



Koç Group
Sustainability Report
2020



Lead
Together

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About the Report

Koç Group Sustainability Report 2020 is prepared to share our main impact and opportunity areas in sustainability topics with our stakeholders. The content is shaped in line with the key results of the recent materiality assessment which we revised this year. The report covers our “Lead. Together” strategy, Group-wide initiatives, our approach, future plans and performance in strategic priorities and best practices from Koç Group companies.

We recently made a commitment to report in line with the **Stakeholder Capitalism Metrics** developed by the International Business Council (IBC) of the World Economic Forum. The metrics aim to create a common set of standards for sustainability reporting and better compare and evaluate the long-term value creation of the companies. Our disclosures related to Stakeholder Capitalism Metrics on page 54. We also became a supporter of **Task Force on Climate-related Disclosures (TCFD)**. Our plans to report in line with the TCFD recommendations can be found in the “Act for the Planet. Together” section.

This report has been prepared in accordance with the GRI Standards: Core option. It includes our progress according

to United Nations Global Compact (UNGC) and Women Empowerment Principles (WEPs). We also share our contribution to the Sustainable Development Goals (SDGs). The performance of Koç Group, including our subsidiaries, Arçelik, Aygaz, Entek, Ford Otosan, KoçSistem, Opet, Otokar, Otokoç Otomotiv, Tat Gıda, Tofaş, Tüpraş, TürkTraktör and Yapı Kredi, is disclosed in the Report. The scope of the Report covers 73% of employees and 87% of the turnover.

This report contains performance data from January 1, 2020 to December 31, 2020. In order to demonstrate comparative results, we indicate our performance from previous years, where necessary. In addition, the report also includes 2021 best practices in order to shed light on the future plans. As Koç Group, we are committed to disclose our sustainability performance annually.

For your inquiries, opinions and suggestions regarding the report, please contact us via sustainability@koc.com.tr



In line with our prioritization of stakeholders and “people first” approach, we continued to create value with our operations and commercial activities.

Chairperson's Letter

Dear Stakeholders,

The COVID-19 pandemic that raged the world over in 2020 forced governments and businesses alike to confront and deal with extraordinary circumstances. In this period of uncertainty, it was thanks to the collaboration between and contributions of numerous scientists, and their successful development of a vaccine at the end of 2020, that a new sense of optimism was gained. We hope that global cooperation will likewise lead to fair and equitable access to health all around the world.

Despite unprecedented and unanticipated challenges, 2020 proved to be a successful year for Koç Group. In line with our prioritization of stakeholders and “people first” approach, we continued to create value with our operations and commercial activities. We contributed significantly to our country's struggle with the pandemic through rapidly implemented innovative projects, the additional support we provided to our employees and business partners, and by stepping up our communication activities to increase hope and collaboration.

We have witnessed how companies that manage environmental, social and governance (ESG) related

risks were more resilient during the pandemic. We are in an era of transformation in which not only investors, but also other stakeholder groups are demanding from businesses to take on more responsibilities, and be more transparent. We recognize that stakeholder capitalism, an economic model that takes into account all of our stakeholders, is the right way of doing business. And at Koç Group, we are committed to doing our best to be a reliable stakeholder that responds to hopes and expectations, and assumes responsibility in tackling global challenges. This motivation lies behind our sustainability strategy “**Lead. Together**” and our long-term commitment to **UN Global Compact principles**.

I would like to take this opportunity to thank all our stakeholders, notably our employees, suppliers and distributors, for accompanying us on our journey to “**Lead. Together**”; and present to you Koç Group's 2020 Sustainability Report, in which we disclose our performance, progress, and targets on ESG issues.

Sincerely and respectfully,

Ömer M. Koç
Chairperson



At Koç Group, creating long-term sustainable value for the world and the societies in which we operate lies at the heart of our business model. This aim is articulated in our **“Lead. Together”** strategy.

CEO's Letter

Dear Stakeholders,

In 2020, the far-reaching and disruptive effects of the COVID-19 pandemic reminded us of our values, our priorities, and most importantly, the power of solidarity. I am very proud of how Koç Group employees and its business partners moved so swiftly to take constructive action in these difficult times. Not only were we able to mobilize our resources to ensure healthy working environments for our employees, but we simultaneously worked on developing social programmes to contribute to the nationwide fight against the pandemic.

This challenging period also revealed the importance of long-term business resilience which is undeniably linked to the environmental, social and governance performance of companies. At Koç Group, creating long-term sustainable value for the world and the societies in which we operate lies at the heart of our business model. This aim is articulated in our “Lead. Together” strategy.

Integrating into our strategy the latest thinking in relation to sustainability and changing stakeholder expectations is of critical importance to us. In this respect, we recently **reviewed our material issues** to ensure that the “Lead. Together” strategy is fit-for-purpose. It is a source of great pleasure to know that our stakeholders regard Koç Holding as a business leader, and attribute high levels of trust and satisfaction to us. In this regard, they also reference our strong roots, and our history of contributing to our country's social and economic development as defining features. At the same time, such a leadership position brings with it high expectations and great responsibility.

Our stakeholders underline the strategic importance of low carbon transition. Koç Holding has the potential to assume a leading position in combatting climate change, and mobilizing its ecosystem towards effective climate action. On top of that, the European Union, our closest trading partner, has introduced an economic growth model that includes the target of becoming the first climate-neutral continent by 2050. With all

these developments, we have shifted into a higher gear towards being prepared and resilient in the context of the new climate agenda, and have launched our **Carbon Transition Program** to crystallize our ambition to be carbon neutral by 2050. We are now working on a comprehensive roadmap that will feed into our business strategies. And as a first step, we have recently become a supporter of the **Taskforce on Climate-related Financial Disclosures** (TCFD). For us, the transition to low carbon forms an integral part of our broader cultural transformation agenda. I have every confidence that we will work as a group to realize our goals; and that we will ensure our companies support one another by sharing know-how and best practices, and establishing partnerships that contribute to the required transformation. Most importantly, we will seize every opportunity to grow our business in a way that creates value for all of our stakeholders.

At Koç Group, we are dedicated to improving our ESG performance through setting targets, and enhancing our disclosures. With our 2020 Sustainability Report, I am delighted to share our progress and our initial disclosures in line with **Stakeholder Capitalism Metrics**. We are the first company in Turkey to have committed to adopting these metrics. This commitment, which will contribute to sharing our ESG performance and progress transparently, is a testament to our determination to integrate our sustainability vision into all our business strategies, operations, and corporate statements.

I would like to take this opportunity to thank all our stakeholders; especially our employees and partners who have put a great deal of work into transforming our business, towards achieving ever greater success.

Sincerely and respectfully,

Levent Çakıroğlu
CEO



➤ **100,000**
Employees

➤ **12.5 million**
Customers

➤ **11,000**
dealers and after-sales service points

Exporting to more than
➤ **150 countries**

➤ **7%** of Turkey's private sector
R&D expenditure

➤ **6.7%** of Turkey's total exports

Revenues equivalent to
➤ **6.4% of Turkey's
GDP**

4 main business areas

- Energy
- Automotive
- Consumer Durables
- Finance



Lead. Together is a journey.

And our potential is huge.

Our Manifesto



Lead. Together is our approach for sustainable, profitable growth at Koç Group. It sets a framework for making collective progress and helps us harness the power of our network to drive positive change. We believe sustainability is directly connected to our business growth, and to our unique role in society, which drives us to inspire others and develop every person and organization we engage with.

Lead. Together means we will innovate and collaborate to find solutions to big, complex issues. It means we will be a positive role model that drives change in society. It means we will act bravely to transform our business for the better.

Lead. Together reflects the difference we can make across Koç Group and our commitment to partnership. The expectations of our stakeholders inspire us to make a difference and the diverse abilities of our people mean we can bring our promise to life. We are progressing collectively across the board.

Lead. Together is a journey. And our potential is huge.

Our heritage, our future.



Our founder Vehbi Koç once said that our prosperity is connected to the prosperity of our country. Our aspiration to become a global leader means elevating Vehbi Koç's vision to a global scale. We believe our prosperity is connected to the prosperity of our country and the World we live and work in.

Grow the business. Together

Empower people. Together

Act for the planet. Together

Strengthen communities. Together

Our Sustainability Strategy

- ► ► Creating long-term, sustainable value for the world and the countries in which it operates lies at the heart of Koç Group's business model. Its heritage, influence and leadership role offer a variety of opportunities in sustainability. We manage our efforts in sustainability within the framework of the **Lead. Together** strategy. Enabled by talent, expansive networks, technology and innovation, the main pillars of this strategy are business, people, the planet, and communities.

We deliver **Lead. Together** across four pillars: business, people, planet and community. All four pillars are interconnected, and all four are of equal importance. So whether we're innovating to address big and complex issues, addressing climate change with digital tools, or adopting an inclusive leadership approach to carry our talents to the future, it's clear that the pillars are closely related. They rely on each other, and they are interlinked.

Launched in 2017, **Lead. Together** and its pillars are a result of an iterative process that included cross-functional teams from Group companies, senior management across different industries, external stakeholders and opinion leaders.

At Koç Group, we pay utmost importance to reflect sustainability trends as well as changing stakeholder expectations to our strategy. By periodically reviewing our material issues we can make sure that our **Lead. Together** sustainability strategy is fit-for-purpose. It ensures that we are aware of emerging and shifting sustainability issues that are most relevant to our business and that we continue to meet the expectations of our stakeholders and investors. With this purpose, in late 2020, we undertook a wide-ranging materiality process to identify the most material issues for

Koç Holding's success in the next three to five years.

The latest materiality process was supported by an advisory consultancy, **DNV Business Assurance UK**, and involved four stages:

- 1. Identifying a long list of potential material issues.** This included desk research of media reports within Turkey and internationally, internal reports, engaging relevant teams internally, and an assessment of Koç Holding's peers. A final list of 23 issues was taken forward to the engagement stage of the process.
- 2. Stakeholder mapping and engagement.** We identified nearly 140 individual internal and external stakeholders who were engaged either via a survey or a 60-minute interview. Internal stakeholders included general managers, directors, issue experts and members of the leadership team. External stakeholders comprised investors, academics, international and public institutions, civil society organizations and Koç Group customers and suppliers.
- 3. Analysis of results and reporting of materiality.** Using the results of the stakeholder engagement we analysed and evaluated the most material issues to Koç Holding.
- 4. Identification of key insights.** The final stage of the process was to review and map the material issues against our **Lead. Together** sustainability strategy and our five strategic priorities.

Our Sustainability Strategy



Materiality Assessment

- ➤ ➤ The results of the materiality assessment showed that most of the 23 issues selected for prioritisation were significant to both internal and external stakeholders over a three- to five-year time horizon. This highlights the increasing importance of sustainability and ESG issues to both stakeholder groups, and importantly, the relevance of the issues across our Group companies.

To understand better how these 23 issues link to how we manage sustainability across the Group, we have mapped them across three areas:

- **Lead. Together:** the framework we use to manage sustainability and ensure Koç Holding's ongoing sustainable, profitable growth.

- **Our five Strategic Priorities:** the issues within our Lead. Together framework that will have a critical influence on Koç Holding meeting its business and sustainability goals.
- **Our Sustainability foundations:** issues which underpin all our activities, wherever we operate, and act as the foundations of our business success.

