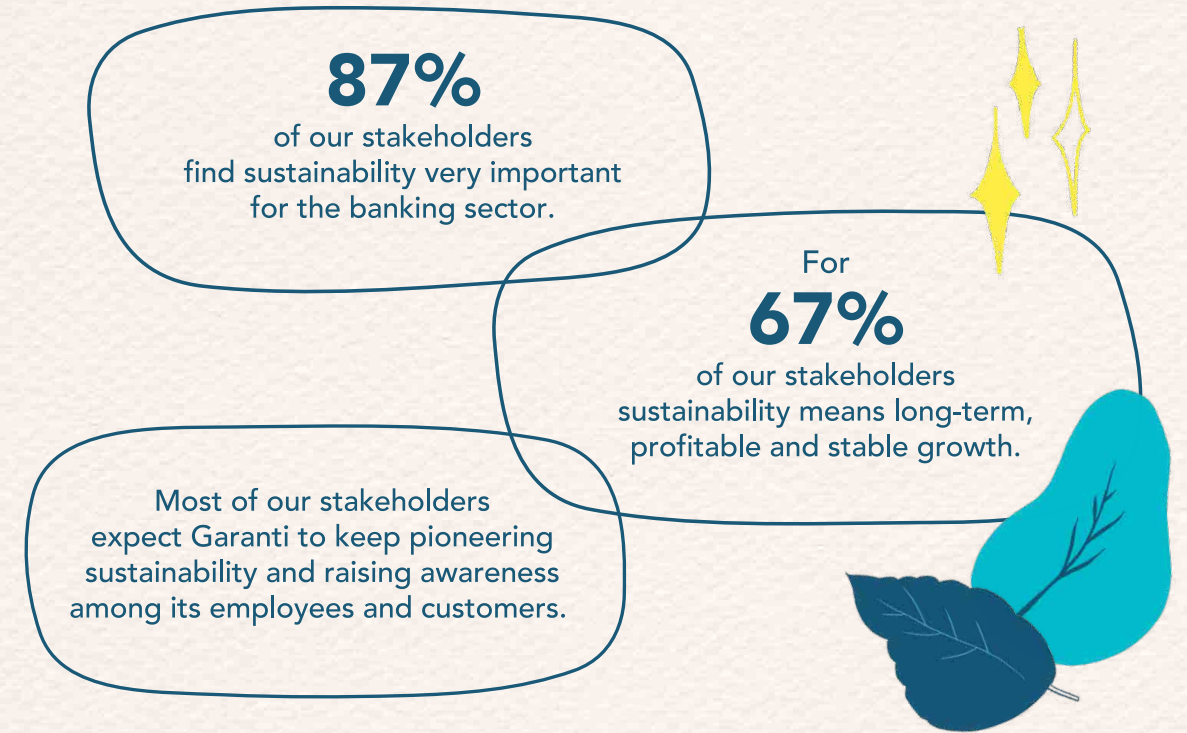




We reached most of the prioritized stakeholders via online surveys. We interviewed our shareholders face-to-face or by telephone, held a focus group meeting with the Sustainability Representatives in the Head Office and conducted interviews with 10 senior managers directly reporting to the Board and the CEO. The stakeholders were requested to prioritize the relevant topics

and share their opinions and expectations about the perception of sustainability and Garanti Bank's sustainability practices. While 14 issues has been identified as material by our stakeholders the top five issues has been customer centricity, risk and crisis management, digital transformation, transparency and reporting, financial performance and direct and indirect impacts.

G4-25



'Garanti Bank is a corporation which places sustainability in the center of its strategy. I can see that the Bank follows the global trends in this regard and develops its products and services constantly. Sustainability strategy impacts the business positively, improves employee retention. The Bank shares the importance and the developed methods related to social and environmental impact assessment of large projects with public bodies, private sector and NGOs and leads the way. I hope that Garanti keeps on contributing to Turkey's sustainable future.'

*Konca Çalkıvık, Business Council for Sustainable Development Turkey, Secretary General*



'I expect them to be the leader in planning and carrying out the practices which will set standards in Turkey in energy financing following the Paris Agreement.'

*Derin Şenerdem, Global Compact Turkey, Istanbul Office Coordinator*

'Your report sets a high standard, is imaginative and well presented for the reader to get stuck in. One thing I would like to see in the future is greater reference to your active involvement with the International Integrated Reporting Council's (IIRC) Business Network and more explanations as to what value you derive from taking a progressive Integrated Reporting (<IR>) approach in contrast to keeping sustainability and financial information separate. Looking forward to this evolution and keep up the great work Garanti!'

*Henning Draeger, International Integrated Reporting Council, Business Network Director*

'Thank you for bringing this to my attention. I wasn't aware ESG (environment, social and governance) was so important to Garanti Bank.'

*Andrzej Nowaczek, HSBC, Analyst*

'Our awareness and practices related to sustainability as Garanti Bank make me happy. I hope to see that in 2017 sustainability practices gain more place in our daily lives as employees.'

*Özgür Özkan, Garanti Bank, Customer Experience Manager*

Some of the issues mentioned by our stakeholders:

Table 8: Material Issues Mentioned by our Stakeholders

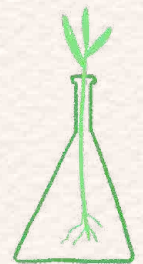
Stakeholder group	Issue	What do we do about it?
Employees – Sustainability Representatives	Increasing both internal communication in terms of sustainability and communication among sustainability representatives	We plan to increase sustainability communication between representatives and all of our employees in 2017.
Media Investors	Improving ESG risk assessment system in lending processes	We aim to widen the scope by increasing OHS criteria in the ESG system in 2017.
Investors	Enhancing the materiality analysis	This year, we enhanced the methodology of our materiality analysis and updated the text based on the material issues. For the remaining information, we refer to our website.
Universities Investors	Publishing an integrated report	We aim to publish our first integrated report until 2019.
NGOs and Associations Investors	Action against Climate Change	In line with the Climate Change Action Plan published in 2015, we carry on our work. In 2016, we made a commitment to set a Science-Based Target.

For detailed information on engagement with each stakeholder group, please see Sustainability Report 2015 <sup>15</sup> Appendix 1, page 140.

G4-26

G4-27

<sup>15</sup> [https://www.garantiinvestorrelations.com/en/images/pdf/Sustainability\\_Report\\_2014.pdf](https://www.garantiinvestorrelations.com/en/images/pdf/Sustainability_Report_2014.pdf)





## Supported Initiatives



SDG 17.16 Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries

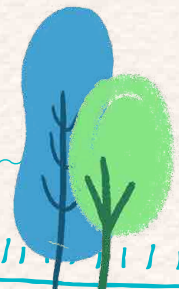
**B** aware that steps towards sectoral and socio-economic issues are not enough by themselves, we believe these issues can be solved in cooperation with actors from the financial sector as well as other sectors. From a similar point of view, Sustainable Development Goals emphasize the importance of cooperation in reaching 2030 targets. We take firm steps in line with our vision to transform the sector while maintaining our close cooperation with it, by following global and sectoral trends through our support for global initiatives and the various platforms we participate in.

As Garanti Bank, we are a pioneer in this area. We are the first bank in Turkey to be a member of WeConnect International which supports women entrepreneurs' participation in the supply chain, and to sign the Business Leadership Criteria on Carbon Pricing and the "Caring for Climate" (C4C) initiative. We continued our support for activities which bring banking and other sectors together in 2016. We continued to support the fourth Sustainable Finance Forum, organized in cooperation with the Business Council for Sustainable Development Turkey (SKD Turkey), The United Nations Environment Programme Finance Initiative (UNEP FI), and Global Compact Turkey.

Table 9: Memberships and Supported Initiatives

Initiative / Organization	Participation Year
TUSIAD Environment and Climate Change Working Group	2016
Paris Pledge for Action	2016
Science-Based Target	2016
Caring for Climate (C4C)	2015
UNGC Business Leadership Criteria on Carbon Pricing	2015
'HeforShe'	2015
CDP Water Program	2015
Professional Women's Network (PWN)	2015
Integrated Reporting Business Network	2015
Women's Empowerment Principles (WEPs)	2014
Global Reporting Initiative (GRI)	2013
WWF Green Office	2013
Turkish Green Building Council (ÇEDBİK)	2013
International Integrated Reporting Council (IIRC)	2013
- Pilot Program	
The United Nations Global Compact	2012
The Business Council for Sustainable Development Turkey (SKD)	2012
HP Planet Partners Program	2012
Equal Opportunity Model (FEM)	2012
UN Principles on Responsible Investment <sup>16</sup> (UN PRI)	2011
The United Nations Environment Programme Finance Initiative (UNEP – FI)	2011
CDP Climate Change Program	2010
The Banks Association of Turkey	1958

<sup>16</sup> Signed by Garanti Asset Management 100% subsidiary of T. Garanti Bankası A.Ş.





## Pioneering Sustainable Banking



We are working for a world  
where competition yields to  
collaboration when the matter is  
our children.



## PIONEERING SUSTAINABLE BANKING

**W**e consider ourselves responsible for pioneering the spread of sustainability practices and approaches in the finance sector and a sustainable growth model to create value for all stakeholders.

As Garanti Bank, our pioneering approach includes being a model to our stakeholders in the sector with good practices at a global level, and encouraging the Turkish finance sector, particularly our own subsidiaries, to operate in consideration with sustainability criteria. As our stakeholders expect, we practice our understanding of leadership and transforming the sector by supporting the cooperation and global initiatives. The new ground we break in line with

our vision to be the best bank in Europe is important not only from the aspect of improving our Bank's performance and the representation of our country in the international arena, but also in terms of enhancing the finance sector's resilience and public welfare. We lead the entire Turkish business, particularly the banking sector, in becoming transparent and creating value in the long term, by sharing more information with stakeholders about ethical issues, governance, responsible finance, environmental and social performance, risk management, climate change measures, transparency, supply chain, and human and employee rights.

MEMBER OF  
**Dow Jones Sustainability Indices**  
In Collaboration with RobecoSAM

In 2015, we became the only company in Turkey to be listed in the Dow Jones Sustainability Index - Emerging Markets. It is of great importance for us to maintain our success to be in the Dow Jones Sustainability Index, where

global sustainability leaders are listed, to continue to represent our sector on the international arena, and to inspire other actors in the finance sector about sustainability practices.



In 2016, we performed to be listed in the FTSE4Good Emerging Index, which was launched for the first time this year by FTSE, an independent organization of joint ownership by the London Stock Exchange and the Financial Times. We were successful in being qualified in the Index

in the first month of 2017. We consider being listed in FTSE4Good, which is recognized as one of the important indices to be looked by the investors who would like to make responsible investments, a significant result of our leadership reflex.



We are the only company from the Turkish banking sector to be included in the CDP Global Leaders Report by qualifying for the A List, the highest group in Performance Scoring among companies that disclose their climate change strategies. In

addition, we are the main sponsor of CDP Turkey Water Program, aiming to mobilize the private sector about water resources, and became one of the CDP Turkey Water Leaders by getting a score of 'A-'.



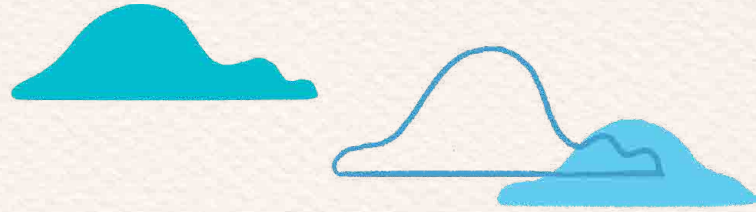
We became listed in 2017 Bloomberg Financial Services Gender-Equality Index, which assesses the companies in finance sector in terms of their practices in gender-equality. We became the first and only company from Turkey to be

listed in the index, thanks to our practices developed to empower women socially and economically, as well as our customer and society-focused practices.



We maintained our place in the Borsa Istanbul Sustainability Index and the Borsa Istanbul Corporate Governance Index, after being qualified in 2014.





Apart from our practices in transparency, we support initiatives in priority areas such as developing market tools in combating climate change, and ensuring that women, who are among the groups receiving insufficient financial services, are involved in the economy.

Creating market tools such as carbon pricing has been in the agenda of the banking sector in the last few years. We signed The United Nations Global Compact Business Leadership Criteria on Carbon Pricing in 2015 to encourage the finance sector's efforts in this regard. In addition, we attach importance to being the first bank in Turkey to be a member of the Caring for Climate (C4C) initiative in terms of supporting the business world's stance against climate change and being a role model to the national finance sector in this regard. By leading the development of a more responsible approach in the finance sector, we started to work on these issues in 2016 as the first bank from Turkey to be a member of WeConnect International, which aims to empower women and include more women entrepreneurs in the supply chain. Our aim is to pioneer the entire finance sector in paying attention to diversity and being more inclusive. For

detailed information about the initiatives of which we are a member, please see the memberships and supported initiatives section of the Report.

We aim to transform the entire finance sector, particularly our subsidiaries, through our work. Garanti Bank's subsidiaries carry out work on sustainability. For instance, one of our integrated units, Garanti Emeklilik started a stakeholder engagement process in 2016 to create its sustainability strategy with the Sustainability Committee, which was established within itself.

Our work on sustainability raises awareness among our stakeholders, particularly our customers and suppliers. With this awareness, our stakeholders request that the other actors they communicate with also carry out work in this field, and encourage the sector's transformation in areas which we lead.

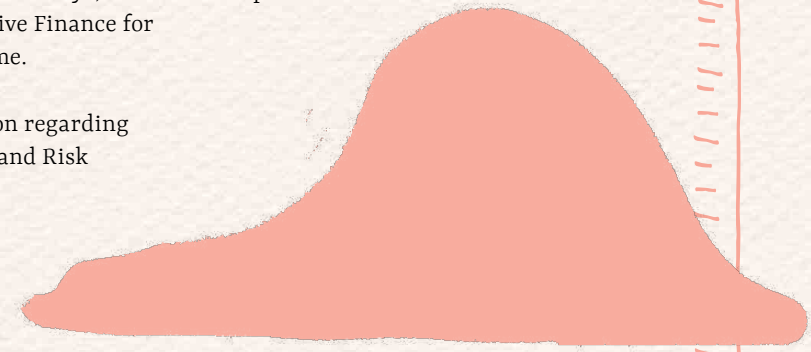
We continued our efforts to raise awareness and build capacity in the finance and private sectors in 2016. Garanti being one of the main sponsors, 4th Sustainable Finance Forum, a collaboration of Business Council for Sustainable Development Turkey (BCSD



Turkey), United Nations Environment Program Finance Initiative (UNEP FI), and Global Compact Türkiye, was organized with "Inclusive Finance for Inclusive Growth" theme.

For detailed information regarding the 2nd Sustainability and Risk

Management Workshop please refer to the Responsible Finance section of the Report.



## Sustainability Milestones

2016

B

ecame once again the only Turkish company to be listed in the Dow Jones Sustainability™ Emerging Markets Index.

- Became the first company in Turkey to be included for two consecutive years in the highest performance group, A List, for the companies disclosing their climate change strategies. We thus became entitled to receive the "CDP 2016 Climate Leader Award".
- Entitled to receive the "CDP Turkey 2016 Water Leadership Award".
- Continue to be listed in the Borsa Istanbul (BIST) Sustainability Index since 2014.

- Received limited audit on Materiality Analysis, Scope 1 and Scope 2 greenhouse gas emissions, resource consumption, renewable energy portfolio and the Environmental and Social Impact Assessment Process, prioritizing social investments, social impact analysis and our sustainability structure for the Sustainability Report which was prepared based on GRI G4 Guidelines.
- Decreased the investment amount limit for projects subject to Environmental and Social Impact Assessment Model from USD20 million to USD10 million
- Initiated the "GarantiPartners Venture Base".

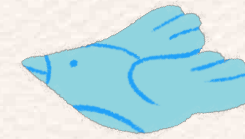


- Reached out to 2,931 women through financial literacy seminars and basic level entrepreneurship workshops in collaboration with 7 municipalities.
- Maintained our share of 32% in total installed wind power capacity in Turkey among all banks.

- Launched the “Sign Language” online training program, consisting of comprehensive video and applications for the use of the employees, within the scope of the Disabled-Friendly Banking Project.
- Established the Women Executives Initiative to support gender equality in senior management.

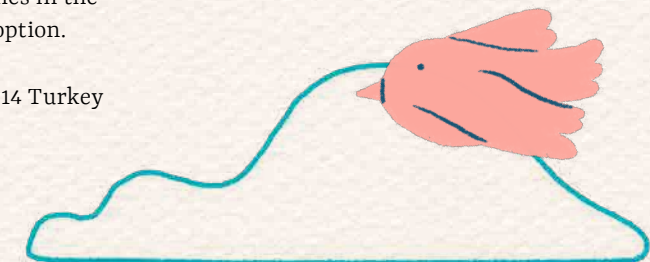
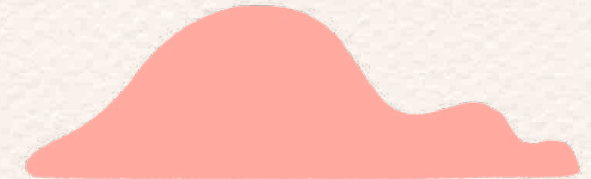
## 2015

- Became the only Turkish company to be listed in the Dow Jones Sustainability™ Emerging Markets Index.
- Awarded with the “CDP 2015 Turkey Climate Transparency Leadership” and “CDP 2015 Climate Performance Leadership” and became the first Turkish company to be listed on A Performance List worldwide.
- Expanded scope of the Environmental and Social Impact Assessment Model (ESIAM) and increased the sublimits necessary to be assessed.
- Became the main sponsor of the CDP Water Program and published the first CDP Water Report.
- Provided the “Agricultural Irrigation Systems Loan”.
- Supported the “HeforShe” initiative.
- Established the Women Steering Committee to contribute to women’s social and economical empowerment.
- Became a member of Professional Women’s Network (PWN).
- Became the first Turkish bank to sign the UN Global Compact’s Business Leadership Criteria on Carbon Pricing.
- GarantiPartners, an entrepreneurship fast-track program that supports SMEs and start-ups through mentorship and funding, became the first platform where a bank and an investor network comprising angel investors (BUBA) come together.
- Carried out the “Women Entrepreneur Research”, which aims to identify potential women entrepreneurs.
- Became the main supporter of the W20 initiative that was established for the first time within the scope of Turkey’s G20 Presidency.



## 2014

- Shown as an exemplary international case study in the report by the International Finance Corporation with our model and research on support for woman entrepreneurs.
- Qualified for the BIST Sustainability Index and the BIST Corporate Governance Index.
- Became the first bank to adopt the Women’s Empowerment Principles (WEPs) developed by the United Nations.
- Became the first bank in Turkey to prepare a sustainability report in accordance with GRI’s G4 Sustainability Reporting Guidelines in the “Comprehensive” option.
- Received “CDP 2014 Turkey Climate Disclosure Leadership Award”.
- Became the first bank to receive a Green Office diploma from WWF Turkey.
- Started “Join the Workforce Join Life” project which targets the employment of disabled people under the leadership of the Ministry of Family and Social Policies.
- Engaged in a strategic partnership with BUBA, which brings together entrepreneurs and angel investors.





## 2013

- Signed the “Energy Efficiency in Buildings” manifesto developed by the Turkish Business Council for Sustainable Development BCSD Turkey.
- Launched an e-learning program about Environmental and Social Risk Management for our employees involved in lending operations.
- Recognized as the “Best Bank for Sustainability in Turkey” by World Finance Magazine.
- Awarded by IAIR <sup>17</sup> with the “Best Bank for Sustainability – Europe” award.
- Joined the pilot program of the International Integrated Reporting Council (IIRC).
- Obtained external assurance on 2013 Scope 1 and 2 GHG emissions for the first time.



## 2012

- Established the full-time “Sustainability Team” under the Project and Purchasing Finance department.
- Signed the UNGC.
- First bank in Turkey to become a member of the Turkish Business Council for Sustainable Development BSCD Turkey.
- Received the “Carbon Performance Leadership” award.
- Was named the Turkish bank implementing the EMS in the highest number of buildings
- and to the broadest extent while forming our environmental policy with the ISO14001 certificate.
- Started to organize Women Entrepreneurs Leaders School trainings.
- Became the first bank in Turkey to become a member of the Global Banking Alliance for Women (GBA). <sup>18</sup>
- Became the first and only institution in Turkey to be deemed worthy of the Investors in People (IIP) certificate in the “Gold” category.

<sup>17</sup> IAIR - International Alternative Investment Review, the first-ever magazine that emphasizes sustainability from the perspective of the global economy.

<sup>18</sup> Global Banking Alliance for Women (GBA)

- Launched the Sustainability E-Learning Program that is open to all Bank employees.
- Joined the “HP Planet Partnership Program” for the disposal of used printer cartridges.
- Agreed to make Executives Summit and Future Meetings carbon-neutral.
- Launched efforts to facilitate

disabled customers’ access to financial services.

- Started our first initiative to form an environmentally friendly supply chain by including a binding provision concerning full compliance with our EMS in supplier contracts.

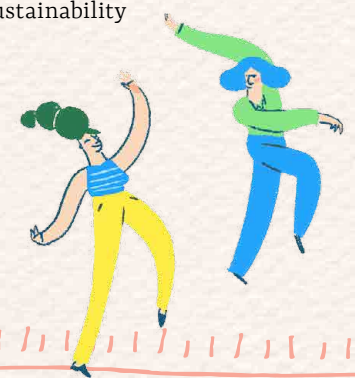
- Put into practice “Rotaban” project aiming to reduce fuel consumption of our personnel service buses in Istanbul.

## 2011

- Became a member of United Nations Environment Program Finance Initiative (UNEP FI).
- Launched our Environmental and Social Loan Policies (ESLPs).
- Established our Environmental and Social Impact Assessment Process (ESIAP).
- KOBİLGİ (SME Information) seminars started.
- Established “SALT”, an important milestone in our longstanding support for culture and arts.
- Received acknowledgment in the CDP Project Global 500 Report 2011.
- Share in operational Wind Energy Power Plants in Turkey increased to 40%.

## 2010

- First submission of its GHG emissions and climate change strategy to CDP.
- Established our Sustainability Committee.





# Sustainable Development Goals and Garanti Bank

**S**ustainable Development Goals, adopted by the United Nations in 2015, guide the business world in terms of contributing to social development by opening important windows of opportunity. The financial services sector should be reshaping market opportunities in line with the society's needs, to ensure a comprehensive, strong and stable economy for all individuals and to achieve social welfare. Our sustainability vision combined with our ambition of leadership in the banking sector includes activities integrated with the Sustainable Development Goals. While the work we carry out serves a more inclusive, low-carbon and resource-efficient economy, it also guides us in broadening our range of products and services and in carrying out leading practices in the sector. This work includes

developing responsible products and services targeting different income groups, investing in the supply chain, contributing to the employees' welfare and happiness by developing their skills and efficiency, and investing in renewable energy and infrastructure projects. Besides, as a finance provider, the fact that we manage our environmental, social and governance risks and finance our projects in a responsible manner, contributes to our goals of creating sustainable and inclusive economic growth and raising awareness in the sector.

Based on our strong belief that educational reforms are an essential pillar of social development, we support quality education our social investment programs. We encourage gender equality both within the organization and the society in general through our programs and products which ensure the empowerment of women and the value we place on people as well as our inclusive and egalitarian human resources policies. We contribute to the supporting of our employees with decent job opportunities to increase the competency of our skilled human resources. We combat against climate change, support the projects aiming to

spread responsible consumption and production models, and finance advanced and innovative infrastructure investments. We also offer products to increase the move towards renewable energy resources. We are aware that the cooperation with various sectors enables all these goals to be achieved. We cooperate with peers, suppliers, non-governmental organizations and governments by our sense of leadership in terms of sustainability and by taking advantage of new opportunities through determining best practices and product samples at a global level.

Sustainable Development Goals supported by Garanti Bank;

1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS	SUSTAINABLE DEVELOPMENT GOALS



## Transparent and Responsible Governance



**W**e are working for  
a world where  
transparency  
triggers continuous  
improvement and innovation,  
and where people proactively  
question their own actions.



## TRANSPARENT AND RESPONSIBLE GOVERNANCE



**W**ith a mission to create sustainable value by continuously and significantly increasing value to all our stakeholders and by adopting a “transparent”, “clear” and “responsible” approach to our customers at all times, we believe improving the customer experience by offering products and services tailored to their needs would only be possible through responsible and transparent governance.

### Governance Structure

Our Board of Directors seats 11 members with the following composition as of December 31, 2016 with 9 male and 2 female board members. The Chairman and the CEO have different roles at Garanti Bank. In accordance with the principle of separation of powers and authority, the Chairman leads the Board of Directors while the CEO's duty is to lead and manage the Bank's operations.

The Board and senior management cooperate to determine the Bank's strategic targets, in a manner which promotes synergy. For detailed information on the Board of Directors and the senior management, please see the Investor Relations website.<sup>19</sup>

<sup>19</sup> <https://www.garantiinvestorrelations.com/en/corporate-governance/Senior-Management/Senior-Management/79/392/0>

### Risk Management and Internal Audit

At Garanti Bank, risk management mechanisms, which provide continuity and durability of business activities in the long run, consist of a structure which enables the identification, prioritization, monitoring and management of risks. We place vital importance on risk management and internal audit mechanisms so that our future business plans and strategy progress in line with our vision to be the best in Europe. Focusing on Risk Management and Audit, one of the core elements of our strategy, includes a structure oriented toward an optimum capital balance and proactive audit systems in line with our activities and within the framework of continuing sustainable growth by creating value, by means of



We place vital importance on risk management and internal audit mechanisms so that our future business plans and strategy progress in line with our vision to be the best in Europe.

creating a risk management system where risks are measured with methods in compliance with international standards and local regulations, and by observing the risk-return trade-off based on this system.. Risk management, internal audit and internal control functions are carried out by the teams who report to the Board of Directors and fulfill their responsibilities in compliance with applicable rules and independent implementation functions. The efficiency of audit and risk management is supervised by the Board of Directors, and our obligatory work on risk management will continue to be coordinated by the Risk Committee and other relevant committees in 2017.

For detailed information on the Compliance Department, the Anti-Fraud Monitoring Department, the Internal Audit Department, and the Internal Control Unit, please see pages 67-160 in the Annual Report.<sup>20</sup>

Garanti Bank continues to efficiently manage the risks it is exposed to in line with its strategy and activities within the scope of the risk appetite framework by using audit activities, while complying with legal regulations and overseeing potential stress conditions. For detailed information on the risk management and audit activities of our Bank, which manages its risks in an integrated manner, please see pages 125 – 141 in the 2016 Annual Report.<sup>21</sup>

<sup>20</sup> <https://www.garantiinvestorrelations.com/en/images/pdf/Garanti-Bank-2016-Annual-Report.pdf>

<sup>21</sup> <https://www.garantiinvestorrelations.com/en/images/pdf/Garanti-Bank-2016-Annual-Report.pdf>



## Code of Conduct

**I**n parallel to our Bank's commitment to corporate governance principles and ethical values, the ethical values document has been revised in consideration with today's business life, and "Garanti's Code of Conduct", which was approved by the Board of Directors in 2015. Announced with a message from the CEO in the Bank, the document can be found on the intranet site which is accessible by all employees and on the Investor Relations website.<sup>22</sup>

In Garanti's Code of Conduct, the employees' responsibilities towards customers, other employees, business and the society are defined comprehensively. Assigned as a mandatory training to all Garanti

employees, to date 33,224 hours of "Garanti Code of Conduct Training" were delivered.

As a matter of Environmental and Social Loan Policies, Garanti Bank does not finance any activities which are restricted or prohibited by the national laws and/or the international agreements to which Turkey is a party. In addition, Garanti does not finance any projects or activities that have been found to use child labor or violate human rights. Garanti Bank rejects loan requests for such projects and activities without any further social and environmental impact assessment process and regardless of the amount of loan.

