



# Koç Holding Sustainability Report 2023

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## About the Report

**Koç Group Sustainability Report 2023** is prepared to share our main sustainability impact and opportunity areas with our stakeholders. The content is shaped in line with the key results of the materiality assessment. The report covers our **“Lead. Together”** strategy, Group-wide initiatives, our approach, plans and performance in strategic priorities and best practices from Koç Group companies.

This report has been prepared in accordance with the GRI Standards. It includes our progress towards United Nations Global Compact (UNGC) and Women Empowerment Principles (WEPs). We also share our contribution to the Sustainable Development Goals (SDGs).

It also covers 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. As a supporter of **Task Force on Climate-**

**related Financial Disclosures (TCFD)**, our report in line with the TCFD recommendations can be found in the “Act for the Planet. Together” section.

The sustainability performance in this report includes the operations of Arçelik, Aygaz, Entek, Ford Otosan, KoçSistem, Opet, Otokar, Otokoç Otomotiv, Tat Gıda, Tofaş, Tüpraş, TürkTraktör and Yapı Kredi. The Report covers 90% of employees and 95.5% of the combined revenues. The greenhouse gas emissions are calculated according to the operational control approach.

This report contains performance data from January 1, 2023 to December 31, 2023. To demonstrate comparative results, we indicate our performance from previous years, where necessary. As Koç Group, we are committed to disclosing our sustainability performance annually.

For your inquiries, opinions and suggestions regarding the report, please contact us via [sustainability@koc.com.tr](mailto:sustainability@koc.com.tr)



We believe sustainability is directly connected to our unique role in society. By continuously creating value and adapting to advancements in technology, business, and society, we initiate a ripple effect that resonates across our industries, with our partners, and throughout the wider community.

## Chairperson's Letter

Dear Stakeholders,

On February 6th 2023, Turkey was struck by a devastating earthquake. In response, we swiftly initiated our **"Hope Cities"** project, deploying 5,000 container homes across the cities of Adiyaman, Antakya, İskenderun, Kahramanmaraş, and Malatya to provide shelter and other basic necessities for approximately 20,000 people in need. We will continue to support our affected citizens in the area with resolution.

On a global scale, 2023 presented ongoing challenges, including **geopolitical tensions** and **macroeconomic uncertainties**. Issues such as stubborn inflation, cost-of-living crises and trade wars cast a shadow over the economy.

The **humanitarian crises** that unfolded in **Palestine** in October 2023 have proven once again the urgent need for more efficient international intervention mechanisms. Similarly, the tragic war in **Ukraine** also continues and sadly, no progress has been made toward securing ceasefire over the past two years, let alone lasting peace.

Looking ahead, the planet faces unprecedented challenges as well. In 2023, global warming surpassed the **1.5°C threshold** for the first time, resulting in widespread **heatwaves** and **extreme weather events**. Despite these alarming trends, **greenhouse gas emissions** have yet to peak, underscoring the critical need for **immediate action** to mitigate further climate impacts.

This year, we took further steps towards our long-term goals. Our sustainability strategy, **"Lead Together"** highlights the importance of **environmental, social, and governance (ESG)** factors in our decision-making. We believe sustainability is directly connected to **our unique role in society**. By continuously creating value and adapting to advancements in **technology, business, and society**, we initiate a **ripple effect** that resonates across our industries, with our partners, and throughout the wider community.

Fostering sustainability relies on **cooperation**. Therefore, **engaging stakeholders** and **forming partnerships** will continue to be central to our sustainability strategy moving forward.

I would like to take this opportunity to express my thanks to all our stakeholders, **our colleagues, distributors, customers, suppliers** and **business partners** for the trust they placed in us, and their valuable contribution to all our achievements.

I am proud to share our **sustainability performance and progress** with all of you through the report you'll find in the following pages.

**Ömer M. Koç**

Chairperson



In a year marked by continued turbulence, where uncertainty became the new norm, our focus on generating value for all our stakeholders only increased.

## CEO's Letter

Dear Stakeholders,

More than a year after the devastating earthquakes that struck Türkiye on February 6th, 2023, our hearts continue to ache for the lives lost, and the communities shattered. From the moment the catastrophe began, recognizing the urgency of the situation, we took decisive action, establishing settlement areas named “**Hope Cities**”. With their accessible and inclusive units that prioritize the needs of **children, youth, and women**, and facilities that strengthen **employment opportunities**, and reinforce **economic participation**, they are exemplary; and in them, we continue to pursue our work, in cooperation with public institutions and non-governmental organizations.

In a year marked by **continued turbulence**, where **uncertainty became the new norm**, our focus on **generating value for all our stakeholders** only increased. This year, we revisited our **Strategic Materiality Assessment**, engaging a diverse array of stakeholders, including employees, suppliers, customers, dealers, international organizations, academia, the public sector, industry associations, and NGOs.

Among these stakeholders, **climate-related issues** emerged as a consistent concern, reaffirming their significance. Our **Carbon Transition Program**, aimed at achieving **carbon neutrality by 2050**, received **positive feedback**, indicating **improved performance** in terms of transition to a low-carbon economy. And as a **tangible demonstration of the progress made**, we covered **significant ground** in reaching our Scope 1 and Scope 2 emission reduction targets in 2023, thus achieving a **14%** reduction compared to the 2017 baseline year.

Another significant outcome was the emergence of **water stewardship** as a top priority, which gained recognition as one

of the critically important topics. In this respect, we will continue to leverage **technology to improve water efficiency and recycling** ratios and generate **innovative solutions for the preservation of water basins** wherever we operate.

At Koç Holding, we diligently track **global and regional regulations** designed to facilitate the shift to a low-carbon economy. With over half of our exports directed to the European Union, the **European Green Deal** holds great importance for us. Considering the potential impact of the **Carbon Border Adjustment Mechanism** on the sectors of the **suppliers** within our extensive ecosystem, we're committed to not only restructuring our operations, but also leading efforts to transition our **entire value chain** towards sustainability.

Acknowledging our **human capital** as our most precious asset, we firmly advocate for **inclusion** within our workforce as an essential factor for ensuring business sustainability. We are implementing projects that will **increase women's participation in the economic life and employment, and support the development of girls**. We are committed to ensuring gender equality in **technology and innovation**: we are one of the leaders of **The Generation Equality Forum's Action Coalition on Technology and Innovation**, and we will continue our efforts in this area with determination.

I would like to express my **thanks to all our stakeholders** for their ongoing, valuable contributions, which helped to make 2023 a successful year in Koç Holding's sustainability journey.

**Levent Çakıroğlu**  
CEO

# 2023 at a Glance\*



## 4 main business areas

- Energy
- Automotive
- Consumer Durables
- Finance

\* The data covers all operations and companies of Koç Group.

> **119,000**  
Employees

> **22.7 million**  
Customers

More than  
> **10,000**  
dealers and after-sales service points

Exporting to more than  
> **155 countries**

> **7%** of Türkiye's private sector  
R&D expenditure

> **7%** of Türkiye's total exports

Revenues equal to  
> **8% of Türkiye's GDP**

Total market capitalization equal to  
> **22% of Borsa Istanbul 100 Index**

> **>95** production facilities and  
marketing/sales companies abroad

## Non-financial indicators

### ESG Commitments

- Reduction in Scope 1 and 2 GHG emissions (baseline year: 2017):
    - 27% in 2030
    - 49% in 2040
    - Carbon neutral in 2050
- Progress:** 14% reduction as of 2023

### Other ESG-related commitments

- As of the end of 2023, the consumption of single-use plastics has been ended
- Commitment to keep the % of women on board at least at 30% at all times

### International Platforms

- Task Force on Climate-related Financial Disclosures (TCFD)
- WEF Stakeholder Capitalism Metrics
- WEF CEO Action Group for the European Green Deal
- WEF Center for Nature and Climate
- One of the Action Coalition Leaders on Technology and Innovation at the UN Generation Equality Forum
- UN Women's Empowerment Principles (UN WEPs)
- UN Women Unstereotype Alliance
- UN Global Compact (UNGC)
- UN Global Compact CEO Water Mandate
- UNGC CFO Coalition for the SDGs

### Sustainability Indices

- BIST Sustainability Index
- MSCI ESG Rating
- FTSE4Good
- Sustainalytics ESG Rating
- V.E (Moody's ESG Solutions)
- CDP Climate Change

# 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 sustainability as a part 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 crisis 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 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.

**Lead. Together** across four pillars: **business, people, planet** and **community**. All four pillars are interconnected, and all four are of equal importance.

# Our Sustainability Strategy



# Sustainability Governance

➤ ➤ ➤ Robust corporate governance is key for term-long success. It helps Koç Group Companies improve performance and mitigate risks. Enhanced transparency on corporate governance and ESG issues is also seen as essential to Koç Holding's ongoing business success by stakeholders, especially investors. 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 Türkiye to the Board of Directors through Corporate Governance Committee and Risk 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.

The Koç Group Carbon Transition Program is managed under the leadership of Levent Çakıroğlu, the CEO of Koç Holding, and is coordinated by the sustainability, finance, strategy, and business development teams within Koç Holding. The program advances with the contributions of Carbon Transition Leaders, which include senior managers from the Group companies, as well as employees from various departments such as R&D, environment, finance, innovation, human resources, corporate communication, marketing, purchasing, strategy, and production. The Koç Group Environmental Council provides technical support.

INDICES	COMPANIES									
	Koç	Arçelik	AYGAZ	FORD OTOSAN	Otokar	TOFAŞ	Tüpraş	TürkTraktör	YapıKredi	İTİ
Dow Jones Sustainability Indices		✓								
MSCI	✓	✓		✓		✓	✓		✓	
FTSE4Good	✓	✓		✓			✓		✓	
SUSTAINALYTICS RATED	✓	✓	✓	✓		✓	✓	✓	✓	
BORSA İSTANBUL sustainability index	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
S&P 500		✓		✓			✓		✓	
MOODY'S ANALYTICS	✓	✓					✓			
ecovadis		✓								

For detailed information on corporate governance please see [2023 Annual Report](#).

# Risk Management

- ► ► Since its foundation, Koç Group has achieved long-term success through its robust approach toward risk management. Koç Holding uses sophisticated risk assessment, modeling, reporting, and capital allocation techniques. These processes boost transparency and encourage a more systematic approach to risk assessment in investment and business decisions at all levels.

## Risk Management Governance and Approach

At the Koç Group, risks are managed by the Finance Department with the oversight of the Board of Directors, in coordination with all Group presidents.

At the Board level, the Risk Committee ensures that the mechanisms for early detection and management of risks are in place. The Committee is chaired by the independent Board member Mr. Peter Martyr since 12 April 2021. The other member of the Committee is the Board member, Ms. Caroline N. Koç.

The Committee evaluates Koç Holding's risk management system and the principles of risk reporting, and analyzes the risk reports, as well as making recommendations for measures that do not conform to designated limits in the Risk Management System. The Committee also assesses information security practices, monitors compliance risks, follows up related activities and evaluates sustainability risks. Reports and committee assessments are periodically provided to the Board of Directors. The Committee held six meetings in 2023.

Koç Holding's Risk Management function, being a part of the Finance function, reports to CFO. The function develops the Group's risk policies, limits and monitoring mechanisms. This function leverages the risk infrastructures in each of the Company's businesses, which have adopted an approach aligned with the Group's overall risk policies and limits.

Koç Group's risk management approach is in line with the three lines of defense model which delineates responsibilities and accountabilities for risk and control activities.

- **Operational Risk Ownership (The first line of defense):** The leaders at Group Companies own the risks and are responsible for identifying, recording, reporting, managing and monitoring them in line within designated risk tolerance levels. These leaders could be from Finance and/or Risk functions depending on the Group Company.
- **Risk Management and Compliance Oversight (The second line of defense):** Koç Holding Enterprise Risk Management – CFO/Finance Department, Risk Committee, Board of Directors challenges the first line of defense on effective risk management and provides advice and guidance to the underlying risk item.
- **Independent Audit Unit (The third line of defense):** Internal Audit Function assures the risk management approach and effective implementation of internal processes.

# Risk Management

- ➤ ➤ Risk categories and items are annually reviewed and updated considering the changes in Koç Holding's portfolio composition, regular feedback from the Group companies on industrial trends, regulatory changes and opinions disseminated by global international organizations (such as World Economic Forum's annual Global Risks Report) and/or surveys.

Risks identified through risk management processes are prioritized depending on their frequency and severity.

Koç Holding Enterprise Risk Management framework covers the material risks Koc Group companies are exposed to by delineating the frequency and severity of the underlying risk items, method of measurement of the impact including Earnings at Risk and Monte Carlo simulation. It is ensured that the most important risks are within the responsibilities of business leaders at the company and/or Group level. In the management of risks, the Company

has general response strategies that identify categories according to whether it will avoid, transfer, reduce or accept the risk. These response strategies are tailored to ensure that risks are within acceptable tolerance levels set by the Board of Directors.

As an integral part of its group-wide risk management culture, the Koç Group has a continuous focus on risk awareness and accountability by its employees. To continually reinforce this level of awareness, training and education programs are employed by Group companies covering regular and emerging risk categories.

For monitoring purposes, selected financial and sustainability risk items are embedded into key OKRs of the responsables mentioned as part of the three lines of defense, measured by the performance management system of Koç Holding.

# Risk Management

## ➤ ➤ ➤ Top Priority Risks and Mitigation Actions

The major risks that Koç Holding is exposed to are classified under four main categories:

Risk	Description	Mitigation Actions
<b>Financial Risks</b>	Financial risks relate to a company's ability to meet its financial obligations and mitigate the effects of market volatility.	Variety of financial indicators, especially Net Financial Debt / EBITDA, Net Foreign Currency Position / Shareholders' Equity, current ratio and the maturity profile of financial liabilities are monitored, at the Company and Group level on a combined and consolidated basis, and are kept within particular limits.
<b>Foreign Currency Risk</b>	Koç Group companies keep their foreign currency risk exposure within certain limits.	As a foreign currency risk management tool, derivative transactions are used when needed. Loans that are designated as cash flow hedges and net investment hedges in foreign operations are excluded from the calculation of the amount subject to foreign currency risk exposure. Moreover, those assets that are reported in Turkish Lira on the balance sheet and, for which exchange rate changes can be reflected to their sales prices are designated as "natural hedge" and considered as "foreign currency denominated assets" while evaluating the foreign currency risk exposure.
<b>Liquidity Risk</b>	Management of short-term liquidity of Group companies.	The Koç Group continues to diversify its funding sources, increase the average duration of its financial liabilities, maintain a sufficient level of cash and cash equivalents and sustain the current ratio above a certain limit in case of an imminent cash need.
<b>Credit Risk</b>	Management of counterparty creditworthiness risk.	The Company mitigates this risk by conducting credit analysis, setting credit limits, trade receivables insurances and obtaining the maximum degree of guarantee. In addition, with the "E-Risk Commercial Risk Application", every effort is taken to ensure that the risk of commercial receivables arising from the Group's operations is followed up centrally.
<b>Interest Rate Risk</b>	Management of the level/volatility and fixed/floating nature of interest rate risk.	The Koç Group implements asset liability management and employs certain derivative financial instruments when necessary.
<b>Commodity Price Risk</b>	Management of the level/volatility of commodity prices.	The Company accepts commodity price risk where they are part of its core business and avoid or reduce exposure where possible through various hedging instruments.

# Risk Management

Risk	Description	Mitigation Actions
<b>Strategic Risks</b>	Risks related to social and environmental sustainability, regulations, consumer demand, technologies and innovation	<i>Please see below.</i>
<b>Sustainability Risks</b>	Environmental and social risks related to Company's products, services and operations Results of the materiality analysis, which are renewed regularly every 3 years, are integrated into the risk management process. According to the results of the 2023 materiality analysis, low-carbon transition, water management, and talent management were determined as the three top priority issues.	<p>Environmental sustainability-related risks and opportunities are monitored and managed under the Carbon Transition Program. Core focus areas and mitigation actions include:</p> <ul style="list-style-type: none"> <li>• <b>Climate:</b> Renewable energy investments, electrification, energy efficiency</li> <li>• <b>Water Stewardship:</b> Water efficiency, recycling/reusing water</li> <li>• <b>Waste:</b> Minimizing waste at source, recycling/recovering</li> <li>• <b>Product Stewardship:</b> Integrating sustainability into all stages of product lifecycle</li> <li>• <b>Biodiversity:</b> Risk and dependencies analysis</li> <li>• <b>Supplier engagement:</b> Integration of ESG into the supply chain</li> </ul> <p>Main mitigation actions to manage talent include the following:</p> <ul style="list-style-type: none"> <li>• Attracting the best talent, and developing talent resources via:               <ul style="list-style-type: none"> <li>• Internship programs,</li> <li>• Investing in training &amp; development programs at all levels</li> </ul> </li> <li>• Retaining talent via:               <ul style="list-style-type: none"> <li>• Structured and elaborative succession planning</li> <li>• Rotation opportunities across the Group</li> <li>• Providing a flexible, diverse and inclusive work environment</li> </ul> </li> <li>• Maintaining our reputation as a Top Employer               <ul style="list-style-type: none"> <li>• For more details, please see "<b>Human Resources Risk Management</b>"</li> </ul> </li> </ul>
<b>Other Strategic Risks</b>	Risks related to the demand for the Company's products and services, market regulations as well as factors that affect market share such as competition, technological changes, and consumer trends and product innovation.	The most effective way to reduce risks defined to revenues is to diversify markets sectorally and geographically. As a long-term risk management strategy, Koç Holding is increasing both its sectoral and geographical diversification. In the short term, macroeconomic and sector specific developments are monitored centrally by the President of each group. Koç Holding's strong presence and diversified business lines in the national economy enables it to recognize market changes early and take rapid and coordinated measures.

# Risk Management

Risk	Description	Mitigation Actions
<b>Operational Risks</b>	Cyber risks and other risks that may affect business continuity	<i>Please see below.</i>
<b>Cyber Risks</b>	<p>Management of risk of breach of data integrity in the technology and infrastructure where data are stored, transferred or processed, failure to ensure business continuity and data leaks.</p> <p>Potential risks are identified in advance by way of cyber threat reports and the risk is transferred through cyber risk insurance that covers the Koç Group companies.</p>	<ul style="list-style-type: none"> <li>Establishing common cyber security standards applicable across the Koç Group</li> <li>Creating risk corrective controls</li> <li>Triggering the incident response process in case of cyber incidents.</li> <li>Cyber risks are presented quarterly to senior management and discussed within these meetings so that they can provide the necessary support and guidance. Also, cyber risk management process is followed up by regular reporting and auditing functions.</li> </ul> <p>Details on cyber risks can be found in <b>Digital Transformation Program</b> section.</p>
<b>Operational Risks</b>	Incidents that affect the Company's operations such as earthquakes, fires and environmental accidents, as well as the integrity of its internal systems and processes.	Insurable risks are frequently re-assessed and transferred out of the Group based on cost-benefit analysis. The risk and fraud audit of financial and operational processes are periodically performed at Koç Group companies.
<b>Compliance and Legal Risks</b>	<p>Management of compliance and legal risks.</p> <p>There are Compliance teams have been assigned at the Group companies for analyzing compliance risks with a systematic approach, and various processes including third-party controls and sanction list screenings were introduced.</p>	<p>There are six main risk headings under the Koç Holding Compliance Program: competition law, protection of data privacy, human rights violations, laundering proceeds from crime, international sanctions and export controls, and anti-bribery and anti-corruption.</p> <p>Koç Holding has developed various systems against potential legal and compliance risks for creating a common database and early warning purposes. These include:</p> <ul style="list-style-type: none"> <li>Intellectual property rights management program</li> <li>policies for the prevention and early detection of risks and for duly responding to the risks that materialize</li> <li>commencement of systematic compliance risk analyses served to reinforce identification and prevention mechanisms for potential compliance risks</li> <li>The Ethics Hotline, which is developed for establishing violations of the legislation in force, Code of Ethics and other compliance policies, is open for use by, first and foremost, all the Koç Group employees, as well as the Koç Group business partners and all the Koç Group stakeholders all over the world</li> <li>legal compliance test and practices under the Compliance program</li> </ul>



# Risk Management

## Emerging Risks:

The risks that we see as emerging in the upcoming terms can be summarized as follows:

Description and Impact	Mitigation Actions
<p><b>EU Green Deal</b></p> <p>Koç Group conducts more than 50% of its foreign trade with the European Union. Therefore, as Koç Holding we closely monitor the regulatory developments in the context of EU Green Deal.</p>	
<p><b>CBAM:</b> On 1 October 2023, the CBAM entered into application in its transitional phase, with the first reporting period for importers extended to ending February 2024. CBAM impacts our companies with operations in the EU as well as those exporting to EU the products that contain the raw materials within the scope of CBAM. Although Koç Holding is not among the sectors determined within the scope of CBAM, it could lead to increased costs for Koç Group, especially if its products are carbon-intensive or if it relies heavily on carbon-intensive inputs. This could result in higher prices for its products, making them less competitive compared to EU-produced goods.</p> <p>Also, default emission factors are available until 31 July 2024, after which the operational ambiguity on suppliers' side may increase, leading to challenges on receiving accurate and timely information.</p>	<p>Koç Group has been developing road maps and strategies in cooperation with internal and external stakeholders, with the aim of becoming carbon neutral by 2050 and complying with the European Union Green Deal.</p> <p>Koç Group is actively addressing the CBAM risk by assessing the carbon footprint of its products and supply chain. Through this assessment, areas for emission reductions have been identified, and measures to improve energy efficiency and reduce emissions have been implemented.</p> <p>Koç Holding also engages with policymakers and industry associations to advocate for fair and equitable treatment under the CBAM.</p> <p>The company explores opportunities for collaboration and innovation to develop low-carbon products and solutions, enhancing its competitiveness in a CBAM-regulated market.</p> <p>Finally, as part of "Supplier ESG Initiative" roadmap, capability building for suppliers on CBAM will be addressed.</p>
<p><b>CSRD:</b> On 5 January 2023, the Corporate Sustainability Reporting Directive (CSRD) entered into force. It modernises and strengthens the rules concerning the social and environmental information that companies have to report. A broader set of large companies, as well as listed SMEs, will now be required to report on sustainability. Some non-EU companies will also have to report if they generate over EUR 150 million on the EU market.</p> <p>Among Koç Group Companies, there are Companies that have securities listed on EU regulated market and those with operations within EU.</p>	<p>As Koç Holding, we are working on the mapping of Holding as well as Group Companies with the implementation phases of CSRD. Also, we are working on the gap analysis against ESRS for the upcoming reporting cycles accordingly.</p>

# Risk Management

Description and Impact	Mitigation Actions
<p><b>CSDDD:</b> The European Parliament and the Council approved and adopted the new “due diligence” directive, agreed on with the Council, requiring firms and their upstream and downstream partners, including supply, production and distribution to prevent, end or mitigate their adverse impact on human rights and the environment. Such impact will include slavery, child labour, labour exploitation, biodiversity loss, pollution or destruction of natural heritage. Companies will also have to adopt a transition plan to make their business model compatible with the <b>Paris Agreement</b> global warming limit of 1.5°C.</p>	<p>As Koç Holding, while we are closely monitoring the developments, we are investigating the impact &amp; coverage of CSDDD on Koç Group Companies. Together with Compliance, we are monitoring the new rules to assess and adapt the existing due diligence approach.</p>
<p><b>TSRS S1 and S2:</b> In December 2023, following ISSB’s S1 and S2, Public Oversight, Accounting and Auditing Standards Authority published Türkiye Sustainability Reporting Standards (“<b>TSRS</b>”). The first standard (“<b>TSRS 1</b>”) General Provisions on Disclosure of Sustainability-Related Financial Information requires disclosure of the information about sustainability-related risks and opportunities, and the second standard (“<b>TSRS 2</b>”) Climate-related Disclosures requires disclosure of information about climate-related risks and opportunities.</p>	<p>As Koç Holding, we have conducted a mapping of Holding as well as Group Companies and subsidiaries against TSRS. Also, we are working on the gap analysis against TSRS for the upcoming reporting cycles accordingly.</p>
<p><b>Biodiversity</b></p>	
<p>Risks related to habitat destruction, species extinction, and ecosystem degradation, which can result from activities such as land development, deforestation, and pollution.</p> <p>Loss of biodiversity and its risks can lead to reduced availability of ecosystem services such as clean water, pollination, and climate regulation, impacting both the natural environment and human well-being. Activities that harm biodiversity can impact the reputation of Koç Group companies, especially in sectors where environmental responsibility is a key concern. Considering the standards, regulations, and global trends increasing related to biodiversity, it is important to be prepared to prevent reputational damage, regulatory risks, and operational disruptions in these areas.</p>	<p>A task force under the Koç Group Environmental Council has been established to address biodiversity risks that impact Koç Holding, arising from the operational activities of Koç Group companies. Regional and sectoral biodiversity risks of Koç Group Companies were analyzed. Studies have begun to determine the impact of facilities and activities on nature, using guidelines provided by the International Union for Conservation of Nature (IUCN) as a framework. Biodiversity risks are currently being assessed in operations.</p> <p>For more information on the biodiversity risk assessment, please see “<b>Biodiversity</b>”.</p>

# Materiality Assessment

➤ ➤ ➤ Materiality assessment ensures that our sustainability strategy remains in line with stakeholder expectations and external trends. The material issues identified in the assessment form the basis of the "Lead. Together" strategy and they are regularly updated in line with stakeholder expectations, global trends, and sectoral dynamics. Koç Holding updates its materiality assessment every 2 to 3 years.

