

First “Green Loan” of Turkey from Garanti to Zorlu Energy

Garanti Bank executed Turkey’s first **Green Loan** agreement with Zorlu Energy by linking the margin of the loan to their ESG performance. Green Loan with total amount of USD 10 million is used for meeting the operational capital needs of Zorlu Energy. During the loan life, Garanti Bank will promote and motivate the improvement of the ESG performance of Zorlu Energy by applying a discount to their initial loan margin should they become more sustainable.

Within the scope of Green Loan, sustainability performance of Zorlu Energy in the area of environmental, social and governance will be scored on a yearly basis by an international sustainability rating agency, i.e. Vigeo-Eiris. According to the sustainability score attained, the pricing of the margin will be adjusted accordingly each year. While the margin will be increased if the company shows a lower performance than the base score, the margin will be reduced if it shows a better performance. With this approach, it is targeted for the companies using Green Loan to improve or at least retain their initial sustainability performance during the loan life.

Green Loan structure which is executed for the first time in Turkey and which has been newly emerged in the world, is also part of BBVA’s sustainable finance approach, as main shareholder of Garanti Bank. In order to support achieving United Nations Sustainable Development Targets, in March 2018, BBVA has declared their climate change and sustainable development strategy in line with Paris Agreement. Within the context of their commitment for 2025 which they have founded on three different action areas defined as finance, management and collaboration, BBVA announced that they will mobilize 100 billion Euros in green finance for sustainable infrastructure, social entrepreneurship and financial inclusion.

Garanti Bank will keep contributing to BBVA’s commitment to contribute sustainable development with its leading practices such as Solar PV loans, Büyük Menderes Basin Clean Production Loan, Climate Change Action Plan, Gender Bond issuance for women entrepreneurs, Environmental and Social Impact Assessment System in best international standards and Green Mortgage.

Garanti Bank Executive Vice President Ebru Dildar Edin, commented the following on the subject : “The agreement we signed is the first sustainable and green loan disbursed in Turkey for a company’s working capital needs. Until today, we have been striving for introducing sustainable practices to Turkish market with many products and services aimed at contributing to SDGs. After the first social bond issuance in developing markets, we are once again undertaking a leading role in our sector in terms of sustainable finance with the first Green Loan of Turkey . In this way, we believe that we will support the transition of Turkey to a more sustainable economy and that we will encourage the improvement of our customers’ performance in this area. Zorlu Energy’s sustainability performance will be evaluated by an international sustainability rating agency and we will adjust the margin according to their sustainability performance. Through this structure, we will be able to motivate our customer to improve their sustainability performance, to promote the better management of environmental, social and governance risks by our customers throughout the loan life. In this

respect, we believe that there will be a growing interest in Green Loans from companies demonstrating a good sustainability performance in Turkey”.

About Green Loans

After sustainable and green bond market which grew rapidly since the year of 2012, green loans began to be widespread since year 2017 as an alternative financing tool to support sustainable projects and companies. Among 41 green loan agreements reaching to a total volume of EUR 28.4 billion throughout the world, only four of them are similar to the structure being realized between Garanti Bank and Zorlu Energy. In this way, the structure being achieved for the first time in Turkey bears the feature of being fifth throughout the world.