In Garanti's Code of Conduct, the employees' responsibilities towards customers, other employees, business and the society are defined comprehensively.

<sup>22</sup> [https://www.garantiinvestorrelations.com/en/images/pdf/Garanti\\_Bank\\_Ethical\\_Principles.pdf](https://www.garantiinvestorrelations.com/en/images/pdf/Garanti_Bank_Ethical_Principles.pdf)



## Anti-Fraud Policy

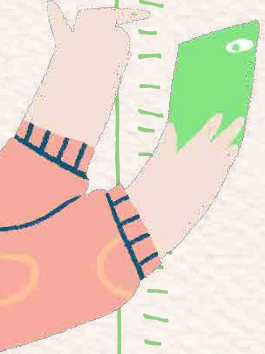
Garanti Bank's Anti- Fraud Policy has been designed to prevent internal corruption. Forbidding and tackling all types of corruption, including bribery and extortion is a matter of utmost priority for Garanti Bank. The Bank has in place the necessary mechanisms to carefully and closely monitor this issue in all of the actions undertaken by its customers, suppliers and employees.

The primary purpose of the Anti-Fraud Policy, in which these mechanisms are explained, is to improve the conditions for a fair and reliable working environment by raising awareness of all kinds of misconduct within the Bank.

By defining all types of misconduct, this policy aims to create a common point of view and raise awareness with the aim of preventing potential incidences of misconduct, to identify them in the shortest period of time, and to determine the measures which need be taken against misconduct. The policy applies without exception to all employees of the Bank as well as stakeholders with relations with the Bank, who may have committed misconduct, regardless of duty, position or seniority. For more details, please see pages 50-51 and annex 5 in our previous sustainability report.<sup>23</sup>

<sup>23</sup> [https://www.garantiinvestorrelations.com/en/images/pdf/GARANTI\\_SUSTAINABILITY\\_2015\\_web.pdf](https://www.garantiinvestorrelations.com/en/images/pdf/GARANTI_SUSTAINABILITY_2015_web.pdf)





## Whistleblowing Channel

The Whistleblowing Channel established to report the noncompliance to Garanti's Code of Conduct forms an essential part of our compliance system..

The channel is also a resource to assist the employees to report transgressions that they observe or which are reported to them by their team members, customers, suppliers or colleagues. Communications through this channel include, but are not limited to the reporting of suspicious illegal conduct or professionally unethical conduct.

In case of an actual or suspected breach of Garanti's Code of Conduct, the incident should be reported immediately via the Garanti Whistleblowing Channel, by e-mail at "[etikbildirim@garanti.com.tr](mailto:etikbildirim@garanti.com.tr)" or by telephone at +90 212 318 2375.

The Compliance Department, responsible for managing the Whistleblowing Channel, processes all reports received carefully and promptly, ensuring they are investigated and resolved, in accordance with the Whistleblowing Channel management procedures. Information is analyzed objectively, impartially and confidentially. The identity of the person who reported is kept confidential. The information is

made known only to those departments whose cooperation is necessary for the investigation process. The result of the investigation is communicated to the departments which need to take appropriate measures to correct the transgression, as well as to the person being reported and the reporter, as appropriate.

During the investigation process, personnel are expected to cooperate with the Compliance Department and other related parties, and are required to maintain confidentiality about their involvement in the process and any information about the subject.

Nobody, who reports any facts or activities through the Whistleblowing Channel in good faith, will be the target of reprisal nor will they suffer any other adverse consequence as a result.

Garanti's Code of Conduct includes incidents of conflict of interest and aspects which would prevent employees' professional behaviours from being affected by conflicts of interest. For detailed information, please see Page 156 in our 2016 Annual Report.<sup>24</sup>

<sup>24</sup> <https://www.garantiinvestorrelations.com/en/images/pdf/Garanti-Bank-2016-Annual-Report.pdf>

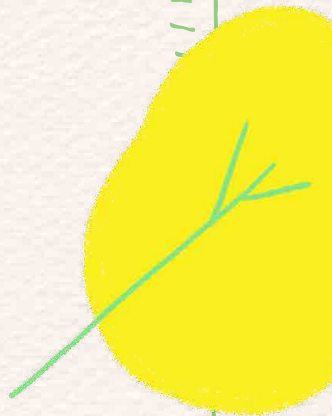
## Regaining Trust in Banking and Reputation Management

For us, it is of utmost importance to maintain trust in the banking sector at the maximum level in order to create a stable economic environment reassuring international investors and our customers. Within the framework of the Basel II harmonization process, Garanti has taken steps for the integration of the global financial system, as well as contributing to the building of the sector on a stronger and more solid basis. To this end, we continue to comply with legal regulations, pay attention to potential stress incidents, and manage potential risks. For detailed information on work we carry out on the implementation of Basel regulations, please see Pages 136-137 in our 2016 Annual Report.

We effectively manage our nonfinancial risks, as well as financial deepening work, which we carry out in accordance with international principles and include internal capital adequacy assessment in compliance with

risk profiles, task environment and strategic plans. Among these risks, the most important one is our reputation in the eyes of our customers, on whom we depend for our business continuity and who are our raison d'être. We directly associate customer satisfaction with developing and maintaining a sense of trust and protecting stabilization and trust in the banking sector. Therefore, in accordance with the Customer Satisfaction Constitution we determined in line with the principles adopted at an international level, the Banks Association of Turkey's Principles of Banking Ethics and our principle of being customer focused, we communicate with our customers in a proper, well-timed and transparent way.

The Ethical Sales Principles, which is accessible by all employees on the intranet site of the Bank, emphasize that "reputation" is the Bank's most important value and set out the expected code of conduct in detail for employees who engage in sales activities.





## Anti-Money Laundering Policy

**F**inancial institutions can be used at any stage of money laundering. Money laundering is defined as concealing the illegal sources of proceeds obtained from criminal activity. Even if it is unintentional, getting involved in money laundering is an important reputational risk.

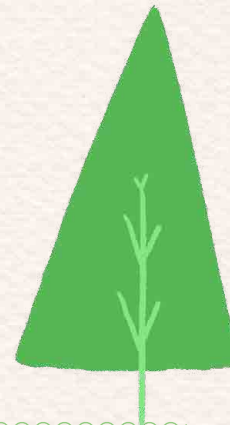
As Garanti Bank, we support all national and international efforts in combating money laundering, the financing of terrorism and other associated crimes, and undertake to comply with all relevant laws and other legal regulations.

Money laundering has three stages:

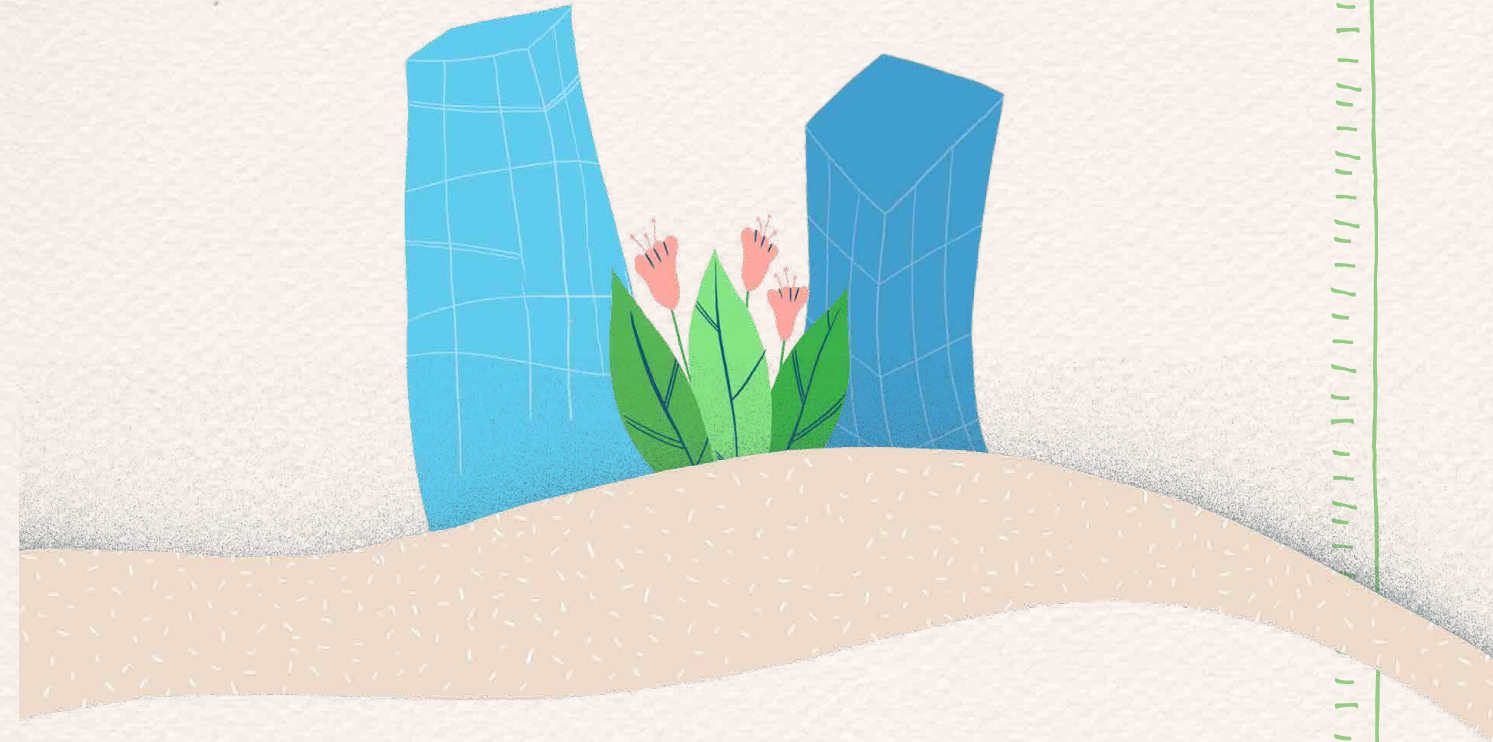
- Placement (placing the proceeds of crime into financial system)
- Layering (moving the proceeds of crime from their source)
- Integration (placing the fund which is separated from its illegal source into the financial system in a laundered way)

Considering all these stages, we comply with legal regulations on combating money laundering, financing of terrorism and other associated crimes both in Turkey and other countries where we operate. To do this, we apply our program to prevent money laundering. For detailed information, please see the “Anti-Money Laundering Policy” on our Investor Relations website.<sup>25</sup>

Considering all these stages, we comply with legal regulations on combating money laundering, financing of terrorism and other associated crimes both in Turkey and other countries where we operate. To do this, we apply our program to prevent money laundering. For detailed information, please see the “Anti-Money Laundering Policy” on our Investor Relations website.<sup>25</sup>



<sup>25</sup> <https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Anti-Money-Laundering-Policy/98/409/0>



## Transaction Monitoring

External fraud activities are monitored centrally by the Anti-Fraud Monitoring Department with an enterprise fraud management perspective. The Department monitors issuing, acquiring, demand deposit account transactions and consumer loan/credit card applications across all channels on a 24/7 basis with using rule and/or score-based advanced software. Real-time actions are taken immediately to stop fraudulent activities and anti-fraud strategies are updated rapidly and efficiently against constantly changing fraud trends thanks to the Department’s ever-growing experience and expertise and its quick adaptation to new technologies.



## Fines Incurred during the Reporting Period

**D**uring 2016, administrative fines charged by regulatory and supervisory authorities on our Bank amounted to TL 2,305,556.28; the Bank took advantage of the cash payment discount and paid TL 1,748,528.23. For detailed information on the fines incurred during the reporting period, please see Page 136 in the 2016 Annual Report.

## Sustainability Governance

**A**s Garanti Bank, we believe that the concept of sustainability must be embedded throughout our decision-making mechanisms and business processes to create value for our stakeholders. The Sustainability Committee, established for this purpose, is a Committee which formally reviews and approves the Bank's activities related to sustainability and is chaired by a Board member.

The Sustainability Committee meets regularly in order to monitor the progress of and to provide input to all

sustainability efforts. The Committee is deliberately structured to integrate sustainability concerns and opportunities into all operations, products and services. In addition, this structure ensures all efforts are consistent with internal policies and related regulations. The Sustainability Committee's role is to agree on strategic direction and action plans for the Bank. The Sustainability Committee meets to review and take decisions on recommendations raised by the Sustainability Team and functional representatives regarding sustainability-related topics. By the end of 2015, the Sustainability Committee, which meets

every quarter of the year, has met 4 times. The decisions made in the Committee are shared with other units. In addition, the Committee ensures the integration of all material aspects and environmental and social factors, products and services, and decision-making mechanisms.

In addition to this high-level committee, Garanti Bank has formed the following 7 working groups ("WG") based on the Bank's Sustainability Policy:

- WG focusing on Customers and Sustainable Finance (Retail and SME Banking),

- WG focusing on Customers and Sustainable Finance (Corporate and Commercial Banking),
- WG focusing on Managing Environmental Impact of Operations,
- WG focusing on Communities,
- WG focusing on Stakeholders,
- WG focusing on Human Resources,
- WG focusing on Corporate Sustainability Governance

### COMMITTEE MEMBERS

**Dr. M. Cüneyt Sezgin** (Committee Chair) Board Member  
**Ali Fuat Erbil** (Permanent Member) CEO, and Board Member  
**Ali Temel** (Permanent Member) Chief Credit Risk Officer  
**Aydın Güler** (Permanent Member) EVP, Finance and General Accounting  
**B. Ebru Edin** (Permanent Member and Committee Secretary General) EVP, Project Finance and Sustainability  
**Cemal Onaran** (Permanent Member) EVP, SME Banking  
**Osman Tüzün** (Permanent Member) EVP, Human Resources and Support Services



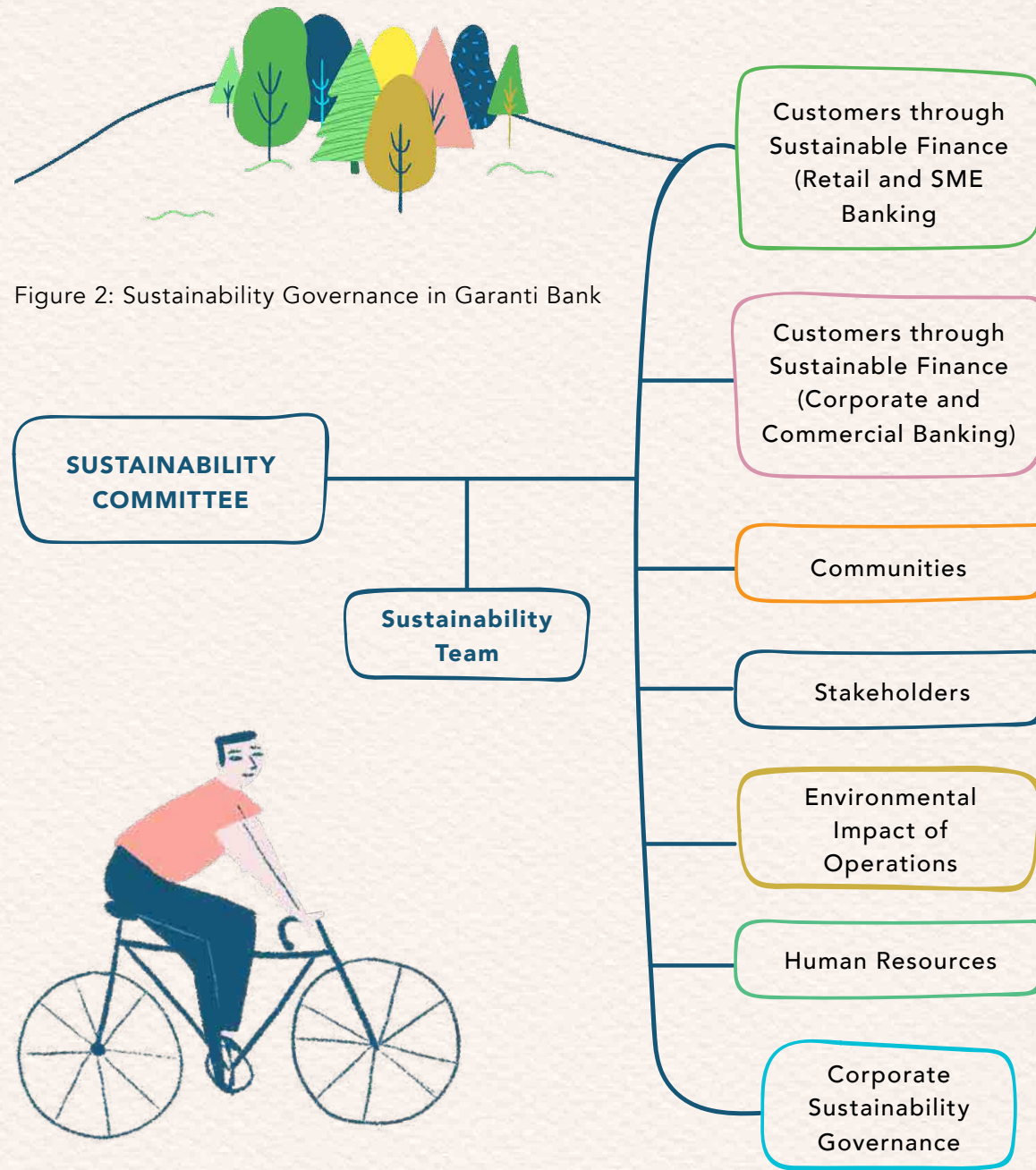


Figure 2: Sustainability Governance in Garanti Bank

Sustainability Team is responsible for the daily coordination of the efforts undertaken under the main heading of sustainability at Garanti Bank. The full-time Sustainability Team, which is based in the Project Finance Department, comprises 5 members including the Team Leader, Head of Project Finance Unit. Reporting regularly in the Committee meetings four times a year, the Sustainability Team presents the sustainability progress made to the Committee. Additionally, the significant development in the sustainability agenda is reported to the Committee members by the Team, or the Team receives approval regarding the process requiring approval from the Committee.


Regularly reporting to the Sustainability Committee, the Sustainability Team works in cooperation with other units of the Bank in the process of putting the decisions into practice. Following the progress each week, the Team ensures the consolidation and assessment of sustainability data throughout the Bank within the scope of Bank's objectives, and coordinates the gathering of information and data from other units. As of the end of 2016, there are more than 1,000 Sustainability Representatives in charge of working in coordination with the Sustainability Team in order to gather data and support the application of the decisions made by the Sustainability Committee in the units or branches where they work.

The coordination with Branches, Regional Offices and Units about the Environmental Management System is facilitated by the Energy Efficiency and Environmental Management Team within the Constructions Department. The Energy Efficiency and Environmental Management Team comprise 6 members, including the Constructions Unit Manager. The Energy Efficiency and Environmental Management Team are responsible for application of the Environmental Management System within the Bank, and ensuring the environmental sustainability of the in-bank activities.

The Constructions Department Project Officers, Mechanical and Electrical Engineers and Energy Efficiency and Environmental Management Team received the Institution of Occupational Health and Safety 'Managing Safely' training. The main aim of IOSH, which is officially recognized by the International Labor Organization, is to ensure that a safer, healthier and more sustainable business environment is created worldwide.



[illegible]

 **W**e are working for a world where every little touch by us creates lasting influence on individuals, institutions and the society as a whole.



## CUSTOMER CENTRICITY

**C**ustomer centricity is among the main pillars of our strategy. In line with our customer-focused approach, we give importance to offering our customers innovative and need-oriented products with high service quality, always providing customers satisfaction beyond their expectations, with fast, clear and simple business processes. Moreover, within the lines of our Customer Satisfaction Constitution we prioritize listening to our customers, identifying their needs and addressing areas for improvement. Customer satisfaction, is our raison d'être and the most important element for strengthening our competitiveness and differentiating us in the banking industry. Offering a good customer experience is the focus point of our operations and efforts. Listening to our customers and their feedback, understanding their needs and expectations from us and making them feel good and safe about working with us are fundamental to our customer-centric approach. In line with our ethical sales principles, we look after the financial health of our customers and assist them in making conscious financial decisions, by providing accurate information and giving right guidance. For the Customer Satisfaction Constitution, which we created in line with our customer satisfaction principles, please see our website.<sup>26</sup>

**300 thousand**

**customer feedbacks  
received in 2016**

**30%**

**REDUCTION  
in average number of  
complaints received per  
month since 2015**

<sup>26</sup> [https://www.garanti.com.tr/en/help\\_advice/customer\\_service/customer\\_satisfaction\\_constitution.page](https://www.garanti.com.tr/en/help_advice/customer_service/customer_satisfaction_constitution.page)



## Customer Experience in Garanti

Customer happiness is the main value that makes us Garanti. We aspire that our customers feel good about choosing us. Our customer-focused culture is a strategic priority for growth and diversifying our product spectrum. We believe that customer satisfaction is ensured by offering customers fast and simple services, understanding their expectations from life, making them feel safe, creating an emotional bond with them

and providing them with a good experience.

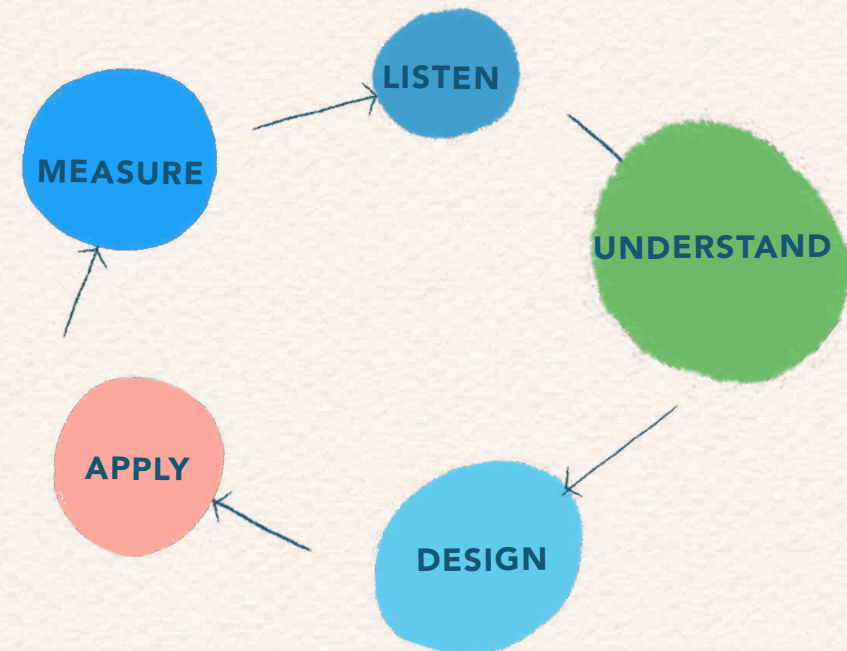
In 2016, we enlarged the Customer Experience Management team, which was a small service before, made it a separate department and united it with the Customer Satisfaction Unit, which manages customer feedback. Thus, conceptual and operative efforts were brought together under the same roof. The newly-established Customer Experience and Satisfaction Department's impact area was expanded as it became

a team that manages customer experience through all stages by creating insight, planning and resolving customer complaints.

Established in 2014, the Customer Experience Platform started to meet as the Customer Committee in 2016, under the leadership of the CEO and with the participation of all Executive Vice Presidents. The Customer Committee addresses customer experience issues, identifies areas for improvement and discusses solutions. The Committee also primarily deals with projects

that would improve customer experience, and enables relevant teams to undertake these projects. Creating a good customer experience is among the strategic material issues of Garanti's Senior Management.

Our customer experience methodology has 5 steps, which creates a cycle feeding each other: Listen, Understand, Design, Apply, and Measure.





## Multichannel Customer Listening

Our customers can communicate their feedback and complaints through different channels using various methods. Customer complaints are received through fax, electronic mail, websites and social media, as well as through a team serving a designated phone number and branded as the Customer Hotline, and are evaluated carefully and finalized as soon as possible.

In addition to carrying out extensive customer experience research regularly, we conduct post- service surveys with our customers who have had critical experiences in branches, and receive instant feedback. Likewise, we survey customers who call the Customer Hotline and Alo Garanti.

In 2016, we carried out Open Market Net Promoter Score studies (NPS) to determine our position in the sector in terms of customer experience. The studies were conducted with Retail Upscale, Retail Mass, SME -Small Business and SME-Micro- customers as well as Commercial Banking customers.

## Root Cause Analyses

Our customer experience practices consist of a continuous self-feeding process. All feedback received from customers is analyzed regularly, and the decreasing or increasing issues are followed closely.

Depending on the analyses, we identify the root causes of complaints and moments of contact when the customers' needs and expectations were exceeded or were not met, and create customer insight by synthesizing all gathered information. By identifying areas for improvement, we continue to follow-up the changes in

The number of complaints we receive per month, which were **35 thousand** in 2015, decreased to **24 thousand** in 2016, thanks to process improvements and changes to regulations. Similarly, **21 thousand** non-complaint reports were decreased to **14 thousand** from the previous year.

All feedback received from customers is analyzed regularly, and the decreasing or increasing issues are followed closely.

customer feedback after the studies are finalized.

To ensure more efficient complaint management in branches and offer solutions at the first point of contact, we completed the design and system development of a smart support platform. Pilot project began in December 2016 in branches.

## Customer Journey Design

We are aware that, to improve customer experience, we must improve the entire journey customers go through, instead of improving customer touch points one by one. Therefore, we adopt customer journey approach while designing areas of improvement or new services. By considering every step that customers experience from their perspective, we discover their needs and expectations, and offer solutions to meet them in the best way possible.

## Change Management

The most important actors for providing a good customer experience are Garanti Bank employees. Among primary competencies of all Garanti employees is being customer-focused, whether they have direct contact with the customers or not. Thus, it is of great importance that our employees adopt and be a part of this culture so that employees use these insights, implement the experience standards set out by the designed journeys and embed this thinking in all their work.

To keep employee engagement at the highest level, we inform our employees about our efforts to improve customer experience, design trainings for areas of improvement, and receive their feedback. When designing the interfaces and systems that our employees use, we aspire to make designs that will facilitate service delivery to the customers.



In addition, creating a good customer experience is the definition of success not only for employees who are in face-to-face contact with the customers, but also for employees at all positions and levels.

Towards the end of 2016, we initiated a new internal program, which increases our enthusiasm on creating a great customer experience and gathered all projects we made regarding customer so far under a single structure called **Garanti Empathy**. Projects that will be made in later periods will be included as part of this new program.

With Garanti Empathy, we aim that;

- Our employees can reach information sources and trainings on subjects on which they would like to improve themselves or customer feedback points out to be areas of improvement,
- Projects are made to improve customer experience, and all employees are informed about our efforts,
- Good practices are shared with the entire Bank, success in this area is recognized, and employees are inspired for new good practices.

### Quality Control with Bottom Up NPS Surveys

We measure impacts of our customer experience improvement efforts with daily employee-based post-service surveys. All employees can track survey results and customer feedback easily and daily so that all employees can take quick action to improve customer experience.

In 2016, we received feedback through after sales surveys from 300,000 customers who received service in our branches.

In addition, we are the first bank from Turkey to receive the ISO 10002:2004 Complaint Management System certificate from the British Standards Institution (BSI) in 2006 thanks to our effective complaint management processes. We renew our certification every year, and document that our customer service system complies with international standards.

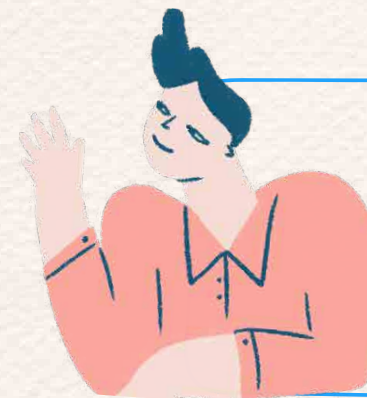
In 2016, we received feedback through after sales surveys from **300 thousand** customers who received service in our branches.