The table illustrates how our material issues fit within these three elements of our sustainability approach. Our performance regarding the material issues can be found in the different sections of this report as well as in **Koç Holding's Annual Report**.

Mapping of material issues to our sustainability approach	
<p>Our Strategic Priorities:</p> <p>Digital Transformation</p> <ul style="list-style-type: none"> • Cyber security and data privacy • Internet of Things and digitalisation of operations • Data analytics and artificial intelligence <p>Innovation</p> <ul style="list-style-type: none"> • Innovation culture and intrapreneurship • Open innovation and collaborations • Research and development capacity <p>Future Talent</p> <ul style="list-style-type: none"> • Talent attraction, development and retention <p>Diversity and Inclusion</p> <ul style="list-style-type: none"> • Workforce diversity and equal opportunities <p>Low-carbon Transition</p> <ul style="list-style-type: none"> • Low-carbon transition and climate risks • Clean tech and product stewardship • Energy use and GHG emissions 	<p>Lead. Together. Framework:</p> <p>Grow the business. Together</p> <ul style="list-style-type: none"> • Portfolio management • Sustainability stewardship for suppliers • Business resilience for customers and distributors <p>Empower people. Together</p> <ul style="list-style-type: none"> • Occupational health, safety & wellbeing <p>Act for the planet. Together</p> <ul style="list-style-type: none"> • Operational environmental impact • Geo-political shifts and trade dynamics <p>Strengthen communities. Together</p> <ul style="list-style-type: none"> • Advocacy for social and economic development • Pandemics and natural disasters
<p>Sustainability Foundations:</p> <ul style="list-style-type: none"> • Human rights and labour standards • Corporate governance • Corporate transparency • Ethics and compliance 	



Stakeholders expect Koç Holding to lead by example

- ➤ ➤ With almost 140 stakeholders, our materiality process delivered valuable insights into how our stakeholders perceive Koç Holding. All stakeholder groups widely stated that Koç Holding is a recognised business leader within Turkey, with high levels of trust and satisfaction. Stakeholders referenced our strong social roots and our history of social and economic development as a defining factor here.

But, this leadership position comes with high expectations. Across the internal and external spectrum, stakeholders expect Koç Holding to lead the sustainability agenda, showing greater

ambition and direction. A clear message was that we have the scale and reach to influence sustainability at an international level, beyond Turkey.

Partnerships with relevant organisations and industry groups, especially at an international level, are widely seen as a way to unlock value and accelerate Koç Holding towards leadership on sustainability. A stronger voice and greater visibility at a global level will help Koç Holding stay close to emerging trends, improve transparency on material topics, and potentially open up opportunities for innovation and business development.

Part of the Bigger Picture: The United Nations Sustainable Development Goals

- ➤ ➤ The United Nations Sustainable Development Goals (SDGs) represent a set of targets which must be reached by 2030 in order to end poverty, protect natural resources, and ensure prosperity for all. The Koç Group fully acknowledges the role of business in the realization of these essential goals, and with its Lead. Together strategy, consciously and directly contributes towards them. Through its annual sustainability reports and other publications, the Group regularly shares its performance regarding the SDGs. Additionally, the UN Global Compact, signed by Koç Holding in 2006, represents a robust framework for sustainability efforts. As a member of the board of directors of Global Compact Turkey, Koç Holding continues to support the dissemination of UN Global Compact in Turkey.

Grow the business. Together



Empower people. Together



Act for the planet. Together



Strengthen communities. Together





Act for the planet.
Together

Act for the planet. Together

Sustainable development will only happen when protecting the environment is core to our business. Put another way, at Koç Group, we know our financial wellbeing is worth very little without the human wellbeing that comes with a healthily functioning natural world. With Act for the Planet. Together, we aim to integrate local and global environmental issues into our decision-making processes.

Climate crisis continues to pose a complex global challenge. Businesses around the world have an important

role responding to the needs of the planet. Goals set in Paris Agreement and the United Nations Sustainable Development Goals address the need for a change, especially for the areas being affected the most. To mitigate the effects of climate change, businesses, governments, and societies need to act together.

Even after the slight decline in carbon emissions due to COVID-19 restrictions, the path to limiting global warming to internationally recognized 1.5°C is more acute than ever.



Low-carbon Transition

- ➤ ➤ According to the materiality assessment conducted in 2020, all stakeholders underlined the strategic importance of low-carbon transition and managing climate risks at the Group-level. Climate change is a top priority for our leadership, investors and civil society groups.

In line with overall feedback, stakeholders think that Koç Holding can contribute to its reputation and reduce risks by taking a leadership position on climate change and enhancing collaboration and innovation to support the

low-carbon transition. Specific focus areas include: setting formal targets; improving reporting on climate performance and transparency on potential pathways to a low-carbon future; and assessing Koç Holding's business portfolio for climate-related risks, including financial risks. The influence of the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations is seen as key to advancing our climate agenda and mitigating long-term climate-related risks. This section elaborates on our approach to low carbon transition as well as providing examples of products and processes that we develop in this transition period.

In line with the net-zero by 2050 target of the European Green Deal, we are currently developing a Group-wide plan that will illustrate our pathway to become carbon neutral in 2050. We manage climate change under the Carbon Transition Program which is composed of three main pillars: scenario-based climate risk assessment, target setting and policy framework including the European Green Deal.

Low-carbon Transition

Scenario Based Climate-Risk Assessment

- ➤ ➤ Koç Holding became a supporter of Taskforce on Climate-related Financial Disclosures (TCFD) and carries out a scenario based climate-risk assessment in line with the recommendations of the TCFD. The assessment will have a deep dive in transition and physical risks for Koç Holding and its main subsidiaries. The results of the study is planned to be shared in Koç Holding's next Annual Report.

Transition Risks	Policy Risk	TCFD identifies increased pricing of GHG emissions and increased operating costs as examples of climate-related policy risks. Koç Holding currently analyses the company's exposure to carbon pricing risk under three different scenarios of policy intervention. These scenarios are low (based on current policy commitments, 2-3 °C aligned), high (below 2 °C aligned) and moderate (below 2 °C aligned delayed action)
	Market Risk	In order to understand the changes in revenue expenditure Koç Holding analyses the impact of carbon pricing on the suppliers of its main subsidiaries.
	Reputational Risk	To assess the overall climate related reputational risk exposure, Koç Holding conducts a Group-wide analysis in line with the sectors its subsidiaries operate. The assessment is based on the industry, company's existing climate strategy as well as its alignment to Paris Agreement.
	Technology Risk	Koç Holding assesses its technology risks in line with the business exposure as well as its efforts to low carbon transition.
Physical Risks		A Group-wide physical risk assessment will be conducted for Koç Group's assets including production facilities and other key premises. The assessment will incorporate exposure to floods, heatwaves, coldwaves, hurricanes in line with three different climate-scenarios.

Target Setting

Given the diversity of the industries as well as the geographies Koç Group operates, it is critical to develop a comprehensive

Group-wide plan that cascades the 2050-commitment. Koç Group is currently working to understand Scope 1, 2 and Scope 3 emissions in order to set Group-level targets.

Low-carbon Transition

Policy Framework: European Green Deal

- ► ► The “Green Deal” announced by the European Commission in 2019 is aimed at achieving the European Union’s net zero carbon emission target by 2050. To achieve this goal, the EU is committed to reducing its carbon emissions by at least 55% compared to 1990 levels by 2030. The Green Deal, which has the potential to change the functioning of the global economy and international trade with the goals it has set out, is of tremendous importance for Turkey and the Koç Group, which carries out more than 50% of its foreign trade with the EU. In this sense, we have been carrying out activities to contribute to the implementation of the Green Deal with the principle of multilateralism and to evaluate the opportunities it will create.

Koç Group is represented by Levent Çakıroğlu in the CEO Action Group established within the World Economic Forum to define the role of the private sector in the Green Deal and to work closely with the European Commission. We signed the joint statement prepared by the Action Group, which includes the CEOs of 30+ global companies, to mobilize the business world in line with the 2050 net zero carbon emission target. It is essential for the EU to formulate an inclusive perspective and adopt a multilateral approach in policy and tool development processes if the Green Deal is to achieve its goals. Considering our relations with EU trading partners, we have raised two issues on different platforms that inclusive steps should be taken towards supply chains, adding that particularly for

countries that have trade agreement with EU should also benefit from the funding mechanisms. We also argued that a high environmental, social and corporate governance performance would serve as a meaningful indicator in the assessment of companies operating outside the EU, and in this context, collective ESG reporting would support transparency and standardization.

We contribute to the process of identifying and developing policies on the possible effects of the mechanisms which are planned to be implemented within the framework of the Green Deal on Turkey. The TÜSİAD Green Deal Task Force, chaired by Koç Group high level representative, prepared the “New Climate Regime Report Through the Lens of Economic Indicators”. The report reveals the possible effects of the Green Deal on sectors exporting from Turkey to the EU, as well as the Deal’s repercussions on the Turkish economy.

In addition, we established a working group within Koç Group in order to follow the developments related to the Green Deal in order to understand the implications of action plans and planned mechanisms. As a part of the Public Consultation Process in the Carbon Border Adjustment Mechanism (CBAM), which is one of the most important developments of 2020, we prepared and shared the Koç Group Evaluation Note with the related organizations.

Low-carbon Transition

Policy Framework: European Green Deal

Green Deal as an Emerging Risk	
Potential Impact	<p>The Carbon Border Adjustment Mechanism (CBAM) framework proposed with the European Green Deal aims to regulate greenhouse gas emissions embedded in certain products exported from non-European countries in order to prevent carbon leakage from European Union. According to the latest report of TÜSİAD (the Turkish Industry and Business Association) CBAM and carbon pricing is expected to have an impact on the Turkish economy and national GDP. In 2030, the GDP loss can reach between 2.7% and 3.6%.</p> <p>At Koç Group, Europe ranks as one of our most important trading partners as more than 50% of our foreign trade is with the EU. The proposed carbon mechanism may bring new financial costs to our exports. As the Mechanism still harbors uncertainty, it is critical for Koç Group to foresee the potential impact and mitigation measures in terms of CBAM's scope and schemes that will be in place.</p>
Mitigation & Opportunities	<p>To assess the impact of the European Green Deal and CBAM on our operations, we contribute to the policy making processes both at local and EU level. Our target to become carbon neutral in 2050 puts forward our commitment to align with the Europe Green Deal and we develop roadmaps and strategies accordingly in collaboration with external and internal stakeholders. We have also initiated a comprehensive risk assessment that includes both transition risks and physical risks. Our CEO is represented in the CEO Action Group of the World Economic Forum, where we work closely with the European Commission on the Green Deal. We lead the Green Deal Task Force of TUSIAD, and we monitor the possible impacts of the Green Deal on the Turkish Economy.</p> <p>With the new mechanism, it is expected that companies with a strong climate strategy and low-carbon intensity will gain a competitive advantage. It will also create opportunities for new, innovative business models and products to grow that support the transition to a low-carbon economy. For instance, the solar panel business of Arçelik or the electric vehicles of Ford Otosan are among the products and services we expect to gain a larger market share in the following years.</p>

Low-carbon transition Products

- ➤ ➤ Clean tech and product stewardship play an important role in reducing operational impact and reaching a low-carbon economy. Compared to their conventional counterparts, these products reduce carbon emissions, lower energy consumption, and save valuable natural

resources both for companies and their consumers. Development of these products require substantial investments in innovation and R&D, but these investments create new jobs for the market and boost companies' competitive advantage.