The materiality assessment was conducted in 2023 by adopting the double materiality approach. This approach allows for a comprehensive assessment that could impact Koç Holding's financial performance as well as its broader

societal, environmental, and economic impacts. Koç Holding 2023 materiality analysis has been assured by KPMG in accordance with AA1000AS principles.

## Identifying the long list of topics

In the first stage of the analysis, a long list of 25 topics was identified by analyzing sustainability initiatives, standards, peers, and global trends. In line with the double materiality approach, surveys and online interviews were organized with internal and external stakeholders to identify the issues where Koç Holding has the highest impact on society, environment, and economy, and those impact Koç Holding the most.

	Environment	Social	Economic and Corporate Governance
Issues	<ul style="list-style-type: none"> <li>• Transition to a low-carbon economy and clean technology</li> <li>• Renewable energy</li> <li>• Water Management</li> <li>• Waste Management</li> <li>• Biodiversity and Conservation</li> <li>• Climate-related trade dynamics (EU Green Deal)</li> </ul>	<ul style="list-style-type: none"> <li>• Equal opportunities, diversity and inclusion</li> <li>• Talent attraction, development and retention</li> <li>• Employee health, wellbeing &amp; safety</li> <li>• Human rights and labor standards</li> <li>• Short and long term support following natural disasters</li> <li>• Socio-economic contribution</li> </ul>	<ul style="list-style-type: none"> <li>• Customers and distributor resilience</li> <li>• Innovation culture &amp; intrapreneurship</li> <li>• Open innovation &amp; partnerships</li> <li>• R&amp;D capacity</li> <li>• IoT &amp; digitalization of operations</li> <li>• Data analytics &amp; AI</li> <li>• Cyber security and data privacy</li> <li>• Resilience and business continuity</li> <li>• Ethics and compliance</li> <li>• Corporate governance</li> <li>• Sustainable Investment approach</li> <li>• Accountability &amp; Transparency</li> <li>• Sustainable Products</li> </ul>

# Materiality Assessment

## ➤ ➤ ➤ Identifying the Stakeholders

During this process, a wide range of stakeholders including employees, suppliers, customers, distributors, international organizations, academia, public sector, industry associations, NGOs, and consultants were engaged. The selected group of employees consisted of middle-level managers and specialists working in holding and group companies by ensuring gender equality. A total of 266 responses were collected from a total of 11 stakeholder groups.

### Identifying the impacts on Society, Economy, and Environment

While identifying Koç Holding's impacts on society, economy and environment; stakeholder views, external trends and impact assessment have been considered.

- Stakeholders were asked to prioritize the topics in the long list and evaluate the positive or negative impacts of the topics they identified as material.

- As a part of the impact assessment, each issue was analyzed based on the positive and/or negative effects, the magnitude, scope, and likelihood of the impact by taking into account stakeholder opinions.
- As a part of external trend analysis, the United Nations Sustainable Development Goals (SDGs), World Economic Forum Global Risks Report (WEF), MSCI, S&P Global Corporate Sustainability Assessment (CSA), European Green Deal, Carbon Disclosure Project (CDP), Task Force on Climate-related Financial Disclosures (TCFD), Task Force on Nature-related Financial Disclosures (TNFD), Türkiye's Updated First National Determined Contribution, and Twelfth Development Plan were reviewed.

Stakeholder analysis, external trend analysis, and impact assessment were assigned varying weights and consolidated with stakeholder analysis having the highest weight.

# Materiality Assessment

## ➤ ➤ ➤ Identifying the material issues' business impacts on Koç Holding

To identify the material issues' business impacts on Koç Holding, the opinions of executives and investors have been received. Feedback from 82 different executives from Holding and Group Companies has been collected via an online survey whereas in-depth interviews with investors have been conducted.

### Results of the Assessment

The outputs of the analysis were reviewed and finalized in a meeting with senior executives and presented to the CEO as the final step. The results of the assessment are integrated into the **Risk Management** process.

While four topics were identified as very high priority, high and medium-priority topics were also grouped.

- The importance of **climate-related issues** has increased, with the top three topics being climate-related. **Renewable energy**, previously addressed under the **transition to a low-carbon economy**, was separately included this year and became one of the high material topics.
- **Water stewardship** emerged as a new issue and became one of the high material topics.

- Following the environmental topics, under social issues, **talent attraction, development and retention emerged as a very high priority topic**, with a rise in ranking compared to the previous materiality analysis.
- Top management has prioritized topics related to digital transformation, ie **data analytics and artificial intelligence, cybersecurity, and data security**.
- **Human rights** and **occupational health and safety** are prioritized by both internal and external stakeholders.
- **Equal opportunity, diversity, and inclusion emerged** as the one of the top material issues among external stakeholder groups including international organizations, government, academia, industry associations, NGOs, and consultants.
- Suppliers have indicated their readiness for transformation by prioritizing **sustainable supply chain** issues. Another stakeholder group that prioritizes sustainable supply chain is investors.
- **Corporate Governance** has a relatively higher priority by internal stakeholders and investors.
- **Ethics and compliance** emerged as one of the high-priority topics, prioritized more by investors, industry associations, NGOs, consultants and suppliers.

# Materiality Assessment

## Materiality Matrix



# Materiality Assessment

	Transition to a low-carbon economy and clean technologies	Water	Renewable energy	Talent attraction, development and retention
<b>Business Case and Impact on Koç Holding</b>	<p>Oil and gas sector is carbon-intensive and the transformation of the sector is of utmost importance for a 2050 net-zero emission economy. Similarly, we see the accelerating transformation of other sectors such as automotive and consumer durables. There will be no sale of new petrol and diesel cars from 2035 in European Union and customers' preference towards low-carbon products is changing the market dynamics.</p> <p>For companies lagging in this transformation, risks such as market loss and stranded assets could be significant in the long term.</p>	<p>Due to climate change, there are increasing risks associated with water, making it a topic of critical concern for both societies and businesses. According to the Koç Group climate-related risk and opportunity analysis in which 159 sites belonging to 11 Group companies were examined, water stress was identified as the most severe physical risk in the context of a moderate climate scenario.</p>	<p>The transition to a low-carbon economy requires a significant increase in renewable energy. Investment in renewable energy presents new business opportunities for Koç Holding and is crucial in reducing Scope 2 emissions.</p> <p>A large part of the Group companies are industrial and energy intensive and renewable energy can also help them hedge the risk against future price fluctuations by ensuring energy security.</p>	<p>Talent attraction, development and retention is highly crucial to keep up with new trends, innovative product development and achieving sustainability targets.</p> <p>Effective talent management is vital to sustain the industrial competitiveness of Koç Group.</p> <p>Attracting and retaining the right talent also plays a key role in developing and implementing strategies on the material topics for Koç Holding such as digital transformation or transition to low-carbon economy.</p>
<b>The impact on the environment, society and the economy</b>	<p>Koç Holding's scope 1 and scope 2 greenhouse gas emissions was 6.8 million tCO<sub>2</sub>e in 2023.</p> <p>Transitioning to a low-carbon economy is the most material issue pointed out by external stakeholders and it is expected by the Group to contribute to emission reduction throughout its entire value chain and develop solutions for a low-carbon economy.</p>	<p>In 2023, Water Stewardship Task Force conducted the basin based risk assessment using WRI's Aqueduct tool. The scope of the assessment included 54 facilities of 9 companies, with 39 located in Türkiye and 15 of them located outside Türkiye. The assessment was conducted for 2030, 2050 and 2080 projections for optimistic, usual, pessimistic scenarios. As a result, it was found out 78% of these operations lie in high and extremely high stress regions. This is important for all stakeholders including the environment and the society and may have a substantial impact on the economy.</p>	<p>The increasing energy demand poses a risk of accelerating climate change if the demand is not met with renewable sources. Therefore, transitioning to renewable energy has a significant role in tackling climate change. This will enable mitigating the energy intensity of Koc Holding and its impacts on climate and the impacts of its renewable energy customers.</p>	<p>Koç Group employs 119.000 people with its broad presence in Türkiye and abroad. Therefore, given its large ecosystem, Koç Group is a large driving force for the economy.</p> <p>Focusing on talents is an important enabler in becoming an innovative and more sustainable company. Therefore, attracting and retaining the right talent have a positive impact on environment and society.</p> <p>Being able to attract and retain Generation Z employees is an indirect driver for environmental and social sustainability, considering their changing expectations from companies.</p>

# Materiality Assessment

	Transition to a low-carbon economy and clean technologies	Water	Renewable energy	Talent attraction, development and retention
<b>Impacted areas/ stakeholders</b>	Environment and Society	Environment and Society	Environment and Society	Employees
<b>Impact on the value chain</b>	Whole value chain	Whole Value Chain	Operations & products/ services	Operations
<b>Strategy</b>	<p>Koç Holding aims to be carbon neutral by 2050 and to achieve this goal Carbon Transition Program has been launched across the Group. Identifying risks, setting targets and creating roadmaps are among the objectives of the program. The companies have their strategies to contribute to the overall targets of the Group.</p> <p>Koç Holding’s energy sector companies focus on clean energy transition and alternative fuels. The related investment areas of Tüpraş are; biofuels, zero-carbon electricity, green hydrogen and sustainable refining. Tüpraş has a Strategic Transition Plan which focuses on four business areas which are; sustainable refining, biofuels, zero-carbon electricity and green hydrogen.</p> <p>Koç Group Companies in the automotive sector focus on their products and transformation of value chains. The main focus areas involve; electric vehicles, vehicles with alternative fuels and sustainable production.</p> <p>The finance sector is committed to mobilizing capital towards low-carbon initiatives and shift their portfolio towards clean energy investments. In the consumer durables sector, Koç Group companies aims the reduction of product emissions during their use phase and transformation of value chains. In order to achieve this goal, these companies focus on developing energy-efficient products.</p>	<p>Our water management strategy revolves around the following:</p> <ul style="list-style-type: none"> <li>• Conducting Water Risk Assessments</li> <li>• Setting Targets and Increasing Water Efficiency, Reuse, and Recycling.</li> <li>• Using technology as a lever</li> <li>• Engaging and Collaborating with Stakeholders</li> </ul> <p>For more information, please see <b>“Water Stewardship”</b></p>	<p>Koç Group Company Entek continues its investments in renewable energy (hydropower, wind, solar) with the target to become one of the leading companies in Türkiye in renewable energy.</p> <p>Aligned with the Koç Group’s commitment to reducing carbon footprint, Entek launched the Group-wide Renewable Energy Project which focuses on implementing solar energy investments across the Group. The aim is to increase the proportion of renewable energy in the Group’s overall electricity self-consumption.</p>	<p>At Koç Group we are creating a flexible, agile, dynamic, collaborative and entrepreneurial work environment. Koç Group aims to maintain its reputation as the employer of choice, in order to attract the best talent. Please see <b>Talent Attraction</b> chapter for recognitions as the leading employer. A sustainable talent management strategy mitigates various business risks by emboldening resilience across the organization.</p> <p>Developing and retaining the talent within the organization is crucial for sustainable talent management. Detailed under “Empower People. Together”, <b>Talent Development and Retention</b>, we offer extended learning opportunities and world-class leadership programs; provide employees with career opportunities and run a well-structured succession planning process.</p>



# Materiality Assessment

	Transition to a low-carbon economy and clean technologies	Water	Renewable energy	Talent attraction, development and retention
<b>Executive Compensation</b>	The CEO, CFO, Corporate Communications and External Affairs Director, Human Resources Director, and Sustainability Coordinator of Koç Holding have sustainability-related objectives in their Objective Key Result (OKR) scorecards. The OKR system is a performance tool that sets, communicates, and monitors goals in an organization so that all employees work together in one direction. The system is followed up quarterly and every employee can see the score cards of each other internally. The results at the end of year make up the final performance of the individual from which base salary raise and bonus calculations are made.			
<b>Related SDGs</b>	SDG 12: Responsible Consumption and Production  SDG 13: Climate Action	SDG6: Clean Water and Sanitation  SDG 12: Responsible Consumption and Production  SDG 15: Life On Land	SDG 7: Affordable and Clean Energy  SDG 11: Sustainable Cities and Communities  SDG 12: Responsible Consumption and Production	SDG 5: Gender Equality  SDG 8: Decent Work and Economic Growth  SDG 10: Reduced Inequalities
<b>Targets</b>	<p>Koç Holding aims to be carbon neutral by 2050 and has a target of reducing their Scope 1 and Scope 2 greenhouse gas emissions by 27% in 2030 and %49 in 2040, compared to 2017.</p> <p>In the automotive sector, Ford Otosan aims to sell only zero-emission vehicles in passenger cars by 2030, in light/medium commercial vehicles by 2035, and zero-emission heavy commercial vehicles by 2040. Tofaş aims to reduce its overall Scope 1 and Scope 2 emissions by 50% by 2030, compared to 2020.</p> <p>With its new near-term target, currently at the validation process of the SBTi, Arçelik commits to reduce its absolute Scope 1 and Scope 2 emissions by 42% 2030 from a 2022 base year and reduce Scope 3 emissions from use of sold products 42% for the same period.</p>	<p>Ford Otosan commits to reduce fresh water consumption per vehicle in Türkiye facilities by 40% by 2030 (Base year: 2019)</p> <p>Arçelik commits to reduce water withdrawal per product by 45% in all manufacturing facilities* (from 2015 baseline) increase the water recycling and reuse ratio to 70% in all manufacturing facilities* by 2030</p> <p><i>*including IHP Russia plants and JVs</i></p> <p>Tofaş aims to reduce the average amount of water used per manufactured vehicle from 2.91 m3 in 2021 to 1.79 m3/vehicle by 2026.</p> <p>For more information, please see <b>“Water Stewardship”</b></p>	<p>As a part of the Group-Wide Self Consumption Renewable Energy Project, as of May 2023 a total of 349 MW of solar power plants have been established. These plants are projected to generate approximately 2,016,000 GJ of electricity per year which corresponds to ~50% of the electricity consumption across the Koç Group.</p> <p>Arçelik aims to establish renewable energy systems with 50 MW capacity by 2030. They have a target of using 100% green electricity usage in all manufacturing facilities. Arçelik commits to reduce energy consumption per product by 45% in all manufacturing facilities (from 2015 baseline).</p>	<p>Koç Group is committed to maintaining an Employee Engagement Score higher than the average of Türkiye – however we are also benchmarking our scores with European and global averages - . Similarly, in terms of involuntary turnover (turnover that is not desired by the company), our target is to always remain lower compared to country average.</p>

# Materiality Assessment

	Transition to a low-carbon economy and clean technologies	Water	Renewable energy	Talent attraction, development and retention
<b>Performance</b>	<p>13% Reduction in Scope 1 and 2 Emissions by the end of 2023 (2017 baseline year: 7.8 million tCO<sub>2</sub>e).</p> <p>A year-on reduction of 2% has been observed in Koç Holding's total Scope 1 and Scope 2 GHG emissions. (2022 End of Year: 6.9 million tCO<sub>2</sub>e)</p> <p>Scope 1 and Scope 2 GHG emissions in 2023 were 6.8 million tCO<sub>2</sub>e.</p>	<p>Water withdrawal in 2023 declined by 11% compared to 2022. Likewise surface water withdrawal in 2023 declined by 12% compared to 2022. Amount of reused/recycled water rose from 78.6 to ~80 million m<sup>3</sup> in 2023.</p>	<p>Koç Holding's net renewable energy consumption in 2023 was 2,663,745 GJ. In 2023, Entek's total installed capacity was 492 MW of which 380 MW was in zero-carbon electricity installed capacity.</p> <p>Furthermore, the evaluation process was completed for all applications filed with the Energy Market Regulatory Authority for an additional capacity of 1.5 GW with the promise to establish a storage facility. In the project that entails 11 projects with a total capacity of 653.3 MW for which preliminary license approval has been received and one license amendment for an additional 65 MW-capacity which has been accepted, development and permission processes were commenced. Arçelik commenced solar panel production in İstanbul and Ankara. Both facilities have 600 MW/year production capacity in total. Arçelik's facilities automatized the sector's numerous manual tasks and set up a line that is compatible with the industry 4.0 technologies. All solar panel models have 12 years of product warranty and 25 years of a at least 83% linear performance guarantee.</p>	<p>Koç Group's engagement score has been significantly above (+10pts) both Türkiye and Europe averages for the last 5 years. Regarding the involuntary turnover, Koç Group continuously achieves superior results (lower ratio of involuntary turnover) compared to the average in Türkiye.</p>

# Making It Happen with Stakeholders

- ➤ ➤ Koç Group has operations in different sectors such as energy, automotive, consumer durables, finance, retail, food and information technologies which have widespread outreach throughout the society. Partnerships with external stakeholders is crucial for progress and our stakeholders expect us to lead by example. When we grow, others grow. When we innovate for the better, others follow. When we create more added value and respond to changes in technology, business and society, we start a ripple effect that extends out to all our industries, our business partners and the wider community.

Stakeholder outreach and integration is a key driver for group companies' success. We assess and evaluate risks and opportunities and show leadership in the sustainability transformation of industries and the society. Environmental, social and governance (ESG) factors have an increasing impact on investor decisions and stakeholder perceptions.

We created a comprehensive approach to identify expectations and opinions of our stakeholders on diverse topics, including environment, human and employee rights, transparency and ethics, innovation, diversity and inclusion in order to bring stakeholder perspective into our sustainability strategy. We aim to meet the expectations and interests of shareholders, investors, employees, group companies, distributors, customers, civil society organizations, public institutions, industry associations and universities in a transparent and equal way.

Each Group company engages with stakeholders at different levels which provide essential input for us in creating sustainability strategies and practices. Stakeholder engagement is also tracked via management performance targets.

## The way we engage with stakeholders

We engage with stakeholders on an ongoing basis and aim to establish continued trust-based dialogue. There are three levels of stakeholder engagement regarding sustainability issues at Koç Group companies which help us to improve our business and create added value for all stakeholders. The frequency of stakeholder communication depends on the nature, expectations and needs of the target audience.

- 1. Supports:** This level of engagement includes supporting events aiming to increase awareness or capacity building. It covers one way and short-term engagement with stakeholders such as sponsorships, scholarships, and donations.
- 2. Partnerships:** We believe that in order to achieve the SDGs, strong partnerships are necessary at all levels and between governments, the private sector and civil society. We work together with external stakeholder partners such as private and public sector, international organizations, non-governmental bodies, universities to manage common and material sustainability issues. We assess partnerships according to the potential to create value, enable further innovation, and foster creativity. This kind of two-way communication develops meaningful opportunities and results. Increasing partnerships with external stakeholders is an important source of innovation.
- 3. Multi-stakeholder Initiatives:** Addressing and tackling complex environmental and social issues requires multi-stakeholder initiatives. In line of our sustainability leadership vision, our stakeholders expect us to trigger positive change by reaching out to the whole community. With this in mind, we are ever-present in local and international multi-stakeholder initiatives that gather different parties such as private and public sector, international organizations, non-governmental bodies and universities to address material topics in large scale.



# 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 Türkiye, Koç Holding continues to support the dissemination of UN Global Compact in Türkiye.

## Grow the business. Together



## Empower people. Together



## Act for the planet. Together



## Strengthen communities. Together





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 enables us to deliver sustainable and profitable growth, and to achieve prosperity in society. Our innovation capability and digital transformation journey aligned with the requirements of the new digital world drives our ambition to lead in the sectors and countries that we operate.

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 pathway. At the same time, we are also aware that our planet has boundaries thus, we act and grow responsibly with our stakeholders while seizing opportunities to enable a low-carbon and inclusive economy.



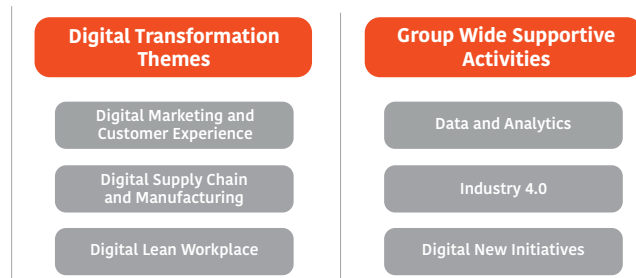
# Digital Transformation Program

- ➤ ➤ Digitalization has rapidly transformed business models in every aspect, driving sustainability and value creation. It is vital for the value chain and enables innovative, low carbon products and processes.

We fully embrace digital technologies, tools, and methods and by setting a clear transformation agenda, we prepare ourselves for future challenges. Digitalization is essential for business resilience and agility, similarly, the Koç Group Digital Transformation Program has been one of the most important tools in the Group's successful business results and in strengthening its competitive position.

The Digital Transformation Program, initiated in 2016 and now in its 8th year, has played a critical role in achieving successful business outcomes for the Group companies.

Projects are currently being developed and implemented in areas such as customer experience, smart manufacturing, and operational efficiency, utilizing technologies such as advanced data analytics, machine learning, artificial intelligence, natural language processing, and the Internet of Things.



By the end of 2023, the number of projects exceeded **2,000**, with the majority successfully completed.

## Digital Transformation Themes and Initiatives

### Digital Marketing and Customer Experience

One of the primary goals of many Group companies is to understand the customer by evaluating data from both the digital and physical worlds and to offer products and services tailored to their needs and preferences at the right time, through the right channel, and under the right conditions, providing a brand-new experience.

### Digital Supply Chain and Manufacturing Operations

Approximately half of the companies within the Group operate in the manufacturing sector. These companies can make improvements in product, service, and design processes by using customer feedback, going beyond traditional automation and robotic technologies. The Group's manufacturing companies strive to take advantage of these opportunities at the highest level and to bring suppliers to the same level.

### Digital Lean Workplace

Streamlining non-manufacturing processes and facilitating employees' daily tasks with the help of digital technologies enables them to focus on more value-added activities. This approach not only increases efficiency but also enhances employee satisfaction, thereby supporting the success of the companies.

# Digital Transformation Program

## ➤ ➤ ➤ Group Wide Supportive Activities

### Data and Analytics

Data analytics technologies are extensively utilized in Digital Transformation Program, thereby strengthening the data-driven decision-making in business operations. KoçDigital, established to accelerate the digital transformation of Koç Group, partners with both internal and external companies through its expert teams in areas such as data analytics, image processing, and the Internet of Things.

### Industry 4.0

The 12 manufacturing companies within the Group focus on Industry 4.0 applications to increase productivity and efficiency, continuing to leverage Internet of Things (IoT) technologies more effectively in both domestic and international production facilities. By the end of 2023, two out of every three production facilities are managed in an integrated manner with IoT platforms. These efforts serve as an example on a global level.

### Generative AI

Koç Group has begun to integrate Generative AI technology into business processes through the KoçGPT application. This application stands out from similar applications worldwide by offering services under a corporate umbrella to various sectors of Koç Group through a single GPT model. KoçGPT provides functions tailored to individual user needs, offering customization options suitable for corporate requirements in areas such as security, speed, capacity, and data analysis performance.

In addition to KoçGPT, efforts are underway to use Generative AI technology in various scenarios to improve the daily business processes of our companies operating in different sectors, increase operational efficiency, and accelerate digital transformation. We aim to complete these efforts in 2024 and effectively use Generative AI technology in daily business processes.

### Technology & Innovation For Climate

Koç Holding strongly believes that the digital and green transitions reinforce each other. These two pillars prepare Koç

Group for future needs and help gain competitive advantage.

To align with Koç Holding carbon neutrality objective, Koç Group companies leverage the power of new technologies including artificial intelligence, data analytics, robotics, the internet of things (IoT), and automation. For more information, please see “**Technology & Innovation For Climate**” under Carbon Transition Program.