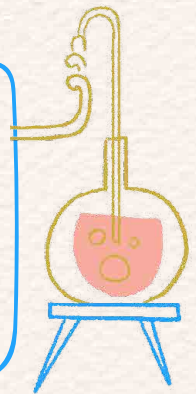
## Ethical Sales

We believe that adopting transparent, clear and responsible banking principles is an important part of customer experience management. In line with this belief, we communicate with customers transparently in all sales and marketing activities. We care about financial health of our customers, thus,

we give all the information they need in a clear and easy to understand way. With our responsible banking point of view, we share advantages and possible risks of products and services and we offer feasible solutions for financially embarrassed customers. By applying these principles, we aim to build a long term and sustainable relationship and strengthen trust relationship with our customers.



We measure impacts of our customer experience improvement efforts with daily employee-based post-service surveys.





## Financial Health

Our customer-centric approach includes supporting the financial health of our customers. Considering the low saving rates and high amount of credit card debt in Turkey, it is important that customers have the tools to manage their financials.

With a wide range of products and services, we aim to support our customers in terms of managing their financials, creating a savings culture, as well as ensuring that they achieve their short and long term targets. We try to facilitate the access to banking services through all our channels. We ensure that our customers are informed about their financial statuses, and guide them by providing advice according to their needs.

In this context, our customers;

- can benefit from financial planning services,
- can use products that encourage saving such as 'Net Savings Account', 'Spend and Save' which offers customers the chance to turn credit card expenses into savings and Investment Accounts,

- can manage their personal financials with online banking and mobile banking,

- users without access to internet can easily receive information on banking services and products through Alo Garanti channel,

- can reach market information and the nearest Garanti ATM/Branch information through their smart watches with the Apple Watch application,

- can easily access to offers such as personalized loans and savings, dynamic offers and systems such as IVN,

- The "Notification Today Widget" for iPhones and iPads enables the Bank's customers to access market information, locations of the closest ATM/branches and exchange rates

- can withdraw cash with QR withdrawal option, without the necessity to carry their debit and credit cards,



## Online Banking Personal Finance

The Internet and mobile banking form the primary channel through which we facilitate access to banking services so that customers can manage their financial lives. We make it easier for customers to track their financial status and have full control over their finances. We offer

many services through our channels from viewing income and expenditures in detail, setting spending limits and getting notifications when the limits are exceeded to giving recommendations for saving and borrowing in line with the customers' financial statuses.



## Support for Financial Planning

**W**e offer financial planning services to our Retail and Private Banking customers so that they plan their financial future in a better way. As part of this service, customers are classified into specific risk groups and we provide portfolio recom-

mendations suitable for each group. Likewise, a wide array of investment alternatives is offered for personal pension funds as part of our special pension services. These alternatives offer customers the opportunity to draw up the best pension plan for themselves and thus help them view the future with confidence.

## Financial Inclusion

**A**ccording to World Bank Global Financial Inclusion data, 2 billion people in the world do not have access to financial services offered by financial institutions. In Turkey, where 43% of the adult population lack access, we offer products and services to customers as well as to unbanked population who do not have access to financial

services. Products and services under this topic can be broken down into 5 groups;

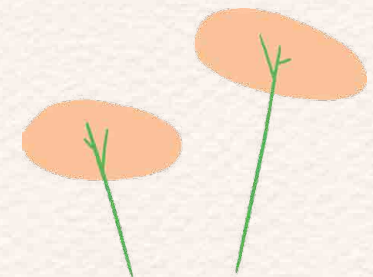
- Transactions such as cardless bill payments for unbanked population who don't have access to financial services
- Products and services for women enabling them to use their gold savings for loans and deposit accounts



- Products and services for disabled people who don't have access to financial services
- Solutions to provide financial services for people, such as farmers, living in the rural areas where transportation is limited
- Programs to increase financial inclusion of women through increasing their financial literacy and improving their perception toward the banking sector

In the first group, CepBank Money withdrawal, cardless bill payments, cardless money deposits and transferring money with BiP messaging application to people who do not have bank accounts without having to use the Internet or mobile banking.

In the second group, our customers can deposit their physical gold in terms of grams. Thus, we aim to make under-the-mattress savings part of the real economy. In this scope, customers can benefit from our deposit and gold accounts. The Gold Branches and Gold Service Point Jewelers can be used as a part of the Gold Collection Services. Detailed information about our financial inclusion work in other groups may be found under sections "Disabled-Friendly Banking", "Supporting Rural Development with 'Agricultural Banking' Products" and "Financial Education and Capacity Building".





## Disabled-Friendly Banking

**I**n accordance with our customer-focused approach, we continue our initiatives to increase accessibility to banking services for disabled customers and improve their experience. We develop our services and adapt them to different needs to ensure that people who are not included in the financial system due to physical disabilities

can easily utilize these services. In addition to current branches and ATMs, disabled-friendly ATMs and branches are being designed. We have developed a web-based Sign Language training for our employees to train them to improve the experience of disabled customers while receiving service from branches.

### Disabled-friendly ATMs:

The height of the screens and keyboards of the disabled-friendly ATMs are made suitable for access by wheelchairs. Additionally, visually-disabled customers can perform transactions on these ATMs with the help of audio guidance. We have been revising our branches so that visually-disabled customers can perform

audio transactions. For orthopedically-impaired customers, we have been widening our easy-to-use ATM network. As of the end of 2016, our Bank has 2,528 disabled-friendly ATMs for the visually-impaired, 20 for the orthopedically-impaired, and 270 for both visually and orthopedically-impaired.

### Disabled-friendly Branches:

We continue to turn our branches into disabled-friendly branches by making teller counters and branch entrances wheelchair-accessible and applying surface features on branch floors. By the end of 2016, we transformed 152 branches into disabled-friendly branches. Our target for the upcoming period is to continue opening disabled-friendly branches, or transforming existing branches into disabled-friendly formats, in micro-markets where the disabled customers are concentrated.

As part of this project we;

- changed branch entrances and doors to make them suitable for orthopedically-impaired individuals,
- ensured that disabled customers are directed with guiding lines in branches.

- lowered teller counters and ensured that disabled customers with wheelchairs receive service from the counter more easily
- made changes to give priority in the branch and call center queuing system to all disabled customers whose disability information is recorded with the Bank.

In addition to physical improvements, we also organized distance learning programs for branch personnel to improve the services they provide for disabled customers. By the end of 2016, 12,608 employees completed the distance learning program and 2,427 employees received online Sign Language training.

### Digital Channels:

Our Internet Banking and Mobile Banking services were made compatible with screen reader software, enabling audio transactions

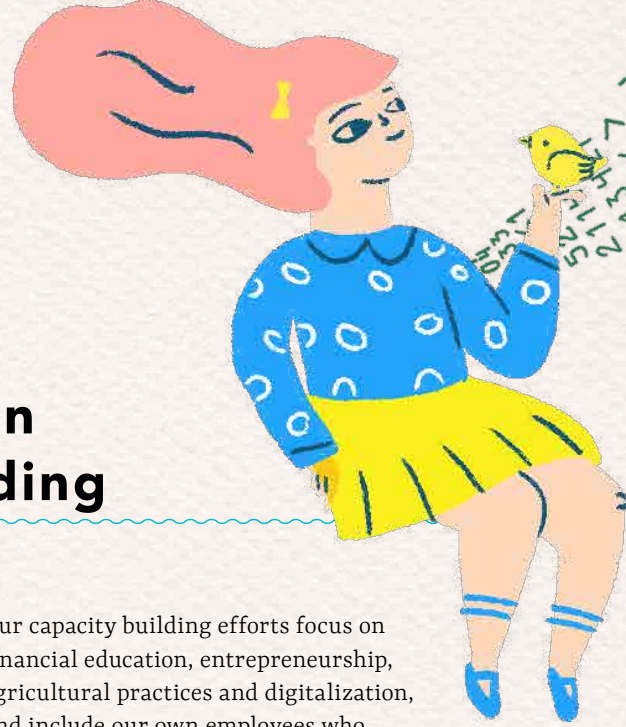
for disabled customers by listening to the Internet Branch and Mobile Banking menu.



## Financial Education and Capacity Building

**W**e play an active role in increasing our stakeholders' financial education and sustainability awareness by principle. We aspire to educate our stakeholders, particularly SMEs, women entrepreneurs and farmers, who have a great role in the economy and are viewed as the key to sustainable development by Garanti. With trainings and capacity building we educate them in financial issues and help them become self-sufficient, strong institutions and customers who make conscious decisions.

Our capacity building efforts focus on financial education, entrepreneurship, agricultural practices and digitalization, and include our own employees who specialize on certain subjects. We organize trainings aimed at increasing financial literacy, support research, arrange gatherings where stakeholders can share experiences and information, participate in questions and answers sessions, provide informative trainings on digital transformation which facilitates financial services, establish platforms providing technical and technological support by creating joint-ventures and specialized teams, and organize summits and meetings.



## Financial Literacy

In 2015, we designed a pilot program named KALP Women's Platform aiming to educate women on basic level financial literacy. In 2016 within the course of 7 months, we organized seven 1,5-hour long financial literacy seminars in cooperation with Trabzon, Mersin, Kocaeli, Sultangazi, Kartal, Gaziosmanpaşa and Esenler municipalities and reached 2,719 women.

We also organized an additional seven 3-hour long workshops for 212 women. With these seminars, we aim to improve financial literacy of women who do not have or have limited access to finance. The participant profile for these programs was women aged between 35-55 years, married with children, approximately half of them employed and 83% motivated about financial capacity building.





The impact evaluations following the seminars revealed that the women adopted the following behavior:

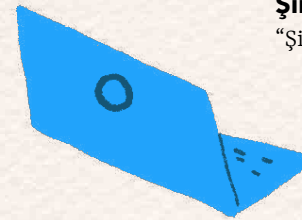
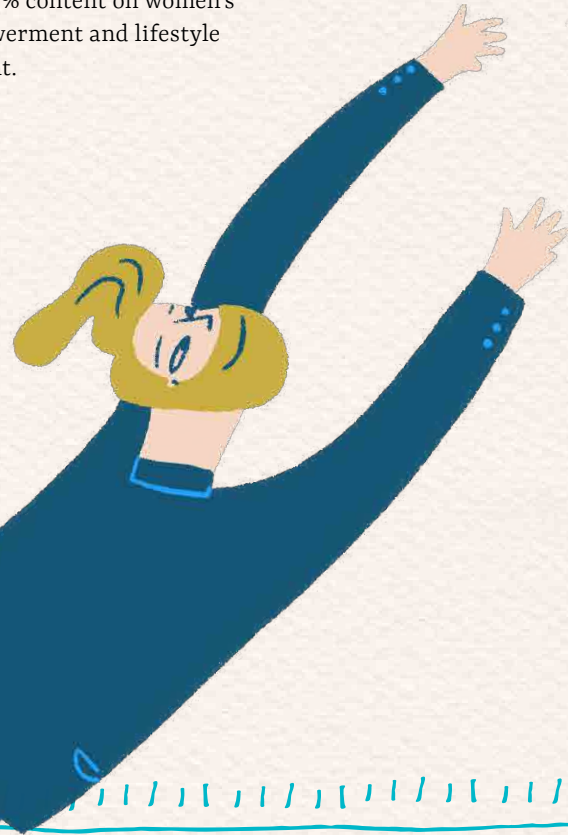
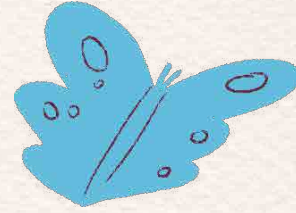
- saving
- budgeting
- following children's incomes and expenses
- want vs need rule in purchasing
- leaning towards becoming a partner with a stranger
- taking bank's advice on investments

About 91% of participants expressed that they were satisfied with the seminar's content, 83% revealed that they were informed, 70% stated that they still remember the education. Behavior change was observed in 48% of participants in terms of diversification of expenses according to household income. More diverse banking products such as saving and investment

tools were chosen 21% more often after the seminars.

With the experience, we gained from pilot seminars and trainings, and based on the social investments materiality analysis we did in 2016, we shaped a financial literacy program for the coming years.

To reach more people for improving their financial literacy, we launched KALP Facebook page in the reporting period. The group had over 50 thousand likes in its first year. The page has 40% tips on financial literacy and 60% content on women's empowerment and lifestyle content.



## Capacity Building Efforts for SMEs

**W**ith our customer-centric approach, we offer needs-oriented products with high quality service.

- In addition to our financial products which address SME's specific needs, we offer information and advisory services to support their business continuity and adaptation to new advancements. Hence, we help them access information and contribute to their development.



## Information Services

**Teşvikbul:** The service provides information on national and international subsidies, incentives and grants to SMEs all under one roof free of charge.

**Şirketkur:** SetUpCompany "Şirketkur" services can find out about the costs of setting up a company suitable for their needs.



**Garanti MarkaOl:** We aim to support SMEs for easier access to information. In this context, with “Garanti Corporate Brand Builder”, SMEs can get information and receive support in various topics including logos,

corporate identity, brand name selection, mascots, website design, packaging design, and leaflet, brochure, catalogue, banner and newspaper ad designs.

**Teknosor:** Since 2015 Teknosor application offers support to SMEs – regardless of being a Garanti Customer - about technical

and technological issues they encounter in business life. SMEs reach us by filling an online form at [garanti.com.tr](http://garanti.com.tr).

**Garanti Dış Pazar Bul:** With “Garanti Find a Foreign Market” introduced in cooperation with TurkishExporter<sup>27</sup>, we help SMEs penetrate new markets, find new customers and grow in overseas markets. Through this service, SMEs can use existing packages

of TurkishExporter for free for a certain period of time, and SMEs holding a Garanti credit card can purchase them at special prices. They can also reach the necessary information on foreign trade on the same space.

## Local Events

**Digitalization in Agriculture Meetings:** In 2016, we started to organize Digitalization in Agriculture Meetings in cooperation with DOKTAR. In this project, we held information meetings on the “importance of digitalization in agriculture, how to obtain maximum efficiency

at lower costs using digital tools, and the necessity of digitalization in agriculture for future” with farmers from various cities of Turkey. In 2016, we met approximately 200 farmers in the meetings held in Adana and Manisa.

<sup>27</sup> [https://www.garanti.com.tr/en/help\\_advice/customer\\_service/customer\\_satisfaction\\_constitution.page](https://www.garanti.com.tr/en/help_advice/customer_service/customer_satisfaction_constitution.page)

## Supporting Farmer Families in Agricultural and Rural Development:

We organizes ‘Supporting Farmer Families in Agricultural and Rural Development’ program, to design information and advisory services to enable easy access to information by SMEs, in

collaboration with Boğaziçi University Lifelong Learning Center and the UN Food and Agriculture Organization, continued in 2016. Both personal and professional improvement was targeted in the five-hour long session which 116 growers attended.

## Garanti Anatolian Meetings (GAM) and KOBİLGİ:

We support the development of SMEs, in cities with no current sufficient financial support from banks, through Garanti Anatolian Meetings (GAM), KOBİLGİ (SME Information). Within the scope of Garanti Anatolian Meetings, which started 14 years ago, in 2016, we met more than 1,000

SMEs in 5 cities. The KOBİLGİ meetings, which started in 2011, consist of a series of seminars on subjects such as developments in regulations, marketing and sales, and have been attended by approximately 2,000 people.

## Interregional Joint Venture Project (BORGİP):

In 2016, we supported the Interregional Joint Venture Project (BORGİP) carried out in cooperation with the Turkish Industry and Business Association (TUSİAD) and Turkish Enterprise and

Business Confederation (TÜRKONFED) to support entrepreneurs in Anatolia, and provide them necessary opportunities such as mentorship and training.



## GarantiPartners:

In June 2016, we have started offering the GarantiPartners service in partnership with the Boğaziçi University Business Angels (BUBA) Angel Investors Platform to support and accelerate all early development ventures, SMEs and growing ventures in every scale and sector. GarantiPartners<sup>28</sup> is open to anybody who successfully passes the evaluation process whether they are Garanti customer or not. With Boğaziçi University' knowledge and our support, capital as well as experience is passed on.

The GarantiPartners Acceleration Program helps startups grow with specific support, develops strategies together with the entrepreneurs, helping them prepare a comprehensive business plan to put their projects into action and contribute to their sustainable growth. During this process, we provide working space, mentorship, cooperation and references, marketing activities, consultancy services, training and seminars, technical and infrastructure support and access to

finance for these initiatives. For financial technology ventures, we also offer specific software support, specific fintech training, opportunity to work one-on-one with Garanti Bank, specific mentorship from experts and the opportunity to enter the BBVA Open Talent Contest.

As well as the online and mobile marketing support that startups need, favorable banking services are also offered to projects with advantageous terms.

Established in June, the Venture Base provides entrepreneurs with office space and hosts various activities, trainings, mentor gatherings and meetings. We welcome all entrepreneurs who set up a new business but do not have enough courage to follow their dreams, do not know the necessary methods and resources to reach sufficient capital and talk about their business idea at GarantiPartners which creates value for all stakeholders.



5. Ensure women's full and effective participation and the providing of equal opportunities for women for leadership at all levels of decision-making in political, economic and public life

### Entrepreneurship Projects with SROI Assessment

- Woman Entrepreneur Competition
- The Woman Entrepreneur Meetings
- Woman Entrepreneurs' Executive School
- Entrepreneurship Foundation

<sup>28</sup> [www.garantipartners.com](http://www.garantipartners.com)

## Women Entrepreneurs Program:

Being the first bank to consider women as a different segment, we support women entrepreneurs and help empowerment and raise awareness since 10 years. Our efforts in empowering women entrepreneurs are categorized under 4 topics: "providing finance", "encouraging", "training" and "accessing new markets".

Under the education category, as part of Women Entrepreneurs Meetings series that we co-organize with the Women Entrepreneurs Association of Turkey (KAGIDER) we reached nearly 7,000 women in 33 meetings held in 32 cities since 2008 until the end of 2016.

Since 2012 in collaboration with Boğaziçi University Lifelong Learning Center, the Women Entrepreneurs Executive School (WEES) continues to provide training for approximately one month to women entrepreneurs

free of charge on subjects including innovation, sustainable governance, customer relations and institutionalization. In 2016, 338 women in 4 cities attended WEES training and received certificates.

We organized the 10th edition of Turkey's Woman Entrepreneur Competition in cooperation with the Economist magazine and KAGIDER, which was launched to encourage women by sharing successful role models.

To indicate the social return of investments (SROI) on entrepreneurship we conducted an impact assessment study. The SROI value of entrepreneurship projects was estimated as 2.19. Please find more detailed information on our impact assessment in Supporting Economic and Social Development chapter.



## Supporting Rural Development with 'Agricultural Banking' Products

**A**gricultural and rural development is important for the increasing population in terms of the self-sufficiency and stability of national economies, as well as food security. Among the material issues of the national agriculture sector are agricultural malpractices, immigration and agricultural unemployment due to the income disparity between urban and rural populations and fluctuations in commodity prices. Under these conditions, we aim to be not only an institution providing loans for agricultural enterprises, but also a

solution partner in meeting their needs, giving recommendations, and providing consultancy services. Hence, we became the first private bank to be directly integrated to the Farmers Register System (FRS), and, as a result, eliminated the cost of FRS for farmers by not requesting FRS documents in their loan applications.

To offer permanent financing to the agricultural sector and build solid relations between agricultural and financial sectors, we finance these companies with appropriate terms that match the harvest schedules.

### Supporter of Agriculture, Guarantee of Producer:

Our "Agricultural and Rural Development Strategy," which targets helping the sector meet its financial needs both during the agricultural production period (primary production) and the processing and marketing period after production (secondary production) in Turkey. Through these

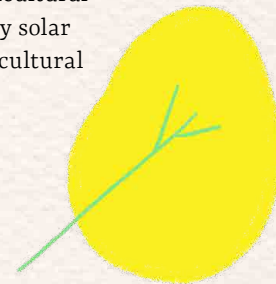
initiatives, we continue to stand with the agricultural establishments with our "Supporter of Agriculture, Guarantee of Producer" slogan. In addition, we also finance agricultural irrigation systems powered by solar energy with our modern agricultural irrigation system loans.

### Turkish Agribusiness Financing Facility

#### SME Financing Facility (TurAFF):

We support agricultural enterprises that operate in development priority regions, by providing SMEs with Turkish

Agribusiness Financing Facility SME Financing Facility (TurAFF) loans, in cooperation with the EBRD.



## Retail Banking Programs



**A**s Garanti Bank, we address customers of all ages and segments with our need-oriented programs and the services and products we offer. With these products developed in line with our principle of being customer-focused, we support the awareness of our customers in financial subjects, and change their banking habits to make their lives easier. Among these products are the Garantili Gelecek (Guaranteed Future) introduces children to financial education and helping families provide a safer future for them, the Bonus Genç (Bonus Young) provides young people with information on financial subjects, and the Retirement Banking Program developed specifically for retirees.

• **Garantili Gelecek**, is a program that features advantageous savings and education insurance for parents who want to secure the future of their children starting from today. In this program, other family members apart from the parents can also contribute to the savings for children having the **Garantili Gelecek Account**. Savings

that are allocated from accounts or credit cards are valued in the fund.

• **Bonus Genç program**, was launched in 2013 and offers products and services that aim to cover the banking needs of young people, especially university students. One offering of the Program is a credit card without annual administration fees. Another product, Harçlık Hesap (Allowance Account), enables young people to interact with fundamental banking products such as internet banking, current account deposits and Paracard. Furthermore, parents can give their children allowances automatically and without paying banking fees.

• With our **Retirement Banking Program** we aim to become the preferred private bank for pensioners. Customers who receive their government pension payments via Garanti Bank can withdraw their pensions from ATMs with a single button and are provided various advantages such as exact payment, special pricing in personal loans and exemptions from account management fees.



# Digital Transformation



We are working for a world where technology is utilized to liberate individuals and protect the nature.



# DIGITAL TRANSFORMATION

**D**igitalization is one of the global trends deeply influencing every part of life. Developments in many different areas from the Internet of things to cloud technology, from big data to artificial intelligence direct digital transformation. As internet access and smart phone usage is becoming far more widespread, customers changed their preferences to reach products and services through more simple, useful and time-saving channels which they can access from anywhere, replacing traditional methods. It is now more important to deliver a customer experience where customized solutions are offered, going a few steps beyond just meeting customer expectations.

Banking is among the sectors which are dramatically influenced by digital transformation. Digital novelties provide numerous opportunities such as developing new products and services analyzing customer expectations and markets more efficiently, increasing operational efficiency and reaching new

customers through channels which have never been used. However, banking sector needs to develop effective risk management tools in many areas including ensuring customer information security and privacy, and managing the increasing cyber threats to increase competitive advantage in order to keep up with fundamental changes brought by digital transformation.

As Garanti Bank, we follow the technological applications and innovations brought about by digital transformation closely, and prioritize making a difference and facilitate customers' lives with pioneering technologies integrated into our products and services. In line with our integrated channel strategy, we place digital channels in the center of the customer experience, and provide a wide product range with high service quality and customized solutions shaped by the analyses on customer needs and expectations. We do not regard digital channels only as an area where customers can perform transactions fast. We transform

these channels into an environment where customers can receive financial consultancy. With the investments, we make on ever-growing technological hardware integrated into our fields of operation, updated information infrastructure, continuous process competence and infrastructure, we increase our operational efficiency. In addition, we contribute to our customers' preparation to the digital future by developing financial tools supporting the digital transformation.

Sustainable Development Goals influence our products, services and applications regarding digital transformation. We support the idea of all individuals benefitting from the opportunities created by digitalization, and develop solutions to enable more people to use banking services.

We maintain our leadership in digital banking in Turkey with our advanced technological infrastructure, internet and mobile banking channels that provide all services that a physical branch is capable of, Turkey's largest financial call center "Alo Garanti", the "Paramatik" ATM network spread around the 81 cities of Turkey, innovative mobile applications and the social media channels, which are the most followed financial social media accounts in Europe.

57% of our customer portfolio comprise of digital customers. Also, our Internet branch has 37%, share in all non-cash financial transactions, while mobile banking's share is 46%. We project that digitalization will speed up and digital channels will play a greater role in increasing operational efficiency in the near future.



8.10. Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all



9.5. Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending



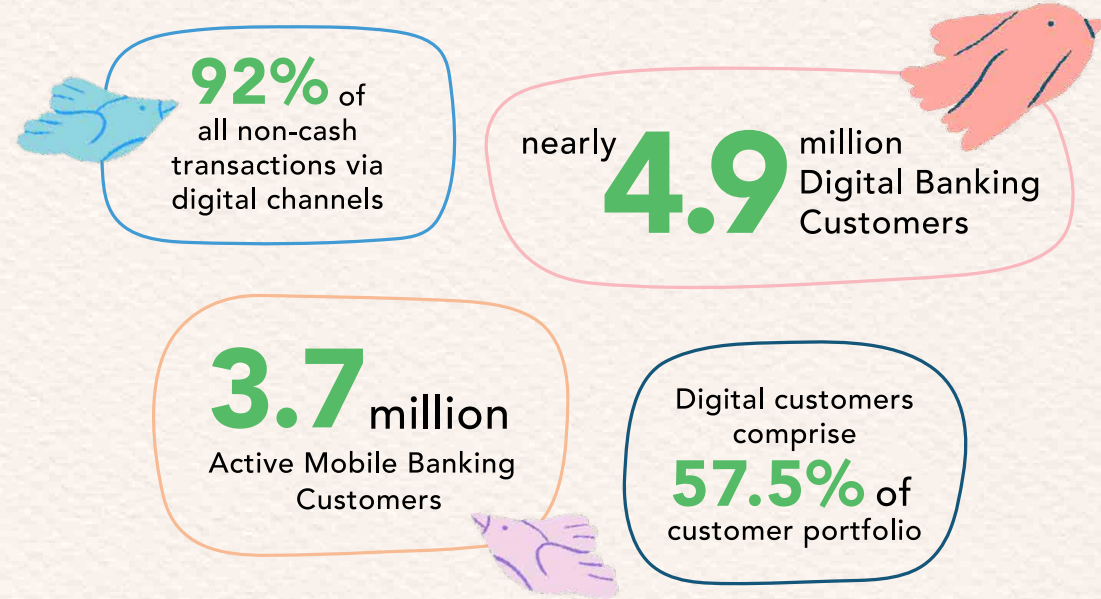
## We are Turkey's Most Digital Company.<sup>29</sup>

As Garanti Bank, we aim to shape the future financial world by keeping financial products and services in line with present-day customer needs.

Within our efforts to support our customers' digital transformation process, we held the Third

Future Digital SME Summit this year, which aims to increase SMEs' competency and operational efficiency regarding their digital transformation.

Also, to inform farmers on the benefits on the use of digital technology in the agricultural sector, we

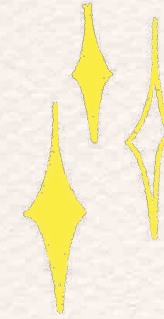


started organizing "Digitalization in Agriculture Meetings". In this context, we communicate the benefits of post-harvest digitalization and of collecting data through sensors and satellites from

farms and evaluating them as well as transmitting the actions the farmer should take via SMS or smart phone applications.

<sup>29</sup> Garanti Bank was selected as the Most Digital Company in Turkey within the "Digitization Index" study conducted by Accenture Turkey, in cooperation with Boğaziçi University, Middle East Technical University, Turkish Informatics Foundation and Vodafone.