Ford Otosan & Otokar: Electric vehicles

- ➤ ➤ 20.5 billion TRY investment Horizon 2020 project on a battery prototype which will have 50% increased energy intensity, 25% reduced charging time, and 20% reduced weight

Ford Otosan, which operates the largest commercial vehicle production compound in the European region, is redirecting its focus to produce electric vehicles. The company aims to reach net zero emissions by 2050 and for the interim targets, Ford Otosan will reduce carbon emissions per vehicle by 55% by 2030 and switch to zero-emission in trucks by 2040. The production of electric vehicles will play a key role in achieving net zero emissions both for Ford Otosan and for Koç Group. To kick start the mass production, Ford Otosan initiated "New Generation Commercial Vehicle" project. Ford Otosan will invest a total of 20.5 billion TRY by mid-2026 to expand its Kocaeli plants, employing an additional 3,000 workers and establishing of a 130,000-unit battery assembly plant.

Ford Otosan will produce Ford's first fully electric commercial vehicle, E-Transit, at the Gölcük Plant. The vehicle is planned to be introduced to the market gradually starting in the first half of 2023. At the same year, Ford Otosan aims to bring its battery assembly plant into operation,

making it Turkey's first and only integrated electric vehicle production facility.

During the production phase vehicle batteries have high environmental impacts. From the extraction of rare earth raw materials to the electricity consumed in manufacture, battery production reaches a high level of energy consumption. To mitigate future environmental impacts, Ford Otosan is focusing on carbon footprint and overall efficiency of electric batteries. With Albatross joint Horizon 2020 project, Ford Otosan is working with 20 other partners on a battery prototype with improved performance. Compared to its counterpart, the prototype battery will have 50% increased energy intensity, 25% reduced charging time, 20% reduced weight and an extended lifetime. In addition, Ford Otosan developed a battery pack produced with 50% recycled plastic. The new battery pack produced under ReCube project, is 7% cheaper to produce and will reduce carbon footprint of a battery pack by 82 tons over the course of its life cycle.

Otokar also works on developing alternative fueled vehicles, electric vehicles, and vehicles with high fuel efficiency. The Kent Electra is 100% electric, thus zero emissions, also offers lower operating costs and higher efficiency. Ford Otosan and Otokar started a partnership in developing long-range hydrogen fueled buses with fuel-cell technology. The application for Horizon 2020 funding was accepted.



Low-carbon transition Products

- ➤ ➤ To achieve our 2050 target, we need to close the balance between carbon emissions from industrial processes and natural carbon sequestration. Innovating new technologies such as carbon capture

and storage, green hydrogen will play a key role in transforming operations and reaching these targets.

Arçelik: Solar power

- ➤ ➤ Arçelik, Dow Jones Sustainability Indices Industry Leader, succeeded in becoming carbon-neutral in global manufacturing for Scope 1 and Scope 2 in 2019 and 2020. The company is taking another important step in climate change mitigation by investing in new business areas.

Since 2019, the Energy Management teams of Arçelik and Arçelik Pazarlama A.Ş., which earned the Energy Efficiency Consultancy

Company status from the Republic of Turkey Ministry of Energy and Natural Resources, operate in the solar energy sector. As of 2021, the Company switched to a new structure specifically designed for solar systems, and authorized 15 companies, expert in solar engineering, procurement and construction (EPC) with over ten years' experience, as Arçelik's solution partners in this business area.

Arçelik released two types of solar panels to the market: 445W for industrial use and 370W for private use. Both products have been released into the Turkish market by the end of 2021 quarter one, under 12-year product warranties and a minimum 83% production efficiency guarantee under Arçelik.

Low-carbon transition

Operations

Tüpraş: Leading the Energy Transition

- ► ► Providing a significant part of Turkey's energy needs, Tüpraş continues to be one of the leading companies in its sector with its strategy and R&D studies.

Tüpraş is focusing on innovative areas such as; new product development, operational reliability, renewable fuel technologies, hydrogen production from alternative sources (green hydrogen), biofuels, carbon capture, utilization and storage (CCUS), robotic studies, data analysis and digitalization, circular economy and water and waste management projects.

Tüpraş is seeking to join other industries to support global deployment of new technologies to lead the energy transition and mitigate carbon emissions in operations and, especially by establishing partnerships under European Union's Horizon 2020 programs. The outstanding R&D projects on the way of low carbon and energy transition as follows;

"MOF4AIR" project, started under Horizon 2020's call for the "Advanced Carbon Dioxide Capture Technologies", aims to develop innovative adsorbent materials that will efficiently and selectively capture carbon dioxide from the atmosphere flue gases to actively reduce emissions

from industrial processes that will become part of a technological breakthrough in carbon capture.

Tüpraş participated "MIKRO-JET" project supported by TUBITAK, worked with major organizations. Project aims to get sustainable and economical bio-jet fuel using microalgae biomass native to Turkey.

Kicked off in 2020, "Indus3Es" project aims to develop an innovative system to recover energy from low-temperature waste heat. Tüpraş installed and commissioned the system at its İzmit Refinery steam production unit.

By "COZMOS" project, started under Horizon 2020's call for the "Conversion of Captured Carbon Dioxide", 11 leading global organizations are aiming to develop catalyst technology for the efficient conversion of carbon dioxide into high value-added products such as propane and propylene.

Hence, Tüpraş becomes an important partner of international projects that will advance the level of technology in low carbon development, alternative fuels, carbon capture utilization and storage, chemicals and materials.

Low-carbon transition

Operations

Enspire

- ➤ ➤ Enspire Creative Energy Solutions, established within Entek, is working on implementing energy efficiency and on-site energy production projects that transforms energy use in industrial and commercial buildings.

Since increasing overall energy efficiency is an important tool to mitigate the climate crisis, Enspire aims to innovate energy use to achieve a low carbon future. The company works to increase efficiency in all energy sources, regardless of its kind whether its electricity, natural gas or diesel.

The company initiates partnerships through Performance Based contracts with external customers and works closely with Koç Group

companies. With this business model, Enspire provides opportunities for its partners to redirect their financial investments elsewhere than energy projects while reducing their energy intensity and carbon emissions. Enspire also supports targets of the Turkish National Energy Efficiency Action Plan.

As of 2020, Enspire implemented a number of efficiency projects across Turkey, in and outside of Koç Group and have new projects planned for energy efficiency and distributed energy production in 2021. These potential projects hold a total energy efficiency potential of 544,756 GJ annually. If all implemented, these will reduce carbon emissions by 66,480 tons CO₂e per year. 95% of the carbon emission reductions is expected to come from electricity consumption related measures while 5% from improvements made in natural gas use.

A total energy efficiency potential of
544,756 GJ annually

Carbon emission reduction potential by
66,480 tons CO₂e per year

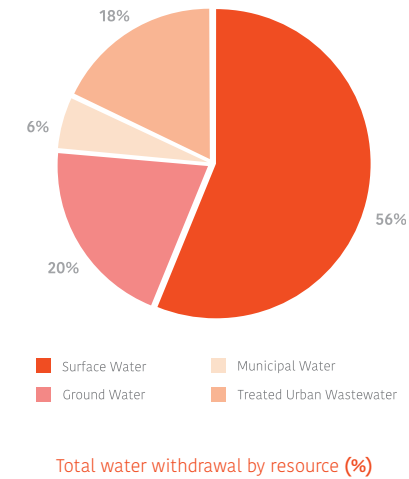
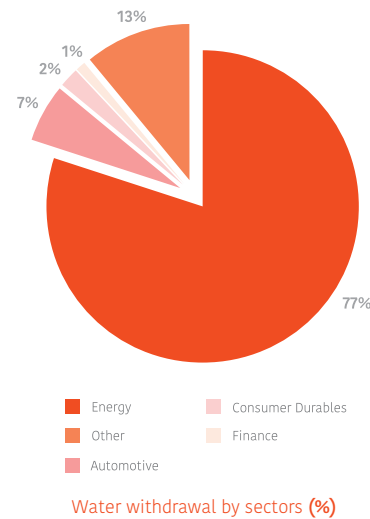
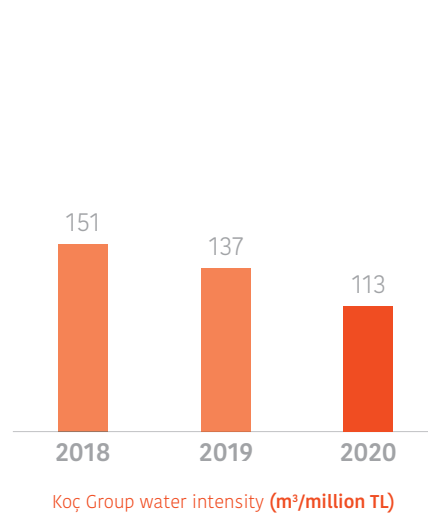
Managing water risks

- ➤ ➤ While industrial and agricultural water use still dominates global consumption, demand for domestic water use has been growing exponentially, further increasing water supply risks. To ensure equal and secure water supply for communities and businesses, water risks should be effectively managed.

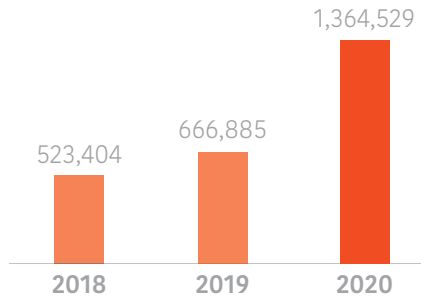
We pay utmost importance to understand the water risks that arise from the diverse sectors and geographies that we operate. In order to better manage Group-wide water risks, we developed a framework that guides Group companies to assess water risks in relation to their operations as well as the river basins they operate. The framework advises

to use the World Resource Institute (WRI) Aqueduct as the main tool to identify river basin risks in an annual basis. It also guides the companies on how to inform the risk management systems in the company as well as on how to explore new opportunities.

In line with our climate risk assessment, we are currently conducting a detailed water risk assessment for the top facilities with respect to their industry and location. The results of this analysis are planned to be shared in the next annual report.