### Competency Development

To be a leader in the digital world, cultural transformation efforts are being expanded to encompass all employees and the entire ecosystem for the purpose of competency development.

Group employees participate in training programs to learn how to develop applications with simple codes or without coding through “Low Code / No Code” software programs, and they produce digital solutions specific to business needs. Generative AI solutions have also been added to the training content. Additionally, original online training programs on data analytics, programming, digital marketing, autonomous vehicles, and machine learning through Udacity, and on strategy and leadership through Harvard Business School Online, has continued.

In 2023, in order to strengthen the data culture, enhance data management processes, and ensure that everyone within the organization shares data responsibility, Data Citizenship programs have been implemented. Within the scope of these activities, to date, 1644 individuals in the community have attained the title of ‘data citizen.’ These individuals have developed projects within their own business units to leverage the power of data. Consequently, as a community, we have facilitated initiatives to increase data awareness and proficiency not just within technology teams, but across all business units, thereby ensuring that the digital transformation program has a more extensive impact.

For more information on competency development initiatives, please see “**Talent Management**” under “Empower People. Together”.



# Digital Transformation Program

## ► ► ► Cybersecurity

The digital world introduces inherent cyber risks. According to the World Economic Forum's Global Risk Report 2024, the threat of widespread cybercrime and vulnerabilities in cybersecurity are among the most severe risks facing businesses, governments, and the public over the next decade. As hybrid working has become more prevalent, new threats have emerged, leading to the adaptation of security solutions within our cybersecurity ecosystem.

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, an independent board member. The Committee is informed through detailed risk assessments at least four times a year. At the Holding level, the 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. The CIO leads the Information Security Committee, which consists of the CIO, Information Security Manager, and IT Audit Manager. In case of an extraordinary agenda, participation of relevant departments such as Legal and Human Resources can be provided. Cyber risks are included in the CEO's and the GMs' Objectives and Key Results (OKR). The group's cybersecurity issues and risks are handled at monthly meetings of the Cyber Security Committee, led by the Holding Information Security Manager and consisting of the cybersecurity experts of group companies. An Operational technology (OT) security governance model with organizational structures, policies, and procedures is designed by the IT Security Committee for Koç Group Companies. The governance model closely covers all parties in the organization from across security, OT, as well as IT.

On a regular basis, the cybersecurity risks faced by our group

companies are collectively assessed as a corporate risk card by Koç Holding IT, and the findings are reported to both the top management of the company and the Holding's senior leadership in a comprehensive manner.

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, CIS Controls) and Koç Group IT Standards Audit, and maturity assessment results presented to the CEO and relevant committees. A cyber insurance policy is in place for Koç Group companies that include precautions for cyber threats.

A cybersecurity intelligence service is employed across the group for a comprehensive security approach. This service protects an organization's digital assets by identifying potential threats, prioritizing security measures, and enhancing situational awareness. It aids in incident response planning, employee training, and risk assessment while fostering collaboration with industry peers and ensuring compliance.

Efforts are underway to mitigate the risks arising from the increased use of the cloud and the dynamic structure of the cloud environment. The work includes backing up cloud resources, reassessing disaster recovery and business continuity plans according to cloud resources.

To prevent targeted phishing and fake email sending attacks, monthly simulations are conducted on training and awareness platforms, which are supported by educational programs. Email filtering systems are being tightened to ensure that malicious emails are detected and blocked before they reach the corporate network. In order to prevent cyberattacks conducted through supplier channels, risk assessments, compliance checks with international security standards, independent security firm audits, and reviews of staff training and awareness programs are being monitored, with periodic controls being conducted.

# Digital Transformation Program

➤ ➤ ➤ Additionally, a clear escalation process is in place for employees to follow in the event they notice something suspicious. All information security breaches are reported to the Security Board using the bilgiihlal@koc.com.tr address. The IT Security Board takes the necessary measures to prevent these security breaches from occurring again in the future and to resolve them quickly or directs the relevant stakeholders to ensure that the necessary measures are taken. The intervention to information security breach incidents is carried out according to the Information Security Breach Incidents Management Procedure. Personal Data security breach incidents conveyed to the bilgiihlal@koc.com.tr address are immediately reported to the Personal Data Protection Authority.

Furthermore, disciplinary actions are taken towards employees who violate the Information Security Policy. The Employee acknowledges that in the event of a breach of this Commitment, the Company may claim compensation for the material and moral damages arising from the breach (without prejudice to the rights arising from the service contract) and in addition, a penalty clause in the amount of the Employee's gross salary for six (six) months may be demanded. Lastly, information security breaches are monitored 24/7 by the SOC, and we experienced no breaches in 2023.

We have business continuity and incident response procedures in

place, and tests are conducted at Koç Holding twice a year. The knowledge gained from the analysis and resolution of information security breach incidents is used to take the necessary actions to reduce the likelihood or impact of future breach incidents. Management responsibilities and procedures are determined to provide a consistent and effective approach to the management of information security breach incidents, which includes the connection over security events and vulnerabilities.

## Trainings

Cybersecurity awareness training is held for our employees and is part of the employee performance evaluation.

A cybersecurity awareness program, which includes emerging risks, is carried out. With this program, various activities tailored to the profiles of employees within our group companies are conducted, enabling tailored approaches to address their diverse needs and skill sets. This includes information security/cybersecurity awareness training, which is conducted annually and includes phishing simulations sent to users every month. Additionally, cybersecurity trainings covering topics such as identifying phishing emails, avoiding harmful downloaded files, safeguarding passwords, understanding clean desk practices, and safe use of artificial intelligence are conducted bi-annually. Trainings are organized for users who fail the phishing simulations, and in 2023, all of these users completed an online training.

# Innovation / Research and Development

- ► ► Koç Group sets the pace in their sectors through a commitment to innovation, fueled by robust R&D investments and thriving international collaborations.

Koç Holding strongly believes that technology and innovation reinforce green transition and its capacity is a strong indicator to prepare Koç Holding for future needs and help gain competitive advantage. **Technology and Innovation for Climate** section includes applied innovation and R&D examples.

Attaching tremendous importance to achieving growth that is driven by technology, R&D and innovation, the Koç Group allocated approximately TL 14.7 billion to R&D in 2023. The Koç Group is responsible for approximately 7%\* of the total R&D expenditure in Türkiye's private sector, and with 38 R&D centers, one design center and six technopolis

R&D offices, it has the highest number of R&D centers of any group in Türkiye. The Koç Group employs 6,620 R&D personnel, corresponding to 3.5%\*\* of all personnel working in R&D in Türkiye's private sector.

Koç Holding and Ford Otosan were 2 of the 5 Turkish companies included in the European Commission's "2023 EU R&D Scoreboard" report comprising the world's top 2,500 companies in terms of R&D expenditure\*\*\*.

## European Union (EU) Projects

Koç Holding provided mentorship to 100 firms under the Horizon Europe Mentoring Program. Ford Otosan was ranked first among the industrial companies that have received the highest funding and Arçelik was ranked first in the number of admitted projects in the list of the "Most Successful Turkish Industrial Organizations in Horizon Europe" published by TÜBİTAK (the Scientific and Technological Research Council of Türkiye)

In addition, Koç University was ranked first in terms of grant size and 3rd in terms of the number of admitted projects in the list of the "Most Successful Research Institutions\*\*\*\*"

**14,7 billion TRY**  
investment to  
R&D in 2023

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

**3,5%** of all employees  
working in R&D in  
Türkiye's private sector

**38** R&D Centers,  
**1** Design Center  
**6** Techopolis R&D Offices,

\* Based on TurkStat "Gross Domestic Expenditure on R&D by Sectors and by Funding Source" 2022 data.

\*\* Based on TurkStat "R&D Personnel by Professions and by Sectors" 2022 data.

\*\*\* <https://iri.jrc.ec.europa.eu/scoreboard/2023-eu-industrial-rd-investment-scoreboard>

\*\*\*\* <https://ufukavrupa.org.tr/tr/en-basarili-turk-sanayi-kuruluslari>

# Supply Chain

- ▶ ▶ ▶ Resilient supply chains are integral to mitigating a company's environmental, social and governance risks in the value chain. Emerging regulations such as Corporate Sustainability Due Diligence Directive (CSDDD), social risks associated with the transition to clean energy, and role of the suppliers in reducing Scope 3 emissions make sustainable transformation of the suppliers more important than ever. Koç Holding 2023 materiality analysis results also show that Koç Group suppliers are ready for the sustainability transformation and that Koç Holding investors are ready to support this move.

Koç Group is committed to integrating environmental, social, and governance (ESG) perspective throughout its value chain and is continuously working to support and enhance the sustainability performance of suppliers.

## Governance

The highest-ranking executive responsible for leading the Supplier ESG Transformation Initiative at Koç Holding is the Sustainability Coordinator. The Koç Holding Sustainability and Stakeholder Relations Team reports to the Sustainability Coordinator and serves as the core responsible team at Koç Holding for developing the strategy and overseeing the implementation of the Supplier ESG Transformation. Extended Core Team consists of representatives from Sustainability, Procurement, Finance, Compliance, and Human Resources functions at Koç Holding. Their role involves offering guidance and feedback in shaping the direction and strategy of Koç Holding's Supplier ESG Transformation Initiative.

## Supply Chain Compliance Policy

The purpose of the **Supply Chain Compliance Policy** is

to communicate the principles and values of Koç Group to Business Partners, and provide them with the necessary guidance on the standards we expect them to meet. This Policy is also intended to provide guidance to Koç Group companies in their processes for selecting and monitoring Business Partners. It establishes a comprehensive framework for compliance with legal regulations, anti-bribery and anti-corruption measures, human rights, occupational health and safety, as well as environmental and ethical considerations.

## Supplier ESG Initiative

Koç Group Supplier ESG Initiative is structured to integrate environmental, social, and governance (ESG) strategies into supplier selection, retention, assessment and development processes at Group Companies. Its purpose is to identify material risks and impacts, ensuring that supplier business practices and purchasing practices towards suppliers are continuously reviewed to ensure alignment with Koç Group's Supply Chain Compliance Policy to avoid potential conflict with ESG requirements.

As part of the Initiative, Koç Holding developed the **Supplier ESG Guide** to define its expectations from Group Companies. This guide encompasses governance guidelines, supplier onboarding, retention and termination processes, supplier segmentation and screening methods, supplier assessment procedures, development and capacity-building initiatives, recognition and incentivization frameworks, grievance mechanisms, transparency and reporting, and conflict minerals procurement guidelines.

# Supply Chain

► ► ► **Supplier Screening:** Koç Group Companies are expected to identify their significant suppliers, based on their substantial business relevance to the company (critical suppliers) or the presence of significant risks of negative ESG impacts, or a combination of both, as determined during the screening process.

**Supplier Assessment and Development:** Supplier ESG assessment and development steps cover the significant suppliers at the minimum at Koç Group. ESG self-assessment of the suppliers are performed as part of the Koç Group due diligence process. Group Companies are expected to implement a publicly available supplier assessment process following the steps outlined below:

- Determining minimum ESG Criteria for suppliers
- Developing Self-Assessment Templates
- Validating the data submitted by suppliers
- Conducting on-site assessments
- Assigning Corrective Action Plans
- Assessing significant suppliers on a regular basis

In 2023, 7% of the 19,632 suppliers were assessed and a total of 88,685 hours of training were provided to suppliers and distributors through training programs.

**Transparency & Reporting:** Group Companies are expected to report to Koç Holding on the relevant KPIs annually for the past financial year (Please see [page 115](#)).

**Conflict Minerals:** Group Companies whose business involves conflict minerals implement a “Conflict Mineral Policy” aligned with “OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict Affected and High-Risk Areas.”

Moving forward, we strive to increase coverage of suppliers assessed, and aim for accelerated sustainable transformation among Koç Group suppliers.

## Systematic approach to identify supplier specific risks and dependencies



High level roadmap for managing and mitigating ESG risks in the supply chain

# Supply Chain

➤ ➤ ➤ In 2022, Koç Group launched Horizon Europe Mentoring Program, engaging **97 strategic suppliers** so far. **15 Mentors** from 8 Koç Group

Companies and Koç University took part in the program. As a result, **23 of mentored suppliers started Horizon Projects.**

## Supplier ESG Programs among Koç Group Companies

➤ ➤ ➤ Across the Group Companies, **Arçelik** and **Ford Otosan** have designed Supplier ESG Programs that cover all stages of the roadmap starting from screening, continuing with assessment and development. They also have Conflict Minerals Policy.

At **Arçelik**, a minimum 20% of suppliers' ESG score is weighted into the final score to be selected for contract awarding. Arçelik has set the following targets:

- As of 2023, suppliers representing 90% of purchasing volume of Tier-1 material and OEM suppliers are required to apply for the ISO 14001 Environmental Management Systems Certificates.
- As of 2025, suppliers representing 90% of purchasing volume of Tier-1 material and OEM suppliers and exceeding 1,000 tons of oil equivalent (TOE) are required to have ISO 50001 Certificates.
- As of 2025, Arçelik has committed to collect, monitor, and publicly disclose complied data of suppliers', representing 90% of purchasing volume of Tier-1 material and OEM suppliers, scope

1–2 GHG emissions, energy, water, and waste and encourage them to set their own targets.

- As of 2030, Arçelik is committed to ensure 5,000 supplier employees are reached for OHS training.
- As of 2030, Arçelik is committed to ensure suppliers representing 90% of purchasing volume of Tier-1 material and OEM suppliers use 100% green electricity.

More information can be found in the **Arçelik Sustainability Report.**

**Ford Otosan** released its Supply Chain Compliance Policy in 2022 and Supplier Sustainability Manifesto in the first half of 2023. In alignment with its long-term sustainability targets, Ford Otosan aims for more than 300 suppliers in the supply chain to become carbon neutral by 2035.

More information can be found in the **Ford Otosan Integrated Annual Report.**



**Empower people** ▶  
**Together**

# Empower people. Together

We strive to create a community of empowered and engaged employees who are knowledgeable and capable of providing Koç Group a long-term competitive edge in the global marketplace. Aligning with Koç Group's global growth vision, our talent management approach focuses on attracting and retaining top talent, and developing them into motivating and inspiring leaders.

Koç Group prioritizes its people and empowers them to become leaders in an agile business environment. The long-standing culture of putting people first at Koç Group

has enabled employees to realize their full potential, contributing significantly to our role as leaders in the industries in which we operate.

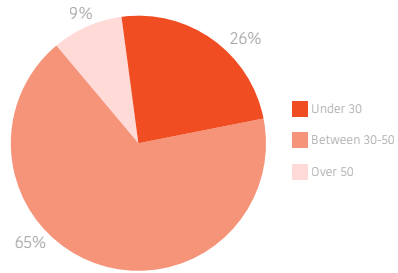
We prioritize empowering our people with the right skills and creating the most skilled and diverse work environment in line with the Koç Group Code of Ethics, Business Conduct, and Sustainable Development Goals. We maximize our collective potential to address and create solutions to the most urgent challenges facing society.



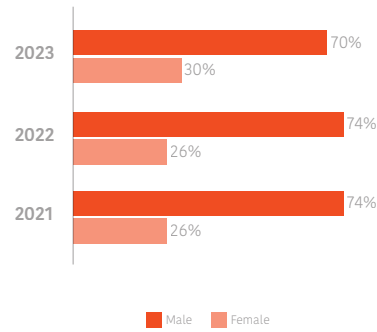


# Koç Group Employees in 2023

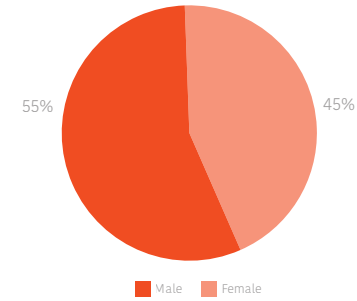
Employees by Age



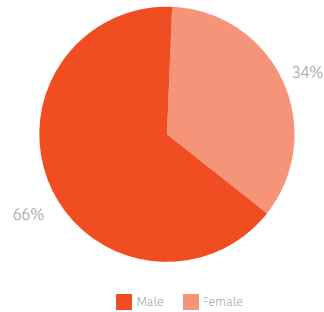
Employees by Gender



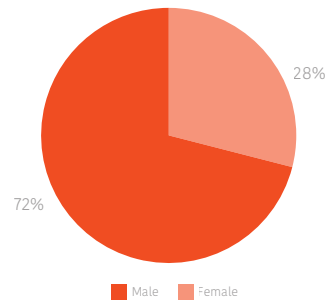
Promotions by Gender



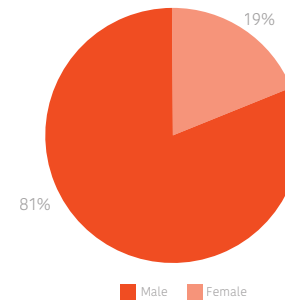
Junior Management by Gender



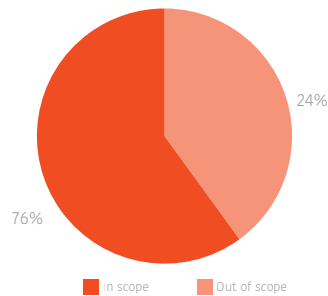
Mid-Level Management by Gender



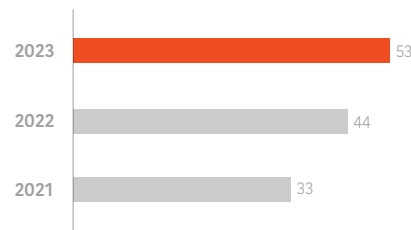
Senior Management by Gender



Collective Bargaining Agreement Coverage



Average Annual Training Hours



Largest employer in Türkiye with approximately **119,000 employees**\*

\* This is the total number of employees in all of Koç Group. However, this Report covers 90% of the total workforce corresponding to 107,317 employees.

# Employee Support

## Wellbeing

At Koç Group, we prioritize the wellbeing of our employees, supporting them to have higher levels of satisfaction and engagement at work as well as in the community. We provide a full range of wellbeing programs to keep our employees engaged over the course of their employment.

Our "Online Clinic" handled more than 64,000 online appointments and 30,000 messages between March 2020 and December 2023. 82 physicians and specialists representing 20 medical disciplines offered their services through our online clinic.

Also, over 3,100 employees had access to our "Online Psychological Support" hub, which included over 38,600 counseling sessions. Finally, over 2,900 employees within our Group attended more than 20,000 consultations with "Online Dietitians."

Based on survey data as of December 2023, a satisfaction rate of over 97% (4.9 out of 5) was achieved for services received as part of our "Online Clinic" platform.

We recognize the importance of family wellbeing and provide a comprehensive benefits package that includes our employees' loved ones. One notable aspect of the "Ailem Gvende (My Family Covered)" initiative is that it

extends the health insurance for families of our colleagues to cover treatment for the pre-existing medical conditions. Specialized services at facilities associated with the Vehbi Koç Foundation, such as the American Hospital, Koç University Hospital, and the American Medical Center, will also be available to our employees and their families.

## Koç Group Sports Club

The mission of Koç Group Sports Club (KTSK) is to promote wellbeing and sports activities among Koç Group employees and their families. KTSK activities are mostly organized in Koç Grove which is a 120.000 m2 green field that offers a variety of sporting and recreational facilities with many facilities located within.

Aside from hosting an array of year-round events and activities, KTSK has promoted the unifying spirit of sports across the Group with the international Koç Group Sports Festival since 1989. In 2023, the 34th Sports Festival was held, with over 6,000 participants (including 62 retired employees) from 36 Group companies competing in 17 sports disciplines and 26 categories. The final games and closing ceremony of the festival brought together 162 athletes/employees from 3 continents and 15 countries.

The Koç Group Sports Club offers a variety of sporting activities within Koç Grove. As part of our dedication to our employees' overall wellbeing, we offer them a variety of recreational and cultural activities in addition to physical activity amenities.

We also organized the first Para Sport events in 2023, open to colleagues with disabilities.

# Employee Support

## ► ► ► Family Benefits

### KoçAilem

KoçAilem is a benefits platform that functions similarly to a loyalty program, providing exclusive benefits to Group employees, pensioners, vendors, students at Koç Group schools and their families. These benefits include discounts and exclusive offers on dozens of brands across a wide variety of industries, including apparel, food, gas and telecom. Members took advantage of KoçAilem benefits in 2023, saving more than 650 million Turkish Liras.

To support our employees and their families with the costs associated with grocery shopping, we have established an online supermarket through the KoçAilem platform. KoçAilem Online Market provides reasonably priced grocery shopping for a range of products, including staple foods, cleaning products, personal hygiene items, beverages and snacks. Additionally, Koç Group employees saved over 10 million Turkish Liras in 2023 thanks to the KoçAilem Online Market, which offers door-to-door delivery services in all 81 Turkish cities.

### KoçAilem Peer-to-Peer Blood Donation Platform

We introduced the KoçAilem peer-to-peer blood donation platform in September 2020. It connects Koç Group employees with other donors in a virtual setting when blood is required. Over 1,100 blood needs have been met and 12,000 Koç Group employees have volunteered to be donors since the launch of this blood donation platform.

## Modern Workplace

### Hybrid Working Model

Working models need to be differentiated according to the role, specific conditions, and needs of each employee. In this sense, we are the first and largest industrial group in Türkiye to permanently adopt hybrid working principles. We provide WIFI and lunch support for all hybrid working

employees for their remote working days. In addition to these, we consider online meeting, collaboration and socialization needs while redesigning our offices.

For enhancing the office experience, we launched "Koç Office Free", an online open workspace reservation system, which enables our colleagues to work in any Koç Group Office. Currently, more than 71 collective open workspaces are available in Türkiye. Moreover, we expanded the project to 5 different countries in which Koç Group operates.

We see flexible working as including more than just job location. It also has to do with working hours and employee autonomy. Accordingly, various flexible work schedules are offered by our Group companies in accordance with industry demands and the nature of the job.

### Hack Your Job Hackathons

As part of our plan to provide our employees with the skills necessary for the future, we have instituted a Group-wide "HackYourJob" program. The program's goal is to make it possible for our companies to adopt the "citizen developer" model. Non-IT staff members developed their own mobile and desktop applications as well as robotic automation using low-code / no-code tools through exclusive "Hackathons" held in each of our companies. In 2023, the program expanded its scope to include Artificial Intelligence (AI) solutions.

Hackathons are three-day events and are organized exclusively in our Group companies. Teams of three employees register with their projects to take part in these Hackathons. During these events, employees are trained in low-code / no-code tools and given the opportunity to develop their own applications and/or robotic processes. Over 600 colleagues from 24 Group companies have developed over 200 projects and taken part in Hack Your Job Hackathons thus far.

# Employee Support

## ▶ ▶ ▶ Agile Working Practices

Agile working practices are at the core of our cultural transformation agenda. Concentrating on a shift in corporate culture, working practices and organizational design, we have been implementing an Agile Transformation initiative across Koç Group companies for the past few years. Through this project, we hope to satisfy customer expectations, meet the needs of today's dynamic business environment and address digitalization-related challenges.

With over 14,000 colleagues and more than 1,700 teams using agile methodologies, Koç Group is currently the largest agile community in Türkiye. After completing our training programs, more than 260 agile coaches started promoting an agile mindset in their respective organizations.

To facilitate the development of agile capabilities across the Group, expedite the cultural shift, and establish an agile ecosystem for knowledge sharing, we have founded the "Koç AgileAcademy." Koç AgileAcademy leads the world in its respective category, with no organization of comparable size and scope. The Academy offers over 30 programs in collaboration with 20 world-leading institutions with experience and expertise in Agile methodologies, including but not limited to Harvard Business School, MIT, Scrum Inc., Business Agility Institute, and BCG. With a focus on holistic design, the training programs include multiple developmental paths for all roles and organizational levels.

We created a one-of-a-kind 2-year agile coach program in which we heavily invest in our agile coaches through

important partnerships with Harvard Business School, MIT, Kanban University, Scrum.inc, Neuro Leadership Institute, and others.

In addition, over 150 senior executives took part in the Agile Leadership Program, which was established to promote the adoption of agile principles at the leadership level, and about 13,000 people have benefited from Koç Agile Academy programs to date.

Apart from improving agile capabilities, we prioritize ongoing enhancement of our operational procedures by tracking agile KPIs and conducting periodic "agile maturity assessments." We evaluate our "agile maturity" and pinpoint areas where our workplace culture needs to improve through these assessments performed in collaboration with the Business Agility Institute.

One of the main drivers of the Koç Group's cultural shift has been the adoption of an agile culture, which has allowed for more collaboration, autonomy, and empowerment among colleagues and provided opportunities for continuous growth across the Group.