## Garanti Branchless Banking

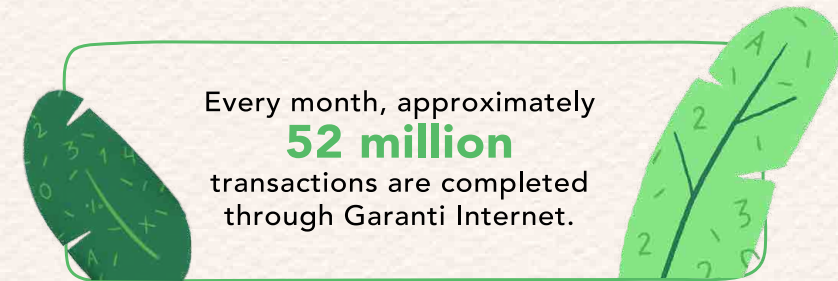


**W**e offer instant, simple, flexible and uninterrupted experience to our customers through Garanti Branchless Banking. In line with our customers' expectations and needs, we do not regard banking as just a transaction-oriented business. Instead, we place banking as a living and developing

experience and we develop our products and services accordingly, aiming to facilitate customers' lives. In accordance with our strategy to focus on strong distribution channels, we maintain our investments in digital platforms, and integrate our services with different technologies through channels such as internet banking, mobile banking and social media.

### Internet Banking

We began our journey in internet banking as one of the pioneers in 1990s, and today reached at a point where more than 550 different transactions can be completed, over 2.7 million active customers are engaged and a total annual transaction of 635 million at the Internet Banking Branch, in 2016.





To provide our customers with the opportunity of managing their personal finances over the internet, we offer interfaces which enable customers to follow their assets and liabilities in

product-based graphs and their income, expenditures and cash flows with need-oriented notifications and alerts through our Internet Banking website.<sup>30</sup>

In the 17<sup>th</sup> edition of the **"Best Digital Banks Awards"** organized by Global Finance, we were awarded in the

**"Best Website Design"**

**"Best Integrated Consumer Bank Site"**

**"Best Mobile Banking App"**

sub-categories under the Consumer Banks main category.

## Alo Garanti

We continue to introduce novelties using speech technologies in Alo Garanti, which receives more than 4.5 million inbound calls monthly, to enable our customers to be able to perform transactions by telephone. Following the 2013 launch of the Call Steering system, which was a first in the Turkish financial services sector,

2014 marked the inception of the Speech Transactions era. Speech Transaction functionalities allow handling of many transactions just by speaking, including balance inquiries, change of closing of statement week, credit card debit inquiries, current period purchases, etc.

<sup>30</sup> Garanti Internet Banking website: [https://www.garanti.com.tr/en/personal\\_banking/delivery\\_channels/internet\\_banking.page#calcContent3=UIDe959c3](https://www.garanti.com.tr/en/personal_banking/delivery_channels/internet_banking.page#calcContent3=UIDe959c3)

## Paramatik ATMs

We provide twenty-four-seven services in all provinces of Turkey with approximately 4,800 Paramatik ATMs.<sup>31</sup> Garanti Paramatik can be used in cardless transactions<sup>32</sup>, as well as with Paracard or Garanti Bank credit cards. Providing customers with flexibility

thanks to innovative applications such as withdrawing cash with the QR Code in cardless transactions in Paramatik ATMs, we contribute to the access to financial services of the people who are not Garanti customers or do not have banking accounts.

## Mobile Banking and Mobile Applications

Mobile devices are at the core of the Garanti Branchless Banking experience. We aim for mobile banking being performed not only on a phone, but also everywhere

customers can find a screen while they are on the move. As the top downloaded mobile application in iOS and Android operating systems in the Turkish banking

As the only bank from Turkey among the 11 banks compared within the **2016 European Mobile Banking Functionality Benchmark of Forrester**, an independent research institution,

**we qualified to be the best in Europe in two categories.**

<sup>31</sup> Garanti Paramatik website: [https://www.garanti.com.tr/en/personal\\_banking/delivery\\_channels/paramatik.page#calcContent3=UID362ea27](https://www.garanti.com.tr/en/personal_banking/delivery_channels/paramatik.page#calcContent3=UID362ea27)

<sup>32</sup> [https://www.garanti.com.tr/en/personal\\_banking/delivery\\_channels/paramatik/points\\_of\\_use.page](https://www.garanti.com.tr/en/personal_banking/delivery_channels/paramatik/points_of_use.page)

<sup>33</sup> [https://www.garanti.com.tr/en/personal\\_banking/delivery\\_channels/mobile\\_sms\\_banking.page](https://www.garanti.com.tr/en/personal_banking/delivery_channels/mobile_sms_banking.page)



sector, Garanti Cep offers its customers the fastest and simplest way to perform banking transactions, with a range of more than 200 different operation capability. While approximately more than 3.5 million customers benefit from our mobile banking products and services, over 2.7 million clients per month, “Mobile Only” customers, make transactions via mobile phones only. With 12 applications tailored for 8 different platforms, we position the Garanti Cep application as the driver of mobile banking, and by GarantiOne, we

support young people between the ages of 18-25 to meet with financial services.

As Garanti Bank, we offer many services such as estimating cash balances at the end of month, creating expenditure limits, separating expenditures into categories and drawing graphics, so that our customers can manage their personal finances through mobile applications.

Thanks to **artificial intelligence**, many new banking services will start playing greater roles in our lives in the future.

Today, with our new **communication platform Ugi**, mobile banking customers can perform financial transactions vocally. Based on technology and human values, the communication platform Ugi draws attention to our innovative approach and pioneering role in technology, understands customers’ financial needs and provides solutions accordingly.

## Social Platforms and Innovative Applications

**A**s Garanti Bank, we are active in 17 different social media platforms with more than 50 social media accounts. Aiming to give our customers and followers direct access to innovative products and services addressing their needs, amongst financial institutions, we have the highest number of followers on social media in Turkey and in Europe, by quickly placing social media as a digital channel.

The creative solutions we produce on social media are groundbreaking, both in Turkey and the world. For instance, we are the first bank in Turkey to facilitate money transfer on Facebook and Twitter. We are also the first bank in the world to receive standby loan applications through a secure form on Facebook. We offer an efficient customer satisfaction service with “GarantiyeSor” (Ask Garanti), which is the first 24/7 social media customer satisfaction channel in the banking sector in Turkey.

Garanti Link is the first application in Europe to enable users to link their social media accounts to bank profiles. We design special offers in line with the customers’ profiles and needs. Moreover, we launched the Automic application, which is the first application in Turkey that allows potential automobile loan applications through Facebook.

Our innovative services on instant messaging platforms are among our efforts to make customers’ lives easier. Thanks to our Whatsapp service, which is a first in the Turkish banking sector, the users who share their location information can find out where the nearest Branch or Paramatik ATM is located. On BIP, which is another instant messaging application, customers can transfer money to people who do not have banking accounts without using the internet or mobile banking.



# Operational Efficiency

We not only integrate digital technologies with our products and services, but also use them to increase operational efficiency in many areas such as improving customer relations and human resources and tracking environmental and social performances. Thanks to the STEP platform, which we activated aiming to provide our customers with high quality banking services at any time and in any environment, Customer Relationship Managers can access updated banking data, market and media news, internal and external portals at any moment. Similarly, they can access banking information, transactions, orders and documents of the customers. In addition to this, we distributed iPads to our employees to increase mobility in our banking applications. As Garanti Bank, along with completing infrastructure investments in big data and using this technology to ensure efficiency in customer relationship management and banking transactions, we aim to

employ it in IT Operations and IT Security Management, thus to take place among worldwide pioneers in this area.

We started to increase the digital learning effect across the Bank by digitizing training content in compliance with the growing number of mobile devices. Through “reverse mentoring”, a practice enabling our employees to locate, arrange, evaluate, analyze and present information by using digital technologies through digital channels and innovations, we improve our employees’ digital literacy skills.

Another opportunity to increase efficiency by digitalization is through branchless banking practices. By enhancing digital channels and informing our customers about branchless banking practices, we increase the rate of transactions performed through digital channels. Therefore, as we increase the efficiency in the branches, we reduce our paper use, and help our customers use less fossil fuel, as they travel less often to our branches.



# Customer Privacy and Information Security

Due to data obtained through digitalization, one of the most important issues for our Bank is to follow customer behavior, better understand their needs and develop products and services accordingly. While it is now easier for individuals to use products and services diversified through digitalization, the

opportunities offered by digitalization also transform issues regarding data protection and security into one of the most significant risks. Taking precautions against all risks which could prevent secure and uninterrupted service, particularly cyber threats, ensuring information security and informing customers on related issues are among the material issues, both for our Bank and our stakeholders.





## Security Approach

As part of compliance with personal data protection, we monitor relevant legislation and develop necessary policies and procedures in accordance with our Privacy Policy and Data Security Policy.<sup>34</sup> In addition to this, by regularly organizing programs, we raise awareness on this issue.

We provide various security-building practices for our customers in line with our approach determined by our security and privacy policies. Among these practices are Tokenization, Cep Şifrematik application/

Şifrematik device for generating one-time passwords, Mobile Signature, Login PIN via SMS, Security Picture, Verification Code, Webroot Security Software and Security Identification. Our customers have the opportunity to be informed through the contact form on our website, the website itself or Alo Garanti.

As a result, we have received no confirmed complaints regarding customer privacy in the last two years.

## Digital Security of Customers

We develop information security technologies used to provide our customers with a secure environment in branchless banking, and raise awareness on protection of personal data.

On our website, there is a special section prepared to inform our customers on information security and privacy in branchless banking.<sup>35</sup> On this page, we warn our customers against possible situations and informed on additional security precautions to take. The “6 Golden Rules”<sup>36</sup> include the latest technology precautions we take for Internet banking as well as the important points customers should pay attention to and which provide extra security. We inform our customers about issues such as creating and protecting passwords, situations when private information is requested,

viruses spreading via e-mails, winning prizes or requesting personal banking information via SMS or by telephone, phishing attacks, suspicious money transfers and requests for information. Also, we provide customers with information on the protection of mobile devices and computers on which they use our website.

In addition to warnings and precaution recommendations, we advise our customers on our website to use utility programs such as anti-virus, spyware scanner and firewall; so that they can close the security gap they can face when using the Internet and protect their computers against possible attacks.

<sup>34</sup> For detailed information on Privacy Policy, visit: [https://www.garanti.com.tr/en/help\\_advice/customer\\_service/our\\_privacy\\_policy.page](https://www.garanti.com.tr/en/help_advice/customer_service/our_privacy_policy.page)

<sup>35</sup> [https://www.garanti.com.tr/en/personal\\_banking/delivery\\_channels/internet\\_banking/security.page](https://www.garanti.com.tr/en/personal_banking/delivery_channels/internet_banking/security.page)

<sup>36</sup> [https://www.garanti.com.tr/en/personal\\_banking/delivery\\_channels/internet\\_banking/security/6\\_golden\\_rules.page](https://www.garanti.com.tr/en/personal_banking/delivery_channels/internet_banking/security/6_golden_rules.page)



## Supporting Economic and Social Development



**W**e are working  
for a world  
where companies  
not only grow  
themselves but grow together  
with the communities.



# SUPPORTING ECONOMIC AND SOCIAL DEVELOPMENT

## Our Indirect Impact on the Economy

**W**e develop products and services which create value for customers, stakeholders, employees and society in order to contribute to the development of the country. The positive economic and social impact we create with 20,000 employees along with the integrated subsidiaries contributes not only to the banking sector, but also to the entire national economy and sets a good example.

## Supporting the Employment

**W**e contribute to the sustainable development of the country with indirect employment opportunities which we support by contributing to the economic sustainability of our stakeholders whose financial needs are met by us and of our employees. With our branch network all around Turkey, and our decent business practices and human resources policies that respect equal opportunities, we contribute to nationwide employment.

In line with Sustainable Development Goals, we are increasing the number of our practices that facilitate access to financial services from all parts of society. Supporting all stakeholders, with particular focus on SMEs, women entrepreneurs and farmers, who contribute the economy, is one of our material issues. Within our sustainability strategy framework, we determine our material issues with these stakeholders. With our human-centric projects, we focus on education, culture and cultural heritage, and the environment, as well as supporting the inclusion of disabled people in social and economic life, thus creating social benefit.



8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

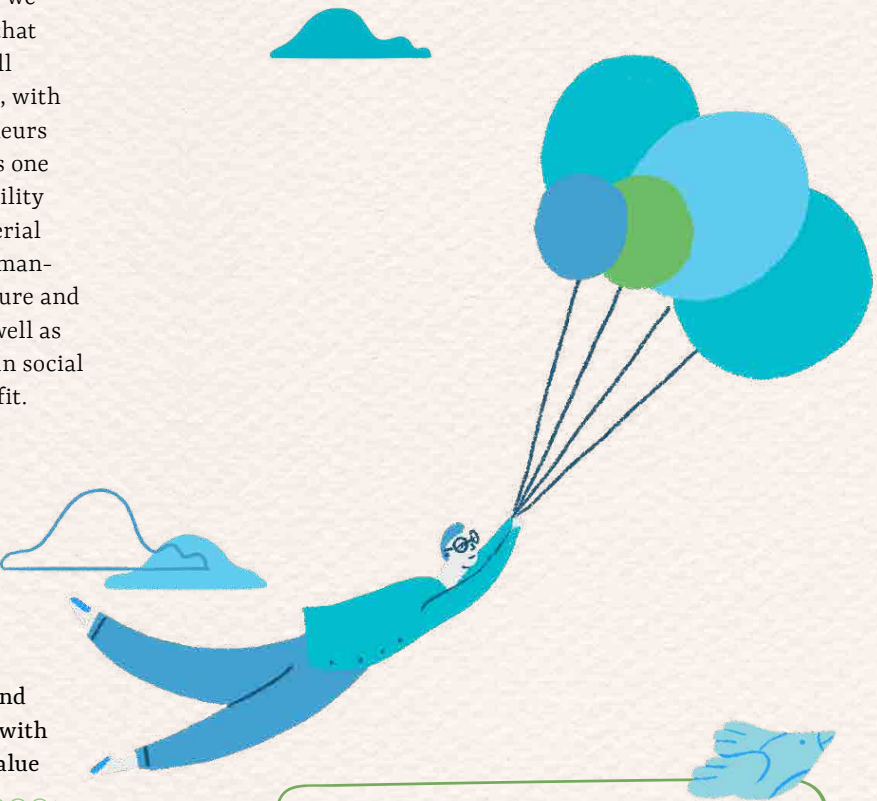


5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life

## Community Investment Programs and Social Impact

**A**t Garanti Bank, we consider long-term community investment efforts a fundamental element of our sustainability approach. We aim to support social development and create shared value through our efforts in these areas. We believe that a strong economy is conceivable only through a strong communities and strong individuals. Accordingly, we focus on projects that benefit the society, people at the center, and create (or has the potential to create) "Shared Value" for our bank and our stakeholders. We have sped up our efforts to run our community investment programs with a strategic perspective, implement long-lasting impact in line with our responsible banking principles, and achieve strategic compliance with the bank's core businesses. To this end, we invested 20.8 million Turkish lira for social development projects in 2016. We identified the material issues for our current and future projects and programs, and measured the social impact we created on our stakeholders with our ongoing projects.

To this end, we invested  
**TL20.8 million**  
for social development  
projects in 2016.





## Material Issues for Community Investment Areas

In 2016, we conducted a materiality analysis to focus our social development programs on high-impact areas that can create the highest value. By means of the analysis, we sought to identify those areas that would help Garanti Bank to have

the greatest impact by developing more systematic and strategic programs and shared values. To achieve this, we first identified social development areas by conducting a materiality analysis with an independent consultancy firm. We gained

insights on effective intangible asset management thanks to the feedback we received from Garanti Bank executives and our social stakeholders. We set forth the framework of our community investment strategy and the investment areas that the Bank will concentrate on in the coming years, through this research and the accompanying Social Impact Analysis. Our

aim with this research was to utilize the Bank's time and resources as efficiently as possible in order to create the maximum impact for all its social stakeholders. As a result, we identified the Bank's top materiality issues as education & skills gap, and entrepreneurship.

Figure 3: Materiality Analysis for Community Investment Programmes of Garanti Bank:



## Measuring Our Impact

We conducted a Social Impact Analysis in parallel with the materiality analysis. As opposed to methods that involve one-time measurements, the Social Impact Analysis is a continuous assessment method. By encouraging development, it enables companies to devise community investment programs to create and measure shared values. Through the Social Impact Analysis conducted by independent consultants, we assessed the value and the social impact of 10 corporate social responsibility (CSR) projects

we invested through 2016. By means of Social Return on Investment (SROI)<sup>37</sup> method, we calculated the total impact of our projects in education&skills gap, entrepreneurship, and culture & arts. We concluded that we should terminate the ongoing projects with the lowest impact, and that we should establish long-term strategies to enhance the impact of the remaining projects. According to the results of the analysis, the SROI value of the Bank's education & skills gap projects are 2.49 and of culture & arts projects, 2.46.<sup>38</sup>

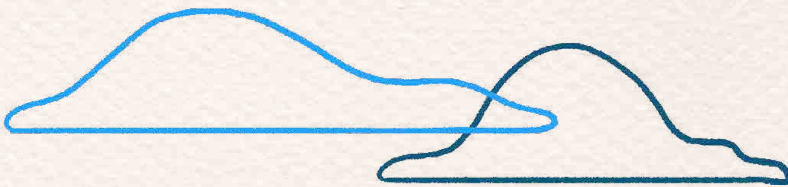
<sup>37</sup> SROI is an approach created to measure social impact of social projects.

<sup>38</sup> A return of greater than 1:1 (or even one that is a positive return rather than a negative one) is considered as a successful project. In Finance, a return of 2:1 is considered as an achievement.



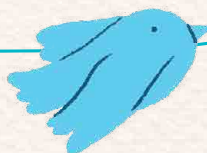


Projects Measured  
by Social Impact



Education & Skills Gap

- Teachers Academy Foundation
- Tohum Autism Foundation
- 12 Giant Men – Basketball Schools
- Math & Science - Learning with Fun
- I'm Here As Well Project



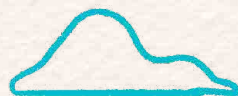
Culture – Art

- SALT

By conducting materiality and social Impact analyses, we aim to align our social investments and their outcomes with materiality issues that will allow us to create shared value. The results of the Social Impact Analysis have revealed that entrepreneurship, education, and talent development projects have the highest social impact, in line with the Bank's materiality issues. The data also suggest that our community investment programs

contribute to our goal of “supporting social development.” In 2017, we will take our community investment programs a step further and focus on high-impact areas that can create the highest value. We will review the ongoing projects that do not fall within our Bank's materiality issues in order to align them with these material issues.

Projects Carried Out Within the Scope  
of Community Investment Programs



4.1. By 2030, ensure that all girls and boys complete free, fair and quality primary and secondary education leading to a relevant and effective learning outcome

Education:

- Teachers Academy Foundation
- Tohum Autism Foundation
- 12 Giant Men – Basketball Schools
- Math & Science - Learning with Fun
- I'm Here As Well Project



8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Disability:

- Join the Workforce Join Life

Education

- With the Teachers Academy Foundation (ÖRAV) programs, the foundation reached 144,150 teachers in 81 cities, and the number of active users of the web site (eKampüs) reached 111,115 in 2016.
- Within the scope of the mathematics project in the “Math & Science - Learning with Fun” program, carried out by TEGV (Educational Volunteers Foundation of Turkey) with Garanti’s support in 2016, we reached 8,887 children with the support of 559



volunteers. Through the science project in the same program, we reached 316 children with the support of 24 volunteers.

- We reached 6,667 people with the work carried out by Tohum Autism Foundation with our support from 2015 until today.
- Since 2014, we support the “Ben de Varım” (I’m Here As Well) project carried out by Young Life Foundation. Within the scope of aiming to

## SUPPORT FOR CULTURE AND CULTURAL HERITAGE

- In 2011, we restructured the cultural organizations within our structure as an independent entity. From 2011 until today, Salt Beyoğlu, Salt Galata and Salt Ulus in Ankara hosted 75 exhibitions, 411 screenings and 58 performances. A number of 149,793 participants attended the public

increase the recruitment and social inclusiveness of the teachers and students from Girls’ Technical and Vocational High Schools, we reached 27 high schools and 2,000 students in total until today.

- The “12 Giant Men – Basketball Schools” (12 DABO) Project we support provided more than 60,000 students in 81 cities and Turkish Republic of Northern Cyprus with basketball training.

programs, and 1,813,789 people visited SALT in various locations.

- In 2017, we continue to be the corporate sponsor of SAHA Association which aims to increase recognition of contemporary art from Turkey.

## ENTREPRENEURSHIP

- We are the main sponsor of the Entrepreneurship Foundation (Girvak) working to drive the culture of entrepreneurship and encourage the youth to consider entrepreneurship as a career alternative since 2014. As of today, Entrepreneurship Foundation maintains 29 start-up operations.

- As we attach importance to entrepreneurship, we are the first private bank to introduce women entrepreneurship.

We sorted our operations into four categories; "finance", "encouragement", education" and "penetrating into new markets" in order to empower women entrepreneurs and sustainability.

- At Garanti Bank, we support initiatives with a merit of distinctive operation, a wide impact area, and a potential of

investment generating high values and creating innovative products and approaches for the industry with the aim of contributing to the development of entrepreneurship spirit in Turkey and introducing new business models. You can find detailed information about the entrepreneurship projects and programs in the page 95-99 in our report.

## SUPPORT FOR SOCIAL AND ECONOMIC INCLUSION OF PEOPLE WITH DISABILITIES

- With the project “İşe Katıl Hayata Atıl” (Join the Workforce Join Life), we employed 447 individuals with disabilities under guidance from their professional

business coaches for 6 months and more in Ankara, Sakarya, Samsun, Gaziantep and Istanbul.

## ENVIRONMENT

- With our motto “Doğa İçin Garanti” (Garanti for Nature), we have been supporting WWF - Turkey for 24 years,

and contribute to the sustainable use and conservation of our nation’s natural resources.



Table 9: Garanti Bank Community Investment Programs

Community Investment Programs Area	Supported Community Investment Projects	Projects measured by Social Impact Analysis
Education	Teachers Academy Foundation	✓
	Tohum Autism Foundation	✓
	12 Giant Men – Basketball Schools	✓
	TEGV (Educational Volunteers Foundation of Turkey) Math & Science - Learning with Fun	✓
	Genç Hayat Foundation - I'm Here As Well	✓
Support For Social And Economic Inclusion Of People With Disabilities	Join the Workforce Join Life	
Support For Culture And Cultural Heritage	SALT	✓
	SAHA Association	
Local Development	Garanti Anatolian Meetings	
	DOKTAR	
Environment	WWF - Turkey	

## Responsible Supply Chain

We believe in the importance of spreading sustainable practices in the value chain for supporting the economic and social development, and commit to increasing primarily the environmental standards of our suppliers in the supply chain.

In line with the goal to increase our suppliers' environmental standards and decrease their environmental impact, we started to include a requirement for compliance to Garanti Bank's environmental management system (EMS) in supplier contracts in 2012. In 2015, we added the criteria to comply with the environmental legislations and ISO 14001 Environment Management System in our agreements. Suppliers that we consider more strategic and who constitute a substantial component (44%) of our total procurement were requested to provide information on how they manage their

environmental impact. After reviewing our suppliers' respective management strategies, we communicated our criteria for environmental performance and compliance.

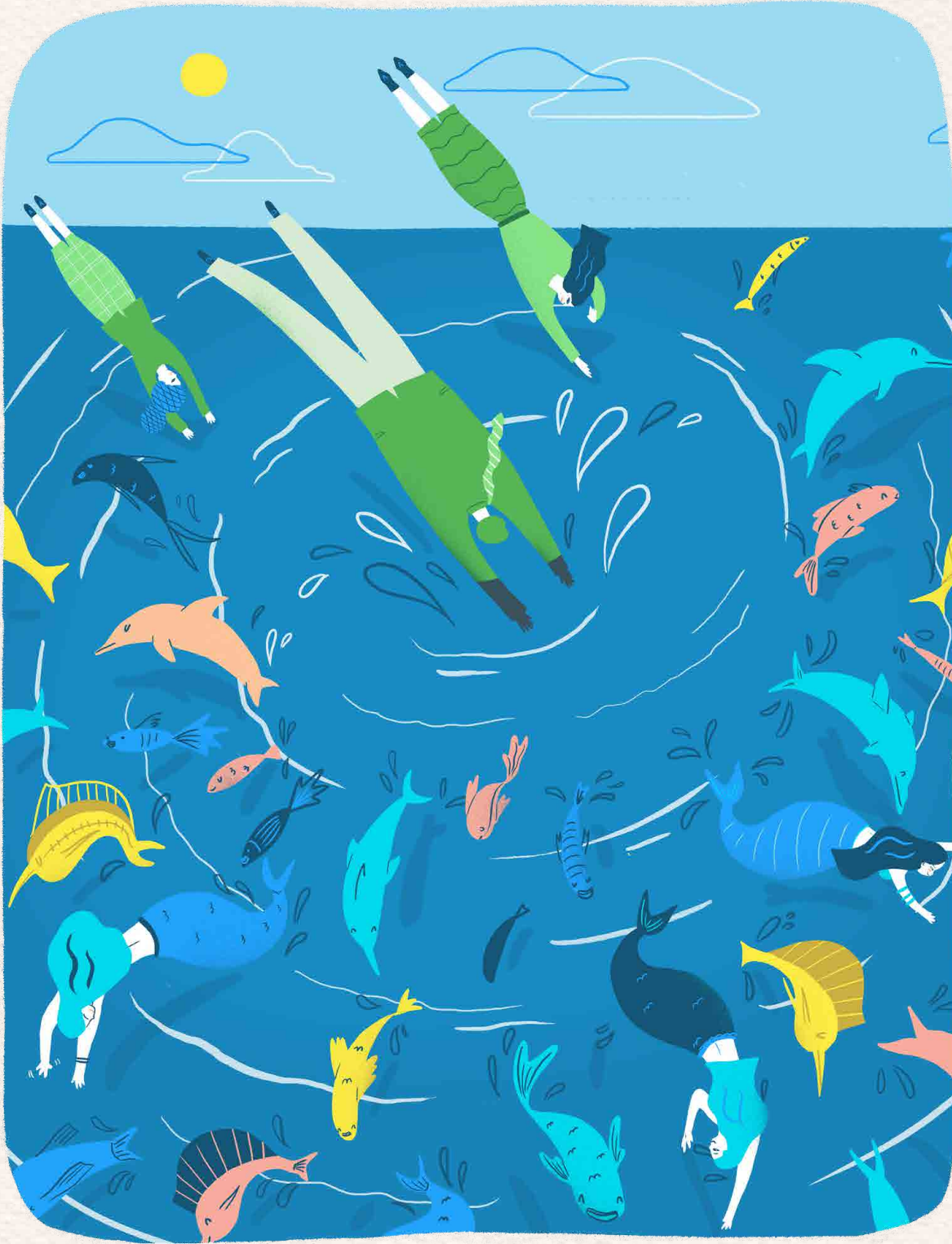
Additionally, our internal auditors assess suppliers' compliance with EMS through sampling. The suppliers found to be non-compliant are expected to improve their performance in grace period and supported when necessary.

While supplier contracts contain provisions related to social and human rights issues, we currently do not audit compliance. We do, however, make reference to laws and regulations pertaining to health and safety at work and the protection of workers' rights. Such provisions give us the right to terminate any contract which is deemed to be in violation of worker protection regulations. In 2016, no violation regarding human rights by our suppliers has been detected.

We work to increase primarily the environmental standards of our suppliers in the supply chain.



## Investing in Human Capital



We are working for a world where each Garanti employee triggers change through a ripple effect.



# INVESTING IN HUMAN CAPITAL



8. Promote inclusive and sustainable economic growth, employment and decent work for all

We provide our employees, whom we regard as our most valuable asset, with a workplace environment which is safe, modern and respectful of human rights, and is dominated by equal opportunities and diversity. Our human resources strategy is based on developing competent human resources, providing them with training opportunities to help them increase their knowledge and accomplishments and discover their skills. While providing the conditions to ensure work-life balance, we support our employees with policies and practices to increase their welfare level, and focus on their

happiness. With a performance-based and in-house promotion-oriented management policy, we support our employees' career journey.