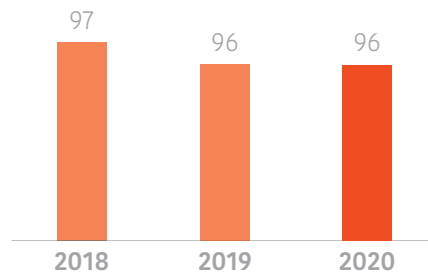


Environmental Performance at a Glance

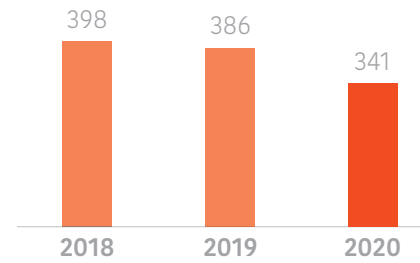


Koç Group renewable energy purchase (GJ)

	2018	2019	2020
Energy Savings (million GJ)	3.9	1.47	1.04
GHG Emission Reduction (thousand- ton CO2)	276	45	54



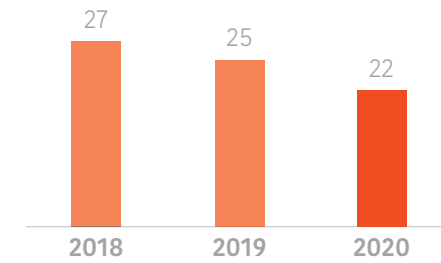
Koç Group waste recovery (%)



Koç Group energy intensity (GJ/million TL)

	2018	2019	2020
Energy	666	672	790
Automotive	54	47	37
Consumer Durables	54	40	31
Finance	26	27	22
Koç Group	398	386	341

Energy intensity per sector (GJ/million TL)



Koç Group GHG intensity (CO₂e/million TL)

	2018	2019	2020
Energy	45	43	52
Automotive	5.58	4.81	2.72
Consumer Durables	2.90	1.50	1.05
Finance	3.43	3.10	2.11
Koç Group	27	25	22

GHG intensity per sector (CO₂e/million TL)



**Grow the business.
Together**

Grow the business. Together

At Koç Holding, we strive to create shared value and a positive impact on society and our stakeholders. Beyond our value chain, our unique business model and global presence enable us to deliver sustainable and profitable growth, and to achieve prosperity in society. We aim to lead in the sectors and countries in which we operate with our innovative better products and services thanks to our innovation capability and digital transformation journey.

The long-term partnerships and relationships, we build on a global scale, enable us to drive positive change and extend our influence. To grow together, we believe in leaving no one behind, and being inclusive is key in this path. At the same time, we are also aware that our planet has boundaries to grow. Hence, we act and grow responsibly with our stakeholders while seizing opportunities to enable a low-carbon and inclusive economy.



Digital Transformation

- ► ► The digital transformation accelerated by COVID-19 is inevitably reshaping all ways and forms of business models today. Digitalization becomes a key to creating shared long-term value along the entire value chain, from customer experience to production. It unlocks the potential for innovative, low-carbon, clean products and processes.

We embrace digital technologies, tools, and methods necessary towards a sustainable future. Setting clear agenda for transformation enables us to be ready for the future of work and any future shocks like the COVID-19. To do so, the Koç Group Digital Transformation Program launched in 2016 has been one of the most important tools in the Group's successful management of the pandemic. The Program enabled us to be prepared for the COVID-19 pandemic by leveraging our workforce and building capabilities to navigate during uncertainty. At the same time, the digitalization of all processes accelerated during this period.

Aiming to integrate digital technologies into Koç Group's business processes, upskill the workforce and reshape its culture in a lean and agile way, the Koç Group Digital Transformation Program includes a wide range of projects, from advanced data analytics, artificial intelligence and the Internet of Things to blockchain, enriching the customer experience and Industry 4.0 applications. There had been a total of 850 projects, within the Digital Transformation Program as of the end of 2020. Most of these projects have been completed.

850 digital transformation projects across the Group

Digital Transformation Themes

Digital Marketing and Customer Experience

Digital Supply Chain and Manufacturing

Digital Lean Workplace

Group Wide Supportive Activities

Data and Analytics

Industry 4.0

Digital New Initiatives

Cultural Transformation

Awareness and Communication

Competency Development

Teamwork and Governance

Data and Analytics

Data analytics is one of the main focus areas of the digital transformation program. With data analytics, our group companies perform more accurately and efficiently thanks to data-based decision making and business. Koç Digital supports group companies as a major driving force in Digital Transformation Program and is a solution partner both for Group companies and external clients.

Industry 4.0

Koç Group companies continue to focus on increasing productivity by following the technologies in Industry 4.0. Thanks to the internet of things, it creates digital twins of many factories and facilities belonging to the Group companies. The data obtained enables projects that will increase efficiency and quality. The projects of the Group companies are shown as an example at the global level.

Digital New Initiatives

New business models and ideas are evaluated by Group companies and by the investment company Inventram, and investments are made in high-tech, digital companies.

Cultural Transformation

Culture shift is a big enabler for digital transformation and agile organizations. Within the Digital Transformation Program, cultural transformation is driven with the vision of leadership and embrace all employees and the wider ecosystem. "KoçHub", which is the Koç Group's new generation interaction and communication platform, has been adopted by the Group employees, and expanded their sharing under 2,023 different groups on this platform. To develop competencies and upskill the workforce, the trainings on the topics related to digital transformation (data analytics, coding, machine learning etc.) from world leading learning organizations such as MIT Sloan, Harvard Business School Online, Udacity and UXC Berkeley are offered to our employees.

Cybersecurity as an Emerging Risk

- ► ► The digital world brings cyber risks with itself. According to the Global Risk Report, cybersecurity failures are classified as clear and present short-term risks, following with IT infrastructure breakdown for the medium term. With the COVID-19, these risks are increasing day by day and can cause both financial and image loss. Considering their possible impact and occurrence, it is essential to be prepared and take precautions from today.

Operational technology (OT), one of the vital components of technology used by Koç Group companies in many different areas such as factories, energy production, transmission facilities, transportation networks and infrastructure services. As OT systems become more connected, they also become more exposed to vulnerabilities. Both IT and OT teams of Koç Group companies have responsibilities that include the development of management, administrative, technical, and physical standards and guidelines to improve the security of OT systems.

Cyber risks are classified under the operational risk category within the Koç Holding Risk Management structure. The Board of Directors supervises risk management processes including cybersecurity risks of Koç Holding and group companies via the Risk Management Committee currently chaired by Mr. Peter Martyr, independent board member. The Committee is informed through detailed risk assessments at least 6 times a year. At the Holding level, Koç Holding Information Security Committee, overseen by the Executive Management, designs the relevant information security processes, approves, and publishes the procedures and instructions in accordance with the information security standards and strategy set under the Information Security Policy. CIO leads the Information Security Committee. The Committee consists of CIO, Information Security Manager, and IT Audit Manager. In case of extraordinary agenda, participation of relevant departments such as Law and Human Resources can be provided. Cyber risks are included in the CEO's and the GMs' Objective and Key

Results (OKR). Group's cyber security issues and risks are handled at monthly meetings of the Cyber Security Committee, led by Holding Information Security Manager, and consists of the cyber security experts of our group companies. Cyber insurance policy is in place for Koç Group companies that include precautions for cyber threats, such as malicious attacks, privacy breaches, and accidental events.

The coronavirus pandemic has created new cyber risks for holding and our group companies. Due to working from home and the increase in the use of cloud applications, OT/IOT and digital transformation projects, we re-evaluated our cyber risks. Impacts of these risks are the penalties for non-compliance, financial impacts due to data leakage, and loss of reputation. In order to ensure IT continuity, we focused on the regulatory issues of cloud landscape and the mitigation measures of the cloud cyber risks. We apply a realistic risk-based security management methodology to prevent cyber-attacks. Security policies, standards and SANS CIS Security Controls are implemented into this methodology. We perform annual audits for each Group company based on globally recognized frameworks (COBIT, ISO27001, CIS20) and Koç Group IT Standards Audit, and maturity assessment results presented to the CEO and relevant committees. Furthermore, cybersecurity awareness training is held for our employees, and it is part of the employee performance evaluation.

The cyber security industry is facing a talent shortage globally. The lack of qualified people will cause insufficient security controls implementation that will lead to cyber security problems. In line with our cyber security strategy, we initiated the "Talent Management of Cyber Security Human Resources Program" two years ago with Koç Sistem and Boğaziçi University. People trained through this program started to work in the cyber security units of our companies. Within the scope of the program, studies are carried out on technical trainings, talent assessment and recruitment.

Innovation

- ► ► With COVID-19, innovation proved itself again as one of the biggest factors for building resiliency for business. Helping businesses keep growing, innovation fosters problem-solving, especially bringing huge opportunities in the face of the world's constantly changing social and environmental challenges such as climate and health crisis. By embracing new technology- driven improvements, innovation can help to create new jobs and raise living standards. Scaling these transformative and disruptive solutions serves for sustainable development and SDGs. New clean technology solutions such as electronic vehicles (EV), solar power certainly will offer more advantages in the future for transition to a low-carbon economy.

2.1 billion TRY
investment to
R&D in 2020

7% of the total R&D
expenditure in Turkey's
private sector

4% of all employees
working in R&D in
Turkey's private sector

54 projects in the EU
Horizon 2020 program
and 16 projects in the
Eureka program

Koç Group companies play a leading role in the development and rollout of the technology, innovation and R&D culture. We allocated approximately 2.1 billion TRY to R&D in 2020. The Koç Group accounts for approximately 7% of the total R&D expenditure in Turkey's private sector and with 32 R&D centers, one design center and seven Technopolis R&D offices, it has the highest number of R&D centers of any group in Turkey. The Koç Group has 5,082 R&D employees, corresponding to 4% of all employees working in R&D in Turkey's private sector. 4 of the 6 Turkish companies are included in the "2020 EU R&D Scoreboard" report published by the European Commission are from Koç Group. Together with Koç Holding, Ford Otosan, Tofaş and Arçelik were also included in the list. In 2020, the Koç Group companies participated in 54 projects in the EU Horizon 2020 program and 16 projects in the Eureka program.

Koç Innovation Program

To thrive in the new economy and drive an innovative culture, we implement our innovation strategy through Koç Innovation Program since 2014. As of the end of 2020, 10 Group companies are participating in this voluntary program. Since the start of the program, more than 230 internal startups have turned into projects, with 25 new products & services brought to the market and three companies were established. With the program, we support corporate entrepreneurs "intrapreneurs" to bring these innovations into life through various programs, mentorships and incentives. To ensure business model innovation and increase open innovation capacity, we build a culture of innovation and cultivating intrapreneurs.

To create value with stakeholders, we work collaboratively and realize open innovation with business partners, startups, relevant organizations and industry groups at the national and international levels. Furthermore, our group companies disseminate their successful collaboration practices to other industries. The companies included in the program have cooperated with over 120 startups in order to support their work and the entrepreneurship ecosystem.

25 new products & services
brought to the market

230 internal startups
turned into projects

Innovation Products

Arçelik – Beko: HygieneShield™

- » » » COVID-19 pandemic shifts consumer behavior and expectations fundamentally. Beko's global consumer research across 31 countries revealed one of their primary concerns is hygiene. According to the research, 75% of people clean the house more often, 64% do more laundry, and 68% pay more attention to the cleanliness of the packaging. As a response to these shifting needs and trends resulting from the in-depth consumer research conducted across the globe, Beko has developed HygieneShield Cabinet, a ground-breaking portfolio of household products to meet the needs of consumers in the post-lockdown era.

The HygieneShield range of appliances featuring built-in disinfection programs draws inspiration from nature using UV light technology heat

and steam for at-home disinfection to enable consumers to achieve excellent hygiene results at home. The product line shows to provide more than 99% virus reduction , including coronavirus.

By the end of 2020, the products have been released in four key European markets, including Spain, Germany, the UK and the Balkans, strengthening Beko's brand image and contributing to sales growth. Throughout 2021, the products will be released in Romania, France, Poland, Italy, Egypt and Russia. In Turkey, the product range was introduced into the market under Arçelik brand as Ultra Hygiene* Series. This new product line addressing the current needs in Turkey brought business benefits to Arçelik:

- The market share in the white goods category increased by 4.3% by the end of the last quarter of 2020
- By the end of 2020, the differentiation score reached its highest value in one year.
- In the last quarter of the year, the innovative brand image was reinforced by three points and the trustworthy brand image was increased by four points, compared to the third quarter of 2020.