# Talent Management

- ▶ ▶ ▶ We invest in the competencies of the future to equip our employees with the skills and motivation they need to be successful in tomorrow's workplace. To attract the best talent, we want to create a more flexible, agile, dynamic, collaborative and entrepreneurial work environment.

Employees have access to training and development opportunities to help them attain and exceed their full potential. In addition to training in areas such as the environment, ethics, and Occupational Health and Safety (OHS), employees can participate in a variety of technical and leadership development programs aligned with future business models.

Various mechanisms are in place to deliver a positive work experience to talented individuals who join the Group and to evaluate them in the Group companies' talent pools. Prospective employees undergo competency-based evaluation processes tailored to different organizational levels and positions. The "Assessment Center" identifies employees with Senior executive-level competencies. This allows for a more effective succession plan for senior executive positions, as well as proactive assistance for candidates through training-development programs and job rotations.

Incentive plans, linked to both short-term and long-term business performance, are in place for the manager level and above. Incentive plans are structured by group companies based on each organization's specific needs and goals.

The succession planning process is done every year by proactively creating internal, cross-company talent pools. All successors receive customized development plans with

the aim of preparing them for future roles.

As a result of 2023 Materiality Analysis, "talent attraction, development, and retention" emerged one of the very high material topics.

## Talent Attraction

Koç Holding has been named **Türkiye's best employer for the seventh year in a row** in Forbes' list of "World's Best Employers," which began in 2017. This year, Koç Holding was the only Turkish company on the list, cementing its position as the country's **leading employer.**

23 of Koç Group companies were awarded as Best Employer in the "Kincentric Best Employer 2023 Awards" among 380 companies from 40 different sectors.

## Internships

We believe that the internship process is an important step in creating and developing talent pools. Over 2,400 interns attended Koç Group's various internship programs in 2023.

This year, 37% of new graduates who joined the Koç Group completed their internships at Koç Group companies.

# Talent Management

## ▶ ▶ ▶ Talent Development and Retention

### KoçAcademy / Training and Development

Koç Academy is the Learning Experience Platform for Group employees and their families, offering over 12,000 online video content under categories including health and lifestyle, digital technologies, family, hobbies, and personal development. The platform is accessible from all mobile devices.

Koç employees have access to Learning and Development (L&D) programs created in collaboration with respected global and local institutions as part of talent management. Koç Group seeks to support their employees in a variety of areas including leadership, strategy, change management, and digital competencies at various stages of their careers through L&D programs offered under the "LEAD" brand.

LEAD provides over 300 different programs to help Koç Group employees in their managerial and digital transformation. The "Personal Development Program

(PDP)" and the "Agile Leadership Program" are two of these programs designed internally for senior executives. Our goal with these development programs is to increase the leadership behaviors of our senior executives and management teams while broadening their global perspectives. The senior executives also have access to Harvard Business School's "Program for Leadership Development (PLD)" and "Advanced Management Program (AMP)."

LEAD offers programs from top global institutions including BCG, McKinsey, Harvard Business School, MIT Sloan, Columbia Business School and others. More than 3,500 employees participated in the programs of these prestigious institutions between 2015 and 2023. In addition, Koç University's Executive Master of Business Administration Program (EMBA), Master of Business Administration Program (MBA), and MSc in Finance programs helps Koç Group employees to develop their management and leadership skills and provide them with the analytical tools that will promote their career growth.

# Talent Management

## Lider Sensin

Program Description	Program Objectives	Facts & Figures
<ul style="list-style-type: none"> <li>The program is designed to invest in talented Mid-Level Managers with high leadership potential and prepare them for future executive positions across the Koç Group.</li> <li>The program continues since 2010 and for each cohort, the program consists of 3 modules and lasts for 2 years.</li> <li>In addition to 3 modules of physical training, the program involves 1:1 coaching sessions and online trainings programs, meeting with Senior executives, campus visits and more.</li> <li>Program curriculum is re-designed for each cohort based on contemporary strategies and Human Resources planning of Koç Group.</li> </ul>	<ul style="list-style-type: none"> <li>The program seeks to develop leaders who are knowledgeable about the techniques required to create and manage high-performance teams.</li> <li>Create a pool of exceptionally talented future leaders who are able to create and manage an agile, diverse and inclusive cultural environment.</li> <li>Build a high-value network of leaders with opportunities of learning from each other as well as exploring business synergies.</li> </ul>	<ul style="list-style-type: none"> <li><b>334 participants</b></li> <li><b>41%</b> of program alumni continue to serve as senior executives.</li> <li>Current cohort (2023-2025) has <b>51 participants</b> and a Net Promoter Score (NPS) of 100.</li> </ul>

## Personal Development Program (PDP)

Program Description	Program Objectives	Facts & Figures
<ul style="list-style-type: none"> <li>The program is designed for senior executives (e.g. General Managers / CEOs, Executive VPs, Group Directors, etc.)</li> <li>The program consists of 3 modules and lasts for 6 months.</li> <li>World-class leadership training for Koç Group's senior executives to prepare them to be successful in the current and future business environment.</li> <li>The program involves both classroom training with intensive hands-on practical learning and a wilderness trail.</li> </ul>	<p>The program seeks to help leaders to:</p> <ul style="list-style-type: none"> <li>Develop personal mastery and self-awareness for effective leadership.</li> <li>Have an effective, authentic personal leadership style.</li> <li>Possess strategic thinking and decision-making abilities.</li> <li>Lead transformative change in their respective organization with speed and agility.</li> </ul>	<ul style="list-style-type: none"> <li><b>9 cohorts ran</b>, with a total of <b>164 participants</b>.</li> <li>The last program achieved a Net Promoter Score (NPS) of <b>74</b>.</li> <li><b>62% of eligible participants</b> have participated in the program.</li> </ul>

# Talent Management



## Agile Leadership Program

Program Description	Program Objectives	Facts & Figures
<ul style="list-style-type: none"> <li>Program is designed for senior executives (e.g. General Managers / CEOs, Executive VPs, Group Directors, etc.)</li> <li>It is a 3-day program which aims to discuss different experiences &amp; challenges of agile transformation, have sessions to analyze the role of senior management throughout Agile transformation.</li> </ul>	<ul style="list-style-type: none"> <li>All program participants are expected to promote and nurture an agile culture within their organizations.</li> </ul>	<ul style="list-style-type: none"> <li><b>9 cohorts ran</b>, with a total of <b>147 participants</b>.</li> <li><b>88% of eligible participants</b> have participated in the program.</li> </ul>

## Agile Coach Program

Program Description	Program Objectives	Facts & Figures
<ul style="list-style-type: none"> <li>The Agile Coach Program is designed for Agile Coaches and aspiring Agile Coaches from Group Companies.</li> <li>The training program features leading global agile training, consultancy, and accreditation bodies such as Scrum.org, Business Agility Institute, and ICAgile, as well as Türkiye's top agile training and consulting firms.</li> </ul>	<ul style="list-style-type: none"> <li>The program aims to promote and enhance technical competency related to the agile working model, as well as the coaching and facilitation skills of colleagues who will take on the role of Agile Coach.</li> </ul>	<ul style="list-style-type: none"> <li>A total of <b>74 agile coaches</b> actively participated in the program.</li> <li><b>100% coverage</b> of all eligible employees.</li> <li><b>30 colleagues</b> actively practice agile coaching within their organizations.</li> <li>Following the 2023 training sessions, the program achieved a Net Promoter Score (NPS) of <b>74</b>.</li> </ul>



# Talent Management

## ► ► ► Career Opportunities

The Koç Group offers its employees rotation opportunities in more than 100 companies across 40 countries and 10 industries. 3,000 Koç Group employees took part in Group rotation programs in 2023, working in different industries, companies, and departments.

The Koç Group uses Koç Kariyerim, its career platform, to post job openings for every position in the Group. The Group prioritizes its employees when filling vacant positions. In 2021, Koç Kariyerim extended its use to non-Group candidates, providing them with access to all career prospects within the Group through the platform. Candidates can now upload their existing CVs to the system and create their profiles using artificial intelligence technology, which became available in 2022, after which they are matched to roles that correspond to their skills.

### Succession

The succession planning process is executed each year by proactively creating internal, cross-company talent pools. All successors receive customized development plans with the goal of preparing them for future roles.

90% of Koç Group's senior executives have been promoted from within the organization in the previous seven years thanks to our well-defined and structured succession plan for our senior executive roles.

### Performance Management (Koç Diyalog)

In 2020, Koç Group launched a new "Performance Management System" that supports new workplace dynamics and operating models to accelerate our digital projects and agile working approach.

We set out from a system where the same understanding is applied in all Koç Group companies, to the flexibility of companies to customize application in accordance with their own characteristics, to target structures that employees can actively update throughout the year with the intention of shifting from the

system that measures the past to a future-oriented approach through the use of Objectives & Key Results approach (OKRs).

Knowing that our most important need is dialogue and exchange of ideas, we not only renewed the skeleton of the system, but strengthened its heart; we have put in use, a development-focused mechanism that encourages cooperation & more dialog both among the executives and employees and among all stakeholders.

Throughout the year, managers and employees connect for five one-on-one meetings. To make these dialogues productive, employees come prepared by reflecting on a set of questions beforehand. This helps focus the discussion and ensures everyone gets the most out of the meeting. To onboard and train our employees, "Koç Diyalog" training program was designed in 2020 in collaboration with Columbia Business School, Neuroleadership Institute, and Emeritus to facilitate the Group's transition to a new performance management system. In addition to supporting the transition process, the program focused on creating a culture that empowers the employees in areas including communication, effective feedback, change management, and career development. More than 37,000 office employees participated in the program.

### Employee Engagement

We prioritize employee feedback when determining initiatives that will shape our workplace and the work environment. Regular surveys and pulse checks keep us informed on employee sentiment. Our annual Employee Engagement Survey dives deep into various aspects of the workplace experience, including management style, well-being, autonomy, and inclusion. These elements are grouped under key themes like Agility, Engaging Leadership, Talent Focus, and Foundational Elements.

More than 85% of Koç Group employees participated in the Employee Engagement Survey for the past four years. In 2023, the participation rate was 85,5%.

# Human Resources Risk Management

Risk	Description	Mitigation Actions
<p><b>Workforce Transformation</b></p>	<p>Emerging technologies and their impact on the workforce have been the subject of discussions for decades. However, the pace of change has accelerated in recent years.</p> <p>Developments in automation and digitalization in particular will have a significant impact on the current workforce. By 2030, there will likely be a rise in the need for social and technology skills across several industries in Türkiye.</p> <p>The workforce transformation requires organizations to design the ideal organizational structure, integrate the right skills, and employ the right number of people while making sure they allocate sufficient time for handling this kind of shift in the workforce.</p> <p>In recent years, we have seen fast personnel increase followed by large layoffs in a variety of industries worldwide.</p>	<p>To create a sustainable workforce, Koç Group prioritizes proactive workforce transformation management.</p> <p>In Koç Group, rather than making radical shifts in the workforce, we proactively invest in skill transformation, provide up-skilling and re-skilling opportunities, and leverage any possibilities for digitalization and automation in our processes.</p>

# Human Resources Risk Management

Risk	Description	Mitigation Actions
<p><b>Generational Differences in the Workplace</b></p>	<p>Managing five generations in the workforce for the first time raises a variety of employee expectations.</p> <p>The younger generation is growing increasingly concerned with the meaning of their employment. Their goals should be aligned with the goals of the company, the team, or the line of goods and services.</p> <p>The younger generation is open to any opportunity to grow. As a result, HR policy should place a high priority on continuous growth.</p> <p>The younger generation wants to operate in a less hierarchical and more flexible atmosphere.</p> <p>Finally, the younger generation places a greater value on wellbeing than their elder colleagues.</p> <p>In today's digitally connected world, where talented employees can access a multitude of potential employers, companies that are unable to recognize and meet the demands of the younger generation will find it difficult to both attract and retain talent.</p>	<p>Koç Diyalog, Koç Group's performance development platform, contributes to defining purpose and giving</p> <p>our employees flexibility. Koç Diyalog is a transparent Objectives and Key Results (OKR) platform where employees can view OKRs of others, including of the senior management.</p> <p>Additionally, we set up a rewards program that fits the modern workplace. The reward program meets the needs of the younger generation in terms of flexibility and recognition. The program offers many resources for drawing in and keeping talent, including spot bonuses, and permits the recognition of exceptional achievement.</p> <p>Hackathons provide an opportunity to learn new skills and function as a tool for continuous growth. Hackathons allow employees to design or improve their own processes, which enhances their sense of ownership and purpose.</p> <p>Agile Transformation results in leaner organizations with less hierarchy.</p> <p>Our "Office Free" application enables our employees to utilize 70+ shared office space across our Group Companies distributed over many different cities not only in Türkiye but also across Europe.</p>

# Diversity and Inclusion

► ► ► We believe that diversity and inclusion in the workplace are critical to incorporating sustainability into business. Companies with a diverse and inclusive workforce perform better in business due to improved innovation ability, as well as stronger employee loyalty and satisfaction.

We have implemented a variety of efforts to provide equal opportunities to employees at all levels. As a result, we upgraded our training programs and support systems to include all job categories, allowing all employees to have access to the same communication platforms.

We, at Koç Group, try to provide a workplace that meets the needs and expectations 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 eliminating all forms of gender-related discrimination and prejudice at work.

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

- 30 group companies, together with Koç Holding, became signatories of the UN Women's Empowerment Principles (WEPs).
- Koç Holding partnered with UN Women's HeForShe movement and became one of the 10 Impact Champions of "HeforShe" between 2015 and 2021.
- Koç Holding has become a global member of UN Women Un-Stereotype Alliance promoting ideas and action to bring about an end to harmful stereotypes in all kinds of media and advertising.
- Koç Holding is a leader in the Action Coalition on Innovation and Technology of the Generation Equality Forum.

# Diversity and Inclusion

➤ ➤ ➤ In accordance with our Board Diversity Policy, established by the Board of Directors in 2021, we strive to maintain a minimum of 30% female representation on the Board of Directors at all times.

We encourage gender equality in the workplace with the goal of ensuring that all positions and roles attract more women applicants. We seek to increase women's representation in executive roles, and our management succession plans include at least one female successor for each position.

We employ genderless vacancy announcements to ensure that every candidate is assessed under equal and fair conditions during the recruitment processes. Also, we implemented the "Recruitment Accreditation" program to improve recruiter competence.

We enhanced counseling services provided prior to and following maternity leave, childcare and nursery assistance, and workplace safety. In 2021, 95% of female employees who took maternity leave returned to work after their formal leave period has ended. 18% of female employees benefited from childcare services.

## Generation Equality Forum

### Action Coalition on Technology and Innovation for Gender Equality

To promote gender equality in technology and innovation, we are a leader in the Technology and Innovation Action Coalition of The Generation Equality Forum and have announced three commitments that will contribute to global initiatives on the topic.

Our commitments include endorsing Koç Group Companies to become global commitment-makers for solutions and creating and scaling transformative change. We have engaged Koç Group companies Aygaz, Arçelik, Ford Otosan, Koçfinans, Tofaş, Tüpraş, TürkTraktör and Yapı Kredi, which operate in the energy, automotive, durable goods and finance industries, to be global commitment-makers. Along with several commitments, the companies also set targets to increase the number of women employees in the technology and innovation departments, while maintaining a minimum ratio of 30%.

Details of our commitments and actions on this topic can be found under the section: **Strengthen communities. Together.**

# Occupational Health and Safety

- Occupational health and safety (OHS) is an integral part of our business culture and Koç Group strives to achieve excellence in OHS throughout all of its operations in line with its zero accident target.

Koç Group Occupational Health and Safety Policy provides guidelines for a healthy and safe working environment for our employees and contractors, approaches to prevent potential occupational diseases and injuries, and the necessary efforts to maintain zero accidents. Focusing on continuous improvement, complying with corporate policies, procedures and legal obligations, and enhancing our Occupational Health and Safety performance using the best available technologies are also included in the Koç Group OHS Policy. The participation of employees and employee representatives is encouraged to establish and maintain a strong safety culture.

The OHS Unit of Koç Holding operates under the Koç Holding Human Resources Directorate. It oversees the occupational health and safety processes across the Koç Group, aligning with centrally established standards. Apart from providing guidance to Group entities and coordinating training initiatives, the unit conducts centralized OHS audits, tracks monthly performance indicators, submits reports, and presides over the Koç Group OHS Committee.

Furthermore, the OHS units within individual companies comply with the Group's management system requirements and devise additional processes to enhance workplace safety and ensure regulatory compliance.

In 2023, under the leadership of Koç Holding Occupational Health and Safety Unit, the "Change Management Standard" was published with the participation of representatives from Group

companies in the Occupational Health and Safety Committee. Additionally, the "Driving Safety Standard" and "Accident-Incident Reporting and Investigation Standard" were updated to meet the evolving needs. "Accident-Incident Reporting and Investigation Implementation Guide" was published to support the investigation of accidents using global best practices. A "Seat Belt Usage" campaign was launched to increase awareness of driving safety among Group employees.

Since its inception, Koç Group implements various initiatives for the well-being of its employees and their families. In 2023, these initiatives were consolidated under a single umbrella to contribute to wellbeing activities.

In 2024, "Koç Group Disaster and Emergency Management Project" will be implemented with representatives from Group companies. With this project, we will increase our capacity for managing potential disasters or emergencies as a Group.

For more details on OHS data, please see "[Social Performance Indicators](#)"

Further information on OHS is available in [Koç Holding 2023 Annual Report](#).



**Act for the planet** ▶  
**Together**

# Act for the planet. Together

Koç Holding believes that a healthy business is not possible without a healthy world and society, and aims to manage all environmental risks and opportunities, especially climate change, from a long-term perspective. With Act for the Planet. Together, we aim to integrate local and global environmental issues into our decision-making processes.

Businesses around the world have an important role in responding to the needs of the planet. Climate crisis continues to be a complex global challenge. Goals set in the 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. The need to limiting global warming to internationally recognized 1.5°C is more acute than ever.

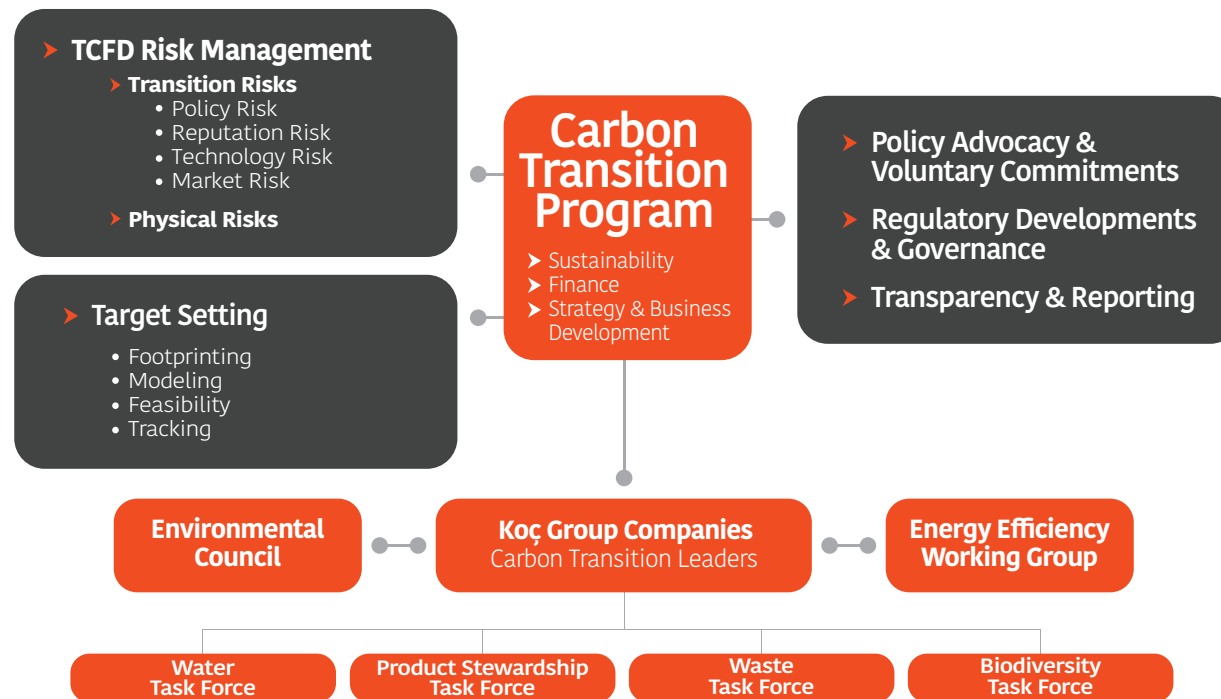




# Carbon Transition Program

➤ ➤ ➤ In line with the global climate agenda and the European Green Deal, we aim to be carbon neutral by 2050. In order to achieve this target and devise a roadmap for transitioning to a low-carbon economy we launched the Carbon Transition Program across the Group. Within the scope of the first focus area of the Carbon Transition Program, main transition risks and physical risks have been identified in line with TCFD recommendations. The main risks and

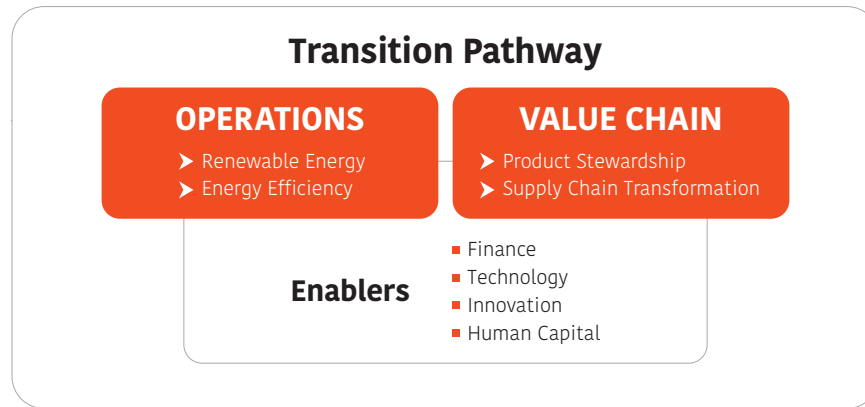
financial impacts to be faced by the Koç Group and companies in the short, medium and long term have been identified under different climate scenarios. Setting targets and creating roadmaps for the companies for effective management of these risks is among the other objectives of the Program. In addition to risk management, we intend to seize opportunities in relation to emerging new product and service areas and implement resilient business models.



# Transition Pathway

▶ ▶ ▶ As Koç Holding, we have established a roadmap to support the transition to a low-carbon economy and to achieve our 2050 carbon-neutral target.

To achieve our vision of a low-carbon future, we focus on renewable energy solutions, energy efficiency measures, sustainable product stewardship and initiatives to decarbonize our supply chain. Moreover, Koç Group companies in the energy, automotive, consumer durables, and finance sectors follow this approach within their own sectoral pathways and reflect it in their industry dynamics.



# Transition Pathway

➤ ➤ ➤ **Operations - Energy Efficiency**

We are working to improve the energy efficiency of our operations across all of our businesses. This involves

identifying opportunities to reduce energy consumption, optimizing manufacturing processes, and exploring new technologies to help us operate more efficiently.

➤ ➤ ➤ **Operations - Renewable energy**

Most Group companies have a target to supply all electricity in their operations from renewable sources. In line with this,

we invest in wind, solar, and other forms of clean energy. We are investing in renewable energy generation where feasible and purchasing renewable energy certificates.

# Transition Pathway

## Group-Wide Renewable Energy Project

▶ ▶ ▶ Entek is an independent power producer (IPP) within the Koç Group and is committed to providing clean and sustainable energy solutions to meet the growing demand for power. The company has a total capacity of 492 MW and generates 78% of its electricity from renewable sources, with two wind power plant, one natural gas power plant, and eight hydroelectric power plants.

In line with the Koç Group's commitment to reducing carbon emissions, Entek is leading one important project in the Group's journey toward achieving carbon neutrality. The Group initiative focused on solar power generation, aims to increase the share of renewable energy in the Group's overall electricity consumption within Koç Group Companies'. Meanwhile, Lotus is a project that aims to increase the use of renewable energy sources within Entek's own facilities.

Under the framework of the Project, we have made significant strides in the development of solar power plant projects for Koç Group companies. By the end of 2023, official approvals for total of 306 MW of solar projects have been obtained from the relevant authorities.

Once these solar projects with a capacity of 306 MW are fully realized, they are projected to generate approximately 485,000 MWh of electricity per year. This will enable us to achieve a consumption coverage rate around 50% across the Koç Group. Thus, the completion of the group-wide renewable energy project is expected to effectively reduce carbon emissions by 210,000 tons of CO<sub>2</sub> annually.