It moves our Bank forward to invest in these areas which are fundamental for our strategy, because our 19,689 competent employees are our "Guarantee" (Garanti) to a better future dream and of our existence. With our policies and practices, we aim to contribute to the community with decent job opportunities in order to increase recruitment for a stronger economy and reduce inequalities across the community, just as emphasized by the Sustainable Development Goals.

Garanti Bank proved its focus on human resources, its largest asset, and it is the sector leader with its innovative practices in this area by becoming the first and only company in Turkey that is awarded with the **Investors In People IIP Gold** certificate for the second time.

Garanti Bank proved its focus on human resources, its largest asset, and it is the sector leader with its innovative practices in this area by becoming the

first and only company in Turkey that is awarded with the Investors In People IIP Gold certificate for the second time.

## Talent Management

We gain our leading power within the finance sector from our strong human resource that is capable of adapting change. With the awareness of importance of working with the right people, we provide trainings to our employees and reward their achievements to maximize their performance, increase their productivity and create value for many years.

## Learning and Development

In order to lead the financial sector with the best human resources and ensure its continuous development, we provide our employees training programs to reinforce their expertise, increase their professional skills, and implement coaching, best practice sharing and experiential learning programs. In 2016, we provided

approximately 36 hours of training per employee, and contributed to our employees' talent development.

We expect the departments in our Bank to specialize in their fields to be internationally valid, and to be pioneers in the sector globally.



We identify the requirements in training and development programs through analyzing needs including one-on-one interviews, workshops or surveys conducted within all departments and branches. In this direction, we design diversified education options specific to each business field. The employees also attend training programs where we

share progress and developments in our corporate service culture and leadership approach.

It is essential component of our Human Resources Policy <sup>39</sup> that managers improve their managerial skills as well. Every year, managers attend Garanti Leadership Academy which established to improve

managerial skills with joint management culture.

We reflect our innovative approach on training methods. Our employees can access various platforms including live broadcasts, simulations, videos, e-library and mobile learning under “Garanti Learning Technologies” through mobile devices anytime, anywhere. The trainings are given by certified, professional trainers, coaches and prestigious instructors from universities, locally and

internationally. In 2016, we gave 113,000 hours of training using technological methods.

**The ratio of technology-based trainings to total training hours is 17%.**



Table 10: Training Technology Utilized by the Bank

Technology	Definition
GET Kurs (Course)	Interactive web-based training sessions that include videos, animations, texts and visual content
GET Sınıf (Classroom)	Web conference system, within the Bank and via corporate tablets which facilitates audio and video remote
Simulation Branch	Simulation through which participants can see critical issues in real life customer experience and experience the potential risks in advance
GET TV	Live broadcast portal allowing customers to quickly access information
GET Video	Video sharing website to reinforce learning process via experience sharing



<sup>39</sup> More information on Garanti Bank’s Human Resources Policy: [https://www.garanti.com.tr/en/our\\_company/human\\_resources/human\\_resources\\_policies.page](https://www.garanti.com.tr/en/our_company/human_resources/human_resources_policies.page)



## Sustainability and Awareness Among Employees

We pay attention to use internal communication resources in order to raise awareness on sustainability among our employees. On the intranet portal, there is a specific section on sustainability with informative posts, blogs and recent important developments. With the Sustainability E-Learning Program that was established in 2012, we continue to increase the sustainability knowledge of all employees. By including trainings regarding sustainability criteria in the credit appraisal processes in the content revised in 2016, we made the program more comprehensive. The total duration of trainings on Sustainability E-learning Program during 2016 was **1,026** hours. We also included sustainability in our employee orientation training and share our expectations on Sustainability with them through training. Alongside common trainings, we organize thematic trainings regarding financing solar power projects, carbon pricing or environmental and social impact management in the loan processes for relevant employee groups. We also select representatives from all departments and regional offices and branches in order to support sustainability efforts as required. Sustainability representatives, with an approximate number of **1,000**, who are selected to spread sustainability practices among their colleagues, have the role of increasing awareness and disseminating information on these subjects, based on the Environmental Management training they receive.

## Performance Management

We pay attention to the assessment of our employees' performance with concrete and measurable criteria. Our performance management system, which is an indicator during the determination of our employees' career development, assignment nomination and pay increase, is applied to the employees who have worked in Garanti at least for 3 months, semi-annually.

With our talent management approach, we encourage our employees in their in-house career journey where they can feature their own talents. For open positions, we give priority to our employees, whom we identify as our internal resource. We announce the positions with the Career Opportunities Bulletin over the intranet. Promotion at Garanti Bank may be vertical or horizontal. We covered 85% of the open positions with internal resources in 2016.

## Fair Remuneration

### Compensation and Rewards

In line with our target of being the employer of choice, we apply a competitive, market-sensitive salary system, which aims to improve employees' life

standards.<sup>40</sup> At Garanti Bank, the compensation system is essentially based on performance and it is totally gender-neutral. In addition to individual

<sup>40</sup> More information on Garanti Bank's Remuneration Policy <https://www.garantiinvestorrelations.com/tr/kurumsal-yonetim/compensation-policy/Ucretlendirme-Politikasi/450/1563/0>



## Fair and Transparent Premium Models

Garanti Bank employees are awarded with premiums based on a system that measures success based on balanced and objective criteria such as the completion of financial targets, risk management and customer satisfaction. Results are shared with the employees themselves and their managers, periodically and transparently.

performance, we keep a close view of general macro-economic circumstances, the current inflation rate in Turkey and the trends in the sector in order to apply a proper and fair policy on the salaries of our employees. At Garanti, the salary package is comprised of various components including the monthly salary, bonus payments and premium payments each year,

meal vouchers, foreign language payments and other benefits with variations depending on the level of seniority or the scope of work and the location of the services. We always monitor our compensation system so that it is fair, transparent, measurable, based on balanced performance targets, and it encourages sustainable success.

## Equal Opportunity and Diversity



5.5 Ensure women's full and effective participation and the providing of equal opportunities for women for leadership at all levels of decision-making in political, economic and public life



10.2 By 2030, empower and promote the social, economic and political inclusion of everyone, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

In case the woman participation rate in workforce, which is 33% in Turkey, increases to OECD average of 63% approximately USD250 billion incremental GDP could be created by 2025.<sup>41</sup> We determine equal opportunity and diversity as a fundamental value and a driving force of our corporate culture, as well as a contributor to economic growth. We encourage our employees to respect different thoughts and differences among them.

One of the clearest indicators of successful diversity is the comparatively higher number of female employees. At Garanti, women employees comprise 57% of all employees, and 40% in senior/ middle level management. As a result of the importance we give to social gender equality and empowerment of women, we were one of the first to implement the Equal Opportunities Model (FEM).<sup>42</sup> In accordance with the requirements of the certificate, we continue supporting women employees in the workplace, and give gender equality trainings to our employees so that they fully adopt our diversity policy

<sup>41</sup> McKinsey & Company, Women Matter Turkey 2016 Turkey's Potential for the Future: Women in Business

<sup>42</sup> For detailed information please see: <http://www.kagider.org/?Dil=1&SID=727>



and increase their awareness on the issue. In 2016, we designed Gender Equality Training Program and it is planned to be compulsory for all employees in 2017.

In addition to our efforts to increase the gender-equality culture at the Bank, we design many events aiming to empower women. In 2016, we created a video series called “Believe in Yourself” with four different women who are successful in their own areas, to inspire the women of Garanti.

In order to raise strong women leaders who are aware of their competencies and capable of

managing the challenges in business life, we signed a cooperation agreement with the UN Women Program in 2016. Within this framework, we will organize Women Leadership Trainings for women at the executive and branch manager level in 2017.

In 2016, we established the Women Executives Initiative, which consists of top level women executives, aiming to contribute to the development and cooperation of women at middle and top level positions. The Initiative holds meetings, where inspirational speakers attend to instill self-confidence to women executives within the Bank, designs development and awareness programs and creates networking environments.

Our Gender-Equality Committee, which includes male and female

representatives from the Executive Vice President level to the manager level, has functioned since 2015 under the Sustainability Committee in order to ensure the coordination of programs, processes and initiatives aimed at the Bank’s employees or all the external stakeholders, on the areas of the inclusion of women in the financial system, women’s empowerment and gender equality.

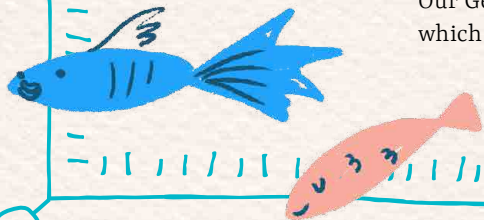
With all these practices in gender equality, we became the first and only company from Turkey to be listed in 2017 Bloomberg Financial Services Gender Equality Index.

## Employee Dialogue and Satisfaction

In order to ensure that our employees take active role in the decision-making mechanism and to be nourished of innovative opinions, we keep our dialogue channels bi-directional. For the success and sustainability of our Bank’s human resources strategy, it is important to measure and systematically track customer satisfaction, create

communication channels which directly influence employee engagement, and organize events.

With diversified surveys serving various targets, we collect our employees’ opinions, learn their expectations and demands on a yearly basis, and accordingly implement improvements.





## Garanti's Annual Surveys



### The Employee Engagement Survey

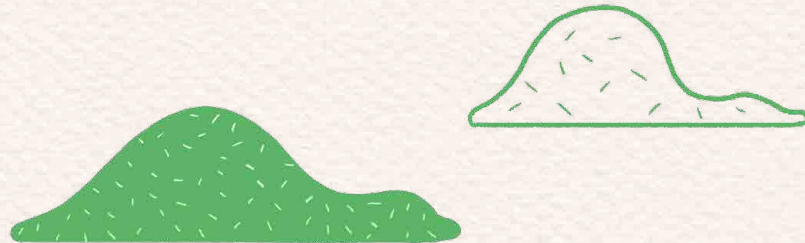
It is carried out each year to gather employees' opinions concerning working life. The scope of the survey includes basic employee-related subjects, such as work-life balance, performance management, remuneration and training & development facilities.

### The Internal Customer

It allows Garanti Bank employees to evaluate the services they have received and offer their suggestions. The survey includes questions on criteria such as accessibility, teamwork, customer approach, communication, service quality and creating value.

### The 360 Degree Feedback

It aims to contribute to managers' behavioral patterns by determining their competencies, as well as their strengths and areas open to development. We share the findings gathered from the surveys with senior management and managers, and use them in the proper design of development plans in accordance with employee needs.



## Suggestion and Idea Platforms

Our employees submit their suggestions and ideas through "Önersen", "Gong" and "Atölye" platforms and "Ask/Share" section of the intranet portal. Suggestions shared by employees are assessed by related departments and necessary adjustments are made to business procedures.



### Önersen

Önersen is an idea gathering platform which encourages all employees to submit their recommendations about the Bank's products, processes or operations. "Önersen" has been running since 2007 and collected 1,271 suggestions in 2016. In total, more than 20,000 suggestions have been collected since the platform was launched.

### GONG

GONG (Developing Opinion and Suggestion), is an idea platform where Garanti Bank employees share their opinions and suggestions about Human Resources practices and the working environment.

### Atölye

Atölye is a platform where departments put a project on the platform for a certain period of time on subjects on which they want to gather opinions and where employees can share their related points of view.

### Future Meetings

We hold Future Meetings which enable our Bank's senior management to assess the previous year with employees, and discuss strategies for the upcoming period. These meetings reflect a corporate culture, in which employees can easily express their opinions and suggestions on different platforms based on team work, common sense, sustainability and social benefits.

### Garanti Managers Summit

Held annually, the Garanti Managers Summit, which brings together the directors of Garanti Bank and its subsidiaries, is a special sharing and a common learning platform. In 2016, the summit was held in conjunction with the managers meeting, and organized as a half-day conference in Antalya. We achieved savings on transportation for 600 people (flight & car) as it was not organized as a separate event.



## Volunteer Clovers

We believe that staff's involvement in social responsibility activities as Garanti Bank employees increases their loyalty to our Bank and their jobs. These efforts not only speed up the value creation of our Bank as a corporate citizen, but also enable our employees' to correlate social responsibility with their identities as employees, and help them create a bond with their work. Established by our employees, the Volunteer Clovers Club carries out projects with the mission to prominently increase social and environmental awareness and responsibility. In 2016, the Volunteer Clovers continued the Wish Tree project, collecting the "wishes" of a total

of 2,468 primary school students from 14 schools in 7 cities, including Adana, Ağrı, Balıkesir, Erzurum, Istanbul, Mardin and Trabzon, and took action to make these wishes come true. Within the scope of the project, the wishes which consisted of clothes, technological devices, stationery, sports equipment, shoes, books and toys were chosen by the employees, and were sent to the Volunteer Clovers in the relevant cities to be delivered to the children.

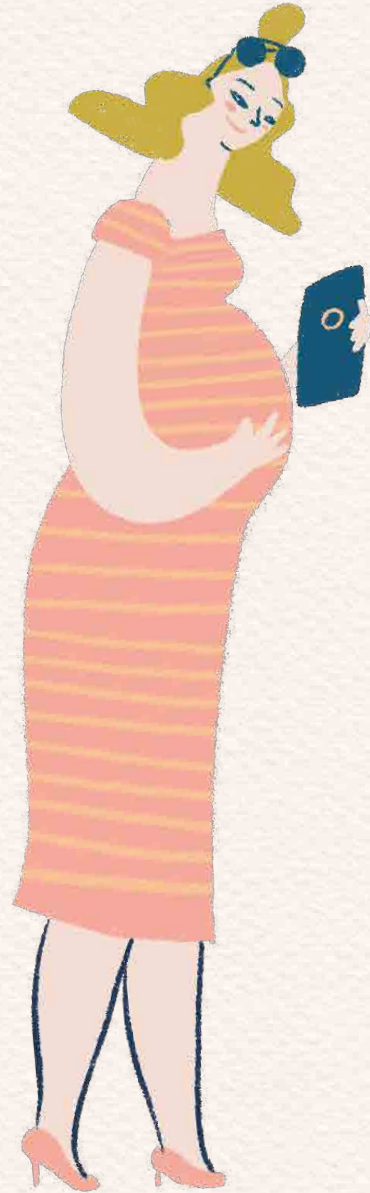
## Employee Benefits

In order to increase our employee's quality of life, we offer different products and services. Garanti employees have Private Health Insurance and Life Assurance, and can benefit from the private Retirement and Aid Fund Foundation services for health expenses not covered by private health insurance, such as dental treatment, prescription glasses and contact lenses. There are fitness centers and internal nutritionists present in Garanti's Zincirlikuyu and Güneşli Head Offices. Additionally, we have agreements with local fitness centers to provide special deals for our employees.

Another recent initiative in the pipeline is to design special areas for employees to enjoy themselves during their recreational time at the office. The development of recreation rooms and playgrounds at the headquarter buildings and branches will continue in the upcoming period.

In addition to all these efforts, an application called iyilik Sağlık (Wellness & Health) has been developed in 2015 to serve as a healthy life platform providing information on exercise, nutrition and ergonomics to employees. With the application developed for Garanti Bank, our employees get access to personal diet and nutrition programs for free.





## Maternity Leave

Our employees are entitled to additional rights in maternity leave beyond the practices recognized by the laws. 97% of the 758 women employees who used maternity leave during reporting period are still working with us.

We designed “Maternity Experience” project in order to improve our employees’ conditions between the period of pregnancy and after birth. With this project we aim to increase returning rates.

We provide our employees child care opportunities to support them in every issue which may affect their family lives negatively so that they can successfully balance between work and private life. Our employees who are nursing are granted flexible time to nurse until the infant is 1 year old and can take 2 hours off every day in the first year after birth. Alternatively, they can prefer to use this leave each day, or combine the hours into one additional day and take a day off each week, or aggregate all days and extend their maternity leave by approximately one month. In order to support employees giving birth, we offer additional insurance guarantees for childbirth expenses.

Garanti employees who become parents are supported in child development and can attend courses at the Mother-Father-Child Academy. We plan anew orientation program in 2017 for women employees who are returning from maternity leave to ease their adaptation to work life and duties.

Retirement is among the most important rights of employees. As of their first day of work at our Bank, employees automatically become a member of “T. Garanti Bankası A.Ş. Memur ve Müstahdemleri Emekli ve Yardım Sandığı Vakfı” (Retirement and Aid Fund Foundation) established as per the provisional article 20 of the Social Security Law no.506. For the employee and the dependent spouse and children of employees, health certificate is issued.



## Work-Life Balance

**A**s Garanti Bank, we continue to invest in human resources in all of our work and maintain our practices at world standards. In order to provide a better employee experience for our colleagues, we offer services and events to enliven and make their lives easier.

Established to meet this goal, Good Work Life Relationship (IYI) Program team increased the average number of events and services per employee to 20 this year, which was 9 in 2014, and 17 in 2015.



## Good Work-Life Relationship (IYI) Practices

- **Motivational Meetings:** Regional and departmental meetings to enhance employee motivation and improve internal communications.
- **IYI Talks:** Talks with top management and subject experts to support institution ownerships of Garanti employees and work-personal life developments.
- **IYI Treats:** Surprise treats to lighten up the office mood and make sure employees take a short break and enjoy pleasant moments with co-workers
- **IYI Entertainment:** To enliven the social lives of Garanti employees, discounted tickets for concerts, shows, and social activities and invitations for cultural and sports events for which the Bank is a corporate sponsor, are offered.
- **IYI Courses:** Hobby or personal development courses that employees can attend with co-workers for different experiences apart from work, where most of the fees are covered by the Bank.
- **Hobby Clubs:** Garanti employees with hobbies can participate in Photography, Underwater Sports, Sailing, Hiking, Classical Turkish Music, Turkish Folk Music, Social Responsibility, Running, Movie and Theatre, and Winter Sports clubs where they can develop their hobbies and attend activities. There are 2,300 employees who participated in Hobby Clubs.

We established the Domestic Violence Platform in order to support employees' family lives, to lend a hand to employees suffering from domestic violence whenever they need it, and to provide

guidance to managers about the effects of domestic violence on the workplace. We also launched the Domestic Violence Hotline offering services 24/7 exclusively to Garanti employees and their next of kin.

## Services

- **Employee Assistance Program:** We provide all employees with call center support, i.e. a hotline available to all employees and their family members. Experts in various fields including medical, legal, psychological and financial, provide support to callers 24/7. As part of the assistance program, callers may be referred to psychologists and counselors for 6 sit-down sessions free of charge.
- **Green Shuttle:** The routes of shuttle services provided to the Headquarters employees are automatically adjusted by software to make them more efficient.

- **SadeMail:** This is a mailing system to increase the quality of internal and external e-mails and to decrease unnecessary emailing, thus decreasing time loss and work stress.

## Occupational Health and Safety

**I**n line with local regulations on OHS, we formed a specialized OHS Team in 2013 under HR and accelerated our work in the field. As of 2015, the unit

which has been identified as OHS Management continues its work throughout Turkey with a team of 41 (OHS experts, occupational physicians, occupational nurses). OHS requirements of



all locations are coordinated by the Head Office OHS Service. We ensure uninterrupted OHS Communication by monitoring findings and recommendations on OHS, in coordination with our lines of business, and by receiving the opinions of employees through the OHS Employee Representatives in the locations. In 2016, our OHS experts, occupational physicians and occupational nurses provided 41,652 hours of service, with an increase of 25% compared to the previous year.

In line with the Occupational Health and Safety Legislation, Garanti employees received 21,811 hours of training in total, including OHS trainings held face-to-face and distance learning sessions and other featured trainings. In order to ensure effective transfer of trainings, short films were made with the Garanti Theatre Club.

We further developed the OHS software in use, thereby exhibiting our distinction from other financial services

institutions in Turkey. OHS software was made available to closely related organizations including the Disaster Recovery and Business Continuity Section and the Construction Department, thus increasing the internal efficiency of OHS culture. Workplace accidents which occurred in all locations, findings which were established, and suggestions that were received, were tracked together with the relevant units also during 2016. Ongoing activities included the provision of OSE and On-site Physician services at 20 locations which had 50 and more employees, regular quarterly OHS Committee Meetings and the updating of risk assessments to reflect the changes in workplace conditions. In 2016, we developed the Patient Appointment System (PAS) within the scope of Occupational Health practices, allowing our employees to get a doctor's appointment through the system, securing efficient use of time and delivery of quality healthcare service. This initiative also ensures that the services regarding starting work, periodic

examinations and outpatient clinics are carried out in a more organized way.

We carried out Ergonomic Risk Assessments aimed at specialized job groups. In addition, Ergonomics Training has been redesigned according to risk groups.

## Work-Related Accidents

In the reporting period, there were 234 work-related incidents of injury.

## Total Lost Working Days

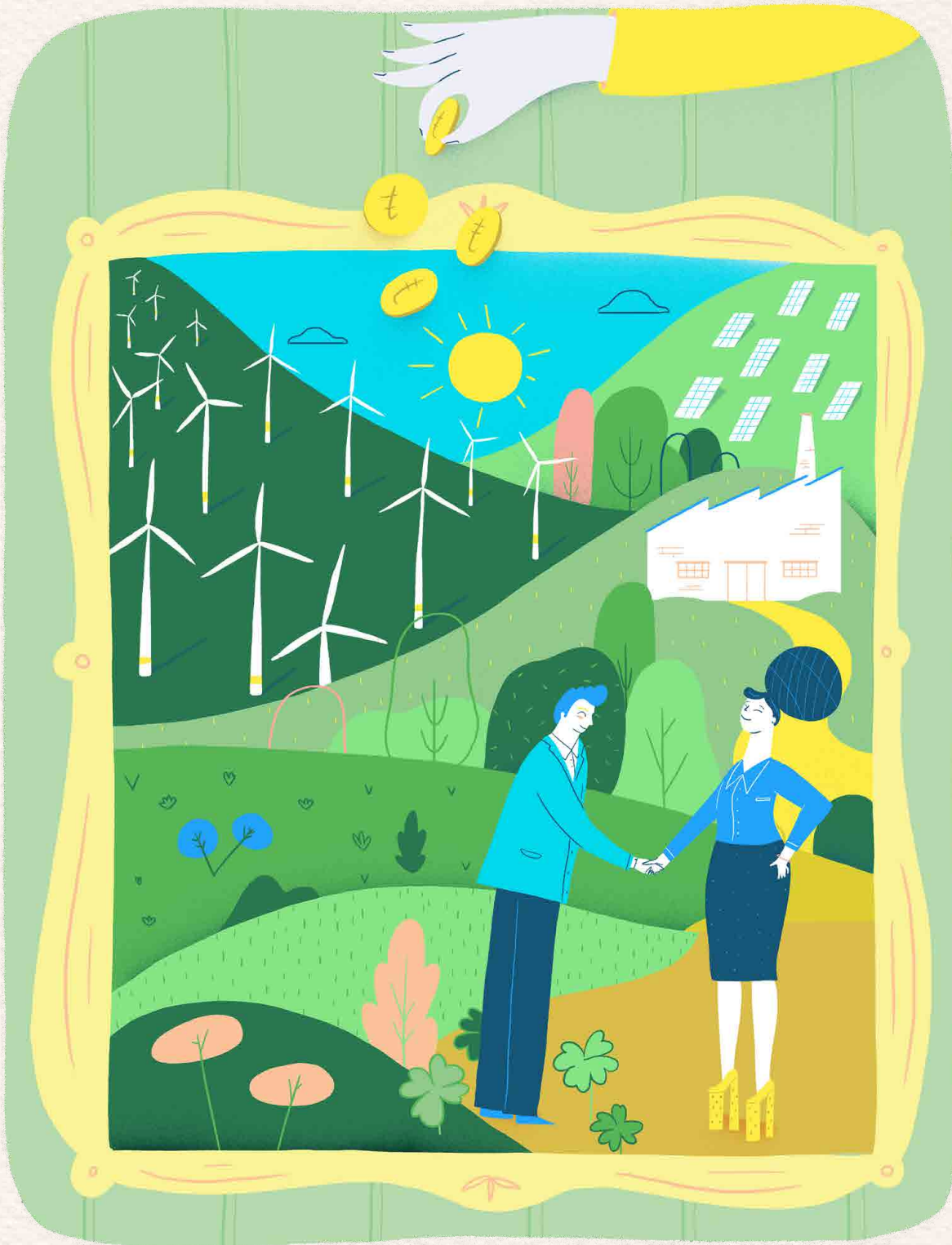
The total lost working days were 40,752 days for women and 18,850 days for men in 2016. The total lost days data is collected on the basis of medical reports

of sickness leave and injuries. In 2016, total lost working days decreased by 12% compared to the previous year. We increased our efforts to decrease total lost working days with precautions related to OHS.





## Responsible Finance



We are working for  
a world where  
savings transform  
into sustainable  
investments; where youth and women  
make their business dreams come true.



## RESPONSIBLE FINANCE

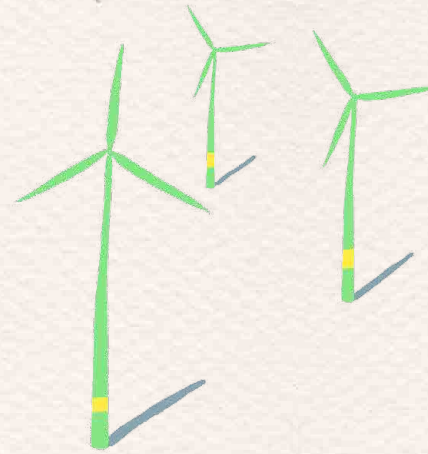
**G**lobal economies now face many issues related to income inequality, poverty, climate change and human rights. To meet the Sustainable Development Goals, which the United Nations (UN) aims to achieve by 2030, financial sector has a critical role in changing the approach to investment.

The UN underlines the role of the banks in using their risk expertise to change customer behaviors and create

more durable economies by influencing their customers to adopt environmental, social and governance (ESG) investment models.

Diversifying responsible investment instruments, evaluating non-financial risks and internalizing their environmental and social externalities can transform the banking sector's way of doing business.

According to the Sustainability Accounting Standards Board (SASB), global trends are shaping



7.4. By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology.



12.6. Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

increased risk management, demand for transparency and accountability. Day by day, investors demand more efficient management of sustainability risks and opportunities. Accordingly, creating higher value through effective management of all kinds of capital gains more importance for shareholders and other stakeholders.

For Garanti, responsible finance means assessing and managing non-financial risks at the underwriting stage, not financing some high-risk and high impact sectors, developing responsible products and services and creating awareness on ESG.

We think our leading position in the banking sector brings us the important responsibility of introducing new practices in the responsible finance field, beyond known practices and the relevant legal

regulations in Turkey. In this direction, we include environmental and social impacts of investments in our loan decisions, and regularly improve environmental and social risk assessment processes established within our Bank and its subsidiaries to minimize potentials risks.

Additionally, we aim to create awareness among all stakeholders on non-financial risks. Developing products and services that would facilitate the transition to a more comprehensive and low-carbon economic model is among our material issues. While increasing our practices to make the financial services more accessible for all of society, we also encourage our customers to take steps towards decreasing or balancing their activities' environmental and social externalities through financing. As a reliable advisor for our customers, we



support sustainability activities and lead our customers towards integrating ESG factors into their investments. Our responsible finance approach includes

supporting customers in taking conscious decisions regarding financial issues. Thus we continue our operations adhering to ethical marketing and sales principles.

## Environmental and Social Risk Management

### Environmental and Social Impact Assessment Process

**B**ased on the responsible banking and leadership approach unique to Garanti, we manage our customers' environmental and social risks and raise their awareness

on this issue. Aiming to manage these risks within our loan portfolio and scale up our work in this field, we developed the Environmental and Social Impact Assessment Process (ESIAP).