* Please visit Beko and Arçelik stores, www.beko.com and www.arcelik.com.tr for specific information on products and virus types.

Innovation Products

Otokoç Otomotiv: Avis Caravan

- ➤ ➤ Although the conditions in our country are very suitable for alternative vacation options, the choices are generally limited to hotels or house rentals. A caravan is one of the best alternatives for a holiday in nature. Caravans are suitable for traveling in summer and winter, offer the opportunity to have an isolated holiday away from the crowd, especially during the pandemic period.

Avis, the global car rental brand operating under the umbrella of Otokoç Automotive, is Turkey's first car rental brand. Avis Turkey launched its caravan rental service in the Turkish market last year in line with the growing demand. Avis Caravan offers caravan rental services to its customers via digital platforms such as online payment system, contactless payment, online reservation, call center, 24/7 on-the-go service. With this product innovation, Avis aims to deliver the best customer experience with mobile applications where the customer can create their product package.

Digital Transformation Operations

Tofaş: Smart Factory

- ➤ ➤ Tofaş manufactures more than four thousand body types of both commercial and passenger cars of different main models. In the storage area located between paint and assembly sections, various production and logistics constraints are managed together. In this area, sending the vehicles to the assembly lines in the right order has critical importance in terms of efficiency.

As a part of the digital transformation program, Tofaş focuses on increasing the efficiency of its assembly lines via smart factory applications under supply chain and manufacturing themes. Tofaş Smart Ordering Project is one of the projects realized for this objective. Tofaş Smart Ordering Project aims to automate the vehicles assembly through an algorithm, sort and order them smartly using advanced technology and digital transformation tools. The project is a first in the

sector as the first dynamic vehicle sorting digital twin project, using smart algorithms in production processes in a high level of variation, complexity, and diversity. A methodology on the agile approach was identified with two external business partners on the right automation and algorithm.

A new system has been developed for all decision points in these storage areas, from loading elevators to distribution points. In this context, optimizations are made for vehicle orientations and sorting branches are formed according to the real-time data of the vehicles behind, and the vehicles are included in the assembly lines in the optimum order. Each vehicle is evaluated according to the assembly constraints and each selection is optimized according to these constraints. In this project, in which a complex data analytics algorithm is used, 500 thousand probability calculations are made in 40 seconds and high success is achieved by choosing the best probability. After the project was started, compliance with the constraints reached 93%. In the later stages of the project, it is aimed to increase this success rate and to make daily workforce planning by using advanced machine learning and different data analytics methods. Moreover, Tofaş will expand this project to other viable parts of the factory.



**Empower people.
Together**

Empower people. Together

Our aim is to create a community of empowered and engaged employees who have the knowledge and skills to reinvent the future's business models. In accordance with our vision to grow globally, we attract, retain, and develop multi-skilled talents and strengthen employee engagement in all the countries where we operate.

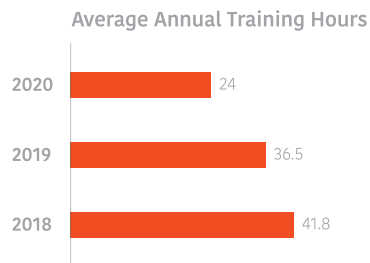
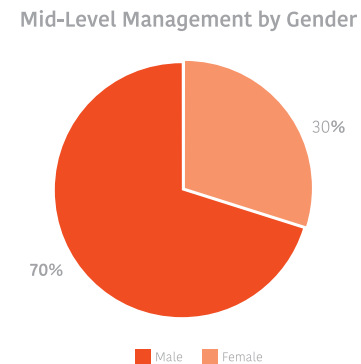
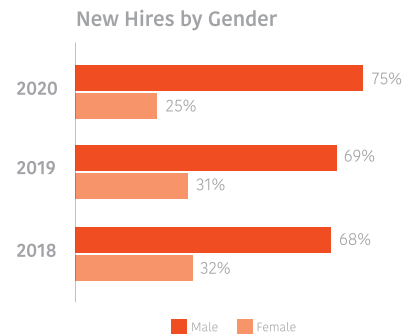
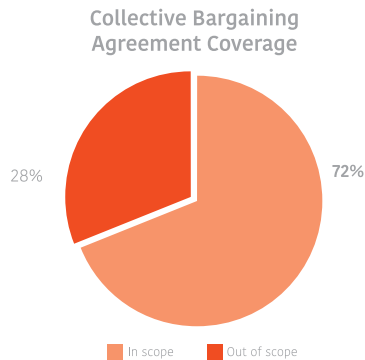
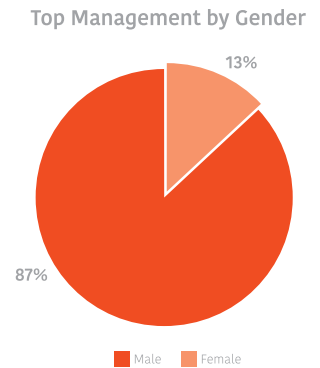
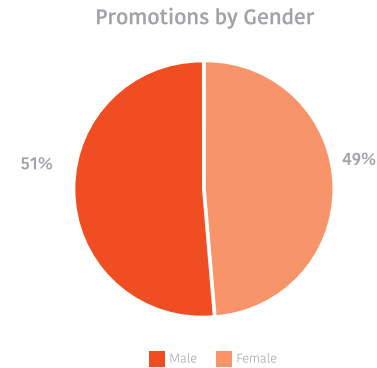
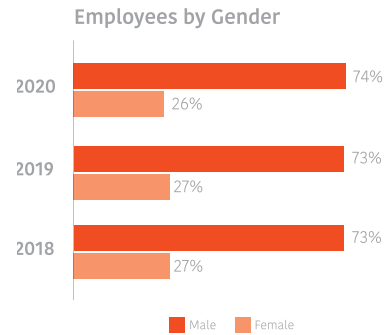
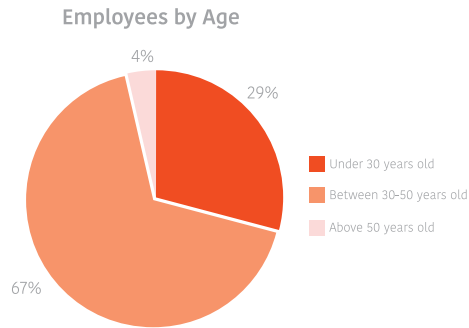
In our business model, we have always put people first to empower and help them to thrive in an agile business environment. The people-first approach has enabled Koç

Group employees to reach their full potential and seen us become a role model in our industries.

We focus on equipping people with the skills they need and building the most talented and inclusive workplace in line with Koç Group Code of Ethics and Business Conduct and the SDGs. We maximise our collective potential to develop the future: solutions that will meet some of society's most pressing challenges.



Koç Group Employees in 2020



Salaries by Level	Ratio (Average Female/Male Salary)
Executive level (base salary only)	0.91
Management level (base salary only)	0.94
Management level (base salary + other incentives)	0.92
Non-management level	1.06
Overall	0.97

Largest employer in Turkey with **100,641 employees***
82% in Turkey and 18% abroad

* Total number of employees in all Koç Group. Report coverage is 73% of total workforce corresponding to 73,656 employees.

COVID-19 Response

- ▶ ▶ ▶ With the outbreak of the pandemic, we started to implement extensive protective measures for the safety of our employees. The COVID-19 Working Group was established under the Health Committee. Disease management algorithms and many infection control measures were implemented in approximately 65 meetings throughout the year.

During this time, we switched to remote working quickly and gathered employee feedback regularly. Online training and pandemic guidance, online social activities, shopping benefits, health, family, financial and psychological support were among the steps taken to support our employees. Additionally, crisis management teams in more than 40 group companies implemented over 1,000 actions in two months besides the protective measures to make employees feel more comfortable.

Remote Working

We became the first large business Group in Turkey to switch to remote working and make it permanent with approximately 35,000 colleagues. In a short period, we adapted all our infrastructure and technology according to remote working.

We designed a hybrid working system where employees can work from the workplace and remotely on certain days. With our office reservation application, employees can plan their week by viewing the reservations at any Koç Group office, whenever they want. We are currently piloting this application in 7 companies. Our office reservation

application will enable us to manage food and service optimization much more efficiently. With the savings from workspaces, we will redesign our offices considering the socialization needs of employees.

Communication

Transparent, regular and frequent communication was vital in managing the impacts of COVID-19. Employee pulses, one-to-one interviews, diary keeping and a WhatsApp chatbot was used to receive feedback and engage with employees.

In our first pulse questionnaire, we received 25,000 responses in the first 5 hours, and by analyzing each comment, we implemented over 1,000 innovative actions in the first 3 months, using human-oriented design methods such as "design thinking" and "journey map design". We planned live communications with the General Managers and Senior Executive teams. Overall, 25 online sessions were held with company general managers and human resources directors as a part of daily or weekly huddle to create a clear and instant communication channel.

The Neighboring Koç Employees project was launched on the KoçHub online communication platform. Koç Group employees or family members living in the same district came together online and started to help one another if they or their family members needed it. As a part of the project, Koç employees came together across 983 district groups throughout Turkey.

COVID-19 Response

- ➤ ➤ The regular communication and actions taken led to a strong improvement in the anxiety levels of employees, which dropped to 12% from 60%. 90% of the employees indicated that they are satisfied with the actions taken by Koç Holding and/or their subsidiary company.

Health

We launched Online Outpatient services, which enables online appointments and meetings with doctors of different specialties. More than 1,650 online sessions were held on the Online Outpatient Service platform, which currently has 180 workplace doctors and 49 guest doctors from 23 specialties. Group companies organized webinars with psychologists and offered online counseling to employees.

Learning and Development

To respond to the need for training and pandemic guidance, the Koç Academy online learning and development platform, which is open to the use of Koç Group employees and their families, has begun to provide information to its users with new video content posted daily. Detailed information on KocAcademy is shared in Talent Management section below.

Enhanced Benefits

We offered interest-free and unconditional loans to employees payable up to 24 months. More than 20,000 employees applied for the financial support, accounting for TRY 97 million in loans.

Loyalty program KoçAilem started to offer many new privileges for motivational needs. More than 45 different campaigns were launched specifically for the pandemic period. Free 5GB mobile internet, books, premium memberships for mobile apps for meditation and fitness were offered to employees. Furthermore, complimentary health insurance has been made available to parents and siblings of employees through KoçAilem, to cover costs related to COVID-19.

We also implemented a blood donation processes through KoçAilem. A blood and COVID-19 plasma sharing platform has been developed that will bring together volunteers with other Koç employees. By instant matching of the blood compatibility and locations, the person in need and volunteers met in less than half an hour. More than 100 people met their urgent blood needs from this platform.

Online Social Activities

Koç Group Sports Club moved all its training sessions and events online. All online courses started to be given to through IGTV, YouTube and Instagram live broadcasts. A total of 1,100 online events open to our employees and to all of Turkey were held in 122 different categories during the pandemic, and more than 3 million people attended these events.