# Transition Pathway

## ▶ ▶ ▶ Value Chain - Product Stewardship

Koç Group companies are working to adapt their products and services for a low-carbon future while seizing business opportunities. Our strategy involves overseeing every stage of a product's life cycle, from cradle to grave, enabling us to efficiently control emissions throughout our value chain and enhancing our competitive position. Please visit the "**Product Stewardship**" section of the report for more on our product stewardship efforts.

## Value Chain - Supply Chain Transformation

At Koç Group, we view our value chain as an integral part of our transition, with suppliers playing a vital role. We

are committed to support and enhance the sustainability performance of suppliers. As part of Koç Group's Supplier ESG Transformation Initiative, we integrate ESG strategies into supplier selection, retention, assessment, and development processes. We identify material risks and impacts, ensuring supplier practices align with Koç Group's Supply Chain Compliance Policy. We continuously review purchasing practices to avoid conflicts with ESG requirements.

You can find more information about our supply chain efforts in the "**Supply Chain**" section of the report.

# Transition Pathway

## ► ► ► Enablers

In our low-carbon transition pathway, we recognize finance, technology, innovation, and human capital as pivotal enablers.

- Finance plays a key role in facilitating transformation and access to low-cost financing for green transition. For instance, Yapı Kredi, a Koç Group company operating in financial sector, not only has its own targets to transform and decarbonize its portfolio as a bank but also utilizes other green financial instruments. A notable example is the successful completion of its first Sustainable Eurobond issuance, amounting to 500 million \$.
- Technology is indispensable for achieving our low-carbon targets, enabling us to minimize the environmental impact of our operations and transform our product portfolio. Within the Koç Group, multiple companies are leading the way in advanced digital production. Three facilities from Koç Group companies have been acknowledged as Global Lighthouses

by the World Economic Forum for their cutting-edge Industry 4.0 operations.

- By embracing different and disruptive ideas, we can catalyze meaningful progress. Koç Group is leading climate-focused innovation across Group companies, reducing carbon emissions, increasing energy efficiency, and conserving freshwater through open innovation, intrapreneurship, R&D, and collaborative partnerships. To explore how Koç Group companies leverage technology and innovation for a low-carbon transition, you can visit the “Technology and Innovation for Climate” section.
- Human capital stands as a keystone in our transition. Our workforce, empowered by future skills, serves as the driving force behind our sustainability efforts. We aim for them to become data citizens who will transform their work, mainstreaming sustainability throughout the Group and ensuring our transition is not only successful but also enduring. We have examples of our colleagues who work in sales or field operations becoming data analysts. Through these new competencies, our teams can now develop artificial intelligence models that transform the way they work. Until now, over 1,600 employees have benefited from our Data Literacy Program.

# Transition Pathway

## ► ► ► Sectoral pathways

In line with the overarching focus areas of renewable energy, energy efficiency, product stewardship and supply chain decarbonization Koç Group companies have identified sectoral priorities and transition pathways specific to the sectors in which they operate.

## Energy

It will not be possible to reach a low carbon economy without the transition of the energy sector. Sector companies that invest early in clean energy transition and alternative fuels will stand out.

Koç Holding Group Companies operating in the energy sector are exploring the potential of zero-carbon electricity, alternative fuels like hydrogen and biofuels and promoting sustainable practices to mitigate their Scope 3 emissions.

## Tüpraş

► ► ► Tüpraş aims to lead Türkiye's energy transition by making its existing assets more competitive and profitable through energy efficiency and decarbonization projects. The company also plans to invest in new areas that support sustainable development creating a balanced and diversified clean energy portfolio.

By 2030, Tüpraş aims to reduce its Scope 1 and Scope 2 emissions by 27% compared to 2017, by 35% in 2035, and

become a carbon-neutral energy company by 2050.

Tüpraş's investment areas in line with its Strategic Transition Plan include;

- Biofuels
- Zero-carbon electricity
- Green hydrogen
- Sustainable refining

# Transition Pathway

## ▶ ▶ ▶ **Automotive**

The automotive sector has a critical role in the global carbon transition. The shift towards low emission vehicles will disrupt value chains and zero emission cars and trucks will be the main focal points of this transition. Companies that invest in these vehicles work to establish new value chain models and develop their manufacturing capabilities

will gain leverage in the sector. In line with that, an important part of the carbon transition journey of Koç Holding Group Companies in the automotive sector is focused on their products and their value chains. Electric vehicles, vehicles with alternative fuels, sustainable production and the impact suppliers create are also tackled as important parts of their efforts.

## **Ford Otosan**

▶ ▶ ▶ Ford Otosan is focusing on decarbonizing its products through electrification and alternative fuel studies. Hydrogen technologies offer a new alternative for hard-to-decarbonize sectors, such as transport, and in energy-intensive industrial processes and Ford Otosan is scaling up their efforts in this field.

Ford Otosan produced the first-ever all-electric commercial vehicles in Türkiye and has been increasing its investments in electrification including its purchase of a new production facility, Ford Otosan Craiova Plant. The global brand for

heavy commercial vehicles, Ford Trucks, developed and unveiled first all-new 100% electric truck in Türkiye and aims to produce the first fuel cell electric F-MAX to run on hydrogen. Ford Otosan plans to sell only zero-emission passenger cars, light and medium commercial vehicles by 2035, and zero-emission heavy commercial vehicles by 2040.

Ford Otosan calculates the carbon emissions of its suppliers and aims to ensure that more than 300 suppliers in its supply chain become carbon neutral by 2035. The company also targets carbon neutrality in its logistics operations by 2035.



# Transition Pathway

## Consumer Durables

There are significant opportunities for the consumer durables sector to transition towards a low-carbon economy such as technological innovation to decarbonize operations and products and achieve energy and resource savings.

The reduction of product emissions during their use is a significant factor in achieving the decarbonization goals of the consumer durables sector. Koç Holding Group companies in the Consumer Durables sector focus on developing energy-efficient products to achieve this goal.

## Arçelik

Arçelik has a detailed roadmap for transitioning to a low-carbon economy, which includes the commitment to achieving net zero emissions by 2050 in line with Science Based Targets Net Zero Standard. Aligned with the 1.5°C climate scenario to the Science Based Targets Initiative (SBTi), Arçelik submitted its near-term target currently at the validation process of the SBTi. With the new near-term target, Arçelik commits to reduce its absolute Scope 1 and Scope 2 emissions by 42% 2030 from a 2022 base year and reduce Scope 3 emissions from use of sold products 42% for the same period. By 2050, Arçelik is committed to reach a 90% decrease in Scope 1- 2 and Scope 3 emissions from a 2022 base year and will invest in qualified nature-based and technology-based carbon removal projects for the 10% residual emissions.

In order to achieve the committed transition, Arçelik will;

- Increase green electricity procurement to 100%
- Establish renewable energy systems with 50 MW capacity by 2030
- Invest further in energy efficiency projects in production
- Transition to 100% electric vehicles and forklifts
- Use Low GWP refrigerant in production
- Use green hydrogens where possible
- Increase penetration of super-energy-efficient products globally
- Accelerate the phase out of high-GWP refrigerants with the transition to low-GWP refrigerant in all products

## Finance

The financial sector is committed to mobilizing capital to

low-carbon initiatives and shift their portfolio towards clean energy investments.

## Yapı Kredi

Yapı Kredi is committed to integrating climate risk considerations into its credit decision-making processes. As part of our Carbon Transition Program, Yapı Kredi is developing a transformation strategy to assess the compatibility of their expected emission reductions with

their lending and investments portfolio by the end of 2023. This strategy will play a critical role in the carbon transition pathways of Koç Holding and green transformation of real sector in Türkiye.

# Climate-related Risks and Opportunities

- ▶ ▶ ▶ We are among the companies that support the Task Force on Climate-Related Financial Disclosures (TCFD). Our objective is to effectively manage the risks and capitalize on potential opportunities arising from climate change in line with TCFD recommendations. We aim to provide regular disclosures to our stakeholders and extend these practices throughout our ecosystem.

This section, which is prepared in line with the TCFD Recommendations, describes Koç Holding's approach and performance regarding each of the TCFD's thematic areas: Governance, Risk Management, Strategy, and Metrics and Targets. It also presents the Holding's strategy and business model with respect to different climate scenarios.

Risk analyses have been conducted at Arçelik, Aygaz, Entek, Ford Otosan, Opet, Otokar, Otokoç, Tat Gıda, Tofaş, Tüpraş, TürkTraktör and Yapı Kredi, which represent 91.3% of the Koç Group's combined revenues for the period between 2017-2021. The risk analysis of Yapı Kredi, which operates in the finance sector, was based on its entire credit portfolio within the scope of various climate-related physical and transition risks, including extreme weather conditions, national and international regulations, stakeholder expectations, changing market outlooks and emerging technologies. Details regarding the risk analysis of the companies operating in the non-finance sectors

are presented in the following sections. The preliminary analysis was conducted independently by a third-party, and these analyses are regularly updated according to evolving company strategies, employing the same methodology.

## Governance

Climate-related risks and opportunities are monitored and managed under the Carbon Transition Program. Details of the governance structure can be found in the **Sustainability Governance** section.

## Risk Management

Climate-related risks are overseen by the Risk Committee at the Board of Directors level. Details on risk management can be found in the **Risk Management** section.

## Strategy

At Koç Group, in order to achieve our low-carbon transition targets and devise a roadmap for transitioning to a low-carbon economy we launched the Carbon Transition Program. The Carbon Transition Program functions as our main strategy for climate-related subjects.

*Information on the Carbon Transition Program can be found in a separate section in this report. **Page 57***

# Climate-related Risks and Opportunities

## Scenario-Based Climate Risk Assessment

### Transition Risks

Transition risks are addressed under four different categories.

#### Policy Risk

Policy/regulatory risks include increases in carbon pricing, associated financial risks, and operational costs. Countries are expected to take greater action against the climate crisis as a result of rises in the carbon prices in the global emissions trading systems along with carbon and fuel taxes and other climate-driven pricing measures aligned with the Paris Agreement. While making these assessments, we took into consideration the variable rate of increase in carbon pricing in different countries and regions.

The analysis is based on three different climate action scenarios; potential additional costs that might arise as a result of the following three scenarios have been calculated for 2030, 2040 and 2050. The scenarios are based on research by Organisation for Economic Co-operation and Development (OECD) and International Energy Agency (IEA). The calculation of financial risks is based on current carbon pricing, future scenarios, the Group companies' GHG reduction targets and projected revenue. Possible

costs associated with Scope 1 and Scope 2 GHG emissions were presented within this scope. GHG reduction targets and projected revenue. Possible costs associated with Scope 1 and Scope 2 GHG emissions were presented within this scope.

#### Market risk

Market risks address the market-related effects on revenues. The impact of the climate crisis on the market and the risks and opportunities in products, commodities and services with regards to supply and demand are taken into account. This analysis considers the potential risks along the supply chain, and the financial risks that may arise as a result of disruptions and fluctuations in the raw material, commodity and carbon prices of Koç Group suppliers are analyzed on a sectoral basis.

Within the scope of the analysis, the supply chain of each Group company was mapped and categorized according to sectors. While categorizing, suppliers having the highest share in the purchasing budget of each company were identified, and EBITDA at risk for suppliers were determined in relation to the carbon pricing in the scenario limiting global warming to below 2°C. The sectors where these risks will be most common are respectively, electric utilities, metals and mining, oil, gas and fuels, chemistry and packaging.

Low carbon price scenario	Moderate carbon price scenario	High carbon price scenario
Assumes that Nationally Determined Contributions (NDC) are fully implemented, but the goals of the Paris Agreement remained elusive due to inadequate climate actions.	Relies on NDCs of the Organisation for Economic Co-operation and Development (OECD), International Energy Agency (IEA) and countries and assumes that despite inadequate climate action in the short-term, temperature rise is limited to 2°C by 2100 owing to the adequacy of actions taken in the medium and long-term.	Relies on OECD and IEA (2017) research and assumes that temperature rise is limited to 2°C by 2100 owing to adequate climate policies.

# Climate-related Risks and Opportunities

## ➤ ➤ ➤ Reputation Risk

Reputation risks address risks such as potential concerns and negative feedback from stakeholders in the event of inadequate climate action. In relation to these risks, the Group companies' sustainability strategies, their relevant sectors, their carbon intensity performance as compared to their sectors, and how the targets set overlaps with the Paris Agreement have been analyzed. The Koç Group companies were later classified under low, medium and high-risk categories.

## Technology Risks

For technology risks, we evaluated low-carbon products and services of Group companies, business areas that facilitate a low-carbon future based on the European Union Taxonomy, and investments made for low-carbon products, processes and services. It has been identified that Arçelik, Aygaz, Ford Otosan, Otokar and Tofaş have sustainable products, services or strategies that will enable the low-carbon transition.

In the energy sector, Tüpraş announced the Strategic Transformation Plan, its roadmap to transition to a low-

carbon economy including investments in sustainable products, services and strategies. Operating in the finance sector, Yapı Kredi provides financial solutions to climate change with its sustainable products and services. These strategies aim to reduce the impact of technology risks.

## Physical Risks

In physical risks, we assessed the impacts of climate-related indicators on assets depending on three different climate change scenarios. Among these indicators, we analyzed water stress, floods, cold and heat waves, hurricanes, fires and sea level rise.

We included 159 sites of 11 Group companies\* in the physical risk analysis. According to the moderate climate scenario, the risks with the highest impact are water stress, followed by heat and cold air waves. Flooding, sea level rise and hurricanes are the lowest physical risks. We conducted the assessments according to three different climate scenarios adopted by the Intergovernmental Panel on Climate Change (IPCC).

Low Climate Change Scenario (<2°C)	Moderate Climate Change Scenario (>2°C)	High Climate Change Scenario (>4°C)
Aggressive mitigation actions to halve emissions by 2050. This scenario is likely to result in warming of less than 2 degree Celsius by 2100.	Strong mitigation actions to reduce emissions to half of current levels by 2080. This scenario is more likely than not to result in warming in excess of 2 degrees Celsius by 2100.	Continuation of business as usual with emissions at current rates. This scenario is expected to result in warming in excess of 4 degrees Celsius by 2100.

\* Arçelik, Aygaz, Entek, Ford Otosan, Opet, Otokar, Otokoç, Tat Gıda, Tofaş, Tüpraş, TürkTraktör

# Climate-related Risks and Opportunities

## ► ► ► Opportunities

In order to better understand the climate-related opportunities, sectoral comparisons were made, and company-specific global best practices were examined. By integrating these outputs into its business strategy, Koç Group aims to have a leading role in the low-carbon economy and create opportunities by transforming its products and services.

### **Clean Technologies and Sustainable Products**

Clean technology and innovative sustainable products with high resource efficiency and low environmental impact play an important role in the transition to a low-carbon economy and offer a wide array of opportunities for the business world. Developed products and technologies support

the circular production systems, helping the Koç Group companies reduce their consumption of natural resources and emissions of greenhouse gases along their value chain.

We established a task force under the Koç Group Environmental Council to mitigate the impacts of products and services offered in various sectors, identify the low-carbon products in line with national and international standards and identify requirements and related reporting criteria.

To explore how Koç Group companies leverage technology and innovation to create sustainable products, visit the **“Technology and Innovation for Climate”** section.

# Climate-related Risks and Opportunities

## ► ► ► Metrics and Targets

In line with Koç Holding's commitment to becoming carbon-neutral by 2050 and the Carbon Transition Program, the Group companies are actively engaged in their low-carbon transition initiatives. A key focus is placed on the effective monitoring and reporting of greenhouse gas (GHG) emissions, as well as striving to reduce emissions to the greatest extent possible.

In line with our 2050 carbon neutrality target, we commit to reducing Scope 1 and Scope 2 greenhouse gas emissions by 27% in 2030 and by 49% in 2040 compared to the 2017 baseline year (7.8 million tCO<sub>2</sub>e). Scope 1 and Scope 2 greenhouse gas emissions totaled 6.73 million tCO<sub>2</sub>e in 2023.

A year-on reduction of 3,7% has been observed in Koç Holding's total Scope 1 and Scope 2 GHG emissions.

Emissions reduction and energy efficiency activities underway at the Group companies secured 14% reduction in the Group's emissions since 2017 baseline year in the 2050 carbon neutrality journey.

We aim to reduce our Scope 1 and Scope 2 greenhouse gas emissions by 27% in 2030 and 49% in 2040, compared to 2017 and become carbon-neutral by 2050.

GHG Emissions (tCO <sub>2</sub> e)*	2017**	2021	2022	2023
Scope 1 emissions	7,572,664	6,245,166	6,864,059	6,625,491
Scope 2 emissions*** (market-based)	129,471	127,516	127,838	109,877
Scope 1 and 2 emissions of the Group companies' subsidiaries	134,671	184,271	-****	-****
<b>Total Scope 1 and 2 emissions</b>	<b>7,836,806</b>	<b>6,556,953</b>	<b>6,991,897</b>	<b>6,735,368</b>
Emission Intensity***** (CO <sub>2</sub> e/million USD)	132	107	81	77

\* The Koç Group's consolidated Scope 1&2 emissions include emissions by Arçelik, Aygaz, Entek, Otokar, Otokoç, Tat Gıda (As of 19 February 2024, Koç Holding has sold all its shares), Tüpraş, Yapı Kredi companies. Koç Holding received a moderate level of assurance by British Standard Institution (BSI) in line with AA1000AS on its consolidated scope 1&2 emissions for 2017, 2021 and 2022.

\*\* 2017 is the baseline year for Koç Holding's Scope 1&2 emissions target.

\*\*\* Scope 2 emissions increased due to the modified boundary of GHG emissions inventory resulting from mergers and acquisitions of the Group companies.

\*\*\*\* For 2017 and 2021, we estimated the GHG emissions of the subsidiaries owned by our Group companies using EEIO factors. This estimation was presented in the third line as 'Total Scope 1&2 emissions of subsidiaries owned by Koç Group companies.' In 2022, we obtained accurate emissions data for the subsidiaries of our Group companies and included this data in the Scope 1 and Scope 2 categories, respectively presented in the first and second lines.

\*\*\*\*\* The decreased emission intensity is a result of the increase in combined revenues, as well as Scope 1&2 emissions reduced thanks to renewable energy and energy efficiency projects launched at the Group companies.

# Climate-related Risks and Opportunities

- ▶ ▶ ▶ As per the transparency principle that it intends to further increase continually, Koç Holding disclosed consolidated Scope 3 emissions for 2019, 2021, 2022, and 2023 under the Carbon Transition Program. The approach Koç Holding adopts to manage the emissions resulting from its operations and its value chain is addressed in the Transition Roadmap that entails sector-specific decarbonization strategies for different Koç Group companies. Accordingly, the energy industry plans its transition with a focus on well-balanced, diversified, and clean energy portfolio by manufacturing different types of energy such as zero-carbon electricity, green hydrogen, sustainable aviation

Emission Category* (tCO2e)	2019**	2021	2022
Scope 3 emissions	191,811,457	184,680,349	200,287,630

\* The Koç Group's consolidated Scope 3 emissions cover Scope 3 emissions of Arçelik, Aygaz, Entek, Otokar, Otokoç, Tüpraş, Yapı Kredi companies, and Scope 1, 2, 3 emissions of Ford Otosan, Opet Tofaş and TürkTraktör companies. In 2023, Koç Holding disclosed 204,144,503 tons of Scope 3 CO2e emissions, excluding the finance sector. Calculations for the finance sector's Scope 3 emissions for 2023 are currently underway, with Koç Holding's overall Scope 3 emissions expected to be disclosed in Q4 2024. The acquisition of new production facilities by our Group companies, along with an increase in use-phase emissions of the Group companies operating in the energy sector has resulted in an increase in Scope 3 emissions.

Update: 2023 Scope 3 Emissions calculation including the finance sector has been calculated as 217,757,869 tons.

\*\* 2019 is the initial year when Koç Holding's consolidated Scope 3 emissions started to be consolidated.

fuels, and biofuels within an integrated business model. The transition of the automotive sector relies on increased weight occupied by electric vehicles and vehicles that use alternative fuels in the product portfolio and the transformation of the supply chain.

For the consumer durables sector, low carbon transition entails production of energy-efficient products, reduction of emissions generated during use and transformation of the supply chain. The finance sector, on the other hand, targets to channel its capital to low-carbon initiatives and to transform its portfolio in line with clean energy investments.

	2021	2022	2023
Reduction through energy efficiency (million GJ)	2.19	1.71	1.81
GHG emissions reduced (000 tCO2e)	145	284	116

Energy Consumption (GJ)	2021	2022	2023
Net renewable energy consumption	1,920,530	2,413,434	2,818,505
Net non-renewable energy consumption	93,748,934	95,892,865	96,630,145
<b>Total</b>	<b>95,669,464</b>	<b>98,306,300</b>	<b>99,448,650</b>

# Technology and Innovation for Climate

## ► ► ► Technology for Climate

We strongly believe that the digital and green transitions reinforce each other. These two pillars prepare us for future needs and help gain competitive advantage. For more information on Koç Group's digital transformation strategy, please see [Digital Transformation Program](#).

At Koç Holding, we prioritize digital and sustainable production to ensure environmentally responsible manufacturing through the deployment of technology. Beyond our internal operations, we also extend our focus to our stakeholders and leverage technology for the climate adaptation of our value chain in the face of climate crisis.

### Fostering digital and sustainable production

To align with our carbon neutrality objective, our Group companies leverage the power of new technologies including artificial intelligence, machine learning, digital twin, data analytics, the internet of things (IoT), robotics,

and automation. By harnessing these technologies, they unlock the potential of solutions such as predictive forecasting, scenario modelling, anomaly detection, or simulation. This not only delivers substantial environmental benefits but also drives significant financial gains.

Moreover, our information technology company, KoçDigital is committed to developing technological solutions in such a way that will benefit the environment and communities. With the Green Intelligence Program, digital solutions are being developed to enable companies to manage their environmental impacts.

Three facilities from Koç Group companies have been acknowledged as Global Lighthouses by the World Economic Forum for their cutting-edge Industry 4.0 operations, including Arçelik's Ulmi and Eskişehir factories and Ford Otosan's Gölcük Factory.

## Arçelik's Sustainability Lighthouse Factory

► ► ► The washing machine plant in Ulmi, Romania, was recognized as member of the "Global Lighthouse Network", a prestigious community of manufacturers leading in Fourth Industrial Revolution technologies. Furthermore,

Arçelik's dedication to sustainable practices in water and energy management brought Ulmi washing machine plant a position among the World Economic Forum Global Lighthouse Network's 10 Sustainability Lighthouses.



# Technology and Innovation for Climate

Energy efficiency stands as a crucial pillar in our transition pathway. This involves identifying opportunities to reduce

energy consumption, optimizing production processes, and exploring new technologies to help us become more efficient.

## ► ► ► Tüpraş - Proactive Energy Platform

In optimizing energy consumption at refinery units, Tüpraş has implemented a digital energy twin through artificial intelligence algorithms. This initiative ensures the unit operates under the most efficient conditions by modeling optimal energy consumption.

The system calculates the optimal energy that should be consumed under relevant conditions, triggering technical teams to intervene and take precautions if it detects a negative discrepancy, all done through machine learning technology.

Tüpraş currently uses 1,875 data points to monitor, analyze and model energy efficiency.

**Technologies:** Machine Learning, Artificial Intelligence, Digital Twin

**Solution:** Forecasting/Predictive Insight, Scenario Modelling

**Scale:** Deployed at Scale

**Outcome:** Energy Efficiency, Operational Efficiency, Emission Reduction (Scope 1&2)

## ► ► ► Ford Otosan - Artificial Intelligence Tool Chain for Manufacturing

Artificial Intelligence Tool Chain for Manufacturing (AITOC) project is a EUREKA ITEA-supported initiative aiming to develop an integrated toolchain supporting decision-making from the early stages in manufacturing engineering. This comprises a digital twin, consisting of Internet of Things (IoT) devices capturing real-time data from machining tools on the manufacturing line. Additionally, it includes artificial intelligence and simulation models to optimize manufacturing parameters in real-time using this data. The digital twin aims to extend tool life and reduce energy costs for brake disc production, ultimately lowering

production expenses while developing a sustainable system that is both cost-effective and consumes less energy. This project stands out due to the collaboration of 28 partners from four countries, showcasing a significant international cooperative effort.