## Environmental and Social Loan Policies

While pioneering the environmental and social risk assessment practice in the Turkish banking sector, we also aim to finance an economic development model that respects the environment and the society. Our most significant impact arises from our lending activities, including project finance and project-related corporate loans. In this perspective, we also pay attention to the reputational effects of these activities. Therefore, we established the Environmental and Social Loan Policies (ESLPs) specific to Garanti. Considering the environmental and social sustainability of the projects that we finance, we apply our Environmental and Social Impact Assessment Process to minimize the negative impacts, which may occur during the project's

construction and operation phases. First of all, we assess the loan requests in terms of compliance with the ESLPs. If the relevant loan request does not comply with our policies, we directly reject the loan request. According to our policies, we pay attention to the environmental and social benefits of the financed projects, support the conservation and management of natural biodiversity, and ensure that the projects do not include elements, which may threaten the natural habitats. We support projects that focus on increasing energy efficiency and transition towards a low-carbon economy. For detailed information on ESIAP, please see the Environmental and Social Loan Policies section on our Bank's Investor Relations website.<sup>43</sup>



12.11 Rationalize inefficient fossil-fuel subsidies that encourage wasteful consumption by removing market distortions, in accordance with national circumstances, including by restructuring taxation and phasing out those harmful subsidies, wherever they exist, to reflect their environmental impacts, taking fully into account the specific needs and conditions of developing countries, and minimizing the possible adverse impacts on their development in a manner that protects the poor and the affected communities.

<sup>43</sup> [https://www.garanti.com.tr/en/our\\_company/sustainability/sustainability\\_policy/environmental-and-social-loan-policies.page](https://www.garanti.com.tr/en/our_company/sustainability/sustainability_policy/environmental-and-social-loan-policies.page)



## Exclusion List as per ESLPs

As per ESIAP mechanisms that requires us to assess non-financial risks of associated projects and request amendments when necessary, within the framework of our ESLPs, we reject financing of the following activities;

### Activities Not Financed by Garanti Bank:

Table 11: Activities Not Financed by Garanti Bank

1	Companies involved in the production of weapons of mass destruction and landmines
2	Individuals or companies found to employ child labor or which violate human rights
3	Individuals or companies that deal with the production and trade of asbestos fibers or radioactive substances (excluding healthcare equipment, quality control devices and situations in which use of radioactive substance are extremely limited or insignificant, or in situations where there is sufficient protection)
4	Fishing activities which are deemed to constitute overfishing
5	Forestry activities which cannot be sustainably managed
6	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
7	Activities carried out in wetlands defined as RAMSAR (Convention on Wetlands of International Importance) sites
8	Individuals or companies involved with products and/or activities that fall under the scope of CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora)
9	Activities that threaten the cultural heritage qualifications of sites classified as UNESCO World Cultural Heritage



## Environmental and Social Impact Assessment Model

We developed the Environmental and Social Impact Assessment Model (ESIAM) to categorize the projects according to their characteristics, size, sensitivity, location and their potential social and environmental impacts, and assess the risks systematically. Since 2012, we have assessed projects having investment amount over USD20 million according to our Environmental and Social Impact Assessment Model (ESIAM).

In 2016, we lowered this threshold to USD10 million, and included project finance advisory. The financing requests –if in compliance with ESLPs - are first evaluated in terms of compatibility with sector-specific principles and then divided into three categories based on the size of environmental and social impacts as per ESIAM.



The ESIAM process, where environmental and social impact of projects are identified and assessed, consists of three phases:

**1. Category selection:**

Proje, A, B ve C kategorilerinden birine dahil olacak şekilde sınıflandırılıyor.

**2. Identification of the project's risk rating:**

Her sektöre özgü farklı soru setlerine sahip, uluslararası standartlar esas alınarak oluşturulmuş algoritmaya dayanan risk derecelendirme modelimiz aracılığıyla proje riskleri değerlendiriliyor.

**3. Determination of action group according to category and risk rating:**

Final risk rating is applied after ESIAM and certain actions on environmental and social issues are requested according to the risk rating. In this phase, the owners of the projects with a risk rating higher than a certain grade are requested to prepare and apply the Environmental and Social Management Plan (ESMP) and periodically report it to the Bank.

## Loans Subject to ESIAM:

- Project financing, bridge loans and project finance advisory with more than USD10 million of investment
- "Corporate loans" meeting the following requirements;
  - Loans of USD 100 million and above
  - Garanti share with minimum US Dollar 50 million and above
  - Minimum 2 year-tenor
  - Creating project income with payment

## Loans Not Subject to ESIAM:

- Acquisition and privatization loans,
- Construction loans (excluding mass housing projects),
- Short or long-term loans that do not include the realization of any project,
- Loans provided to a project that is already operational (provided these projects do not create an additional impact) and
- Refinancing loans for ongoing projects (provided these projects do not create an additional impact).

In high-risk projects, which we financed in 2016, the investors were requested to establish EMS and Occupational Safety Management System and certify these systems with ISO14001 and OHSAS 18001.

In 2016, we agreed to include the project finance advisory and projects financed abroad in the ESIAM following the decision of the Board of Directors. Furthermore, we lowered the investment amount threshold from USD20 million to USD10 million to apply ESIAM criteria in more projects, thus taking another step towards compliance with Equator Principles recognized by the international finance sector.

During 2016, %100 of all loan requests made to our Bank were subject to ESLP. Even though fewer projects passed the ESIAM system compared to the previous year, there has been an increase of approximately 30% in loan limit amount. In 2016, 5 projects worth USD 2.079 billion, which were included in ESIAM's scope, were assessed by the system. Also, going beyond the policy scope, one project with USD718 million of credit limit, which is not included in the scope of ESIAM, was financed under certain environmental conditions.

In 2016, the Sustainability Team conducted 22 project site visits to detect environmental and social conditions at the project sites.



Table 12: Breakdown of Investments which were Subjected to ESIAP in 2016

	Loan Limit (USD, million)		Number of Projects	
	2015	2016	2015	2016
Projects rejected as per the ESLPs	-	-	8	-
Loan requests within ESIAM's scope and applied to ESIAM	1,621	2,079	10	5
Loan requests approved with conditions added to the loan contract despite being out of ESIAM's scope	70	718	2	1

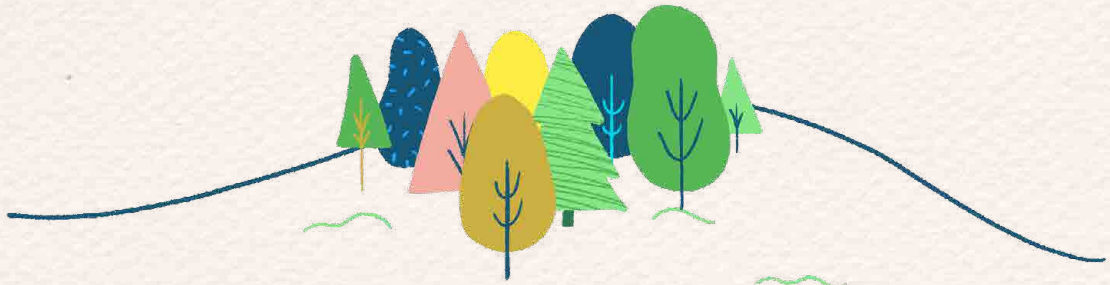


Table 13: Risk Assessment Breakdown of New Investment Projects Assessed According to ESIAM in 2016

Assessment Result Breakdown		Loan Limit (> USD 10 million)		Number of Projects	
		2015	2016	2015	2016
Category	Category A	925	1,687	6	3
	Category B	766	392	6	2
	Category C	-	-	-	-
Risk Rating	R1	950	1,934	4	3
	R2	219	30	1	1
	R3	522	115	7	1
	R4	-	-	-	-
Final Score	1	1,169	1,934	5	3
	2	342	145	3	2
	3	180	-	4	-

We report ESIAM result as part of project assessments and actions taken to ensure compliance of the projects to senior management. We share the results of environmental and social impact assessments to the Loan Committee and Sustainability Committee. If deemed necessary by the Sustainability Committee



we revise or update policies and the assessment process including investment threshold within the scope of ESIAM. Some projects and examples from corrective and mitigating actions requested from the customers in 2016 are listed below:

### EIA / ESIA

- On an integrated hospital project, we requested an ESIA report although it was exempt from the current local EIA legislation at the time of financing.
- On a dam type hydropower plant project, in addition to the local EIA report we requested the preparation of a comprehensive ESIA report in international standards.

### Ecological Impacts and Measures Taken

- On wind plant projects, the impact of the project on birdlife and birds' migratory routes was assessed with ornithology studies and minimized.
- On a dam type hydropower plant project, we requested comprehensive ecological impact assessment.
- On a port project, we requested the monitoring and reporting of impact on marine life.

### Cumulative Impact / Additional Impact

- We requested the sponsors to conduct cumulative impact analyses at many energy projects including wind and hydropower plants, despite not being required by the regulations.

### Environmental and OHS Management Systems

- For 3 high and medium risk projects financed in the energy and infrastructure sectors, we requested investors to establish an EMS and obtain ISO14001 certification and establish an OHS Management System and obtain OHSAS18001 certification.

### Social Impact Mitigation and Actions

- On a dam type hydropower plant project, a social impact assessment study was conducted targeting the populations who may be affected by the project in terms of and/or economic resettlement. Possible impacts were identified and terms regarding mitigation were included in the contract.
- On an integrated hospital project, we requested the investor to inform people and conduct a stakeholder engagement process that includes grievance management mechanisms.

### Assessing Hydropower Plant Acquisition Projects

- On hydropower projects in acquisition, we assessed environmental impacts assessment, including checking the values of environmental water release by the plant. We also requested an environmental and social impact management plan where necessary.

## ESIAP Objectives

We continued updating the ESIAP in 2016, and made important amendments in the amounts and definitions of the project qualifications within ESIAM'S to expand the assessment's scope upon approval of the Sustainability Committee. **In 2017, we aim to continue to apply ESIAM in new projects with an investment of USD 10**

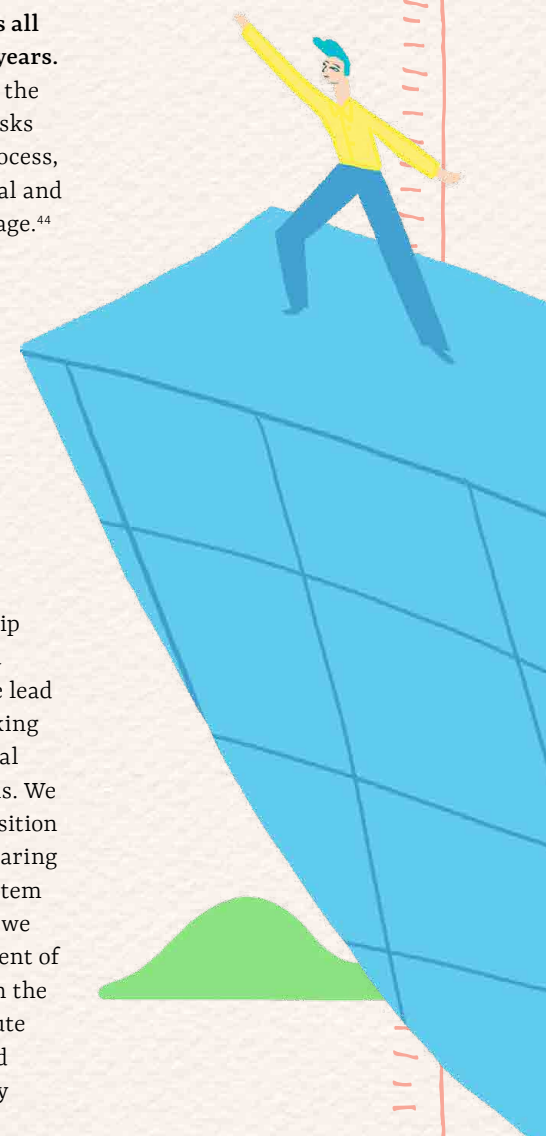
**million and more, and spread the environmental and social risk assessment approach across all subsidiaries in the coming years.** For detailed information on the environmental and social risks management and ESIAM process, please see the Environmental and Social Risks Management page.<sup>44</sup>

## Raising Awareness on Environmental and Social Risks

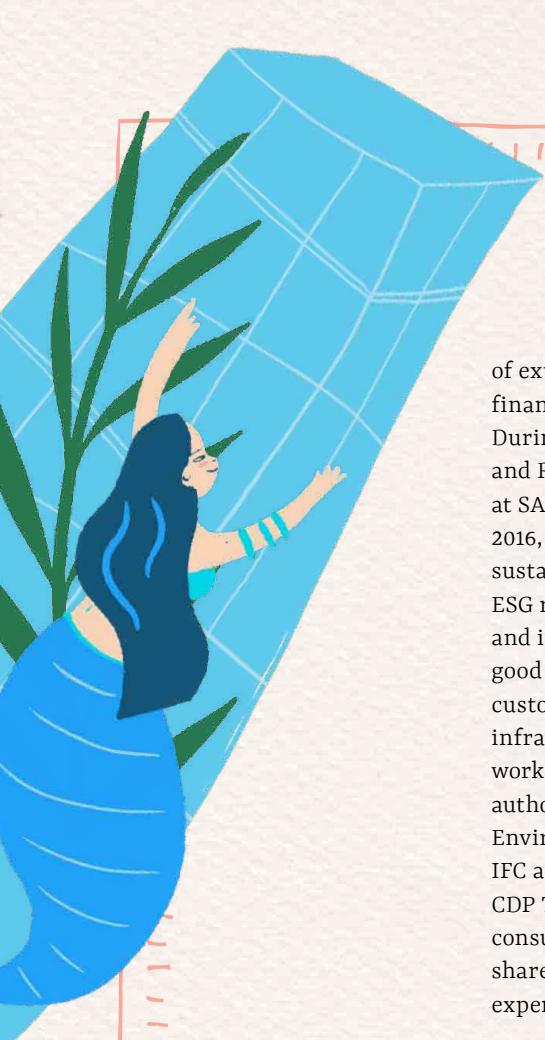
Along with our responsible financing efforts, we establish cooperation to realize sustainability development agenda through common efforts. Thanks to our collaborations with various stakeholders and memberships to international platforms, we can share information and experience, thus taking the opportunity to follow current developments closely. Then, we take necessary steps to apply these developments within our Bank, and assume

the role of thought leadership to mainstream similar good practices in our country. We lead the way in the Turkish banking sector with our non-financial risk assessment mechanisms. We reinforce our pioneering position in responsible finance by sharing our ESIAP approach and system on various platforms. Thus, we contribute to the improvement of sustainability parameters in the banking sector and contribute to increasing knowledge and awareness, building capacity

<sup>44</sup> [https://www.garanti.com.tr/en/our\\_company/sustainability/sustainability\\_approach/env\\_and\\_social\\_impact\\_assessment.page](https://www.garanti.com.tr/en/our_company/sustainability/sustainability_approach/env_and_social_impact_assessment.page)



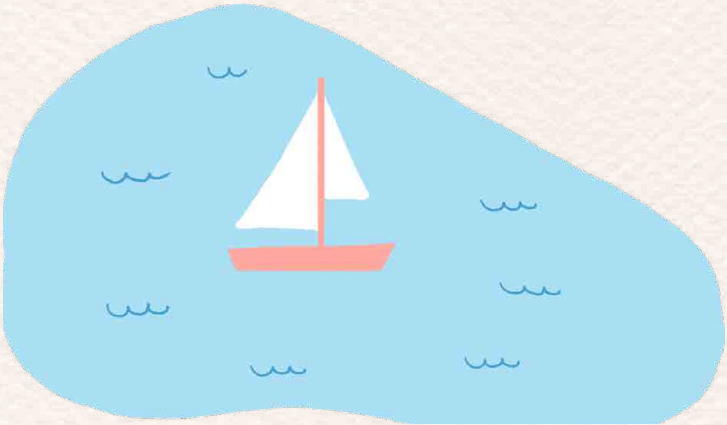




of external stakeholders in the finance sector and private sector. During the Second Sustainability and Risk Management Workshop at SALT Galata in December 2016, we made a presentation on sustainability, our approach in ESG risk management, national and international trends, and good practices to corporate customers in the energy and infrastructure industries. In the workshop, in addition to Garanti, authorities from the Ministry of Environment and Urbanization, IFC and EBRD specialists, CDP Turkey and independent consultancy representatives shared their know-how and experience through speeches,

panels and presentations.

Our training and capacity building efforts were qualified as one of the best practices in trainings provided to financial institutions on Environmental and Social Risk Management subject field by the EBRD in 2015 and 2016.



## Our Portfolio's Carbon and Water Footprint

It is not yet possible to reach reliable data on the CO<sub>2</sub> emissions stemming from all activities financed by the Bank, since currently very few companies in Turkey calculate and monitor their greenhouse gas emissions. With the Regulation on Amendment in the Regulation on

Monitoring of Greenhouse Gas Emissions, published in June 2016, companies are requested to submit their greenhouse gas emission reports from 2015 and 2016 until the end of April 2017. The articles 7 and 8 regulating the reporting and assurance of greenhouse gas emissions will go in effect



13.3 Goal: Climate Action: Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning



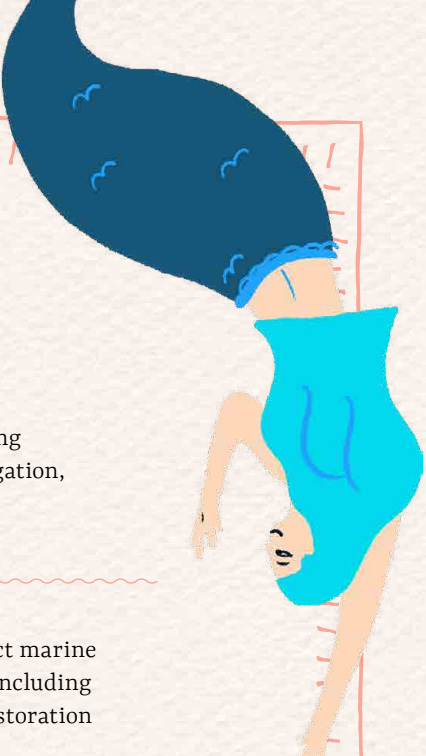
14.2 Life Below Water: By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans

as of January 1, 2017. With this change, an important step will be taken regarding the institutional capacity building necessary for tackling climate change, as set forth by the UN.

Similarly, 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 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 and on our website.

## Responsible Products and Services

We diversify financial instruments provided for low-carbon and inclusive growth, and cooperate with international finance institutions focusing on sustainable development. By developing products and services for diverse needs, we pay attention to providing financial solutions facilitating transition towards a sustainable economy.

In parallel with the Paris Agreement's goal of preventing and reducing climate change, we accept the prioritization and encouragement of any resource efficiency, renewable energy and environmental protection and improvement investment as a basic principle.

Our sustainable banking responsibility includes products and services designed by considering environmental and social impacts. When building the financing instruments that society needs today, we take decisions without compromising future needs. The Industry Matrix, which assesses the role of the financial sector in achieving the UN Sustainable Development Goals, identifies important opportunities for the sector that faces trends such as rising levels of consumption, technological developments and increasing cooperation with growing population and middle class, especially in developing countries. Global trends bring opportunities, which serve Sustainable Development Goals and create common value for banks.<sup>45</sup>

<sup>45</sup> [https://sustainabledevelopment.un.org/content/documents/9789CRT046599%20SDG\\_Financial%20Services\\_29sep\\_WEB-1.pdf](https://sustainabledevelopment.un.org/content/documents/9789CRT046599%20SDG_Financial%20Services_29sep_WEB-1.pdf)

For the sustainable growth of Turkey, we continue to provide financial solutions on renewable energy, energy efficiency,

women entrepreneurs' empowerment and SMEs' development.

## Financing Renewable Energy

One of our primary objectives is to provide the necessary financing for the renewable energy industry which is making exponential progress with global scientific developments, and contribute to utilization of renewable energy potential of our country. We believe that renewable energy is an opportunity to prevent greenhouse gas emissions in Turkey in line with international goals and commitments and has the potential to create new jobs and minimize the environmental and social impacts of energy generation.

In Garanti's Climate Change Action Plan, we committed to applying shadow carbon prices in the financial assessment of all fossil fuel-based or renewable energy investments and developing capacity building projects. To date, we maintained a 32% share in Turkey's operating installed wind power capacity. Since 2014, the amount of cumulative financing provided to renewable energy investments increased by USD1 billion, and exceeded USD4.7 billion. As a pioneer in renewable energy finance

in Turkey and as the Bank financed most wind power plants, carbon price application will allow us to prioritize renewable energy investments even more. Therefore, 100% of the total resources allocated to new energy investments in 2016 was allocated to renewable investments. In the upcoming years, according to our goals stated in the Action Plan, we aim to maintain this level at a minimum of 60%.

As well as our pioneering position in the wind power market, we focus on developing alternative products in the solar energy market. Thanks to the new legal regulations that enable the use of renewable energy up to 1 MW without a license, investors looking for new job opportunities and SMEs trying to reduce operational costs can now generate electricity using solar energy. To meet this new need, we launched our credit product specially designed for solar energy systems in 2014.





For the unlicensed solar energy projects, which are crucial for local socio-economic development, in 2015 we founded a special team of experts under the Project Finance Department and financed solar energy projects that will reach 228 MW capacity when they will become fully operational.

Also, in 2016, the total emission reduction of operational wind power plants and hydropower projects that we financed was 6.3 million tCO<sub>2</sub>e based on the current average grid emission factor for Turkey. This means an increase of 11% compared to the previous year despite the decreasing average grid emission factor.

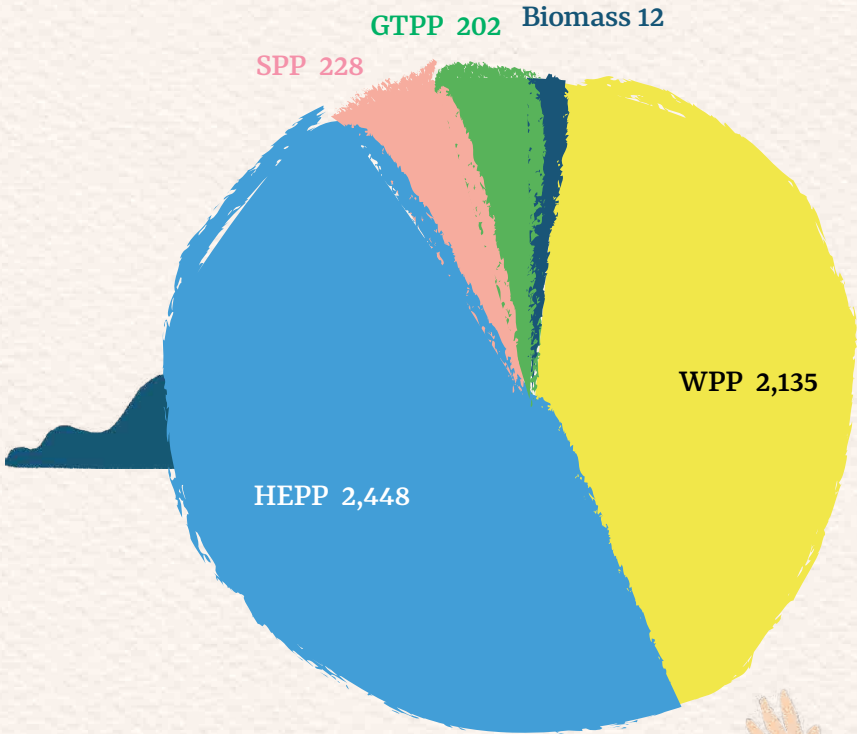


Figure 4: Energy Portfolio Based on Installed Capacity

As of December 31, 2016, Garanti Bank has allocated:

- USD 2.35 billion to wind power projects which will have a total installed capacity of 2,135 MW once fully operational,
- USD 2.02 billion to hydropower projects which will have a total installed capacity of 2,448 MW once fully operational,
- USD 204 million to geothermal power plant projects which will have a total installed capacity of 202 MW once fully operational,
- USD 195 million to solar energy projects which will have a total installed capacity of 228 MW once fully operational, and
- USD 15 million to biomass energy plant projects, which will have a total installed capacity of 12 MW once fully operational.

All of the fund that was provided to energy projects by the Bank was allocated to **renewable energy projects** in 2016.

Table 14: Total Installed Capacity of the Wind Power Portfolio by Year (Cumulative)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 <sup>46</sup>
MW	70	220	385	540	626	874	1,216	1,223	1,696	1,932	2,135
Loan Limit (US Dollar, millions)	84	281	502	694	806	1,138	1,511	1,526	1,962	2,134	2,349

<sup>46</sup> Includes corporate loans allocated to small-scale WPPs.



Table 15: Total Installed Capacity of the Hydroelectric Power Portfolio by Year (Cumulative)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 <sup>47</sup>
MW	54	118	211	882	1,962	2,080	2,123	2,123	2,131	2,448
Loan Limit (US Dollar, millions)	60	107	277	627	1,350	1,481	1,550	1,534	1,646	2,016

Table 16: Portfolio of Total Installed Geothermal Power Plants by Year (Cumulative)

	2010	2011	2012	2013	2014	2015	2016
MW	75	75	75	95	112	202	202
Loan Limit (US Dollar, millions)	70	70	70	90	128	204	204

Table 17: Portfolio of Total Installed Solar Power Plants by Year (Cumulative)

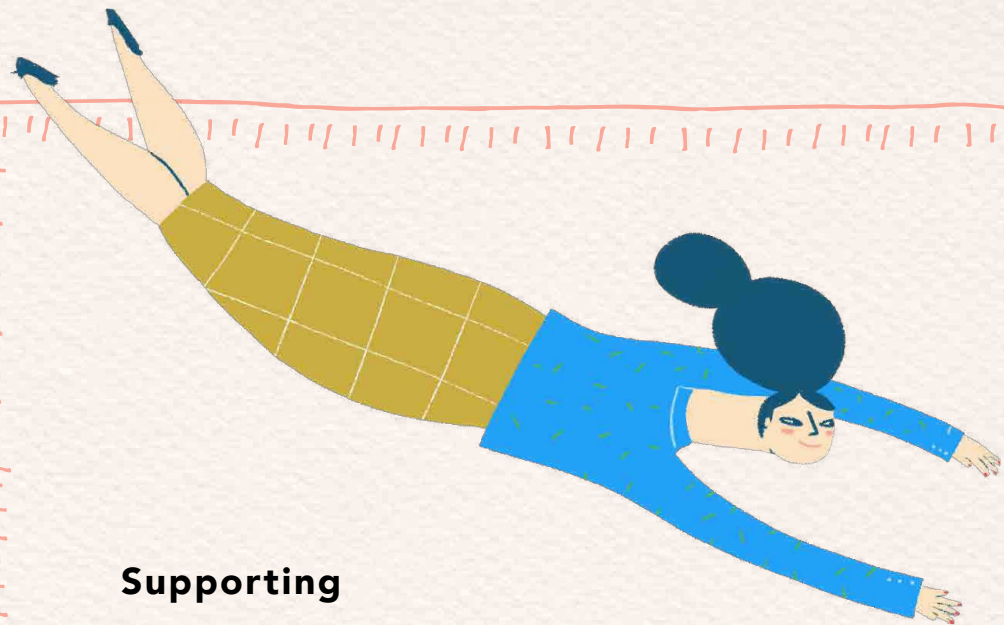
	2015	2016
MW	23	228
Loan Limit (US Dollar, millions)	21	195

<sup>47</sup> Includes corporate loans allocated to small-scale HPPs

We cooperate with international finance institutions in financing renewable energy projects. We offer SMEs favorable credit terms in energy efficiency and renewable energy finance through Turkey Sustainable Energy Financing Facility (TurSEFF) and Mid-Sized Sustainable Energy Financing Facility (MidSEFF), both of which are supported by EBRD. Supported by EBRD and EIB, MidSEFF covers mid-size investments in renewable energy, waste-to-energy and industrial energy-efficiency. For this purpose, in 2010 EBRD and EIB provided us EUR150 million, and EBRD provided USD100 million in 2015. Additionally, we secured

EUR50 million from Proparco with tenure of 12 years in 2011. Proparco is a subsidiary of the French Development Agency (AFD) that provides funds for private investments in developing countries with a focus on supporting clean energy projects. In October 2016, we signed a loan contract of EUR100 million for 12 years to be used in financing energy efficiency and renewable energy projects.