An Example to the World in COVID-19 Response

The World Economic Forum (WEF) chose Koç Holding as an example in recognition of its successful human resources implementations in tackling COVID-19. "The COVID-19 Workplace Commons" initiative, founded under the leadership of the WEF and Arizona State University, showcases to the world some of the successful human resources practices implemented by companies which put their employees first during this challenging time. In the study conducted with this initiative and attended by 1,125 organizations operating in 23 different industries from 29 countries, our human resources practices, which focused on the health and experience of our employees, were highlighted as a case study. SAP also published our COVID-19 response as a case study.

Talent Management

- ▶ ▶ ▶ There is a shortage of some of the most skilled talent in the world that businesses like ours need to grow and succeed. Science, technology, engineering, and math skills are in particular demand, as are multifaceted thinkers who can use their minds to tackle the complex challenges facing business and society.

We invest in the competencies of the future to equip our employees with the skills and motivation they need to prosper in tomorrow's workplace. We want our workplace to become more flexible, agile, dynamic, bold, collaborative, and entrepreneurial, in order to attract the best emerging talents.

Training and development opportunities are offered to ensure employees reach and exceed their potential. In addition to training in areas such as environment, ethics and OHS, many different training programs are offered to employees for technical and leadership development in line with future business models.

Various mechanisms are implemented to provide a good employee experience to the talented individuals joining the Group and to evaluate them in the talent pool of the Group companies. Prospective employees are involved in competency-based evaluation processes designed for different organizational levels and positions. Employees who possess top executive level competences are identified by the "Assessment Center". This enables an effective succession plan for top executive positions and proactively supports candidates for these positions via training-development programs and job rotation opportunities. More than 900 Koç Group employees participated in the rotation processes.

Moreover we believe in developing and hiring talents starting from internship. This year 43% of the new graduates joining the Group were working as interns, an increase compared to the last year's rate of 36%. Also 92% of the interns rated their internship period as satisfactory. In the pandemic period we created an online internship program with the participation of our 29 companies and became the first Group to go fully online internship. We received more than 30,000 applications for the online program in only one day with our virtual event Koç Group Digital Career Fair.

According to the `Kincentric Best Employers 2020` research conducted by Kincentric, one of the world's leading human resources and management consultancy company, 20 of the 24 companies awarded as `Turkey's Best Employers` are Koç Group companies. The employee loyalty score increased to 75% with a 5 point increase from last year and a 35 point increase in the last 5 years.

Talent Management

► ► ► Koç Dialogues

Koç Dialogues training program was designed in 2020 in collaboration with Columbia Business School, Neuroleadership Institute and Emeritus to enable the transition to a new performance management system for the whole group. In addition to supporting the transition process, the program focused on creating a culture that empower the employees in communication, effective

feedback, change management and career management areas. More than 20,000 office employees participated in the program with more than 90% completion rates. 92% of participants found the program effective as 86% indicated that Koç Dialogues program successfully supports the transition to a new performance management system. The program received average 34 Net Promoter Score from the participants.

► ► ► KoçAcademy

KoçAcademy is a video training platform that provides more than 14 thousand online video trainings including health and lifestyle, digital technologies, family, hobbies, and personal development categories to Group employees and their families. During the pandemic, KoçAcademy started to provide videos about COVID-19 produced with the support of American Hospital & Koç University Hospital which are subsidiaries of Koç Group.

KoçAcademy Platform was opened for public access free of charge beginning of March. More than 2.3 million users viewed training videos on the Platform and Koç Academy pages were visited more than 11.1 million times.

As a part of talent management, Learning and Development (L&D) programs which are designed in collaboration with prominent institutions in the world and Turkey are offered to the Koç Group employees. Koç Group aims to support employees in a wide range of areas such

as leadership, strategy, change management and digital competencies at different stages of their careers with L&D programs offered under the “LEAD” brand.

To develop and strengthen the managerial and digital transformation competencies of Koç group employees’, LEAD offers more than 230 different programs for all employees ranging from newly recruited employees to top executives. It has contents such as Personal Development Program or BeGlobal China that are designed internally and also offers programs from top business schools’ such as Harvard Business School, MIT Sloan, Columbia Business School, University of Oxford, University of Cambridge etc. We are one of the top partners of Harvard Business School for online programs in terms of participants. Another online training partner is Udacity which is one of the world’s most valuable online training companies. More than 1000 Koç Group employees completed Udacity programs focusing on data analytics, business analytics, programming and self-driving cars.

Other Human Resources Programs and Benefits can be found at [Koç Holding 2020 Annual Report](#).

Diversity and Inclusion

- ► ► We believe that diversity and inclusion in workplace is essential to integrate sustainability into business. Organizations with balanced workforce are better governed and have richer skillsets which results in creative thinking and aligning better with the diverse interests of customers and stakeholders.

At Koç Group, we strive to creating an environment suitable for the needs of all employees, regardless of their gender, religion, sexual orientation, language, ethnicity, race, beliefs, faith, disability or any other personal attribute protected by law. We focus on creating an inclusive culture for a more productive and collaborative workplace across our value chain.

The Koç Group Human Rights Policy adopts a comprehensive approach to eliminate all forms of discrimination and prejudice related to gender at work. To ensure that every candidate is evaluated under equal and fair conditions during the recruitment process, gender is not included in job posts. Also, we developed the Recruitment Accreditation program to improve the competence of recruiters.

We aim to attract more female applicants for all positions and roles by observing gender equality in the business

environment. We implemented improvements to counselling services offered before and after maternity leave, childcare and nursery assistance, and workplace safety. In 2020, a total of 902 female employees took maternity leave and 98% of them returned to work following the end of their official leave. An 18% proportion of female employees also benefit from the provision of childcare.

In order to promote and ensure equality at all levels throughout the Group:

- We signed the Declaration of Equality at Work and published Koç Group Equality Guidelines and Implementation Principles.
- Together with Koç Holding, 30 Group companies became signatories of the UN Women's Empowerment Principles (WEPs).
- Koç Holding partner with UN Women's HeForShe movement and became one of the 10 Impact Champions of the HeForShe.
- Koç Holding is also one of Generation Equality Forum Action Coalition Leaders on Innovation and Technology.

Diversity and Inclusion

Promoting Gender Equality During the Pandemic

- ➤ ➤ As in past outbreaks, women and girls around the world have been more affected than men by the COVID-19 pandemic. In this period, an increase in domestic violence is observed in Turkey and in the world, and the burden of unpaid care work for women gets heavier. Women are more affected by the economic effects of the crisis as they earn less, can save less and work more in precarious jobs.

We brought this issue to the agenda of Group companies as a part of our cooperation with UN Women since the early days of the pandemic. Studies have been carried out for female employees in Group companies and special measures have been taken. Moreover, companies drew attention to the negative effects of the pandemic on women through their own channels and reached out to stakeholders, especially their customers.

In addition to the project carried out in the Group, an important road map was created under the leadership of TÜSİAD to

engage with the private sector. Koç Holding leads the TÜSİAD Gender Equality Working Group. With the cooperation of UN Women and the support of TÜRKONFED, TÜSİAD, carried out a research on the effects of COVID-19 Pandemic on female employees to understand the potential impacts of the pandemic on the private sector from a gender perspective and to contribute to policy development related to gender equality in times of crisis. Based on the results of the research, an implementation guide based on WEPs commitments is being prepared to enable companies to plan egalitarian and transformative actions and adopt crisis-resistant sustainable management models while responding to the urgent and practical needs of their employees in times of crisis.

Furthermore, as one of the Impact Champions of the HeForShe movement for the last five years, we pointed out that domestic responsibilities should be shared between men and women during the pandemic. While the global #HeForSheAtHome social media campaign was launched across the Group through Koç Hub, it was also announced on the HeForShe Turkey page.

Occupational Health and Safety

- ➤ ➤ Towards our zero-accident target, we aim to reach excellence in implementing occupational health and safety (OHS) standards. OHS strategies are implemented under the leadership of the Occupational Health and Safety Unit that regards all national and international legislations and beyond.

Detailed information on occupational health and safety can be found at **Koç Holding 2020 Annual Report.**



Strengthen communities. Together

Strengthen communities. Together



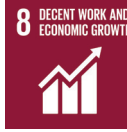

At Koç Group, we believe that strong and stable communities are vital foundations for business success. Over the years, we have been a first-mover in supporting community initiatives. We focus on driving large-scale and long-lasting programmes that create social change. Through the impact we create, our business becomes stronger, our network becomes connected, future generations have more opportunities, and everyone in society feels part of something that matters.

We have the potential to create a paradigm shift in the areas in which we invest. When our employees, distributors, suppliers and their families are combined, we reach out to an audience of half a million people. Engaging this many people in affecting change can start a movement that spreads through communities and beyond, creating a positive social transformation.

Through our community investments, we aim to create sustainable,

scalable and replicable models for wide dissemination and lasting impact in the five focus areas of **Lead. Together** - digital transformation, innovation, future talent, diversity & inclusion and low-carbon transition. We also identified three priorities that contributes to our strategy. We focus on the societal effects of complex issues material to Koç Group and partnering with stakeholders to increase the prosperity and equality in the world, where we do business. By doing so, we aim to create shared benefits for the society and our business.

This year, we published **Koç Group Community Investment Policy** as a part of the Compliance Program. The policy outlines the principles to adopt while developing community investment projects and offers a guideline for Group companies in managing these projects. Koç Holding's Sustainability Unit is responsible for planning the projects. Implementation of the projects is carried out by Holding or Group companies' related departments and/or volunteers among employees.

Priorities	Description	Programmes	Lead. Together Strategic Priorities	Contribution to SDGs
Empowering women in innovation and technology	Supporting women in the field of innovation and technology for gender equality	Generation Equality Forum Action Coalition on Innovation and Technology	Digital transformation Innovation Diversity & inclusion	    
Accelerating digital transformation of civil society organizations	Supporting development of the ecosystem in which we invest	BOOST Civil Society Technology Challenge	Digital transformation Innovation	
Supporting students in vocational education	Closing the skills gap in vocational education	Development of 21st Century Skills in Vocational Training	Digital transformation Innovation Future talent	

Action Coalition on Innovation and Technology

- ► ► We believe in the power of multi-stakeholder collaborations to develop solutions to tackle environmental, social and economic challenges. Gender equality remains one of the most crucial socioeconomic issues that all governments, business world and NGOs should collectively focus on to ensure sustainable development. Accordingly, Koç Holding takes place among the leaders of the Technology and Innovation Action Coalition of The Generation Equality Forum.

The Generation Equality Forum is a global and multi-stakeholder initiative for gender equality under the coordination of the UN Women, jointly hosted by the governments of Mexico and France.

The Action Coalitions are established under six themes: Gender based violence; economic justice and rights; bodily autonomy and sexual and reproductive health and rights (SRHR); feminist action for climate justice; technology and innovation for gender equality; feminist movements and leadership. Each Action Coalition is led by a group of partners including governments, private sector, philanthropy and civil society representatives and leaders who have been working together to codesign Blueprints for action, which will accelerate progress towards gender equality in this UN Decade of Action.

The Action Coalition of Technology and Innovation for Gender Equality led by Koç Holding works on transformative projects in the field of technology and innovation to remove the obstacles against achieving gender equality. As our global economy continues to digitize and transform, women face challenges in access to technology for their benefit, being part of solutions and leadership in the transition. Digital transformation and innovation being the driving force, women and girls need more opportunities to boost their power in that arena. This action coalition supports the evaluation of opportunities and the

establishment of collaborations with technology and innovation. In addition, it sets out a roadmap to ensure global expansion of its practices with 5-year targets and share them with the public.