**Technologies:** Digital Twin, IoT, Artificial Intelligence

**Solution:** Forecasting/Predictive Insight, Anomaly Detection, Simulation

**Scale:** Pilot

**Outcome:** Cost Reduction, Operational Efficiency, Emission Reduction (Scope 1&2)

# Technology and Innovation for Climate

## ➤ ➤ ➤ Arçelik - Machine Learning Powered Smart Control System

Arçelik relies heavily on the sheet metal forming process, consuming 160,000 tons of sheet metal yearly across its plants. However, wide tolerance variations (+/-10%) in mechanical properties and thickness cause manufacturing consistency issues, leading to high scrap rates and excessive lubrication usage. Human adjustments for die settings further reduce efficiency by 15%. To tackle these challenges, a machine learning-driven smart control system was implemented at the Ankara Dishwasher Plant. This system utilizes sensing tech to detect part defects and employs feedback control algorithms to prevent failures. It features

advanced mold structures and data-driven forming twin technologies, enhancing process robustness and reducing scraps. This resulted in 560.000\$ annual cost saving, 75% scrap reduction, 60% energy saving, 50% reduction in chemical usage per year.

**Technologies:** Digital Twin, Machine Learning

**Solution:** Forecasting/Predictive Insight

**Scale:** Deployed at scale

**Outcome:** Productivity Gains, Cost Reduction, Energy Efficiency

### **Leveraging technology for climate adaptation of value chain**

As we're working towards our carbon neutrality goal and minimize our impact, it is equally important to lower dependence on natural resources. Climate change presents

significant physical risks, particularly with heightened water stress. At Koç Group, we proactively address this challenge through the development of innovative solutions for climate adaptation as well as mitigation. This strategic approach aims to enhance the resilience of our operations.

## ➤ ➤ ➤ Entek - AI-driven hydrology forecasting

Entek initiated a project aimed to increase energy production utilizing the same amount of water. The project integrates AI-driven hydrology forecasting into dam operations with machine learning and deep learning. The model considers 56 variables, including topographic trends and meteorological data such as temperature, snow depth, humidity, underground water levels and operational decisions from neighboring plants. The data used spans over the past 25 years, and this enhances

the prediction capabilities significantly. This resulted in 2.5% increase in energy generation productivity.

**Technologies:** Artificial Intelligence, Machine Learning

**Solution:** Forecasting/Predictive Insight

**Scale:** Deployed at scale

**Outcome:** Productivity Gains

# Technology and Innovation for Climate

- ➤ ➤ At Koç Holding, we aim to create shared value and a positive impact on society and our stakeholders. To achieve our objectives, we believe that it is essential to facilitate the transition of our ecosystem and provide support for adaptation to the impacts of climate change.

## ➤ ➤ ➤ TürkTraktör – Mobile Field App

As a Koç Group company, specialized in the production of tractors and agricultural equipment, TürkTraktör identifies the digitalization of agriculture as a key area of development to enhance value for farmers. The company has introduced the Mobile Field App in 2019, a digital platform designed to provide farmers utilizing the application customized weather information specific to their field locations. Application also delivers digital decision support regarding their agricultural activities. Furthermore, Mobile Field App conducts daily monitoring of crop health, providing guidance on irrigation, pesticide application, and tractor

usage. These insights not only assist in optimizing agricultural practices but also contribute to the enhancement of water, diesel, and pesticide consumption efficiency.

**Technologies:** Machine Learning, Image Processing

**Solution:** Forecasting/Predictive Insight, Sensors, and Imaging

**Scale:** Deployed at scale

**Outcome:** Operational Efficiency, Water Reduction, Cost Reduction

# Technology and Innovation for Climate

## ➤ ➤ ➤ Innovation for Climate

Research and Development (R&D) Capacity, Innovation Culture & Intrapreneurship and Open Innovation & Partnerships are high and medium material topics in the 2023 Materiality Analysis.

### A Culture of Innovation for Sustainable Solutions

Recognizing innovation as one of the cornerstones of sustainable development, there is a holistic approach in applying innovation and R&D as explained in the **Innovation and Research Development** section of this report. Koç Group's climate-focused innovation strategies drive tangible projects across its companies including reducing carbon emissions, increasing energy efficiency, and reducing use of freshwater. There are four prolonged

approaches: open innovation, intrapreneurship, R&D and fostering collaborations.

Open innovation enables Koç Group Companies to tap into external expertise and accelerate problem-solving, tackling pressing challenges related to climate change. Through active monitoring and startup scouting, open innovation is a way to extend business to pioneering ideas and applications.

Tüpraş is a leading example for open innovation and in September 2022 established Tüpraş Ventures for direct investment in start-ups with a strong focus in the energy transition.

## Tüpraş Ventures

➤ ➤ ➤ Tüpraş Ventures is a wholly owned subsidiary of Tüpraş, invests in, partners with, and supports startups in the field of energy transition solutions and solutions that contribute to sustainable production in line with the company's innovation focus areas in hydrogen, biofuel and synthetic fuels, and zero-carbon electricity. Company's primary geographic investment focus areas are North America and Europe.

Tüpraş Ventures has established a long-term cooperation with Emerald, one of the first venture capital firms to focus on

sustainable industrial innovation.

Tüpraş Ventures's investment portfolio includes longenics, develops energy efficient, safe and modular systems for green hydrogen production, Verdagy is working on anion exchange membrane (AEM) technology that aims to overcome the technical disadvantages of existing electrolysers, AIS Field, operating in the field of robotic solutions and carrying out tank bottom maintenance and Ionmr, developing revolutionary ion exchange membrane technology.

# Technology and Innovation for Climate

- ▶ ▶ ▶ Intrapreneurship empowers employees, nurturing creative thinking and allowing promising internal ideas to flourish. In line with the talent management strategies, Koç Group companies are actively fostering a culture of innovation. This includes investments in developing competencies critical for the future, equipping employees with the necessary skills and motivation to thrive as intrapreneurs and active contributors in the innovation ecosystem.

The importance attached to achieving growth driven by technology, R&D and innovation, is reflected in Koç Group

Companies' ongoing investments in R&D. Leveraging robust R&D capabilities, providing solutions that are both innovative and sustainable ensures competitive advantage and a positive impact.

Beko introduces innovation into every stage of its production. Sustainability is a core principle in their R&D, focusing on sustainable technologies. In line with Beko's goal of becoming a net-zero company across its entire value chain by 2050, its in-house R&D to develop greener products provides new solutions such as SaveWater.

## Beko - SaveWater

- ▶ ▶ ▶ SaveWater features a unique system where the tumble dryer collects clean water and channels it back into the washing machine for use in the next cycle. Similarly, the dishwasher reuses the final rinse water at the start of the subsequent wash. Together they save up to 7.8 liters of water, making a significant environmental impact over time. This smart, sustainable technology ensures that every drop of water is used efficiently, helping both households and the planet save water little by little, adding up to substantial savings. This smart technology not only benefits the environment but also fosters a culture of responsible water management.

The SaveWater feature in tumble dryer & washing machine couple ensures significant contribution to nature by providing a 10% water saving in each laundry cycle. It promotes sustainable water usage by reducing waste and enhancing resource efficiency. Furthermore, it highlights its commitment to sustainability by reclaiming up to 1000 liters of water annually. SaveWater dishwashers with remarkable efficiency, consuming a mere 6.9 litres per cycle for full load 16 place setting. Furthermore, it highlights its commitment to sustainability by reclaiming up to 1680 liters\* of water annually.

\* Compared to Beko 12.9L water consumption Dishwasher.

# Technology and Innovation for Climate

## ▶ ▶ ▶ Otokar - Hydrogen fuel cell powered public transportation bus

Otokar remains committed to ongoing innovation, striving to develop cutting-edge products and services that anticipate future needs. Otokar focuses on alternative fuel and electric, smart, autonomous vehicles and transportation solutions. The Fuel Cell (hydrogen fuel cell) powered

public transportation bus is an example of the latest technology applications. The hydrogen fuel vehicles represent a new trend in the sector as a sustainable solution for public transportation.

### Fostering collaboration

Koç Group companies support the wider innovation ecosystem to contribute carbon emissions reduction objective through fostering partnerships, knowledge sharing, and collaboration between academia, research

institutions, their own R&D capacity, and other innovators. The Hydrogen Technologies Center established at Koç University in collaboration with Koç Group companies is an example bringing academic research and industry expertise together for development of viable applications.

## Koç University Hydrogen Technologies Center (KUHyTech)

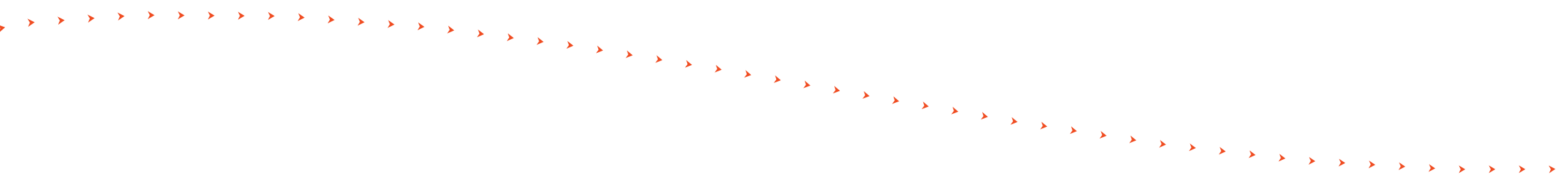
▶ ▶ ▶ In a significant move to address climate change, Koç University has established the Koç University Hydrogen Technologies Center (KUHyTech), dedicated to research, development, and commercialization of green hydrogen production, storage, transportation, and utilization. The center was established with contributions from Koç Group energy

and manufacturing companies Aygaz, Ford Otosan, Opet, Otokar, and Tüpraş. KUHyTech serves as a hub for innovative technologies in the field of green energy and is a prime example of university-industry collaboration that will generate value for society.

# A Step Forward for Climate Action

» » » At Koç Group, we address both direct and indirect factors that impact climate change. We focus on **waste, water, biodiversity, and product stewardship** performances in addition to our ongoing efforts in the Carbon Transition Program. As of 2022, we started strategically managing our impact on these areas.

Our Water Stewardship, Waste Management, Product Stewardship and Biodiversity Task Forces bring together experts from various Koç Group Companies and are led by the Head of the Koç Group Environmental Council. The task forces collaborate in order to develop a standardized approach for the effective management of our climate action efforts, and to seize opportunities in their areas. By harnessing the collective knowledge and experience of our experts, we ensure the dissemination of best practices throughout our Group Companies.



# Water Stewardship

- Due to climate change, there are increasing risks associated with water, making it a topic of critical concern for both societies and businesses. According to the Koç Group climate-related risk and opportunity analysis in which 159 sites belonging to 11 Group companies were examined, water stress was identified as the most severe physical risk in the context of a moderate climate scenario.

Water stewardship is also a top priority for our stakeholders. As a result of 2023 Materiality Analysis, water stewardship emerged as a new issue and became one of the high material topics.

Koç Holding Sustainability Unit establishes the strategy and direction for assessing, managing, and mitigating water related risks and opportunities. Updates on water related risks and progress is reported quarterly to the Board Of Directors' Risk Management Committee by Koç Holding Sustainability Coordinator. Water Stewardship Task Force is part of the Environmental Council, led by Koç Holding Sustainability Coordinator. The Task Force consists of members from consumer durables, energy and automotive sectors and ensures assessment of water risks and opportunities, tracks water related regulatory developments and coordinate the water management best practices' implementation across Koç Group Companies.

## Our Approach

Our vision is centered around fostering water stewardship by focusing on integrated basin management and collaborative engagement with our stakeholders. Our water management strategy revolves around the following:

- **Conducting Water Risk Assessments:** At Koç Group, we regularly assess basin risks using a scenario-based approach, identify high water-stress areas across all our sites, and report on physical risk exposure in TCFD disclosures.
- **Setting Targets and Increasing Water Efficiency, Reuse, and Recycling:** We improve water efficiency by implementing measures to reduce water consumption, promoting water reuse and recycling practices, including but not limited to rainwater harvesting, and using grey water for non-potable purposes.
- **Leveraging Technology:** We benefit from digital technologies such as AI and machine learning for more effective management of water resources. For more information on Entek's Hydrology and TürkTraktör's TarlamCepte projects, please see "**Tech & Innovation For Climate**".
- **Engaging and Collaborating with Stakeholders:** We recognize the importance of engaging and collaborating with stakeholders; including local communities, regulatory authorities and NGOs. This engagement fosters dialogue, knowledge-sharing, and joint efforts to address water-related issues.



## Water Stewardship

- ➤ ➤ As Koç Holding, we are a signatory to the CEO Water Mandate and a member of the New Endorsers Group, where signatories come together to share their knowledge and proven practices. Across the Group, we strive to use our water resources effectively throughout operations and the value chain with the products and services we produce. Arçelik is an endorser of CEO Water Mandate and Water Resilience target of Forward Faster Initiative. Tüpraş became the first Turkish industrial enterprise to become a member of Water Europe to further advance its water efficiency and wastewater reclamation efforts through international cooperation to become a part of the global water ecosystem.

In 2023, Water Stewardship Task Force conducted the basin based risk assessment using WRI's Aqueduct tool. The scope of the assessment included

54 facilities of 9 companies, with 39 located in Türkiye and 15 of them located outside Türkiye. The assessment was conducted for 2030, 2050 and 2080 projections for optimistic, usual, pessimistic scenarios. As a result, it was found out 78% of these operations lie in high and extremely high stress regions.

Among the Group Companies, Ford Otosan, Tofaş, and Arçelik have publicly disclosed targets to reduce freshwater withdrawal per vehicle/product.

On the way forward, we are planning to spread the existing best practices using technology as a leverage for effective management of water resources across the Group and develop new innovative practices for the sustainability of the basins for all stakeholders.

## ➤ ➤ ➤ Yapı Kredi Leasing becomes the first in Türkiye in the world of blue finance

Yapı Kredi Leasing, which has undertaken significant projects in sustainability within the leasing sector, stands among the pioneering companies globally in providing financing for water conservation. In this context, Yapı Kredi Leasing secured a three-year loan totaling \$120 million from the International Finance Corporation (IFC) to finance energy efficiency and water conservation. Yapı Kredi Leasing becomes the first in Türkiye and the one with the highest number of transactions in the world in blue finance.

Attracting the attention of international organizations with the steps it takes toward a sustainable future, Yapı Kredi Leasing was invited to the United Nations

Climate Change Conference held in Dubai in December 2023. As the company that provides the most blue funds worldwide, Yapı Kredi Leasing shared its experiences with international participants at the United Nations Climate Change Conference.

The pioneering position of Yapı Kredi Leasing in the field of sustainable finance is a reflection of Koç Holding and its subsidiary Yapı Kredi's sustainability vision. In the coming period, Yapı Kredi Leasing aims to continue its successful efforts in this field with determination, following the roadmap set by Koç Holding and Yapı Kredi.



# Water Stewardship

## Metrics

Water withdrawal in 2023 declined by 11% compared to 2022. Likewise surface water withdrawal in 2023 declined by 12% compared to 2022. Amount of reused/recycled water rose from 78.6 to ~80 million m<sup>3</sup> in 2023.

Water Withdrawal, Discharge and Consumption* (thousand m <sup>3</sup> )	2021	2022	2023
<b>Water Withdrawal</b>			
Surface water	14,923	17,478	15,389
Ground water	5,815	7,042	7,416
Municipal water	2,469	2,395	3,324
Treated urban wastewater and other sources	11,401	9,795	6,724
<b>Total water withdrawal</b>	<b>34,608</b>	<b>36,710</b>	<b>32,853</b>
<b>Water discharge</b>	<b>17,158</b>	<b>19,257</b>	<b>24,603</b>
<b>Water consumption</b>	<b>17,450</b>	<b>17,453</b>	<b>8,250</b>

\* Arçelik, Aygaz, Entek, Ford Otosan, Koç Sistem, Opet, Otokar, Otokoç, Tat Gıda, Tofaş, Tüpraş, TürkTraktör, YapıKredi

# Biodiversity

## ► ► ► Koç Holding assessed the dependencies and impacts on biodiversity among its Group Companies using a location-based approach.

As businesses rely on natural resources for raw materials, biodiversity plays a pivotal role in ensuring business continuity and resilience. The loss of biodiversity due to human activities poses significant risks to businesses, including supply chain disruptions, increased operational costs, and reputational damage. According to World Economic Forum Global Risks Report 2024, biodiversity loss and ecosystem collapse are among the top 4 risks over the next 10 years. Therefore, integrating biodiversity conservation into business practices is not only essential for environmental stewardship but also for ensuring long-term resilience and profitability.

As Koç Group, we actively started working on our group-wide impact on biodiversity and developing an approach for its management in 2022. As a result, Koç Holding Biodiversity Task Force was created in early 2023 and started analyzing both sectoral and location-based biodiversity risks of Koç Group Companies.

### Our Approach

Global biodiversity standards recommend companies to evaluate the impacts of their operations taking into account how their activities influence ecosystems and species, while also recognizing their reliance on healthy biodiversity for resources. Koç Holding assessed the dependencies and impacts on biodiversity among its Group Companies using a location-based approach. The scope included First\* Group Companies designated under Koç Holding's Carbon Transition Program and their 40 domestic and 15 international production facilities were covered.

Starting with sectoral inventories, the following tools were utilized.

- Science Based Targets for Nature (SBT-N) Materiality Screening Tool: ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure)
- WWF - Biodiversity Risk Filter

Subsequently, impact and dependencies on species inventories and biodiversity areas were evaluated using the following public tools:

- Integrated Biodiversity Assessment Tool (IBAT)
- Noah's Ark Biodiversity Database by The Ministry of Agriculture and Forestry
- KBAs ([keybiodiversityareas.org](http://keybiodiversityareas.org))

\* First Group Companies that have manufacturing, filling, and/or refinery facilities. (Arçelik, Aygaz, Entek, Ford Otosan, Opet, Otokar, Tofaş, Tüpraş, TürkTraktör)

# Biodiversity

## ► ► ► Sectoral Impacts

As a first step, a study on the impact of the sectors in which we operate was conducted. The main and ancillary activities of group companies were identified using the ISIC (International Standard Industrial Classification of All Economic Activities) database. Our biodiversity task force selected sectors relevant to our production activities and evaluated them in terms of significance and impact scores in five main areas, as determined by the Science Based Targets for Nature (SBT-N). Through this analysis, we identified our Group Companies' activities with the highest risk scores and mapped our major hotspots in terms of sectoral relevance to topics. As a result, we found out the following:

- All sectors (consumer durables, energy, automotive) have very high impact relationship with climate change.
- While energy sector has very high impact on resource use, consumer durables and automotive sectors have high impact on resource use.
- Electricity generation sector has very high impact on land/water/sea use change and high impact on water & soil pollutants.
- Other companies in the energy sector has high impact on terrestrial use.
- In general, our sectors of operation have medium impact on Pollution (Water Pollutants, soil pollutants, solid waste) and Invasives (disturbances, biological alterations)

## Sectoral Dependencies

After identifying the sectors with the highest impact on biodiversity, the dependency of our Group Companies' activities on biodiversity, species and natural preservation areas were analyzed using the WWF Biodiversity Risk Filter.

Key findings are as follows:

- All sectors except transportation services have high dependency on Pollution.
- Transportation services sector has high dependency on landslides and tropical cyclones, while the rest have medium dependency.
- Electric and Energy Production sector has high dependency on water scarcity, while all the rest have medium dependency.
- Electric and Energy Production, Transportation Services, and Oil & Gas sectors are highly dependent on land, freshwater and sea use change, protected / conserved areas, and indigenous people.
- Transportation Services and Oil & Gas sectors are additionally highly dependent on tree cover loss.

# Biodiversity

## ► ► ► Assessment of species and biodiversity areas

Finally, risks posed by Koç Holding's facilities to ecosystem types and protected areas in their respective locations were analyzed using the Integrated Biodiversity Assessment Tool (IBAT) tool and their significance levels were highlighted. The resulting report from IBAT encompassed all identified flora and fauna species within a 50 km radius of each facility, as well as the number of protected or significant biodiversity areas in proximity to our facilities categorizing them based on their risk levels according to the International Union for Conservation of Nature and Natural Resources (IUCN) Red List classifications.

As a result of the assessment, our key findings are as follows:

- 10 out of 51 facilities were found to be within a 50 km radius of at least one protected area, with 16 critically endangered species and 55 protected areas identified in their vicinity.
- All of the Koç Group facilities that were assessed are located within 50 km of three or more Critically Endangered and Endangered species.
- 20 of our facilities are within 50 km of 100 or more species listed in the IUCN Red List.
- Three of our facilities are within 50 km of multiple conservation areas.
- None of our facilities are within 50 km of Regional Seas, MAB (Man and the Biosphere Programme), or World Heritage sites.

- All of our facilities except one are within 50 km of Key Biodiversity Areas.
- All of our facilities except one are not within 50 km of any Alliance For Zero Extinction Sites.

After defining our impact and dependencies, our next actions involve creating a comprehensive strategy for minimizing our impact on ecosystems taking into account globally accepted frameworks, prioritizing specific locations for biodiversity conservation efforts, and working together with stakeholders to encourage sustainable practices throughout our operations.

Across the Group Companies, Arçelik aims to improve its biodiversity footprint towards No Net Loss as of 2050 especially in areas in close proximity to key biodiversity protected areas. Ford Otosan has published its Biodiversity Strategy in 2023 and Tüpraş, in line with its Biodiversity Guidelines created in 2021, began monitoring its biodiversity impacts through the Sustainability Committee's Valuing Life Task Force, utilizing tools such as the SBT-N Materiality Tool and IBAT.

Moving forward, we remain dedicated to continually monitoring and improving our environmental performance to ensure the long-term health and resilience of ecosystems within and around our facilities.

# Product Stewardship

- Sustainability is integrated into new product and service development processes along the value chain throughout all lifecycle stages:

Product stewardship is particularly important for the Koç Group as it is critical to mitigate Scope 3 emissions.

Our approach encompasses the entire life cycle of products, from cradle to grave, allowing us to effectively manage emissions across the value chain while gaining a competitive advantage.

Product Stewardship Task Force is part of the Environmental Council, led by Koç Holding Sustainability Coordinator. The Task Force consists of members from consumer durables, energy and automotive sectors.

Our Product Stewardship Task Force's main focus areas include the environmental impacts of product and process design, life cycle assessment, end-of-life product responsibility, resource efficiency during product use, and industrial symbiosis.



\* For more information, you may refer to pages 64-80 of [Arçelik Sustainability Report 2022](#) and pages 99-105 of [Ford Otosan 2023 Integrated Annual Report](#)

# Product Stewardship

## ► ► ► Design

We address sustainable product design by reducing the weight of products to the extent possible, increasing the percentage of recycled and bio-based materials, recovering reusable elements from end-of-life vehicles, and choosing materials or components with lower environmental impact.

While recycled fishnets, recycled PET bottles, bio-composite materials end-of-life tires have been used in products so far, in the heavy commercial vehicle group, trials are in progress for sustainable plastics reinforced with natural fibers and additives such as recycled, biobased jute, rice and nut shells.

Through recycled plastic use and material reduction efforts within automotive and consumer durables sectors, 6,256 tons of CO<sub>2</sub> emissions were avoided in 2023. A total of 16,543 tons of recycled plastics were used at Arçelik in 2023.

### Operations & Manufacturing

We address sustainable operations and product manufacturing through resource & energy efficiency and making use of digital transformation where possible.

**Case in Practice:** In line with this approach, Arçelik develops a Digital Twin to enhance its efforts of digitalizing

manufacturing processes. Arçelik collaborated with the Simularge start-up for modeling the thermoforming process, which produces the refrigerator's inner body, resulting in the creation of a digital twin. This digital twin optimizes process parameters to prevent potential quality errors with a closed-loop feedback algorithm. Implemented in the Eskişehir Refrigerator Facility 6 in 2021, the project was expanded to the Refrigerator Plant in Manisa and to the Dishwasher Plant in Ankara in 2022 and in one more line in Eskişehir in 2023. In 2023, a 22.54% energy saving was achieved in the Bitumen oven line of the Dishwasher Plant in Ankara.

### Distribution, Storage and Transportation

We address product stewardship during distribution and transportation phase by reducing the amount of packaging to the extent possible and/or expanding the use of sustainable materials, and through circular applications such as reusing pallets to minimize waste and reduce transportation related emissions.

**Case in Practice:** Aygaz discontinued the use of plastic bubble wrap as filler for the e-commerce shipments of its camping and gas equipment. Instead, the company began using the scrap cardboard waste that was upcycled as filler packaging, which led to both environmental and financial benefits.