## Supporting Women Entrepreneurs

We support active participation of women in employment and economic life, with the understanding that an inclusive economy where all individuals use opportunities equally will be more efficient and can grow faster. Our commitment to gender equality means developing our country in a way that it is beneficial for everyone beyond our Bank. Economic independence has a key role in ensuring gender equality. By providing special financing opportunities for women entrepreneurs in SMEs, which are the drivers of our economy, we support them in developing their business plans in competitive market conditions.

We increased the loan amount provided to women customers, whom we categorize as a special customer group in SME Banking, by 14% compared to the previous year, and raised it to TL 3.2 billion by the end of 2016.

We also signed a goodwill letter for the “Financing and Consulting Support Program for Establishments Managed by Women” initiated by the EBRD, European Union Delegation to Turkey, Republic of Turkey Ministry of Labor and Social Security and Turkish Business Council. With this program, we are involved in a EUR300 million loan package that will be used to finance companies managed by women. Additionally, we

provided businesswomen in Turkey USD60 million in loans, with the Women in Business project in cooperation with EBRD. For detailed information of these funds allocated particularly to women SME owners or managers, please see EBRD’s official website.<sup>48</sup>

As well as the financing, through our Women Entrepreneurs Executive School we provide entrepreneurship

trainings for women and support women entrepreneurs in developing their businesses by building knowledge and experience sharing environment. You may find all programs and other practices we developed specifically to meet needs of women entrepreneurs under the main heading of Women Entrepreneurs in Capacity Building Efforts for SMEs.

## Supporting SMEs’ Development

SMEs are the locomotive power of the Turkish economy. Making up 74% of the total employment in the country, they have important contributions to the economy, domestic development, inclusive and value-added growth. At

Garanti Bank, we support SMEs in increasing their financial resilience and making value-added production that will benefit the economy.



<sup>48</sup> <http://www.ebrd.com/work-with-us/projects/psd/garantibank-women-owned-and-managed-smes-credit-line.html>



# Climate Change and Energy



e are working for a world  
where children prefer  
trees to toys and green  
triumphs over grey.



## CLIMATE CHANGE AND ENERGY

**M**ajority of our bank's impact on climate change arises from the projects we finance. As well as assessing the impact of the investments we finance, we attach importance to the environmental impacts which occur during our own operations and carry out studies accordingly. We address our environmental impact within the scope of climate change, water and waste management, and regard reducing the impact on these areas as a fundamental component of our sustainability approach.

- Construction of the Garanti Bank Pendik Technology Campus is continuing according to LEED criteria,

With a **reduction of 56%** in 2016, we achieved our goal of reducing total Scope 1 and Scope 2 GHG emissions per total assets by 50% in 2020 against a 2012 baseline.



We manage our environmental impact in line with our environmental policy<sup>49</sup> in compliance with ISO 14001 Environmental Management System (EMS) standards. **We are the bank with the most comprehensive EMS in Turkey since 2015**, with the ISO 14001 certificate covering 100% of our service points.

<sup>49</sup> Garanti Bank Environmental Policy: [https://www.garanti.com.tr/en/our\\_company/sustainability/sustainability\\_approach/environmental\\_policy.page](https://www.garanti.com.tr/en/our_company/sustainability/sustainability_approach/environmental_policy.page)

Climate Change Action Plan<sup>50</sup> that we carry out was put into practice in 2015. We focus our activities on tackling climate change on four main areas: carbon pricing and prioritization of renewable energy investments, reducing deforestation, management of water risks related to climate change, and establishing green office standards.

We had limited assurance for our Scope 1 and 2 GHG emissions, our emission intensity per our total assets, our total energy consumption, total water consumption and Scope 3 emissions due to flights for business purposes.

We became the first bank from Turkey to sign the UNGC's Business Leadership Criteria on Carbon Leadership.

## Climate Change Management



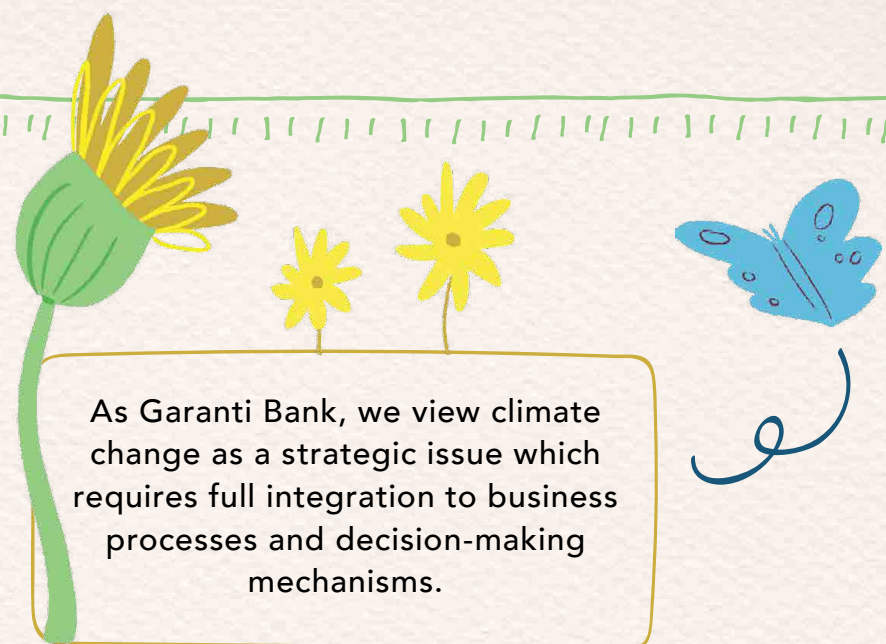
13. Take urgent action to combat climate change and its impacts

13.3. Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning

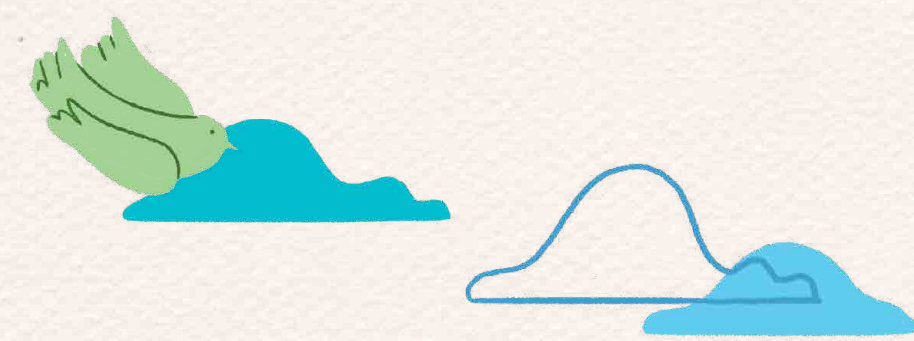
**C**limate change continues to be one of the most significant global issues in the 21st century which creates risks and opportunities for each sector. Governments are participating in a collective action to tackle climate change within the scope of the Paris Agreement, which entered into force officially in 2016. Within the scope of the Agreement, governments put huge efforts in climate change adaptation and greenhouse gas emissions reduction. Stakeholders such as the private sector and non-governmental organizations also

<sup>50</sup> Garanti Climate Change Action Plan: [https://www.garanti.com.tr/en/our\\_company/sustainability/sustainability\\_policy/climate-change-position-statement-action-plan.page](https://www.garanti.com.tr/en/our_company/sustainability/sustainability_policy/climate-change-position-statement-action-plan.page)





As Garanti Bank, we view climate change as a strategic issue which requires full integration to business processes and decision-making mechanisms.



have important responsibilities in tackling climate change.

In line with this, Sustainable Development Goals emphasize that all actors in the world from governments to companies should work in cooperation for climate change mitigation and adaptation.

Finance sector in the world, particularly those in developing countries, are aware that the climate change issue is now more than a risk management issue, and creates new business opportunities. Today it is more important that the finance sector develops products, services and projects to contribute to sustainable development. As Garanti Bank, we pay attention that the projects we finance comply with the laws as well as the social and environmental standards of our policies, and that project owners carry out risk assessments, take necessary precautions, and have efficient internal audit systems. We focus on

reducing the impact of the sector on climate change, as a key player of the Turkish finance sector. We are aware that we create a great indirect environmental impact through the projects we finance. For detailed information on sanctions imposed on projects financed by our Bank, please see the Responsible Finance section.

In order to be a part of the worldwide collective effort in combating climate change, we shared our practices with the world in various sessions during the 22nd Conference of the Parties (COP22) of the United Nations Framework Convention on Climate Change, held in Morocco in November.

The activities aiming the transition to a low-carbon economy accelerated nationwide after Turkey signed the Paris Agreement. Considering the private sector's responsibility to implement the goals determined in the Intended



Nationally Determined Contribution, the "Addressing Climate Change from Economic Policies Perspective Report" was published in December 2016, under the leadership of Turkish Industry and Business Association (TÜSİAD) Environment and Climate Change Working Group. Based on the principle of sustaining economic activities with an approach that keeps environmental concerns in mind, the report addresses Turkey's options to develop policies and market tools for emissions reduction, and to apply these tools in the most effective way. In addition, the report puts forward how climate change and relevant tools will affect each industry sector economically under various scenarios. As one of Turkey's leading companies in combating climate change, we were a member of the Advisory Board, as well as being one of the main sponsors of the report.

As Garanti Bank, we view climate change as a strategic issue which requires full





We became  
one of the two companies from Turkey  
**among the 193 companies**  
listed in the CDP Climate Change 2016  
A List.

integration to business processes and decision-making mechanisms. One of the most important studies on climate change and its impacts, the Climate Change Action Plan <sup>51</sup> that we carry out was put into practice in 2015. We focus our activities on tackling climate change on four main areas: carbon pricing and prioritization of renewable energy investments, reducing deforestation, management of water risks related to climate change, and establishing green office standards.

The principles below explain our new carbon pricing scheme in order to build on existing efforts about putting a shadow price on carbon:

- We apply our own shadow carbon price in evaluating the feasibility of all greenfield/

brownfield fossil fuel <sup>52</sup> based and renewable energy production investments in our project finance activities.

- If the host country already implements an emissions trading scheme (both voluntary and regulatory) or a carbon tax, then we use the actual price for carbon. If not, we use a fixed price per tonne of CO<sub>2</sub>e emitted. The price is determined taking into consideration the market dynamics and is reviewed by the Sustainability Team on a regular basis and updated when necessary.
- 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 us to further prioritize renewable

investments. As a result, we expect that a minimum of 60% of the total funds allocated to greenfield energy production facilities will be allocated to renewable investments. With the current 50% renewable investments ratio, this means an increase of at least 10% compared to BaU as of December, 2014.

• For the rest, we will implement our Environmental and Social Impact Assessment System including the following principles, allowing us to ensure highest environmental standards in thermal power plants;

- implementation of Best Available Technologies (BAT) where applicable, to ensure minimum GHG emissions;
- setting emission limits for sulfur dioxide, nitrogen oxides, and dust based on EU standards;
- requiring the annual reporting of GHG emissions publicly based on the host-country's regulatory GHG reporting guidelines.
- We support the UN Global Compact's Business Leadership Criteria on Carbon Pricing, which comprise 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.



<sup>51</sup> [https://www.garantiinvestorrelations.com/en/images/pdf/climate\\_change\\_position\\_statement\\_action\\_plan\\_v6\\_081015.pdf](https://www.garantiinvestorrelations.com/en/images/pdf/climate_change_position_statement_action_plan_v6_081015.pdf)

<sup>52</sup> For a 20-year time horizon, Well to Tank (WTT) carbon footprint of shale gas and natural gas should also be taken into consideration, especially in a scenario where pre-production emissions are not captured and flared. As a result, we apply a carbon price to those power plants, besides coal fired power plants and we take into consideration the upstream emissions in all our calculations.



We were granted an award in the “Energy and Carbon Management” category within the scope of “Sustainable Business Awards” in 2016 for our Climate Change Action Plan. We also became the first bank from Turkey to sign the UNGC’s Business Leadership Criteria on Carbon Leadership. This initiative represents the support of the business world in carbon pricing prior to COP21 held in Paris. After the Paris Agreement was signed following COP21 of UNFCCC, our current efforts to reduce greenhouse gas emissions came into prominence. In 2016, we set a 5% reduction target for our 2016 greenhouse gas emissions compared to the 2015 baseline. As a result of our efforts, we achieved a reduction of approximately %10 in one year in greenhouse gas emissions per total assets compared to 2015. 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 EMS become operational, by the end of 2020. Currently, we have already achieved this target with 56% reduction. We will continue our efforts to maintain this success and maximize greenhouse gas reductions.

As an important step regarding climate change, from the date when we started to calculate greenhouse emissions for the first time in 2009 and submitted our greenhouse gas emissions and climate change strategy to CDP for the first time in 2010, until today, the investments made for a sustainable future played a

role in keeping our leading position in the sector. As a result of environmental and sustainability efforts for many years, we became one of the two companies from Turkey and the only company from the Turkish finance sector in the 193 companies listed in the of CDP 2016 Global Climate Change Report A List. Also, we made a commitment to set Science Based Targets in 2016. The Science Based Targets is an initiative under the leadership of CDP, and requests companies to make a commitment of emission reduction according to science-based methodologies, in order to limit the global warming below 2°C, as recognized by the science world and governments.

Detailed information about direct environmental impact through our buildings are provided in Garanti Bank Investor Relations website.<sup>53</sup> In addition, resource consumption and GHG emission data can be found in Appendix 4.

Climate change caused efficient use of water resources and efficient water management to become crucial issues for companies. The most significant risks regarding water management are in the Bank’s loan portfolio (i.e. indirect water footprint). For detailed information on the sanctions for financed projects, please see the Responsible Finance section.

We are also working to reduce water consumption in all offices and branches across Turkey and improve our

environmental performance. By expanding the scope of CDP studies in 2015, we became the main sponsor of the CDP Water Program in order to increase awareness on water scarcity, and continued our support in 2016. Considering that the private sector should take responsibility on the issue of water and with the target of motivating companies, we released our first CDP Water Report in 2015.

Detailed information about direct environmental impact through our buildings are provided in Garanti Bank Investor Relations website.<sup>55</sup>

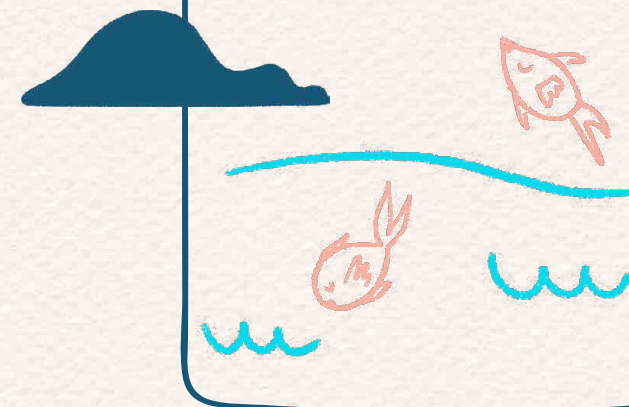
The water consumption  
in our offices<sup>54</sup> in 2016 was

**264**  
thousand m<sup>3</sup>.

For 2015, this number  
was calculated as

**270**  
thousand m<sup>3</sup>.

The water consumption in  
2016 was reduced by  
**2%** compared to 2015.



<sup>53</sup> <https://www.garantiinvestorrelations.com/en/>

<sup>54</sup> Here the term “water consumption” refers to “water withdrawal” which is defined as “the sum of all water drawn into the boundaries of the organization from all sources (including surface water, ground water, rainwater, and municipal water supply) for any use over the course of the reporting year”.

<sup>55</sup> <https://www.garantiinvestorrelations.com/en/>



## Independent Assurance Statement

To the Board of Directors and Management of T. Garanti Bankası A.Ş.  
Istanbul, Turkey

This Assurance Statement (hereinafter "Statement") is issued solely for the management of T. Garanti Bankası A.Ş. (hereinafter "Garanti" or "the Company") for the purpose of reporting on the "Selected Information" in its 2016 Sustainability Report (hereinafter "the Report") that has been prepared by the Company for the year ended 31 December 2016.

### Subject Matter, Information and Applicable Criteria

We were engaged by the Company to provide limited assurance on the items listed below, together the "Selected Information" as defined in Appendix 2 of the Report.

### The scope of our assurance

The scope of our assurance is limited to the indicators listed in the Selected Information (shown below) and comprising the relevant facilities in Turkey, (together "the Selected Information") which has been prepared based on the GRI Sustainability Reporting Guidelines published by Global Reporting Initiative (GRI) and Bank's internally developed criteria as explained in Appendix 2 of the Report. Our assurance report should be read in conjunction with the Company's internally developed criteria.

### List Selected Information:

- Sustainability Governance at Garanti:
  - o existence of Bank's sustainability committee and 7 sustainability working groups
  - o number of sustainability committee meetings held during the reporting period
  - o composition (i.e. membership of sustainability committee)
  - o existence of Bank's network of sustainability representatives and their role in working with sustainability teams to collect data for the sustainability report and implement decisions of the sustainability committee
  - o communication between sustainability committee, business network
  - o evidence that the sustainability committee has discussed bank's material topics and critical concerns raised during the reporting period
- Stakeholder engagement process and materiality analysis with focus on:
  - o integrity of calculations in materiality analysis
  - o analysis of material issues being consistent with internal and external stakeholder evidence on a sample basis
  - o analysis issues for material to the Bank being supported by underlying analysis and evidence
- Total energy consumption by source in 2016
- Total water consumption / withdrawal by source in 2016
- Total GHG emissions in CO2e in 2016 reported under scope 1 and 2 of the GHG Protocol
- GHG intensity in 2016 (per twh/asset)
- Reduction of GHG emission intensity in 2016 (per total assets)
- Business air travel in kilometers (km) and emissions due to business air travel (scope 3)
- Avoided emissions due to operational renewable energy projects under loan from Garanti
- Environmental Impact Assessment Process related to projects financed by Garanti
  - o Number of assessed projects in 2016
  - o Number of rejected projects in 2016
  - o Risk rating of the assessed projects in 2016
  - o Number of project site visits conducted in 2016
- Renewable energy portfolio

- o Amount of investments in renewable energy projects by type as of 31.12.2016
- o Installed capacity of renewable energy projects by type as of 31.12.2016
- o Garanti's market share of operational installed wind capacity in Turkey as of 31.12.2016
- Total monetary amount of community investments in 2016
- Community investment materiality analysis with focus on:
  - o integrity of calculations in materiality analysis
  - o analysis of material issues being consistent with internal and external stakeholder evidence on a sample basis
  - o analysis for issues material to the Bank being supported by underlying analysis and evidence

Data and Guidance notes related to the Selected Information can be found in Appendix 2 of Garanti's 2016 Sustainability Report.

### The Company's Responsibilities

The Company's management is responsible for the preparation, collection and presentation of the Selected Information in accordance with the GRI G4 Reporting Guidance and the Company's internally defined criteria explained in the Appendix 2 of the Report. In addition, the Company's management is responsible for ensuring that the documentation provided to the practitioner is complete and accurate. The Company's management is also responsible for maintaining the internal control system that reasonably ensures that the documentation and information described above is free from material misstatements, whether due to fraud or error.

### Our Responsibilities

We conducted our assurance engagement in accordance with International Assurance Standards, particularly International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 (revised)). These regulations require that we comply with ethical standards and plan and perform our assurance engagement to obtain limited assurance about the Selected Information.

We comply with the independence and other ethics requirements of the IESBA Code of Ethics for Professional Accountants, which establishes the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply International Standard on Quality Control 1 (ISQC 1), and accordingly, we maintain a robust system of quality control, including policies and procedures, documenting compliance with relevant ethical and professional standards and requirements in law or regulation.

The assurance engagement performed represents a limited assurance engagement. The nature, timing and extent of procedures performed in a limited assurance engagement is limited compared with what is necessary in a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is lower.

The procedures selected depend on the practitioner's judgment. The procedures include, in particular, inquiry of the personnel responsible for collecting and reporting on the Selected Information and additional procedures aimed at obtaining evidence about the Selected Information.

In respect of the Selected Information mentioned above the procedures performed include the following procedures:

1. Interviewed select key senior personnel of the Company to understand the current processes in place for capturing the Selected Information pertaining to the reporting period.
2. Reviewed Selected Information on site covering Garanti Corporate Office in Turkey as well as off-site review of the Selected Information pertaining to the Company's other locations in Turkey, against evidence on a sample basis.
3. Undertook substantive testing on a sample basis of the Selected Information.
4. Used the Company's internal documentation to evaluate and measure the Selected Information.
5. Evaluated the design and implementation of key processes and controls over the Selected Information.
6. Re-performed, on a sample basis, calculations used to prepare the Selected Information for the reporting period.
7. Evaluated the disclosure and presentation of Selected Information in the Report.

### The limitations of our review

Our assurance scope excludes:

- o Data and information other than those mentioned above
- o Data and information outside the defined reporting period (i.e. 1<sup>st</sup> January 2016 to 31<sup>st</sup> December 2016)
- o The Company's statements that describe aspiration of opinion, belief, aspiration, expectation, aim or future intention provided by the Company.

### Our conclusion

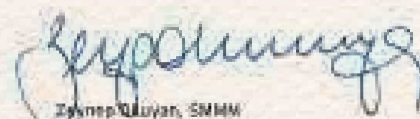
As a result of our procedures, nothing has come to our attention that indicates the Selected Information reviewed for the year ended 31 December 2016 is not prepared in all material aspects in accordance with the GRI G4 Sustainability Guidelines and internally developed criteria as reported in Appendix 2 of Garanti Bank's 2016 Sustainability Report.

### Our assurance team

Our assurance team, comprising of multidisciplinary professionals, has been drawn from our climate change and sustainability network and undertakes similar engagements with a number of significant companies in Turkey and internationally.

We permit this report to be discussed in T. Garanti Bankası A.Ş.'s Sustainability Report for the year ended 31 December 2016, to enable the Directors of T. Garanti Bankası A.Ş. to show they have addressed their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors as a body and T. Garanti Bankası A.Ş. for our work on this report except where terms are expressly agreed between us in writing.

for Güney Baştemiz Danışın ve Serbest Muhasebat Mali Müşavirlik A.Ş.  
A member firm of Ernst & Young Global Limited



Zeynep Kuvay, SMMA  
Partner  
Istanbul, 21.04.2017



## **APPENDIX**



## Appendix 1: Relevant Topics Covered under Materiality Analysis

- ☒ Topics within the scope of responsible governance approach / within Garanti
- ☐ Topics covered through products and services / outside Garanti

### Pioneering Sustainable Banking (Page 50)

- ☒ 16 Pioneering the development of sustainable banking <sup>56</sup>
- ☒ 20 Stakeholder dialogue <sup>57</sup>

### Responsible and Transparent Governance (Page 62)

- ☒ 1 Transparency and reporting
- ☒ 2 Good corporate governance
- ☒ 3 Integrated management of financial and non-financial<sup>58</sup> risk and crisis management
- ☐ 4 Preventing Money Laundering and Financing of Terrorism
- ☒ 12 Compliance
- ☒ 15 Whistleblowing and reporting of breaches <sup>59</sup>
- ☒ 30 Audit
- ☒ 32 Board structure, election process, nomination, diversity, independency, transparency of the senior management remuneration
- ☒ 26 Regaining trust in banking sector and reputation management
- ☐ 34 Preventing anti-competitive behavior
- ☒ 37 Tax policy

<sup>56</sup> Sustainability management at a global leadership level and leading the sustainable development of the financial sector (including investment firms and pension funds)

<sup>57</sup> Including development of products and services

<sup>58</sup> Environmental, social and governance risks

<sup>59</sup> Includes fight against corruption, bribery and any unethical behavior.

### Customer Centricity (Page 76)

- ☐ 5 Being customer-focused <sup>60</sup> and increasing customer satisfaction
- ☐ 14 Empowerment of Women Customers and Supporting Gender Equality
- ☐ 24 Financial health and supporting customers in making conscious financial decisions
- ☐ 27 Responsible lending <sup>61</sup> and supporting customers experiencing financial difficulty
- ☐ 28 Pricing policies <sup>62</sup>
- ☐ 29 Financial inclusiveness, accessibility and purchasing power
- ☐ 31 Responsible communication and marketing of products and services

### Digital Transformation (Page 102)

- ☐ 7 Customer privacy and information security
- ☒ 17 Digital transformation and technological advancement
- ☒ 22 Innovation management

<sup>60</sup> Includes meeting society's demand for loans

<sup>61</sup> Preventing excessive debt etc.

<sup>62</sup> Fair, profitable and transparent fees, products with good value for money



# Appendix 1: Relevant Topics Covered under Materiality Analysis

- ☒ Topics within the scope of responsible governance approach / within Garanti
- ☐ Topics covered through products and services / outside Garanti

## Supporting Economic and Social Development (Page 116)

- ☒ 8 Financial performance & direct and indirect impacts on economy
- ☐ 19 Financial education and capacity development
- ☐ 25 Community investment programs
- ☐ 21 Increasing employment and supporting SMEs
- ☐ 35 Responsible supply chain <sup>63</sup>

## Investing in Employees (Page 128)

- ☒ 6 Investing in employees <sup>64</sup>
- ☒ 11 Equality and diversity in human resources
- ☒ 24 Fair wages

<sup>63</sup> Environmental, social and ethical standards in the supply chain  
<sup>64</sup> Talent management, employee satisfaction, employee rights, work-life balance, OHS etc.

## Responsible Finance (Page 150)

- ☒ 9 Human rights
- ☐ 18 Responsible products and services <sup>65</sup>
- ☐ 10 Management of customer ESG risks <sup>66</sup>

## Environmental Footprint (Page 174)

- ☒ 13 Climate change and energy
- ☒ 33 Environmental footprint of Garanti Bank <sup>67</sup>
- ☐ 36 Water risks and opportunities

<sup>65</sup> Products and services which create environmental and social value  
<sup>66</sup> ESG: Environmental, Social and Governance risks. Includes assessing ESG impacts of the project in loans.  
<sup>67</sup> Carbon, waste and water management etc.



# Appendix 2: Reporting Guidance

This section is a guidance for the indicators in scope of limited assurance as explained in the table below. The data in the assurance scope is for the year ended December 31, 2016 and for Garanti Bank's operations in Turkey.