Koç Holding has been one of the Global Impact Leaders of the HeForShe movement for the last five years. The experience and network that we established in recent years, together with our expertise in technology and innovation will enable us to contribute at the highest level to The Action Coalition of Technology and Innovation. Accordingly, we published our **Technology & Innovation for Gender Equality Commitment Manifesto**. As a part of this manifesto, we are committed to:

- Work together to narrow the gender gap in leadership and participation among the creators of technology and innovation.
- Share and spread the same values and goals within Koç Group and partners.
- Mobilize our diverse set of experience, skills and resources to truly succeed.
- Become an advocate for gender equality in technology and innovation together with UN Women.

To realize our commitments, we will:

- Develop a global blueprint for gender responsive innovation by transforming Koç Innovation Program with gender perspective.
- Mobilize Koç Group companies to become global commitment makers on technology and innovation for gender equality.
- Partner with women-led start-ups to close the gender gap in technology and innovation.

BOOST Civil Society Technology Challenge

- ➤ ➤ COVID-19 highlighted the importance of effective use of technology and digital transformation in tackling environmental and social issues. The current crisis makes adapting to the new normal and transforming ways of operation also a critical necessity for civil society organizations. Responding to this need, Koç Holding became the only private sector program partner in the regional BOOST program developed by the UNDP İstanbul Regional Hub.

BOOST Civil Society Technology Challenge aims to support digital transformation of civil society organizations and increase their impact and outreach. Under the program, designed in two stages, 20 different NGOs working in the areas of environment, education, human rights, women, young people and disadvantaged groups have the opportunity to design and implement digital transformation processes based on a concrete

project proposal. With this program, we transfer our expertise in technology to our stakeholders and support them in developing solutions to various environmental and social problems.

In the first phase of the program, between October-December 2020, NGOs received training from specialized mentors to integrate digital solutions into their projects. The five NGOs selected for the second stage will have financing support and participate in the acceleration program for 24 weeks in 2021.

Koç University Entrepreneurship Research Center (KWORKS) is the implementation partner in Turkey and StartUp Grind is one of the international implementation partners of BOOST. Besides, UNDP experts and the Koç Group Digital Transformation leaders contributed as mentors to the program by working closely with NGOs in the process.

NGOs	Selected Projects	Scope of the Project
Education Reform Initiative (ERI)	The Education Ecosystem Digital Platform	Developing innovative practices in education through geospatial data and region-specific framing
Support to Life	E-cash Assistance App for Post-disaster Recovery	Developing innovative e-cash mobile application for delivering humanitarian aid in the post-disaster period
Istanbul Foundation for Culture and Arts (IKSV)	Accessibility & Engagement	Making accessible designs for visually and hearing-impaired people
Development Workshop	Vocational Education Growth Alliance	Creating an online platform to bring together students from vocational and technical schools, teachers, and sector representatives for collaboration
Association for Solidarity with Asylum Seekers and Migrants (ASAM)	ASAM Mobile Application to Bolster Humanitarian Worker Psychological Resilience	Creating a mobile application for humanitarian workers to support their psychological resilience
Science Heroes Association (BKD)	New Ways of Community Engagement	Creating a platform for effective engagement of BKD volunteers and alumni to build a network and reach underserved children to provide STEM education
Spastic Children's Foundation of Turkey (Cerebral Palsy Turkey)	Digitally Able Me	Developing an online education platform designed for students with special educational needs, their families/ caregivers and special education teachers

Development of 21st Century Skills in Vocational Training

- ► ► The global challenges, particularly the progress in technology, acceleration of digitalization with the pandemic and changing consumer behaviors, increase the business world's need for qualified workforce equipped with 21st century skills. In addition, increasing the number of young people and adults that have appropriate vocational and technical education until 2030 is one of the targets of SDG 4 "Quality Education."

To ensure young people become qualified employees in the future, it is critical to adapt the vocational education to the changing needs of 21st century skills. It is essential to review education systems to respond to the demands of the labor markets. The technical skills required to transform technology into innovation; behavioral skills, which include continuous learning, adapting to change and producing solutions to complex problems are becoming more important. To offer solutions to these challenges Koç Holding partnered with

the Ministry of National Education and IBM to implement the "Development of 21st Century Skills in Vocational Training", rolled out under the coordination of the Development Workshop.

As a part of the project, which started in November 2018, a model of cooperation between industry and academia supporting 21st century skills were developed, based on a general vocational training approach. The Vocational Development Course Curriculum was developed with student-centered content focusing on research and inquiry, 21st century skills and design thinking, with the name of the course changed to Vocational Development Atelier. This atelier enables students, teachers from different disciplines and industry representatives to work together. The content of Atelier for teachers and students was created with the Ministry of National Education to reach 50,000 teachers and 500,000 students and was published on the Educational Information Network (EBA) Portal.

Sustainability Foundations

- ► ► In line with the materiality assessment conducted in 2020, we defined key issues as sustainability foundations which underpin all our activities, wherever we operate, and act as the foundations of our business success.

Ethics and Compliance

We have extensive global operations and engage with a wide network of stakeholders. Therefore, it is crucial to earn their trust while ensuring high ethical standards. Our new Compliance Program sets out the rules, policies and procedures which are the building blocks of our high standards. The Program enables Koç Group to manage compliance related issues with a risk-based approach.

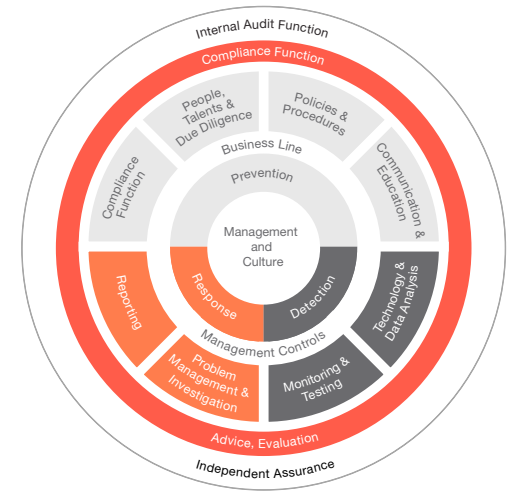
Our new Compliance Program is the product of a compliance project carried out under Koç Holding's leadership between 2018 and 2020. During the initial phase of the project, one-on-one interviews were held with the Group employees and senior executives, existing compliance activities were evaluated through questionnaires and workshops, and a risk assessment was conducted. Based on global best practices and our group's needs, related policies were finalized, and

the Compliance Program was approved by the Board of Directors. The main components of the Program include prevention, detection and response.

Under the Compliance Program, numerous policies related to compliance have been developed. These policies include, among others, Sanctions and Export Controls, Anti-Bribery and Corruption, Supply Chain, Human Rights, Personal Data Protection, Donations and Sponsorships.

The Koç Group Code of Ethics was updated as a part of the Program to provide a comprehensive framework for the Koç Group employees and stakeholders on various matters, with a focus on human rights, anti-bribery and anti-corruption, prevention of conflicts of interest, economic sanctions, protection of privacy and inside information, and occupational health and safety. Any non-compliance with the Code of Ethics and Compliance Policies can be reported to Koç Holding Ethics Line (koc.com.tr/hotline). Furthermore, we expect to finalize the implementation of an ethics hotline mechanism which will be managed by an independent third party service provider, during the last quarter of 2021. The hotline will be available to all Koç Group companies. All employees or other stakeholders will be able to report any noncompliant actions to the responsible departments anonymously.

Code of Ethics and other Compliance Policies can be accessed [here](#).



► ► ► Human Rights

Our stakeholders see human rights as a key issue within the social sphere. Although Koç Holding is perceived well in this area, especially in Turkey, enhancing our approach to human rights is considered a top priority for the company. Specific suggestions relating to human rights included: developing a human rights policy that aligns with Turkish and international requirements; improving partnerships with NGOs and other international stakeholders; and establishing a leading position in supply chain human rights through mapping supplier risk through due diligence processes, engaging with suppliers and transparently communicating progress.

We are committed to respecting fundamental human rights in our operations and in our value chain. The Human Rights Policy prepared under the Compliance Program is a guide that reflects Koç Group's approach and standards related to human rights.

As per our Code of Ethics and the Human Rights Policy, Koç Group acts in accordance with global ethical principles on issues such as recruitment, promotion, career development, pay, benefits and diversity, and respects it is the rights of its employees to establish non-governmental organizations and become union members of their own choice. We have

zero tolerance to forced labor, child labor or any form of discrimination or harassment.

The Koç Group Human Rights Policy is developed in line with international standards and expected to be observed by all business partners. In addition, the Supply Chain Compliance Policy draws a general framework on human rights, discrimination, harassment, union freedoms, forced labor and child labor.

The departments in charge of compliance together with relevant business units conduct periodical risk assessments and analyze the specific compliance related risks that operations, employees and other business partners may be exposed to. Company policies and procedures are drafted in accordance with these assessments and analysis. The risk analysis is conducted to address and take action in all relevant compliance domains based on their likelihood and impacts. Human rights is also among the main compliance domains.

Stakeholders may report any non-compliance with the Human Rights Policy to their senior manager or to the Koç Holding Ethics Line. The Koç Holding Human Resources Directorate is responsible for the implementation of the policy.

Sustainability Governance

- ➤ ➤ Enhanced transparency on corporate governance and ESG issues is seen as essential to Koç Holding's ongoing business success by stakeholders, especially investors. Reporting in line with recognized international standards and frameworks, both at group and subsidiary level, can help Koç Holding to demonstrate leadership and manage risks across the business. Specific topics raised included: improving disclosure and transparency including ESG performance.

Robust corporate governance is key for term-long success. It helps Koç Group Companies improve performance and mitigate risks. Sustainability is an integral part of our governance approach. In this respect, Koç Holding regularly reports its progress related to “Lead. Together” strategy and other material issues according to the Sustainability Principles Compliance Framework of Capital Markets Board (CMB) of Turkey to the Board of Directors through Corporate Governance Committee.

The Sustainability Unit, which is part of the Corporate Communications and External Affairs Department and reports to the CEO, is responsible for the implementation of the strategy as well as coordinating the different units across the Group.

The manager reporting to the General Manager or Deputy General Manager is responsible for the relevant Koç Group companies, the responsible works in coordination with the Company's environmental, human resources, finance, law, audit, purchasing, innovation and digital transformation teams. The relevant units in the Koç Group companies are regularly informed of Koç Holding's sustainability efforts. These departments meet twice a year to establish cross-sectoral connections, evaluate global trends and potential impacts, and share the companies' strategic priorities and best practices.

For detailed information on corporate governance please see **2020 Annual Report**.