# Product Stewardship

## ► ► ► Use Phase: energy/water/material savings and increased product durability

We work on minimizing the environmental impact (e.g. energy, emissions, water) during the use of sold products through increasing the durability, repairability and reusability of our products. In addition, energy- and water-efficient products is the focus for consumer durables sector while electrification and hydrogen technologies is the focus for automotive sector.

**Case in Practice:** Ford Otosan and Otokar are working on hydrogen powered vehicles in this respect. At Ford Otosan, 4.7% of revenues was obtained from sustainable products and services\* as of 2023.

**Case in Practice:** Arçelik's low-impact products include solar fridges, low-water impact tumble dryer, washing machine and dishwasher, products with heat pump technology, fiber catcher technology and selfdry and autodose functions. In 2023, 62.4% of Arçelik's revenue was obtained from low carbon products\*\* and 363,090 tonnes of CO<sub>2</sub>e emissions were avoided.

### End of Life Responsibility and Management

At the end of the lifecycle, our Group Companies within the automotive sector work on improving the overall lifecycle management of batteries, such as increasing the ratio

of end-of-life batteries recycled in production processes through cost-effective disassembly and remanufacturing processes. Working on the circularity of the precious metals with high carbon intensity is another focus area.

Reusing/recycling products and parts along with structured take-back programs are other ways to properly manage the end of lifecycle. Across the Group, Arçelik and Aygaz implement take back systems.

**Case in Practice:** Arçelik established two Waste Electrical and Electronic Equipment (WEEE) Recycling Plants in Türkiye since 2014, being the only home appliance manufacturer in Europe to have its own WEEE Recycling Plants. With the take-back campaigns, the old products are taken to WEEE recycling plants to be dismantled, granulated and sold as raw material to recyclers. Since 2014 until the end of 2023, through the take-back system, 8,6 million tonnes of water and 240,000 tons of CO<sub>2</sub> emissions were avoided.

**Case in Practice:** Aygaz implements a refill system for the gas cylinders, as part of which hot or cold repair is executed and the scrap gas cylinders are sent to licensed recovery facilities. As a result, Aygaz was able to achieve a cost saving of approximately 157K USD.

\* At Ford Otosan, a sustainable vehicle is an environmentally friendly mode of transportation designed to minimize its negative impact on the environment. These vehicles produce fewer emissions, use less energy, and often run on alternative power sources like electricity, hydrogen, or biofuels. They promote energy efficiency, reduced pollution, and a lower carbon footprint compared to conventional vehicles.

\*\* At Arçelik, a low carbon product has been defined as products that use less raw materials, recycled raw materials and consume less energy and water than the lowest allowable energy and water efficiency classes.



# Product Stewardship

## Partnerships as Enablers

Locally and internationally funded research projects as well as collaborations with universities are important enablers in catalyzing our product stewardship efforts.

Koç Group has been a long-standing partner and coordinator in EU-funded Horizon Europe. Ford Otosan completed the Horizon 2020 program with 20 projects and Euro 7.73 million funding in total, becoming this program's highest funded industrial company in Türkiye, whereas Arçelik, - with this 22 eligible projects -, completed the program with the highest number of

projects from the private sector in Türkiye. Arçelik, Ford Otosan and Tüpraş will continue to participate in the next Horizon Europe period planned through 2027, with a particular focus on fuel consumption reduction, alternative fuel integration, AI powered platforms, bio-based materials, clean hydrogen and renewable fuels.

Koç Group Companies also collaborate with Koç University in light of the evolving sustainable business needs. For more details on Koç University Hydrogen Technologies Center, please see **Innovation For Climate**

## Ford Otosan is the first within the global Ford Motor Company system to build an Energy Storage System from scrap batteries

In 2023, Ford Otosan implemented its new innovation project: FO&US. Being a first for the Ford Otosan and Ford Motor Company facilities, FO&US aims to contribute to company's circular economy goals by re-purposing production scrap and post-consumer electric vehicle batteries in energy storage systems (ESS). With the purpose of building an integrated value chain for electric vehicle batteries, Ford Otosan's scrap modules are reused to build an Energy Storage System (ESS).

The first prototype has been installed at an AC charging station at the Kocaeli Plant in February and was announced with 2023 Integrated Annual Report of the company. In this implementation, 18 E-Transit battery modules were reused, building an ESS system with a usable capacity of 113.8 kWh and a total capacity of 142.2kWh. By applying circular economy techniques in passenger cars and commercial vehicles, waste minimization along with emissions reduction were achieved.



# Product Stewardship

## Life Cycle Assessment

We benefit from Life Cycle Assessments as a leverage and work on expanding the coverage across the Group. As of

2023, Tüpraş and Aygaz within energy sector; Ford Otosan and Otokar within automotive; and Arçelik within consumer durables sector conduct LCAs.

	%of total products covered by LCA	Full or Simplified LCAs	Methodologies Used	Value Chain Stages Covered	Type of Products Covered
<b>Arçelik</b>	19.4%	Full	ISO 14040 CML IPCC	<ul style="list-style-type: none"> <li>Raw Material</li> <li>Upstream logistics</li> <li>Production</li> <li>Downstream Logistics</li> <li>Use Phase</li> <li>End of Life</li> </ul>	<ul style="list-style-type: none"> <li>Finished product</li> <li>Semi-finished</li> <li>Process</li> </ul>
<b>Ford Otosan</b>	95.6% 4.4%	Full Simplified	ISO 14040 CML IPCC	All Stages Covered	<ul style="list-style-type: none"> <li>Finished product</li> <li>Semi-finished</li> <li>Spare Parts</li> <li>Process</li> </ul>
<b>Otokar</b>	N.A	Full	ISO 14040/44	<ul style="list-style-type: none"> <li>Raw Material</li> <li>Upstream logistics</li> <li>Production</li> <li>Downstream Logistics</li> <li>Use Phase</li> <li>End of Life</li> </ul>	<ul style="list-style-type: none"> <li>Finished product</li> </ul>
<b>Aygaz</b>	33%	Full	ISO 14040 CML	<ul style="list-style-type: none"> <li>Raw Material</li> <li>Procurement</li> <li>Upstream logistics</li> <li>Production</li> <li>Downstream Logistics</li> </ul>	<ul style="list-style-type: none"> <li>Finished product</li> </ul>
<b>Tüpraş</b>	N.A	Simplified	RECIPE	<ul style="list-style-type: none"> <li>Production</li> </ul>	<ul style="list-style-type: none"> <li>Process</li> </ul> <p>For more information on Tüpraş's LCA approach, please visit <a href="#">Tüpraş 2023 Integrated Annual Report</a>, page 137.</p>

# Waste Management

▶ ▶ ▶ We believe that effective waste management is crucial for product stewardship and achieving a low carbon economy.

Waste Management Task Force is part of the Environmental Council, led by Koç Holding Sustainability Coordinator. The Task Force consists of members from consumer durables, energy and automotive, finance and tourism sectors and ensures assessment of waste risks and opportunities, tracks waste related regulatory developments and coordinate the waste management best practices' implementation across Koç Group Companies.

## Our Approach

In order to minimize waste, our Group companies focus on reuse and recycling wherever feasible. To guide our efforts, we have adopted the Waste Management Hierarchy Model by Zero Waste Europe, which enables us to adopt a holistic approach from product design to waste disposal.

The Koç Group aims to manage waste through reducing it at source and continuously increase its recycling and reuse rate.

In 2022, the Waste Management Task Force updated the Group-wide waste performance indicators. Furthermore, a SWOT analysis to identify the risks and opportunities in waste management was conducted, which covered topics such as waste disposal and recycling, as well as relevant regulations.

# Waste Management

## Metrics

As a result of the waste management efforts, total waste reused/recycled waste rose from 290K tons to ~370K tons in 2023.

Waste by Type (tons) *	2021	2022	2023
Recovered and recycled hazardous waste (R code)	57,753	28,072	40,298
Recovered and recycled non-hazardous waste (R code)	317,917	262,411	328,680
Hazardous waste disposed (D code)	4,362	4,925	15,066
Non-hazardous waste disposed (D code)	6,639	6,375	12,675
Total waste recycled/reused	375,670	290,813	368,978
Total waste disposed	11,001	11,301	27,741
<b>Total</b>	<b>386,671</b>	<b>302,114</b>	<b>396,719</b>

\* All calculations are made in line with the Waste Management Regulation.

### Our Partnership with the Business Plastics Initiative

Koç Holding is a signatory to the Business Plastics Initiative, established in partnership with Global Compact Türkiye, Business Council on Sustainable Development Türkiye and TÜSİAD, to encourage concrete actions of the private sector towards preventing plastic pollution, which is a threat to human

and environmental health. Additionally, it seeks to increase collaboration and provide advocacy.

Koç Holding committed to ending single-use plastics consumption among employees. As of end of 2023, Koç Holding achieved its target.



Strengthen communities  
Together

# Strengthen communities. Together

The Koç Group believes that a strong and stable society structure is the most fundamental factor for success in the business world. From this point of view, it has pioneered a wide array of social investments over the years and focused on large-scale programs to make a difference in the society. The effectiveness and scalability of social investments is central in the implementation of the “Lead. Together” strategy. In this context, the **Koç Group Community Investment Policy** has been prepared to develop social investments within the framework of common principles. While making community investments, in line with the policy, Koç Group companies consider the following:

- whether the relevant Community Investment is compatible with the priorities and needs of the regions where business activities are carried out,
- providing a clear connection between Community Investment activities and business strategy,
- establishing strong partnerships with civil society organizations, international organizations, universities, or individuals in order to put forward applicable solutions,
- ensuring that the objective and results of the Community Investments are measurable and scalable by design, and the results have the potential to be disseminated across other businesses and regions and
- ensuring that they are aligned with social and environmental goals, as mentioned in the UN Sustainable Development Goals.

Through our community investments, we aim to create sustainable, scalable and replicable models for lasting impact in the five focus areas of “Lead. Together” - digital

transformation, innovation, future talent, diversity & inclusion and low-carbon transition. We focus on the societal effects of complex issues material to Koç Group and collaborate 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 society and our business.

In this direction, we have focused on the impact of rapid advances in technology on society in recent years, particularly in line with the Group’s agenda on digital transformation and innovation. Rapid changes in technology raise opposing scenarios for the future. On one hand, there may be a future which is fairer, more equal, inclusive and where everyone lives in prosperity; in the converse scenario, there may be further widening in the gap between countries, regions and societies. In order to reach the SDGs, it is imperative that all stakeholders are aware of these different scenarios and act together to ensure the positive scenario is realized.

We aim to take maximum advantage of the opportunities offered by digital technologies. In this context, besides transforming the Group’s business, it attaches importance to creating a rippling impact on the whole society, starting with employees, distributors and suppliers; the Group conducts studies to contribute to the strengthening of all those it can reach with technology, by adapting to change.

In 2021, Koç Holding became one of the Action Coalition Leaders on Technology and Innovation of the Generation Equality Forum that steers UN Women’s gender equality initiatives.



# The Generation Equality Forum

## Action Coalition on Technology and Innovation for Gender Equality

- ▶ ▶ ▶ Koç Holding is one of the leaders of the Generation Equality Forum, which is established by UN Women in 2021 and which steers the gender equality initiatives based on a 5-year action agenda.

Taking place among the Action Coalition Leaders on Technology and Innovation in this context, we have assumed another major mission towards ensuring gender equality on a global scale after the HeForShe initiative.

The Generation Equality Forum, is a global, multi-stakeholder initiative coordinated by UN Women, brings together civil society, governments, international organizations and the business world for gender equality.

Through the Generation Equality Forum, UN Women aims to accelerate progress for gender equality before 2030 in line with the vision set forth in the Beijing Declaration and Platform for Action.

Led by Koç Holding, the Action Coalition works on transformative steps and projects in technology and innovation for eradicating the obstacles to gender equality. In addition, the roadmap and five-year goals were set for global roll out. Koç Holding announced three commitments in this context:

- **To develop a global blue print that can be used to ensure that innovation efforts are responsive to gender:** To fulfill this commitment, Gender Transformative Innovation **(GenderxInnovation) guide** was prepared, the product of a collaborative effort of private sector and civil society organizations that are members of the Action Coalition on Technology and Innovation for Gender Equality of the Generation Equality Forum with the engagement of the Koç Group innovation leaders.
- **To endorse Koç Group Companies to carry their ongoing**

**projects and future-oriented plans towards women and girls in technology and innovation into the global network of the UN Women Generation Equality Forum, and to become global commitment makers for solutions:** To fulfill

this commitment, eight Koç Group companies capable of influencing their respective sectors, namely Aygaz, Arçelik, Ford Otosan, Koçfinans, Tofaş, Tüpraş, TürkTraktör and Yapı Kredi, announced their commitments globally within the scope of the UN Women's Generation Equality Forum.

Over 30 programs are being implemented to reach out to a total of 500,000 women and girls and to increase the representation of women in technology and innovation by 2026. In addition, the commitment maker companies committed to set minimum targets of 30% women representation in their technology and innovation departments focusing on the fields of science, technology, engineering, and mathematics (STEM). (The exact ratios of the commitment maker companies are covered in detail in [page 120](#))

- **To support the women innovators to narrow the gender gap in technology and innovation:** To fulfill this commitment, nine women-led startups have been supported under the regional BOOST program, a joint initiative of UNDP and Koç Holding, and implemented in partnership with Koç University Entrepreneurship Research Center (KWORKS) between 2021 and 2023. In 2023, support was extended to four new startups in cooperation with KWORKS. Under the program, women entrepreneurs received leadership, business development, impact and behavioral insight, mentoring and grant support. While one participating innovator received a grant, investor presentation preparations have been completed for all participants and investor meetings have been organized. Work is ongoing to scale up learnings and experiences from the program across regional and global innovation ecosystems.

## Aftermath of Earthquake: Hope Cities

- ➤ ➤ After the Kahramanmaraş earthquakes that struck the Southeastern Region of Türkiye on 6 February 2023, Koç Holding carried out its relief efforts in coordination with the relevant public authorities from the first day.

531 trained and equipped employees of the Koç Group that took part in the search and rescue efforts saved 117

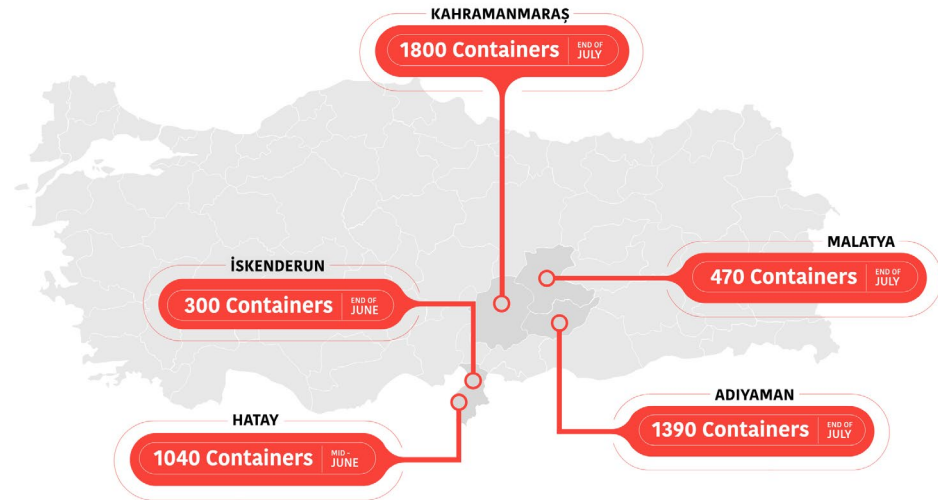
citizens from under the rubble and provided aid to the region to fulfill the needs for sheltering, fuel, heating, food, clothing and hygienic necessities.

We centrally followed up the health conditions of its employees by administering "Status Reporting Surveys" and calls, and made the necessary arrangements for moving its employees and their families affected by the earthquake to safe cities to stay.



## Hope Cities

Container Homes  
hosting **5,000 families**



In coordination with  
**AFAD**



# Aftermath of Earthquake: Hope Cities

- ▶ ▶ ▶ In coordination with AFAD (Disaster and Emergency Management Authority), Koç Holding and the Group companies has established the Hope Cities consisting of 5,000 container houses in Adiyaman, Hatay, İskenderun, Kahramanmaraş and Malatya.

Established with the aim of contributing to long-term recovery after the earthquake, Hope Cities include accessible and inclusive social units that are responsive to gender equality, prioritize the needs of children and youth, and strengthen employment and economic participation. These social units operate in cooperation with public institutions, civil society organizations, and national and international organizations.

## **Uninterrupted Education and Support Activities for Youth and Children**

Schools established within Hope Cities, provide students with the opportunity to continue their education without interruption. In addition to schools, there are also educational units and activity areas that offer creative learning and motivational support to help children attain 21st century skills. There are specially designed container classrooms for children with autism in schools located in 3 cities.

In each Hope City, modern and technological settings have been created with specially equipped classrooms enabling

students to take “Technology Design” classes in line with the curriculum. In these specially designed classrooms, students have access to an educational environment where they can explore their interest in technology while also taking their classes in accordance with their respective curricula. Libraries, also serve the residents of Hope Cities wishing to spend a beneficial and quality time. Youth centers offer psychosocial support service and various activities for children and young people.

Group work, art and drama activities, family education sessions and psychological support groups are organized at these centers to contribute to the emotional and social development of children and discover their potential.

## **Sports Schools**

The sports schools and fields established by KTSK (Koç Group Sports Club) in football, basketball, volleyball and athletics branches have enabled young people and children living in Hope Cities to discover their own talents and participate in sports activities. Approximately 800 young people continue to have access to sports activities and equipment support through the sports schools located in four Hope Cities. 16 trainers working across 4 disciplines branches provide a total of 36 hours of sports training per week. In addition to the regular training provided at the sports schools, special events, national holiday celebrations, and tournament participations are continuing to take place.

# Aftermath of Earthquake: Hope Cities

## ► ► ► Vehbi Koç Foundation

Vehbi Koç Foundation provides comprehensive support for the physical, mental, emotional, and social development of children and young people living in Hope Cities. In addition to providing educational materials and psychosocial support activities to thousands of students in Hope Cities, Vehbi Koç Foundation also provides scholarship opportunities to more than 250 high school students and tutoring opportunities to more than 350 young people preparing for exams.

With support from Vehbi Koç Foundation, the Turkish Education Volunteers Foundation has implemented Vehbi Koç Foundation TEGV Learning Units in three Hope Cities. Contributions were made to the establishment of My Future Dream Centers, which operate for young people in three Hope Cities, in collaboration with Ford Otosan and SKYÇD (Innovative Solutions for Sustainable Development Association).

In addition to the initiatives targeting young people, Vehbi Koç Foundation, in collaboration with Koç University, launched the Community Health Volunteers Project to raise awareness of community health among residents of Hope Cities.

Vehbi Koç Foundation continues its work in coordination with Koç Group Companies and civil society organizations at Vehbi Koç Foundation Coordination Centers located in Hope Cities.

### **Koç Volunteers Movement**

Koç Volunteers Movement facilitated significant support by enabling the participation of Koç Group employees in activities in earthquake-affected areas and Hope Cities. More than 1000 employees from 46 Group companies took part in volunteering activities and various projects were carried out in Hope Cities.

The activities organized spanned a wide range from guidance seminars prior to central exams to welcoming events and to the activities of the drama clubs of the Group companies. Koç Volunteers continue volunteering to support the social life in Hope Cities.

### **Women's Solidarity Centers and Employment Opportunities**

Women's Solidarity Centers operating in partnership with UN Women and civil society organizations incorporate spaces such as textile and cooking workshops to increase women's participation in the economy and help them build on their existing skills. These centers also offer counseling and training services to support women's recovery processes. Women have the opportunity to generate income by improving their existing skills in the workshops at the centers.

Call Centers established by Group companies provide the opportunity to work and to build a career while living in Hope Cities. The establishment of customer service centers in Hope Cities has enabled many young people affected by the earthquake to go through the application and training process and secure full-time employment.

Hope Cities offer not just temporary settlement but also employment opportunities, thus providing time for individuals' empowerment.

While Hope Cities is an example of rapid urban planning to meet post-disaster housing needs, it has also been a project involving planning, procurement, purchasing, logistics, operations, coordination, partnerships, and the contributions of thousands of employees through the Koç Volunteers Movement.

# Aftermath of Earthquake: Hope Cities



# Sustainability Foundations

- ➤ ➤ Ethics, compliance and governance are key issues which underpin all our activities, wherever we operate, and act as the foundations of our business success.

## Corporate Governance

Robust corporate governance has always been of utmost importance for Koç Holding's long-term success.

Koç Holding Board of Directors (BoD) manages and represents the Company through its strategic decisions, taking into consideration particularly long-term interests in light of keeping the Company's risk-growth-profits balance at the most appropriate level through a rational and cautious risk management approach. Our BoD determines Koç Holding's strategic goals, identifies the human and financial resources needed to achieve them, and oversees the performance of management and the BoD, through quarterly strategic meetings. For more information on Corporate Governance, please see [2023 Annual Report pg. 342-356](#).

## Board Structure

For detailed information on Board structure, activities and committees, please see [2023 Annual Report p.174-183](#).

Additional information on Board evaluation and election can be found below.

The Board of Directors consists of 12 members (11 non-executive and 1 executive member being the CEO Levent Çakıroğlu) in accordance with the definition made in the CMB Corporate Governance Principles. Non-independent members compose 67% of the Board. As of end of 2023, there are four women and Koç Holding aims to keep the ratio of the women in the Board of Directors at least 30% at all times.

At Koç Holding, the Board makes a self-assessment regarding its performance on an annual basis. As such, in 2023, the board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.

According to Article 11.2 of the Koç Holding Articles of Association; members of the Board of Directors can be elected for a maximum term of three years and any Director whose term of office is over may be re-elected. However, the three-year duration stated in the articles of association indicates the maximum allowance, in practice for many years the elections are made on an annual basis, i.e. for a term of only one year. As such, all Board Members on duty in 2023 were elected for one year at the General Assembly dated 22 March 2023 to serve until the General Assembly where the operations of 2023 were discussed.

# Sustainability Foundations

## ➤ ➤ ➤ Ethics and Compliance

Koç Group's portfolio and its growing geographical span require compliance with numerous local and international rules and regulations. Considering our engagement with a wide network of stakeholders, it is also crucial to earn our stakeholders' trust with high ethical standards in our business.

Our Compliance Program launched in 2021, sets out the rules, policies, and procedures which are the building blocks of our high compliance standards. With the Program, we aim to respond more effectively to our stakeholder expectations at local and international levels, monitor compliance risks more systematically, and carry out with the motto of "We do the right thing!". The Compliance Policy is prepared to establish a customized, comprehensive and effective compliance framework for Koç Group, and to demonstrate Koç Group's commitment to compliance with laws and regulations, internal policies, good corporate governance practices and ethical rules. The Koç Group Code of Ethics and other compliance policies including Sanctions and Export Controls, Anti-Bribery and Corruption, Prevention of Laundering the Proceeds of Crime, Financing of Terrorism and Weapons of Mass Destruction, Supply Chain Compliance, Human Rights, Personal Data Protection, Gifts and Entertainment, Whistleblowing, Donations, and Sponsorships, are intended to serve as a guide for all the Koç Group companies, employees, those acting on behalf of the Group and our business partners.

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

Koç Group's liabilities under the Compliance Program are not restricted solely to compliance with mandatory regulations or contractual obligations; it also covers compliance with third party contracts, organizational standards such as policies and

procedures undertaken by the Koç Group or those that are voluntarily assumed.

Koç Holding Legal and Compliance Department monitors the compliance activities carried out throughout the Koç Group. In this way, we aim to identify the compliance risks that may affect the Group, take necessary measures, and implement the Compliance Program in an effective, equal, and consistent manner throughout the Group.

As a part of the Program, supported by the senior management of Koç Holding and Koç Group companies, departments and officers responsible for compliance were appointed. These individuals, together with their business units, are responsible for periodically conducting compliance risk assessments for relevant normative domains and analyzing the specific compliance risk exposure of activities, employees, and/or business partners. After these assessments are completed, if necessary, existing policies and procedures are revised and/or additional policies and procedures are prepared and adopted by Group companies. Documents and workflows are updated, and compliance trainings are provided regularly on issues with high risk. Tailor made compliance reviews and analysis take into account Koç Group's fingerprint. This includes, but is not limited to, its own characteristics, complexity, risks, risk appetite, governance, business lines, products and services, the industry sector, market competitiveness, regulatory landscape, potential customers and business partners. Additionally, it considers transactions with foreign governments, payments to foreign governments, use of third parties, gifts, travel and entertainment expenses, and charitable contributions.

