**SUSTAINABILITY PRINCIPLES COMPLIANCE OUTLINE**

“Sustainability Principles Compliance Outline” contains fundamental principles expected to be declared by publicly-held corporations in the course of performance of their Environmental, Social and Corporate Governance (ESG) activities.

Though it is optional to implement these principles, it is mandatory to report whether they are implemented or not under the “Comply or Explain” principle.

Sustainability Principles Compliance Outline is to be implemented starting with annual reports for the year 2021 in such manner to contain data relating to the year 2020 with respect to corporations referred to in paragraph 5 of Article 1 of the Corporate Governance Communiqué no. II-17.1, or starting with annual reports of the related year in such manner to contain data relating to the year following the starting year of listing and trading in the exchange of shares with respect to corporations which file an application or for which an application is filed to the Board for initial public offering and/or listing and trading of their shares. (An example for initial public offerings may be provided as follows: The initial public offering of shares of X A.Ş. is realized on 13.08.2020. The year following the year of initial public offering is 2021. This means to say that the Sustainability Principles Compliance Outline will be implemented starting from reports of the year 2022 in such manner to contain data relating to the year 2021.)

Accordingly, the Corporation:

**A. General Principles**

**A1. Strategy, Policy and Goals**

- The Board of Directors should determine ESG-priority issues, risks and opportunities, and form ESG policies in accordance with them. For the sake of effective implementation of the aforesaid policies, internal directives, work procedures, etc. may be prepared for the corporation. For these policies, a decision of the Board of Directors should be taken and made public.

- Should determine a Corporation Strategy in compliance with ESG policies, risks and opportunities, and should determine and publicly disclose its short and long-term goals in line with its ESG policies.

**A2. Implementation / Monitoring**

- Should appoint and publicly disclose its committees/units in charge of implementation of ESG policies. Committees/units in charge, should report the activities carried out under the policies to the Board of Directors at least once a year and in any case, within the maximum periods of time stipulated for disclosure of annual reports in the regulations of the Board pertaining thereto.

- Should formulate and publicly disclose the implementation and action plans in line with the short and long-term goals determined as above.

- Should determine ESG Key Performance Indicators (KPIs) and declare them comparatively on an annual basis. In case of availability of verifiable data, it should present KPIs with local and international sector comparisons.

- Should declare innovation activities aimed to improve the sustainability performance in relation with business processes or products and services.
A3. Reporting
- Should report and publicly disclose its sustainability performance, goals and actions at least once a year. Should provide information about its sustainability activities within its annual report.
- It is essential to ensure that information material for stakeholders to understand and grasp the current position, performance and development of the corporation is shared directly and concisely. It may separately declare detailed information and data on its corporate internet site, and may prepare separate reports directly meeting the needs of different stakeholders.
- It should exercise utmost care in terms of transparency and reliability. As a requirement of balanced approach, it should declare objectively all kinds of developments relating to the priority issues in its statements and reports.
- It should provide information as to with which of the United Nations (UN) 2030 Sustainability Development Goals its activities are related.
- It should disclose information about lawsuits filed and/or completed against it in environmental, social and corporate governance issues.

A4. Verification
- If verified by independent third parties (independent sustainability assurance providers), it should disclose its sustainability performance measures, and should endeavour to increase said verification actions.