Performance Indicators

Social Performance Indicators

	2018		2019		2020	
Employees by Gender	Female	Male	Female	Male	Female	Male
Number of Employees	18,203	50,266	17,797	49,320	19,045	54,611
Total Number of Employees	68,469		67,117		73,656	

Employees by Employment Type	2018	2019	2020
Full Time	68,279	66,984	73,374
Part Time	671	586	282

Employees by Age	2018	2019	2020
Under 30	20,391	17,765	21,451
30-50	46,221	47,288	49,544
Over 50	1,857	2,027	2,661

Employees Who Left by Gender	2018		2019		2020	
	Female	Male	Female	Male	Female	Male
Number of Employees	2,945	9,169	2,513	7,171	1,969	5,495
Total	12,114		9,684		7,464	

Promotions by Gender	2018		2019		2020	
	Female	Male	Female	Male	Female	Male
Number of Promotions	1,937	2,864	2,591	2,258	1,479	1,561
Total Promotions	4,801		4,849		3,040	
% of Promotions by Gender	40%	60%	53%	47%	49%	51%

Employees by Breakdown	2020
Disabled employees	1,764
Women employees in STEM positions	21%
Women employees in revenue-generating positions	37%

Employee Turnover Rate	2018	2019	2020
Employee Turnover	17.7	14.4	10.1

New Hires by Gender	2018		2019		2020	
	Female	Male	Female	Male	Female	Male
Number of New Hires	2,463	5,237	1,644	3,612	1,466	4,385
Total	7,700		5,256		5,851	

Senior Management by Gender	2018		2019		2020	
	Female	Male	Female	Male	Female	Male
Number of Senior Management	25	194	29	186	26	173

Mid-Level Management by Gender	2018		2019		2020	
	Female	Male	Female	Male	Female	Male
Number of Mid-Level Management	1,042	2,317	1,066	2,380	970	2,277

Training Hours	2018	2019	2020
Average Annual Training Hours per Employee	41.8	36,5	24

Health and Safety Performance	2018	2019	2020
Injury rate (IR)* employees	6.96	5.91	6.07
Occupational illness frequency rate (OIFR)** employees	0.14	0.21	0.05
Lost-time injury frequency rate (LTIFR)*** employees	3.52	3.51	3.30
Occupational health and safety training provided - employees (employee*hours)	525,047	467,393	626,981
Occupational health and safety training provided - contractors (employee*hours)	94,811	112,382	Not tracked
Work related fatalities (Employees)	1	0	5
Work related fatalities (Contractors)	3	0	1

* IR = (Number of injuries in given period*1,000,000) / Total hours worked in given period

** OIFR: (Number of occupational illnesses in given period*1,000,000) / Total hours worked in given period

*** LTIFR: (Number of lost time injuries in given period*1,000,000) / Total hours worked in given period

The calculation excludes fatalities. LTIFR values of 2017 are based on total recordable data, while since 2018 calculations are based on only lost time injuries.

Performance Indicators

Environmental Performance Indicators

Year	Energy Intensity (GJ/million TL)	GHG Emissions Intensity (CO ₂ e/million TL)
2018	398	27
2019	386	25
2020	341	22

Year	Energy Savings (million GJ)	Reduction in Greenhouse Gas Emissions (thousand-ton CO ₂ e)
2018	3.9	276
2019	1.47	45
2020	1.04	54

Water Withdrawal (m ³)	2018	2019	2020
Surface water	17,194,359	17,226,597	17,842,587
Ground water	6,791,670	6,490,512	6,409,975
Municipal water	2,826,971	2,497,051	1,738,509
Treated urban wastewater, rainwater and other sources	11,700,740	11,608,948	5,824,426
Total withdrawal (m³)	38,513,739	37,823,108	31,815,497

ISO 14001	2018	2019	2020
Number of certified facilities	93	101	99
Number of facilities	116	118	115
% of certified facilities	80%	86%	86%

Waste by Type (tons)	2018	2019	2020
Recovered and recycled hazardous waste (R code)	38,944	33,493	26,192
Recovered and recycled non-hazardous waste (R code)	283,378	273,961	272,325
Hazardous waste disposed (D code)	2,430	8,265	6,244
Non-hazardous waste disposed (D code)	6,327	5,404	5,543
Hazardous waste sent to temporary storage	899	340	947
Non-hazardous waste sent to temporary storage	23	0	64
Total	332,001	321,464	311,315

All calculations are made in line with the Waste Management Regulation

Environmental Trainings in 2020	Employees	Contractors
Number of participants	32,481	7,866
Training hours (person*hours)	58,075	14,528

Our commitment to the Stakeholder Capitalism Metrics

In January 2021, Koç Holding became one of the initial endorsing companies of the Stakeholder Capitalism Metrics published by the International Business Council of the World Economic Forum.

As part of our commitment to promote transparent and comparable reporting, we are including a list of our disclosures based on the Stakeholder Capitalism Metrics "metrics" option.

Principles of Governance			
Theme	Core Metrics and Disclosure	Description	Reference(s)
Governing purpose	Setting purpose	The company's stated purpose, as the expression of the means by which a business proposes solutions to economic, environmental and social issues. Corporate purpose should create value for all stakeholders, including shareholders.	Koç Holding Annual Report, page 2, Our Manifesto, page 7
Quality of governing body	Governance body composition	Composition of the highest governance body and its committees by: competencies relating to economic, environmental and social topics; executive or non-executive; independence; tenure on the governance body; number of each individual's other significant positions and commitments, and the nature of the commitments; gender; membership of under-represented social groups; stakeholder representation.	Sustainability Governance, page 51 Koç Holding Annual Report, Corporate Governance, page 131-152
Stakeholder engagement	Material issues impacting stakeholders	A list of the topics that are material to key stakeholders and the company, how the topics were identified and how the stakeholders were engaged.	Materiality Assessment, page 11 Koç Holding Annual Report, Stakeholder Engagement, page 50
Ethical behaviour	Anti-corruption	1. Total percentage of governance body members, employees and business partners who have received training on the organization's anti-corruption policies and procedures, broken down by region. a) Total number and nature of incidents of corruption confirmed during the current year, but related to previous years; and b) Total number and nature of incidents of corruption confirmed during the current year, related to this year. 2. Discussion of initiatives and stakeholder engagement to improve the broader operating environment and culture, in order to combat corruption.	Koç Holding Annual Report, page 61 and 150 Sustainability Foundations, Ethics and Compliance, page 49
	Protected ethics advice and reporting mechanisms	"A description of internal and external mechanisms for: 1. Seeking advice about ethical and lawful behaviour and organizational integrity; and 2. Reporting concerns about unethical or unlawful behaviour and lack of organizational integrity."	Koç Holding Annual Report, page 61 and 150 Sustainability Foundations, Ethics and Compliance, page 49
Risk and opportunity oversight	Integrating risk and opportunity into business process	Company risk factor and opportunity disclosures that clearly identify the principal material risks and opportunities facing the company specifically (as opposed to generic sector risks), the company appetite in respect of these risks, how these risks and opportunities have moved over time and the response to those changes. These opportunities and risks should integrate material economic, environmental and social issues, including climate change and data stewardship.	Koç Holding Annual Report, page 150, Act for the planet. Together, Low-carbon transition, page 17

Our commitment to the Stakeholder Capitalism Metrics

Planet			
Theme	Core Metrics and Disclosure	Description	Reference(s)
Climate change	Greenhouse gas (GHG) emissions	For all relevant greenhouse gases (e.g. carbon dioxide, methane, nitrous oxide, F-gases etc.), report in metric tonnes of carbon dioxide equivalent (tCO ₂ e) GHG Protocol Scope 1 and Scope 2 emissions. Estimate and report material upstream and downstream (GHG Protocol Scope 3) emissions where appropriate.	Act for the planet. Together, Low-carbon transition, page 25 We do not disclose our absolute GHG emissions but we plan to do next year.
	TCFD implementation	Fully implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). If necessary, disclose a timeline of at most three years for full implementation. Disclose whether you have set, or have committed to set, GHG emissions targets that are in line with the goals of the Paris Agreement – to limit global warming to well below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C – and to achieve net-zero emissions before 2050.	Act for the planet. Together, Low-carbon transition, page 16-17
Freshwater availability	Water consumption and withdrawal in water-stressed areas	Report for operations where material: megalitres of water withdrawn, megalitres of water consumed and the percentage of each in regions with high or extremely high baseline water stress, according to WRI Aqueduct water risk atlas tool. Estimate and report the same information for the full value chain (upstream and downstream) where appropriate.	Act for the planet. Together, Managing water risks, page 24

Our commitment to the Stakeholder Capitalism Metrics

People			
Theme	Core Metrics and Disclosure	Description	Reference(s)
Dignity and equality	Diversity and inclusion	Percentage of employees per employee category, by age group, gender and other indicators of diversity (e.g. ethnicity).	Empower people. Together, Diversity and Inclusion, page 40-41 Social Performance Indicators, page 52
	Pay equality	Ratio of the basic salary and remuneration for each employee category by significant locations of operation for priority areas of equality: women to men, minor to major ethnic groups, and other relevant equality areas.	Empower people. Together, Diversity and Inclusion, page 41
	Risk for incidents of child, forced or compulsory labour	An explanation of the operations and suppliers considered to have significant risk for incidents of child labour, forced or compulsory labour. Such risks could emerge in relation to: a) type of operation (such as manufacturing plant) and type of supplier; and b) countries or geographic areas with operations and suppliers considered at risk.	Sustainability Foundations, Human Rights, page 50
Health and well-being	Health and safety	1. The number and rate of fatalities as a result of work-related injury; high-consequence work-related injuries (excluding fatalities); recordable work-related injuries; main types of work-related injury; and the number of hours worked. 2. An explanation of how the organization facilitates workers' access to non-occupational medical and healthcare services, and the scope of access provided for employees and workers.	Empower people. Together, Occupational Health and Safety, page 43 Koc Holding Annual Report, Occupational Health and Safety, page 58 Social Performance Indicators, page 52
Skills for the future	Training provided	Average hours of training per person that the organization's employees have undertaken during the reporting period, by gender and employee category (total number of hours of training provided to employees divided by the number of employees). Average training and development expenditure per full time employee (total cost of training provided to employees divided by the number of employees).	Empower people. Together, Talent Management, page 39 Social Performance Indicators, page 52

Our commitment to the Stakeholder Capitalism Metrics

Prosperity			
Theme	Core Metrics and Disclosure	Description	Reference(s)
Employment and wealth generation	Absolute number and rate of employment	Total number and rate of new employee hires during the reporting period, by age group, gender, other indicators of diversity and region. Total number and rate of employee turnover during the reporting period, by age group, gender, other indicators of diversity and region.	Social Performance Indicators, page 52
	Economic contribution	1. Direct economic value generated and distributed (EVG&D), on an accruals basis, covering the basic components for the organization's global operations, ideally split out by: <ul style="list-style-type: none"> • Revenues • Operating costs • Employee wages and benefits • Payments to providers of capital • Payments to government • Community investment 2. Financial assistance received from the government: total monetary value of financial assistance received by the organization from any government during the reporting period.	Koç Holding Annual Report, page 161
	Financial investment contribution	Total capital expenditures (CapEx) minus depreciation, supported by narrative to describe the company's investment strategy. Share buybacks plus dividend payments, supported by narrative to describe the company's strategy for returns of capital to shareholders.	Koç Holding Annual Report, page 203
Innovation of better products and services	Total R&D expenses	Total costs related to research and development.	Grow the business. Together, Innovation, page 29
Community and social vitality	Total tax paid	The total global tax borne by the company, including corporate income taxes, property taxes, non-creditable VAT and other sales taxes, employer-paid payroll taxes, and other taxes that constitute costs to the company, by category of taxes.	Koç Holding Annual Report, page 22 and 165

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