## Selected Information in scope of limited assurance for 2016

Indicator	Guidance Notes
Stakeholder Engagement Process and Materiality Analysis	<p>Garanti undertakes an annual materiality analysis for its GRI G4 Sustainability Report. For details, please see section on Material Issues on pages 38-42. The information in scope of assurance is the following:</p> <ul style="list-style-type: none"><li>• integrity of calculations in materiality analysis being supported by underlying analysis and evidence</li><li>• analysis of material issues being consistent with the Bank's internal and external stakeholder evidence on a sample basis</li><li>• analysis for issues material to the Bank being supported by underlying analysis and evidence.</li></ul>
Sustainability Governance at Garanti	<p>Sustainability Governance at Garanti is explained in detail in the Sustainability Governance Section on pages 64-75. The information in scope of assurance is the following:</p> <ul style="list-style-type: none"><li>• existence of Bank's sustainability committee and 7 sustainability working groups</li><li>• number of sustainability committee meetings held during the reporting period</li><li>• composition (i.e. membership) of sustainability committee</li><li>• existence of Bank's network of sustainability representatives and their role in working with sustainability team to collect data for the sustainability report and implement decisions of the sustainability committee</li><li>• communication between sustainability committee, team and network</li><li>• evidence that the sustainability committee has discussed the Bank's material topics and critical concerns raised during the reporting period.</li></ul>

Indicator	Guidance Notes
Total Energy consumption by source in 2016	<p>Includes energy consumption from fossil fuel sources for heating, generators, leased vehicle fleet and purchased electricity from Garanti Bank's operations (Headquarters, service buildings, branches and ATMs) in Turkey. IPCC energy conversion factors are used to convert source data in cubic meters, liters and tonnes to MWh and GJ. Total Energy consumption is reported following the guidance in GRI G4-EN3 Energy consumption within the organization as reported in Appendix 4: Resource Consumption and GHG Data. For the Bank's reporting purposes, data is usually reported in MWh. Following the guidance in GRI G4, total energy consumption in Gigajoules is: 564,174 GJs for the year-ending 31.12.2016.</p>
Total Water consumption / withdrawal data by source in 2016	<p>Includes total water withdrawal and consumption from Garanti Bank's operations in Turkey (Municipality supplied water from headquarters, service buildings and branches). Reported following the guidance in GRI G4-EN8 Total water withdrawal by source as reported in the section on Climate Change Management on pages 174-183.</p>
Total GHG emissions in tCO <sub>2</sub> e in 2016 reported under scope 1 and 2 of the GHG Protocol	<p>Includes GHG emissions (CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O and f-gases) from energy consumption from fossil fuel sources for heating, generators, leased vehicle fleet and refrigerants for Scope 1 and purchased electricity from Garanti Bank's operations in Turkey (Headquarters, service buildings, branches and ATMs) for Scope 2. IPCC factors are used for global warming potentials and emission factors. The operational control approach was chosen for the consolidation of emissions. GHG emissions are reported following the guidance in GRI G4-EN15 Direct greenhouse gas (GHG) emissions (Scope 1), GRI G4-EN16 Energy indirect greenhouse gas (GHG) emissions (Scope 2) and the GHG Protocol as reported in Appendix 4: Resource Consumption and GHG Data.</p>
GHG emissions from business air travel in 2016 – Scope 3 & Air Travel in Kilometers	<p>Scope 3 emissions related to business air travel is reported following the guidance in GRI G4-EN17 and the GHG Protocol. DEFRA emission factors are used for air travel emissions. Please see Appendix 4: Resource Consumption and GHG Data</p>



## Appendix 2: Scope and Boundaries

### Selected Information in scope of limited assurance for 2016

Indicator	Guidance Notes
GHG intensity in 2016 (per total assets)	Total Scope 1 and Scope 2 emissions divided by total assets of the Bank as of 31.12.2016 in billion TL terms. The total assets are based on the Bank's audited financial statements, therefore no additional financial audit took place for this indicator. Reported following the guidance in GRI G4-EN18 as reported in Appendix 4: Resource Consumption and GHG Data
Reduction of GHG emissions intensity in 2016 (per total assets)	Total Scope 1 and Scope 2 emissions divided by total assets of the Bank as of 31.12.2016 in billion TL terms compared to 31.12.2015. The total assets are based on the Bank's audited financial statements, therefore no additional financial audit took place for this indicator. Reported following the guidance in GRI G4-EN18 as reported in Appendix 4: Resource Consumption and GHG Data
Avoided emissions due to operational renewable energy projects (HPP and WPP) under loan from Garanti	The projects that went operational in 2016 are in scope of assurance. Emissions are avoided by financing renewable energy projects by making sure no additional fossil fuels are burned for the electricity demand. Please see Renewable Energy Financing, pages 167-171
Environmental Impact Assessment Process related to projects financed by Garanti <ul style="list-style-type: none"> <li>• Number of assessed projects in 2016</li> <li>• Number of rejected projects in 2016</li> <li>• Risk rating of the assessed projects in 2016</li> <li>• Number of project site visits conducted in 2016</li> </ul>	The assurance scope covers a review of the environmental and social rating assessment process. The Bank has an internal methodology based on international good practice for environmental and social risk assessment. Please see Environmental and Social Risk Management, Table 12. Detailed information on the Environmental and Social Impact Assessment is available on the Bank's website.

Indicator	Guidance Notes
Renewable energy portfolio <ul style="list-style-type: none"> <li>• Amount of investments in renewable energy projects by type (as of 31.12.16)</li> <li>Installed capacity of renewable energy projects by type (as of 31.12.16)</li> <li>• Garanti's market share of operational installed wind capacity in Turkey (as of 31.12.16)</li> </ul>	The scope of assurance covers the loan amounts committed and the installed capacity of renewable energy projects that were signed by Garanti in 2016. The total installed capacity of renewable energy projects in Turkey are taken from the General Directorate of Energy Affairs website ( <a href="http://www.eigm.gov.tr/tr-TR/Sayfalar/Enerji-Yatirimlari">http://www.eigm.gov.tr/tr-TR/Sayfalar/Enerji-Yatirimlari</a> ). Garanti's share in installed capacity in a project is calculated by multiplying Garanti's share in the committed loan amount with the total installed capacity of a project. This data was added to the cumulative data that has been assured previously. Please see Financing Renewable Energy, Tables 14-17.
Community Investments <ul style="list-style-type: none"> <li>• Total monetary amount of community investments in 2016</li> </ul>	The Bank has an internal 'Sponsorship and Corporate Responsibility Policy' that defines 'Community Investments'. The scope of assurance covers the total monetary amount of community investments in 2016. Please see Community Investment and Social Impact, page 116.
Community Investment Materiality Analysis	Garanti undertakes a separate Community Investment Materiality Analysis process in addition to the materiality analysis undertaken for its Sustainability Report. Please see Community Investment Material Issues, page 54 for the methodology and the results of the process. The information in scope of assurance is the following: <ul style="list-style-type: none"> <li>• integrity of calculations in the community investment materiality analysis</li> <li>• analysis of material issues being consistent with internal and external stakeholder evidence on a sample basis</li> <li>• analysis for issues material to the Bank being supported by underlying analysis and evidence.</li> </ul>



## APPENDIX 3: Social Performance Data

### Employment type and employment contract by gender

2016	Type	Men	Women	Total	Grand Total
Employment Type	Full time	8,405	11,278	19,683	19,689
	Part time	2	4	6	
Employment Contract	Permanent	8,233	10,996	19,229	19,689
	Temporary	174	286	460	

### Employee breakdown per age and gender

2016	18-25	26-30	31-35	36-40	41+
Women	1,425	3,692	2,971	1,789	1,405
Men	662	2,561	2,245	1,446	1,493
Total	2,087	6,253	5,216	3,235	2,898

### General Information

2016	2015	2016
Ratio of women employees to total employees (%)	57%	57%
Number of women employees in senior management (number of women managers/total number of managers)	26/83	30/86
Average seniority (year)	7.6	8.1
Average age of employees	32.9	33.5

### Average seniority by gender

	Men	Women	Average
	8.2	8.1	8.1

### Total number of joiners and leavers by age

2016	18-25	26-30	31-35	36-40	41+	Total
Joiners	910	613	91	31	31	1,676
Leavers	428	837	332	172	210	1,979

### Total number of joiners and leavers by gender

2016	Women	Men	Grand Total
Joiners	1,015	661	1,676
Leavers	1,064	915	1,979



## APPENDIX 3: Social Performance Data

### Total workforce, employees hired and number of leavers broken down by region

2016	Workforce breakdown	Recruited employees	Resigning employees
Mediterranean	991	70	85
Western Black Sea	371	18	22
Eastern Anatolia	379	25	14
Eastern Black Sea	351	16	24
Aegean	1,383	69	99
Garanti Bank TRNC	76	7	8
South-Eastern Anatolia	466	27	26
Marmara	5,051	204	273
Eastern Anatolia	2,322	101	205
Other*	8,299	1,139	1,223
Total	19,689	1,676	1,979

\* Branchless banking which is shown separately in previous years, integrated into the 'Other' group by 2015.

### Average training duration per employee

	2015 (hours)	2016 (hours)
Average training per employee	44	36
Average training per HQ employee	49	40
Average training per branch personnel	42	34
Average training per employee (women)	43	34
Average training per employee (men)	45	36
Average training per employee (management positions)	44	36
Average training per employee (below management level)	44	34

### Lost days

	2015	2016
Total working days	4,500,266	5,020,786
Change %	-4.71%	12%
Total lost days	67,460	59,602
Change %	42.51%	-12%
% of lost days in total working days	1.50%	1.2%



## APPENDIX 4: Energy Consumption within the Organization

Enerji Kaynağı	Total Consumption (2015)	Total Consumption (2016)*
Electricity (MWh)	115,693	116,502
Natural Gas for Heating (m3)	3,039,563	2,810,199
Natural Gas for Heating (MWh)	29,144	26,945
Diesel for Heating (liter)	199,668	167,372
Diesel for Heating (MWh)	1,965	1,646
Coal for Heating (ton)	180	117
Coal for Heating (MWh)	628	409
Diesel Consumption in Generators (liter)	183,860	163,237
Diesel Consumption in Generators (MWh)	1,809	1,606
Fuel Oil (liter)	25,475	7,703
Fuel Oil (MWh)	270	82
Diesel Consumption in Vehicle Fleet (liter)	1,186,338*	1,123,289
Diesel Consumption in Vehicle Fleet (MWh)	11,673*	11,052
Gasoline Consumption in Vehicle Fleet (liter)	9,965	0
Gasoline Consumption in Vehicle Fleet (MWh)	89	0
Total Energy Consumption (MWh)	161,215	158,243

\* Data restated for 2015

Table 16: GHG Emissions (tCO<sub>2</sub>e equivalent)<sup>56</sup>

	Scope 1 (tCO <sub>2</sub> e)	Scope 2 (tCO <sub>2</sub> r)	Scope 3 (tCO <sub>2</sub> e)	Total tCO <sub>2</sub> e (Scope 1 & 2)	% Increase in Total Scope 1 & 2 tCO <sub>2</sub> e	Intensity (tCO <sub>2</sub> e / Total Assets)
2016	10,924	57,259	3,181**	68,183	-8.80%	218
2015	10,888*	63,874	3,571	74,762	13.15%	267*
2014	8,698	57,378	3,709	66,077	-15.03%	274
2013	9,307	68,459	3,701	77,765	-13.17%	351
2012	15,568	73,994	3,017	89,562	2.55%	498

\* Data restated for 2015

\*\* Stated scope 3 emissions are due to business flights. Total flight distance is 27,007,704 km.

<sup>56</sup> Garanti calculated its greenhouse gas emissions based on "WBCSD/WRI – Greenhouse Gas Protocol: Corporate Accounting and Reporting Standard (Revised Version)" Principles. For detailed information on calculating, please see Garanti's CDP reports accessible from the link below:  
[http://www.garanti.com.tr/tr/garanti\\_hakkinda/surdurulebilirlik/surdurulebilirlik\\_gelistmeleri/raporlar.page](http://www.garanti.com.tr/tr/garanti_hakkinda/surdurulebilirlik/surdurulebilirlik_gelistmeleri/raporlar.page)



## APPENDIX 5: UNGC and WEPS Principles Analysis according to GRI G4 Content

### A. UN Global Compact Principles

UNGC Requirements – Active Level	GRI G4 Disclosures	Page References
High Level Commitment and Strategy	G4-1	Message from the CEO, page 10
Governance	G4-1	Message from the CEO, page 10
Stakeholder Engagement	G4-24; G4-25; G4-26; G4-27	Material Issues, page 38
Describe Practical Actions	G4 Disclosures on Management Approach (DMA)	GRI G4 Content Index
Disclose Results and Outcomes	GRI G4 Content Index.	GRI G4 Content Index.
UNGC Four Issue Area	GRI G4 Disclosures	Page References
Human Rights	G4-HR1; G4-HR2; G4-HR7; G4-HR9; G4-HR12; G4-SO1; G4-SO2	GRI G4 Content Index. Supporting Economical and Social Development, page 116
Labor	G4-10; G4-11; G4-EC5; G4-EC6; G4-HR4; G4-LA1; G4-LA3; G4-LA4; G4-LA9; G4-LA11; G4-LA12; G4-LA13; G4-HR3	GRI G4 Content Index. Investing in Human Capital, page 127. Responsible Finance, page 150
Environment	G4-EC2, G4-EN3- G4-EN33 (All GRI-EN indicators)	Climate Change and Energy, page 174; Responsible Finance, page 150.
Anti-Corruption	G4-56; G4-57; G4-58; G4-SO3; G4-SO4; G4-SO5	Responsible and Transparent Governance, page 64;

### B. WEPS Reporting on Progress

WEPS	GRI G4 Disclosures
Principle 1 – Leadership Promotes Gender Equality	G4-38; G4-40
Principle 2 – Equal Opportunity, Inclusion & Non-discrimination	G4-LA1; G4-LA12; G4-LA13; G4-EC5;G4-LA3; G4-HR3
Principle 3 – Health, Safety and Freedom from Violence	G4-HR3; G4-LA6
Principle 4 – Education and Training	G4-LA9; G4-LA11
Principle 5 – Enterprise Development, Supply Chain and Marketing Practices	G4-DMA
Principle 6 – Community Leadership and Engagement	G4-SO1
Principle 7 – Measure and publicly report on gender equality	G4-DMA



## GRI CONTENT INDEX



## General Standard Disclosures

G4 General Standard Disclosures	Page/ Direct Link	Omissions	External Assurance
STRATEGY AND ANALYSIS			
G4-1	10-15		No
G4-2	10-15		No

## ORGANIZATIONAL PROFILE

G4 General Standard Disclosures	Page/ Direct Link	Omissions	External Assurance
<b>ORGANIZATIONAL PROFILE</b>			
G4-3	T. Garanti Bankası A.Ş.		No
G4-4	16-20 <a href="https://www.garanti.com.tr/en/our_company/about_us.page">https://www.garanti.com.tr/en/our_company/about_us.page</a>		No
G4-5	Nispetiye Mah. Aydar Cad. No: 2, 34340 Levent/Istanbul/Turkey		No
G4-6	16-20 <a href="https://www.garantiinvestorrelations.com/en/about-garanti/detay/Garantis-Integrated-Subsidiaries/18/27/0">https://www.garantiinvestorrelations.com/en/about-garanti/detay/Garantis-Integrated-Subsidiaries/18/27/0</a>		No
G4-7	16-27 T. Garanti Bankası A.Ş. was established in Republic of Turkey by the decree of Council of Ministers numbered 3/4010 dated 11 April 1946 and its "Articles of Association" was issued in the Official Gazette dated 25 April 1946. With an actual free float ratio of 50,06%, Garanti Bank's shares are traded on the Borsa Istanbul (BIST) under the "GARAN" ticker as of December 31, 2016.		No
G4-8	16-27 <a href="https://www.garanti.com.tr/en/our_company/about_us.page">https://www.garanti.com.tr/en/our_company/about_us.page</a>		No



G4 General Standard Disclosures	Page/ Direct Link	Omissions	External Assurance
<b>ORGANIZATIONAL PROFILE</b>			
G4-9	6-9, 16-27 <a href="https://www.garantiinvestorrelations.com/en/images/pdf/Garanti-Bank-2016-Annual-Report.pdf">https://www.garantiinvestorrelations.com/en/images/pdf/Garanti-Bank-2016-Annual-Report.pdf</a> p. 19-20		No
G4-10	196-198		No
G4-11	Garanti Bank respects the constitutional right to become a union member and for collective bargaining. All employees are free to act of their own free will with respect to union membership.		No
G4-12	61		No
G4-13	6-9, 16-27		No
G4-14	64		No
G4-15	6-9, 16-27		No
G4-16	48-49		No

G4 General Standard Disclosures	Page/ Direct Link	Omissions	External Assurance
<b>IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES</b>			
G4-17	5, 17		No
G4-18	38-39		Yes
G4-19	39, 190-191		Yes
G4-20	192-193		Yes
G4-21	192-193		Yes
G4-22	38-39		No
G4-23	38-39		Yes



G4 General Standard Disclosures	Page/ Direct Link	Omissions	External Assurance
STAKEHOLDER ENGAGEMENT			
G4-24	43		Yes
G4-25	43-44		Yes
G4-26	47		Yes
G4-27	47		Yes

G4 General Standard Disclosures	Page/ Direct Link	Omissions	External Assurance
REPORT PROFILE			
G4-28	5		No
G4-29	<a href="https://www.garantiinvestorrelations.com/en/images/pdf/GARANTI_SUSTAINABILITY_2015_web.pdf">https://www.garantiinvestorrelations.com/en/images/pdf/GARANTI_SUSTAINABILITY_2015_web.pdf</a>		No
G4-30	5		No
G4-31	5		No
G4-32	5		No
G4-33	206-230		No



G4 General Standard Disclosures	Page/ Direct Link	Omissions	External Assurance
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GOVERNANCE

G4-34	64-65		No
G4-35	72-73		Yes
G4-36	72-73		Yes
G4-37	72-73		Yes
G4-38	<a href="https://www.garantiinvestorrelations.com/en/images/pdf/Garanti-Bank-2016-Annual-Report.pdf">https://www.garantiinvestorrelations.com/en/images/pdf/Garanti-Bank-2016-Annual-Report.pdf</a> p. 101 – 123		No
G4-39	<a href="https://www.garantiinvestorrelations.com/en/corporate-governance/Corporate-Governance-Principles-Compliance-Report/Corporate-Governance-Compliance-Report/76/389/0">https://www.garantiinvestorrelations.com/en/corporate-governance/Corporate-Governance-Principles-Compliance-Report/Corporate-Governance-Compliance-Report/76/389/0</a>  <a href="https://www.garantiinvestorrelations.com/en/images/pdf/Garanti-Bank-2016-Annual-Report.pdf">https://www.garantiinvestorrelations.com/en/images/pdf/Garanti-Bank-2016-Annual-Report.pdf</a> p. 101-123		No
G4-40	<a href="https://www.garantiinvestorrelations.com/en/images/pdf/Garanti-Bank-2016-Annual-Report.pdf">https://www.garantiinvestorrelations.com/en/images/pdf/Garanti-Bank-2016-Annual-Report.pdf</a> p. 115-116		No

G4 General Standard Disclosures	Page/ Direct Link	Omissions	External Assurance
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GOVERNANCE

G4-41	68  <a href="https://www.garantiinvestorrelations.com/en/images/pdf/Garanti-Bank-2016-Annual-Report.pdf">https://www.garantiinvestorrelations.com/en/images/pdf/Garanti-Bank-2016-Annual-Report.pdf</a> p. 156		No
G4-42	33-34  <a href="https://www.garantiinvestorrelations.com/en/images/pdf/Garanti-Bank-2016-Annual-Report.pdf">https://www.garantiinvestorrelations.com/en/images/pdf/Garanti-Bank-2016-Annual-Report.pdf</a> p. 101 – 123		No
G4-43	72-73  <a href="https://www.garantiinvestorrelations.com/en/images/pdf/Garanti-Bank-2016-Annual-Report.pdf">https://www.garantiinvestorrelations.com/en/images/pdf/Garanti-Bank-2016-Annual-Report.pdf</a> p. 15		No
G4-44	72-75		No
G4-45	33-34  <a href="https://www.garantiinvestorrelations.com/en/images/pdf/Garanti-Bank-2016-Annual-Report.pdf">https://www.garantiinvestorrelations.com/en/images/pdf/Garanti-Bank-2016-Annual-Report.pdf</a> p. 101 – 123		No



G4 General Standard Disclosures	Page/ Direct Link	Omissions	External Assurance
<b>GOVERNANCE</b>			
G4-46	72-79		No
G4-47	33-37, 72		No
G4-48	72		No
G4-49	72		No
G4-50	72		No
G4-51		We are not able to declare this data since it is not a business norm in the markets where we operate and is commercially sensitive.	No
G4-52	<a href="https://www.garantiinvestorrelations.com/en/images/pdf/Garanti-Bank-2016-Annual-Report.pdf">https://www.garantiinvestorrelations.com/en/images/pdf/Garanti-Bank-2016-Annual-Report.pdf</a> p. 116 - 155		No

G4 General Standard Disclosures	Page/ Direct Link	Omissions	External Assurance
<b>GOVERNANCE</b>			
G4-53	<a href="https://www.garantiinvestorrelations.com/en/images/pdf/Garanti-Bank-2016-Annual-Report.pdf">https://www.garantiinvestorrelations.com/en/images/pdf/Garanti-Bank-2016-Annual-Report.pdf</a> p. 116, 161-162		No
G4-54		We are not able to declare this data since it is not a business norm in the markets where we operate and is commercially sensitive.	No
G4-55		We are not able to declare this data since it is not a business norm in the markets where we operate and is commercially sensitive.	No



G4 General Standard Disclosures	Page/ Direct Link	Omissions	External Assurance
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ETHICS AND INTEGRITY

G4-56	66		No
G4-57	66		No
G4-58	66-68		No

## Specific Standard Disclosures

G4 Indicators	Page/Direct Link	Omissions	External Assurance
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ECONOMIC

Economic Performance

G4-EC1	<a href="https://www.garantiinvestorrelations.com/en/images/pdf/Garanti-Bank-2016-Annual-Report.pdf">https://www.garantiinvestorrelations.com/en/images/pdf/Garanti-Bank-2016-Annual-Report.pdf</a> p. 268-378		No
G4-EC2	<a href="https://www.garantiinvestorrelations.com/en/images/pdf/CDP-climate-change-2016.pdf">https://www.garantiinvestorrelations.com/en/images/pdf/CDP-climate-change-2016.pdf</a>		No
G4-EC3	<a href="https://www.garantiinvestorrelations.com/en/images/pdf/Garanti-Bank-2016-Annual-Report.pdf">https://www.garantiinvestorrelations.com/en/images/pdf/Garanti-Bank-2016-Annual-Report.pdf</a> p.287-288		No
G4-EC4	Garanti Bank did not receive any financial assistance from government during the reporting period.		No
G4-EC5	All Garanti Bank employees are paid above the minimum wage.		No
G4-EC6	The senior management including the CEO, EVPs and Coordinators is Turkish. By doing this the Bank is better able to understand and serve an increasingly wide range of customers across Turkey. In Garanti's overseas operations, local talent is also hired at various levels of the organizations.		No



G4 Indicators	Page/Direct Link	Omissions	External Assurance
ECONOMIC			
Indirect Economic Impacts			
G4-EC7	162-163		No
G4-EC8	118-121, 159-161, 169-170		No
Procurement Practices			
G4-EC9	127		No

G4 Indicators	Page/Direct Link	Omissions	External Assurance
ENVIRONMENTAL			
Energy			
G4-EN3	200-201		Yes
G4-EN4	200-201		No
G4-EN5	200-201		No
G4-EN6	176-183		No
G4-EN7	176-183		No



G4 Indicators	Page/Direct Link	Omissions	External Assurance
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ENVIRONMENTAL

Water

G4-EN8	183		Yes
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Emissions

G4-EN15	201		Yes
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G4-EN16	201		Yes
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G4-EN17	201		Yes
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G4-EN18	201		Yes
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G4-EN19	176-183		Yes
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G4-EN20		Disclosure is not material because the Bank's business activities and operations do not generate significant emissions of these substances.	No
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G4-EN21		Disclosure is not material because the Bank's business activities and operations do not generate significant emissions of these substances.	No
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G4 Indicators	Page/Direct Link	Omissions	External Assurance
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ENVIRONMENTAL

Products and Services

G4-EN27	163-167		No
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G4-EN28		This indicator is not material to the Bank since in the course of its operations it does not produce significant amounts of packaging materials.	No
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Compliance

G4-EN29		There have not been any significant fines or incidents of noncompliance with environmental laws and regulations during the reporting period.	No
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G4 Indicators	Page/Direct Link	Omissions	External Assurance
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SOCIAL

LABOR PRACTICES AND DECENT WORK

Employment

G4-LA1	197		No
G4-LA2	143		No
G4-LA3	144		No

Labor/Management Relations

G4-LA4	Garanti Bank makes every effort to avoid redundancies. Whenever restructuring and/ or redeployment are unavoidable however, the Bank's processes and guidelines seek to minimize the impact on those who may be affected.		No
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G4 Indicators	Page/Direct Link	Omissions	External Assurance
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SOCIAL

LABOR PRACTICES AND DECENT WORK

Occupational Health and Safety

G4-LA5	147-148		No
G4-LA6	148-200		No
G4-LA7	None of our employees are subject to a high risk of any serious diseases from the Bank's occupational activities.		No

Learning and Development

G4-LA9	131-133, 199		No
G4-LA10	131-133		No
G4-LA11	135		No

Diversity and Equal Opportunity

G4-LA12	196		No
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G4 Indicators	Page/Direct Link	Omissions	External Assurance
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SOCIAL

LABOR PRACTICES AND DECENT WORK

Equal Remuneration for Women and Men

G4-LA13	Garanti Bank's compensation system is totally gender-neutral and based entirely on performance. Salary variations result from relative experience levels of employees.		No
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Labor Practices Grievance Mechanisms

G4-LA16	No complaints were made in the reporting period.		No
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G4 Indicators	Page/Direct Link	Omissions	External Assurance
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SOCIAL

HUMAN RIGHTS

Investment

G4-HR1	156		No
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G4-HR2	No training was delivered specially focused on human rights but numerous sustainability trainings are given.		No
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Non-discrimination

G4-HR3	There were no incidents of discriminaton reported in the reporting period.		No
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G4 Indicators	Page/Direct Link	Omissions	External Assurance
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SOCIAL

HUMAN RIGHTS

Freedom of Association and Collective Bargaining

G4-HR4	Garanti Bank respects the constitutional right regarding unionization and collective labor contracts. All employees are free with respect to union membership and act of their own free will. During the reporting period, Garanti Bank had no dealings with any supplier who, to the Bank's knowledge, was in violation of their employees' union rights, which is to say of their employees' right to join or not to join a trade or labor union.		No
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HR Assessment

G4-HR9	160-161		No
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G4 Indicators	Page/Direct Link	Omissions	External Assurance
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SOCIAL

SOCIETY

Local Communities

G4-SO1	162-163		No
G4-SO2	155-156		No

Anti-corruption

G4-SO3	64-68		No
G4-SO4	64-68		No
G4-SO5	64-68		No

Anti-competitive Behavior

G4-SO7	64-68		No
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G4 Indicators	Page/Direct Link	Omissions	External Assurance
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SOCIAL

PRODUCT RESPONSIBILITY

Product and Service Labelling

G4-PR3	85		No
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G4-PR4	There were no incidents of significant non-compliance reported in the reporting period.		No
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G4-PR5	78-82		No
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Marketing Communications

G4-PR6	156		No
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G4-PR7	There were no incidents of significant non-compliance reported in the reporting period.		No
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G4 Indicators	Page/Direct Link	Omissions	External Assurance
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SOCIAL

PRODUCT RESPONSIBILITY

Customer Privacy

G4-PR8	There were no substantiated complaints regarding breaches of customer privacy and losses of customer data in the reporting period.		No
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Compliance

G4-PR9	There were no incidents of significant non-compliance reported in the reporting period.		No
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G4 Indicators	Page/Direct Link	Omissions	External Assurance
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SOCIAL

FINANCIAL SERVICES SUPPLEMENT

Product Portfolio

G4-FS6	16-27  <a href="https://www.garantiinvestorrelations.com/en/images/pdf/Garanti-Bank-2016-Annual-Report.pdf">https://www.garantiinvestorrelations.com/en/images/pdf/Garanti-Bank-2016-Annual-Report.pdf</a> p. 194		No
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G4-FS7	172-173		No
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G4-FS8	166-171		No
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Active Ownership

G4-FS10	158-165		No
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G4-FS11	156-162		No
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Local Communities

G4-FS13	107-110		No
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G4-FS14	90-101		No
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## Legal Disclaimer

Türkiye Garanti Bankası A.Ş. (the "Bank") expressly disclaims any and all liability which is based on the information and statements or any part thereof contained in (or omitted from) this Sustainability Report.

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