B. Environmental Principles
- Should declare its policies and practices, action plans, and environmental management systems (known as ISO 14001 standard) and programs.
- It should comply with and declare the laws and other pertinent regulations with respect to the environment.
- Should disclose limitations to the environmental report that will be prepared under the Sustainability Principles, reporting period, reporting date, data collection process and restrictions in reporting conditions.
- Should provide information about the most senior director and related committees of the corporation with respect to environment and climate change issues, as well as their duties and functions.
- Should disclose the incentives it offers for management of environmental issues, including the achievement of goals.
- Should disclose how environmental issues are integrated into business objectives and strategies.
- Should disclose sustainability performances relating to business processes or products and services, and activities for improvement of said performance.
- Should disclose how it manages environmental issues and integrates suppliers and customers into its strategies, not only in terms of direct operations, but also along the corporation value chain.
- Should disclose whether it is included in the (sectoral, regional, national and international) policy formulating processes on environmental issues or not, as well as associations it is a member of, its environmental cooperation initiatives entered into with
related institutions and non-governmental organizations, and its duties and functions, if any, assumed thereon, and the activities supported by it.
- Should periodically report in a comparable manner, information about environmental effects in the light of environmental indicators [Greenhouse gas emissions {Scope-1 (Direct), Scope-2 (Energy indirect), Scope-3 (Other indirect)}\(^\text{1}\)], air quality, energy management, water and waste water management, waste management, biodiversity effects].
- Should disclose details in relation to standards, protocols, methodologies and base year employed for collection and calculation of its data.
- Should declare the status of environmental indicators for the reporting year in comparison with past years (increase or decrease).
- Should determine and disclose short and long-term goals for reduction of its environmental impact. These goals are recommended to be determined in Science-Based manner as advised by the United Nations Climate Change Conference of the Parties. If an improvement is detected in the reporting year over the previously determined goals, it should provide information thereabout.
- Should disclose its strategy and actions for fight against climate crisis.
- Should disclose its programs or procedures aiming to prevent or minimize the potential negative effects of its products and/or services, and should also declare the actions of third parties aiming to reduce greenhouse gas emissions.
- Should declare the total number of actions taken, projects implemented and initiatives entered into for reduction of its environmental impact, as well as their environmental benefits and cost savings.
- Should report total energy consumption data (with the exception of raw materials), and disclose its energy consumptions as Scope-1 and Scope-2.
- Should provide information about electricity, heat, vapour and refrigeration produced and consumed in the reporting year.
- Should carry out and disclose works on increasing the use of renewable energy sources, and transition to zero or low carbon electricity.
- Should disclose its renewable energy generation and consumption data.
- Should conduct energy efficiency projects, and disclose the resulting reduction in energy

\(^1\) **Scope 1 Direct Greenhouse Gas Emission**
Greenhouse gas emission emitted from greenhouse gas sources owned or controlled by a corporation.
- Fixed burning (boiler, furnace, turbine, heater, incinerator, motor, etc.)
- Mobile burning (automobile, truck, ship, aircraft, etc.)
- Process emission (Such as CO\(_2\) emissions from calcination in cement production, or CO\(_2\) emissions from catalytic cracking process in petrochemical industry, or PFC (Perfluorocarbon) emission in aluminium melting)
- Fugitive emissions (leakages in equipment connections, waste water treatment plant, cooling towers, gas processing plants, etc.)

**Scope 2 Energy indirect greenhouse gas emission**
Greenhouse gas emission created during generation of electricity, heat or vapour procured by a corporation from third parties for consumption purposes.

**Scope 3 Other indirect greenhouse gas emission**
Other than energy indirect greenhouse gas emission, the greenhouse gas emission emitted from greenhouse gas sources owned or controlled by another corporation as a result of activities of a corporation.
consumption and emission due to its projects.
- Should report quantities, sources and procedures of water extracted from underground or ground waters, used, recycled and discharged (Total water extraction on source basis, water sources affected from water extraction, percentage and total volume of recycled and reused water, etc.).
- Should disclose whether its operations or activities are included in any carbon pricing system or not (Emission Trade System, Cap & Trade or Carbon Tax).
- Should disclose its carbon credit data accumulated or bought in the reporting period.
- If carbon pricing is applied in the corporation, it should disclose details relating thereto.
- Should disclose all mandatory and voluntary platforms where its environmental data are disclosed.

C. Social Principles

C1. Human Rights and Employee Rights
- Should establish a Corporate Human Rights and Employee Rights Policy covering its commitment of full compliance with the Universal Declaration of Human Rights, ILO Conventions ratified by Turkey, and legal framework and legislation regulating human rights and labour issues in Turkey. Should disclose the aforesaid policy and the roles played and responsibilities assumed in the implementation of the policy.
- Should provide equal opportunities in recruitment processes. Includes fair labour, improvement of working standards, employment of women and social inclusion issues (such as non-discrimination towards women, men, religious beliefs, language, race, ethnical origin, age, disablement, refugees, etc.) in its policies by also considering the supply and value chain effects.
- Should disclose measures taken along the value chain for the sake of supervision and protection of rights/equal opportunities for minorities or certain population segments vulnerable to particular economic, environmental and social factors (low-income segments, women, etc.).
- Should report developments relating to applications aiming to prevent and correct discrimination, inequality, breaches of human rights and forced labour, and disclose its regulations and measures aiming to prevent employment of child labour.
- Should disclose its policies regarding investments in employees (training and development policies), compensations, fringe benefits, unionization rights, work/life balance solutions and talent management. Should determine dispute resolution processes through the establishment of mechanisms for resolution of employee complaints and disputes, and determine its dispute resolution processes. Regularly declares its activities aimed at employee satisfaction.
- Should formulate and disclose its occupational health and safety policies. Should disclose actions and measures taken for protection of health and against occupational accidents, and occupational accident statistics.
- Should formulate and disclose to public its personal data protection and data security policies.
- Should formulate and disclose its ethics policy (also including business, work ethics, compliance processes, advertising and marketing ethics, public information, etc. initiatives).
- Should disclose initiatives focused on social investment, social responsibility, financial inclusion and access to finance.
- Should organizes information meetings and training programs for employees with respect to ESG policies and applications.

C2. Stakeholders, International Standards and Initiatives

- Should conduct its activities in sustainability field by taking into consideration the needs and priorities of all stakeholders (employees, customers, suppliers and service providers, public administrations, shareholders, communities and non-governmental organizations, etc.).
- Should formulate and disclose its customer satisfaction policy dealing with management and resolution of customer complaints.
- Should handle stakeholder communications continuously and transparently, and disclose with which stakeholders, for which purposes, on which issues and in which frequency it communicates, as well as the developments in its sustainability activities.
- Should disclose international reporting standards it has adopted [Carbon Disclosure Project (CDP), Global Reporting Initiative (GRI), International Integrated Reporting Council (IIRC), Sustainability Accounting Standards Board (SASB), Task Force on Climate-Related Financial Disclosures (TCFD), etc.].
- Should disclose the international organizations or principles it has signed or enrolled in [Equator Principles, United Nations Environmental Program - Financial Initiative (UNEP-FI), United Nations Global Compact (UNGC), United Nations Principles of Responsible Investment (UNPRI), etc.] and the international principles it has adopted [such as International Capital Markets Association (ICMA) Green/Sustainable Bond Principles].
- Should concretely endeavour to be included in the Borsa İstanbul Sustainability Index and international sustainability indices (Dow Jones Sustainability Index, FTSE4Good, MSCI ESG Indices, etc.).

D. Corporate Governance Principles

- Should exert maximum efforts for compliance with all Corporate Governance principles, apart from the Corporate Governance principles mandatorily required to be complied under and pursuant to the Corporate Governance Communiqué No. II-17.1 of the Capital Markets Board.
- Should take into consideration sustainability issues, environmental effects of its activities, and principles pertaining thereto in determination of its corporate governance strategy.
- Should take all of the required measures in order to comply with principles regarding stakeholders and to strengthen communications with stakeholders as stated in the Corporate Governance Principles. Should consult with stakeholders in determination of measures and strategies in sustainability field.
- Should endeavour to raise awareness on sustainability and the importance thereof through social responsibility projects, awareness activities and trainings.
- Should endeavour to be a member of and to contribute to works and activities of international standards and initiatives on sustainability.
- Should disclose its policies and programs with respect to fight against bribery and corruption and the tax honesty principle.