Reports and results related to the Compliance Program are regularly reported to the Risk Management Committee.

# Sustainability Foundations

Any non-compliance with the Code of Ethics and Compliance Policies can be reported to Koç Group Ethics Hotline (koc.com.tr/hotline). Koç Group Ethics Hotline is available in more than 50 countries, in 34 languages online and in 19 languages via phone to all Koç Group companies' employees, business partners, and other stakeholders around the world. Ethics Hotline is managed by an independent third-party that allows anonymous reporting. The Group's employees and stakeholders are protected against potential retaliation in connection with their reports.

In 2023, a total of 1.434\* cases were reported to the Ethics Hotline. Of these raised issues, as of April 2024, 1.375 of them have been reviewed and/or investigated. The breakdown of the raised issues and the outcome of the reviews/investigations are as follows:

Issues Raised by Type**	
Unfair Practices Against Employees	806
Acts Against the Interest of the Company	388
Non-compliance Actions of Business Partners	163
Regulatory Breaches	77

Outcome of Reviews/Investigations	
Unconfirmed/Unverified	538
Confirmed/Verified	259
Not Compliance Related	493
Unable to investigate due to lack of sufficient information	85

Koç Group aims to protect its employees and stakeholders and take action when there is a breach of its policies.

\* Includes the notifications related to the Companies which are controlled directly or indirectly, jointly or individually by Koç Holding A.Ş. and the joint venture companies listed in its latest consolidated financial report.

\*\* Please see Koç Group Whistleblowing Policy for the definitions, reporting structure and the investigation process.

Accordingly, below actions and precautions have been taken in response to those cases where there is a substantiation of breach:

Internal Disciplinary Action	69
Legal Action	12
No Action Recommended	50
Policy/ Process Improvement	49
Termination of Job Contract	67
Training	12

The table below shows the "Human Rights" related cases that have been investigated and as a result, confirmed or verified:

Corruption or Bribery	0
Discrimination or Harassment	22
Customer Privacy Data	2
Conflicts of Interest	6
Money Laundering or Insider trading	0
Health and Safety	2
Violence	7

To ensure that the Compliance Program is adopted by all stakeholders and to reinforce the compliance culture in the Group we communicated the Compliance Program to employees and organized interactive online and face to face trainings in the following areas: Code of Ethics, Anti Money Laundering, Anti-Bribery and Corruption, Human Rights, Sanctions and Export Controls, Competition Law, Data Privacy. Technical vocational trainings are also provided to employees responsible for compliance in Koç Group companies.

# Sustainability Foundations

## ► ► ► Human Rights

We are committed to respecting fundamental human rights in our operations and 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 the rights of its employees to establish non-governmental organizations and become union members of their own choice. We have zero tolerance for forced labor, child labor, or any form of discrimination or harassment. Stakeholders may report non-compliance with the Human Rights Policy to their senior manager or to the Koç Holding Ethics Hotline. The Koç Holding Human Resources Directorate is responsible for implementing the Policy.

The Koç Group Human Rights Policy is developed in line with international standards. We expect all of our business partners to comply with this policy. In addition, the Supply Chain Compliance Policy draws a general framework on human rights, discrimination, harassment, freedom of association, forced labor, and child labor. Therefore groups at risk of human rights issues covered by Koç Group Human Rights Policy include Koç Group's own employees, third-party employees, women, children, and migrant workers.

As part of compliance risk analysis, analyzing human rights risks are also prioritized based on their likelihood and impact.

Our methodology to assess the Compliance Risks, including the Human Rights, the following steps are followed in sequence:

- Inventory studies to identify the applicable relevant legislation and current internal policy and procedures, workflows and sub-processes,
- An assessment is conducted according to a questionnaire distributed to employees, chosen through judgmental sampling according to various criteria such as job titles, job descriptions, and total job experience, Subsequently, a preliminary Risk Control Matrix is formulated based on these responses and the findings of the inventory study.
- Identifying the specific sub-processes related to Human Rights, and determining and prioritizing the current control points,
- Reviewing sample-based supporting documentation for the designated control points, identifying areas prone to errors and discrepancies,
- Conducting individual meetings and workshops to assess the impacts (financial, reputational, customer-related, operational, and employee-related) and likelihood (internal controls, abuse and errors, human resources, automation, and integration) of the current controls related to Human Rights
- Benchmarking peer local and global companies
- Documenting the results with recommendations, presenting to the management and closely following up on a periodical basis.

Koç Holding's Legal and Compliance Department monitors the Compliance risk analysis carried out by the Koç Group companies and while evaluating the results, also takes into account the Koç Group's relevant indicators, internal audit reports and case-related investigations, Compliance cases and control results in order to identify potential compliance-related risks and take the necessary precautions.

# Appendices





# Key Definitions

Type	Indicator	Scope
Environmental	<b>Greenhouse Gas Emissions (tco2e)</b>	
	Total Scope 1 Emissions	This indicator refers to all direct greenhouse gas emissions from sources that are owned or controlled by the company, such as emissions from company vehicles and on-site fuel combustion.
	Total Scope 2 Emissions – market based	This indicator refers to indirect greenhouse gas emissions from the generation of purchased electricity, steam, heating, and cooling, calculated using emission factors specific to the contractual instruments or supplier-specific information.
	Total Scope 3 Emissions	This indicator refers to all indirect greenhouse gas emissions that occur in the value chain of the reporting company, excluding those covered in Scope 2, including both upstream and downstream activities such as purchased goods and services, business travel, and product use.
	Total Scope 1 and 2 Emissions of Subsidiaries Owned by Koç Group Companies	This indicator refers to the combined direct (Scope 1) and indirect (Scope 2) greenhouse gas emissions from all the subsidiary entities under the ownership and control of Koç Group companies.
	Koç Group Total Scope 1&2&3 Emissions	This indicator refers to the aggregate of all direct (Scope 1), indirect from purchased energy (Scope 2), and all other indirect (Scope 3) greenhouse gas emissions across the entire value chain of Koç Group companies.
	GHG Emission Reduction (thousand-ton CO2e)	This indicator refers to the decrease in greenhouse gas emissions, measured in thousands of metric tons of carbon dioxide equivalent (CO2e), achieved through various sustainability initiatives and practices.
	<b>Energy Savings (million GJ)</b>	
	Energy Savings	This indicator refers to the reduction in energy consumption as a result of implementing efficiency measures, conservation practices, or using energy-efficient technologies.
	<b>Energy Consumption (million GJ)</b>	
	Net Renewable Energy Consumption (GJ)	This indicator refers to the total amount of energy consumed from renewable sources, measured in gigajoules (GJ), after accounting for any energy produced and sold or transferred to the grid.
	Net Non-Renewable Energy Consumption (GJ)	This indicator refers to the total amount of energy consumed from non-renewable sources, measured in gigajoules (GJ), after accounting for any energy produced and sold or transferred to the grid.
	Total Renewable Energy Consumption (thousand GJ)	This indicator refers to the entire amount of energy consumed from renewable sources, measured in thousands of gigajoules (GJ).

# Key Definitions

Type	Indicator	Scope
Environmental	<b>Water Withdrawal, Discharge and Consumption (thousand m³)</b>	
	Surface Water	This indicator refers to the amount of surface water; such as rivers, lakes and reservoirs; consumed during the reporting period.
	Ground Water	This indicator refers to the amount of ground water consumed during the reporting period.
	Municipal Water	This indicator refers to the amount of municipal water consumed during the reporting period, which is tracked from the invoices received by the Company from service providers (12 months) and can be mapped with financial reporting systems.
	Treated Urban Wastewater and Other Resources	This indicator refers to the amount of water consumed from municipal sewage systems that has been processed and purified for reuse, along with other recycled water resources.
	Water Discharge	This indicator refers to the release of wastewater or treated water from industrial operations into the environment, requiring monitoring and management to minimize environmental impact and ensure compliance with regulatory standards.
	Water Consumption	This indicator refers to the total amount of water used by an organization in its operations, including manufacturing processes, cooling systems, and sanitation facilities, with a focus on optimizing usage efficiency to mitigate environmental impact and resource depletion.
	<b>Waste by Type (tons)</b>	
	Total Waste Recycled/Reused	This indicator refers to the quantity of waste materials diverted from disposal through recycling or reuse initiatives, reflecting the organization's commitment to resource conservation, waste reduction, and circular economy principles, ultimately contributing to environmental sustainability and operational efficiency
	Total Waste Disposed	This indicator refers to the amount of waste materials generated by an organization that are sent to landfill or incineration facilities for final disposal, highlighting the need for waste reduction strategies, efficient resource utilization, and environmental stewardship to minimize negative impacts on ecosystems, public health, and natural resources.
	Recovered and Recycled Hazardous Waste (R code)	This indicator refers to the amount of hazardous waste recovered and recycled by licensed waste processing facilities with the code "R" during the reporting period, which is declared to the Integrated Environmental Information System of the Ministry of Environment, Urbanization and Climate Change of the Republic of Türkiye with the Waste Declaration for the Company's Türkiye operations
	Recovered and Recycled Non-Hazardous Waste (R code)	This indicator refers to the amount of non-hazardous waste recovered and recycled by licensed waste processing facilities with the code "R" during the reporting period, which is declared to the Integrated Environmental Information System of the Ministry of Environment, Urbanization and Climate Change of the Republic of Türkiye with the Waste Declaration for the Company's Türkiye operations

# Key Definitions

Type	Indicator	Scope
Environmental	<b>Waste by Type (tons)</b>	
	Hazardous Waste Disposed (D code)	This indicator refers to the amount of hazardous waste subjected to recycling by the Company during the reporting period, which is declared to the Integrated Environmental Information System of the Ministry of Environment, Urbanization and Climate Change of the Republic of Türkiye and followed by the "R" and "D" recycling codes determined by the Ministry of Environment from the invoices received from licensed waste processing facilities for the Company's Türkiye operations.
	Non-Hazardous Waste Disposed (D code)	This indicator refers to the amount of non-hazardous waste subjected to recycling by the Company during the reporting period, which is declared to the Integrated Environmental Information System of the Ministry of Environment, Urbanization and Climate Change of the Republic of Türkiye and followed by the "R" and "D" recycling codes determined by the Ministry of Environment from the invoices received from licensed waste processing facilities for the Company's Türkiye operations.
	Hazardous Waste Sent to Temporary Storage	This indicator refers to the designated quantity of potentially harmful materials generated by business operations, awaiting proper handling, treatment, or disposal, necessitating adherence to strict regulations and protocols to ensure safety, prevent environmental contamination, and maintain compliance with legal requirements.
	Non-Hazardous Waste Sent to Temporary Storage	This indicator refers to the volume of waste materials generated by business activities that do not pose immediate risks to health or the environment, held temporarily before further processing or disposal, emphasizing the importance of proper waste management practices to minimize environmental impact, optimize resource use, and comply with regulatory standards.
	<b>Waste Disposed (tons)</b>	
	Hazardous Waste Incinerated without Energy Recovery	This indicator refers to the disposal method wherein potentially harmful materials generated by business operations are subjected to high-temperature combustion processes in specialized facilities, primarily for destruction purposes rather than harnessing the heat energy produced, requiring stringent controls to mitigate emissions and ensure compliance with environmental regulations and safety standards.
	Non-Hazardous Waste Incinerated without Energy Recovery	This indicator refers to the disposal method where waste materials generated by business operations undergo high-temperature combustion in specialized facilities solely for disposal purposes, without harnessing the resulting heat energy, necessitating careful management to control emissions and comply with environmental regulations while addressing waste management needs.

# Key Definitions

Type	Indicator	Scope
Environmental	<b>Waste Disposed (tons)</b>	
	Hazardous Waste Incinerated with Energy Recovery	This indicator refers to the the combustion of potentially harmful materials produced by business operations in specialized facilities, where the heat generated is utilized to produce energy, emphasizing a sustainable approach to waste management by simultaneously reducing waste volume, minimizing environmental impact, and generating useful resources to support operational needs or contribute to the energy grid.
	Non-Hazardous Waste Incinerated with Energy Recovery	This indicator refers to the process wherein waste materials generated by business operations undergo combustion in specialized facilities, with the resulting heat utilized to generate energy, showcasing a sustainable waste management approach that not only reduces waste volume but also contributes to resource efficiency and supports renewable energy production goals.
	Hazardous Waste Landfilled	This indicator refers to the disposal method where potentially harmful materials generated by business operations are deposited into designated landfill sites, necessitating careful handling, containment, and monitoring to prevent environmental contamination, protect public health, and comply with regulatory requirements for hazardous waste management and landfill operations.
	Non-Hazardous Waste Landfilled	This indicator refers to the disposal of waste materials generated by business activities into designated landfill sites, highlighting the need for responsible waste management practices to minimize environmental impact, optimize resource utilization, and comply with regulatory standards for landfill operations and waste disposal.
	<b>ISO 14001 Certified Facilities</b>	
	Number of Certified Facilities	This indicator refers to the count of business establishments that have obtained official certification for meeting specific standards or criteria related to environmental, social, or quality management systems, demonstrating their commitment to sustainability, operational excellence, and compliance with industry best practices to stakeholders and customers.
	Number of Facilities	This indicator refers to the total count of physical locations or operational sites owned or managed by a business entity, encompassing manufacturing plants, offices, distribution centers, and other operational infrastructure, serving as a key metric for assessing the scale, scope, and geographic presence of the organization's activities.
	% of Certified Facilities	This indicator refers to the proportion of business establishments within an organization's portfolio that have attained official certification for meeting specified standards or criteria, indicating the extent to which sustainability, quality management, or other performance metrics have been formally recognized and integrated into the company's operations and culture.

# Key Definitions

Type	Indicator	Scope
Environmental	<b>Environmental Training</b>	
	Number of Participants (Employees)	This indicator refers to the number of participants who participated in environmental trainings attended by Company employees.
	Number of Participants (Contractors)	This indicator refers to the number of participants who participated in environmental trainings attended by subcontractor employees.
	Total Training Hours (person*hours) (Employees)	This indicator refers to the total environmental training hours attended by Company employees.
	Total Training Hours (person*hours) (Contractors)	This indicator refers to the total environmental training hours attended by the Company's subcontractor employees.
	<b>Environmental Expenditures and Investors Fines (Million TRY)</b>	
	Total OpEx	This indicator refers total expenses incurred by a company or organization in its day-to-day operations, including costs related to production, administration, marketing, research and development, and other operational activities.
	Total CapEx	This indicator refers to the total amount of money spent by a company or organization on acquiring, upgrading, or maintaining physical assets such as property, equipment, machinery, and infrastructure, typically for the purpose of improving operational efficiency or expanding capacity.
	Total Environmental Investments and Expenditures	This indicator refers to the expenses related to the measurement and analysis for environmental management, waste disposal, chemical substance disposal, personnel expenses, certification and permit expenses, consultancy and training expenses, maintenance and repair expenses, contract fees with service provider companies, and investments and expenses to protect the environment during the reporting period, which can be mapped with the Company's financial reporting systems.
	Financial Savings from Environmental Expenditures and Investments	This indicator refers to the monetary benefits or cost reductions realized by a company or organization as a result of implementing environmentally sustainable practices, technologies, or initiatives. These savings may include reductions in energy consumption, waste disposal costs, regulatory compliance expenses, and other related expenditures.

# Key Definitions

Type	Indicator	Scope
Social	<b>Health and Safety Performance (Employees &amp; Contractors)</b>	
	Work Related Fatalities	This indicator refers to deaths that occur as a result of accidents or incidents that happen during the course of employment or work-related activities.
	Injury Rate (IR)	The number of work-related incidents that require lost time or medical treatment beyond first aid per 1 million hours worked.
	Occupational Illness Frequency Rate (OIFR)	The number of occupational diseases diagnosed by competent authorities per 1 million hours worked.
	Lost-time Injury Frequency Rate (LTIFR)	The number of cases resulting in absence from the next shift or working day (evidenced by doctor's note received for the day after the accident and/or for more days) due to a workplace accident per 1 million hours worked.
	Occupational Health and Safety Training Provided (person*hours)	This indicator refers to the total number of hours of training on occupational health and safety topics provided to employees within a specified period. This metric reflects both the number of individuals trained and the duration of their training sessions, thereby quantifying the overall investment in enhancing workplace safety knowledge and practices.
	<b>Employee Demographics</b>	
	Total Number of Employees	The indicator refers to the total number of employees, broken down into male and female.
	Total Number of SubContractor Employees	The indicator refers to the total number of the Company's contractor company employees, broken down into male and female.
	Total Promotion/ Number of Promotions/ Percentage of Promotions	Total Promotion refers to the overall number of promotional activities conducted by a business within a specific timeframe or for a particular product/service.
	Employees by Category	This indicator refers to the total number of office and field employees, broken down by male and female.

# Key Definitions

Type	Indicator	Scope	
Social	Workforce by Nationality	This indicator refers to the demographic composition of employees within a company categorized according to their respective nationalities, offering insights into the diversity, cultural representation, and global reach of the organization's human capital, which can be vital for understanding workforce dynamics, inclusion efforts, and talent management strategies.	
	Employees by Agreement Type	This indicator refers to the total number of employees broken down into male and female with permanent and fixed-term contracts.	
	Employees by Age Groups	The indicator refers to the number of employees of the Company, according to age groups under 30 years of age, between 30-50 years of age, over 50 years of age, and by gender, male and female. Interns are not included.	
	Employees by Employment Type	This indicator refers to the number of employees working in the Company broken down into male and female, classified according to the definition of Full Time and Part Time, as defined in the Labor Laws effective in the countries of operation.	
	<b>Equal Opportunity</b>		
	Junior Management	This indicator refers to the lower-level managerial positions within an organization's hierarchy, encompassing roles such as team leaders, supervisors, and entry-level managers who oversee day-to-day operations, coordinate tasks across the Group Companies in scope.	
	Senior Management	This indicator refers to the number of employees, male and female, in director and above positions across the Group Companies in scope.	
	Mid-level Management	This indicator refers to the number of employees, male and female, in manager and assistant manager positions across the Group Companies in scope.	
	Management by Nationality	This indicator refers to the distribution or composition of managerial positions within an organization based on the national origin or citizenship of the individuals holding those roles.	
	<b>Employee Turnover by Gender</b>		
	Number of Employees Left	This indicator refers to the count of individuals who have voluntarily resigned, retired, or otherwise departed from their employment with a company within a specified period.	
	Employee Turnover Rate	This indicator refers to the proportion of employees who leave a company over a specific period, often annually. It is calculated by dividing the number of employees who leave during that period by the total number of employees during the same period, then multiplying by 100.	

# Key Definitions

Type	Indicator	Scope
Social	Voluntary Employee Turnover Rate	This indicator refers to the percentage of employees who voluntarily resign or leave their positions within a company during a specific period, typically calculated by dividing the number of voluntarily departed employees by the average number of employees during the same period, then multiplying by 100.
	<b>Employees Breakdown</b>	
	Women Employees in STEM Positions	This indicator refers to the number of (women) employees who carry out analysis studies in accordance with the definition of STEM (Science, Technology, Engineering, Maths) in their job descriptions.
	Disabled Employees	This indicator refers to the number of employees who are defined as disabled in the Law No. 5378 on Disabled Persons for the Company's Türkiye operations during the reporting period.
	Women in Management Positions in Revenue-Generating Functions	This indicator refers to the representation of female employees holding managerial roles within departments or functions directly responsible for generating revenue within a company.
	<b>Parental Leave</b>	
	Employees that took parental leave	This indicator refers to the number of female employees who went on maternity leave within the scope of the Regulation on Part-Time Work to be Performed After Maternity Leave or Unpaid Leave for Türkiye operations during the reporting period, and the number of male employees who went on paternity leave within the scope of Labor Law No. 4857.
	Employees that returned to work after parental leave ended	This indicator refers to the number of female employees returning from maternity leave within the scope of the Regulation on Part-Time Work to be Performed After Maternity Leave or Unpaid Leave for Türkiye operations during the reporting period, and the number of male employees returning from paternity leave within the scope of Labor Law No. 4857.
	Number of New Hires	This indicator represents the count of individuals who have been newly employed by a company within a specific period, typically measured on a monthly, quarterly, or annual basis.
	Employees Subject to Regular Performance	This indicator refers to the number of reported employees, male and female, for whom the performance evaluation process was carried out for employees who met the criteria determined by the management during the reporting period.



# Performance Indicators

## Social Performance Indicators

	2021		2022		2023	
	Women	Men	Women	Men	Women	Men
<b>Employees</b>						
Number of employees	19,154	54,992	19,810	56,561	31,692	75,625
Total number of employees	74,146		76,371		107,317*	
Ratio	26%	74%	26%	74%	30%	70%

Number of employees by category	2021		2022		2023	
	Monthly paid	Hourly paid	Monthly paid	Hourly paid	Monthly paid	Hourly paid
<b>Total</b>	<b>34,002</b>	<b>40,144</b>	<b>35,671</b>	<b>40,700</b>	<b>86,894</b>	<b>121,521</b>
Full-time	33,632	39,862	35,450	40,411	43,420	63,260
Part-time	370	282	221	289	305	332
Women	14,831	4,323	15,390	4,420	17,790	13,902
Men	19,171	35,821	20,281	36,280	25,935	49,690

Employees by Age	2021	2022	2023
Under 30	18,550	18,805	28,418
30-50	53,002	54,294	69,310
Over 50	2,594	3,272	9,589

Employee Turnover by Gender	2021		2022		2023	
	Women	Men	Women	Men	Women	Men
Number of employees left	3,791	9,899	3,292	9,052	4,351	12,294
Total number of employees left	13,690		12,344		16,645	
Employee turnover rate	18%		16%		17%**	
Voluntary employee turnover rate	6%		5%		9%	

	2022		2023	
	In Scope	Out Scope	In Scope	Out Scope
Scope of Collective Labor Agreement	60%	40%	76%	24%

\* Scope of employees covered is updated from Türkiye to all countries of operation as of 2023.  
 \*\* Excluding fixed-term employees

Employees Breakdown	2021	2022	2023
Disabled employees	2,144	2,254	2,460
Women employees in STEM positions	863	3,757	8,832
Women in management positions in revenue-generating functions	1,047	930	1,134

New Hires by Gender	2021		2022		2023	
	Women	Men	Women	Men	Women	Men
Number of new hires	3,417	9,094	3,766	9,743	5,970	17,402
<b>Total</b>	<b>12,511</b>		<b>13,509</b>		<b>23,372</b>	

Promotions by Gender	2021		2022		2023	
	Women	Men	Women	Men	Women	Men
Number of promotions	1,777	2,746	2,369	3,042	2,895	3,472
Total promotions	4,523		5,411		6,367	
Percentage of promotions	39%	61%	44%	56%	45%	55%

Salaries by Level	Ratio (Average Women/Men Salary)
Executive level (base salary only)	105%
Executive level (base salary + other incentives)	107%
Management level (base salary only)	97%
Management level (base salary + other incentives)	98%
Non-Management Level	98%

Average Annual Training Hours	2021	2022	2023
	33	44	53

# Performance Indicators

## Social Performance Indicators

	2021		2022		2023	
	Women	Men	Women	Men	Women	Men
<b>Senior Management</b>						
Number of senior management	27	182	33	198	58	240

	2021		2022		2023	
	Women	Men	Women	Men	Women	Men
<b>Mid-Level Management</b>						
Number of mid-level management	945	2,272	985	2,362	1,319	3,370

	2021		2022		2023	
	Women	Men	Women	Men	Women	Men
<b>Junior Management</b>						
Number of junior management	1,098	2,371	1,246	2,285	1,246	2,402

	2021	2022	2023
	<b>Employees Subject to Regular Performance Evaluation</b>		
Percentage of monthly-paid employees who were subjected to regular performance evaluation	97%	95%	95%
Percentage of hourly-paid employees who were subjected to regular performance evaluation	80%	84%	82%

	2021		2022		2023	
	Women	Men	Women	Men	Women	Men
<b>Parental Leave</b>						
Employees that took parental leave	1,063	2,738	1,080	2,116	1,047	2,493
Employees that returned to work after parental leave ended	1,009	2,579	896	1,983	926	1,958

<b>Workforce by Nationality</b>	2023
Turkish	77,31%
Romanian	4,22%
Russian	3,67%
Thai	3,20%
Pakistani	2,89%
South African	2,27%
Bangladeshi	1,67%
Other	4,78%

<b>Health and Safety Performance (Employees)</b>	2021	2022	2023
Work related fatalities	0	0	4
Injury rate (IR)	5.91	4.37	4.12
Occupational illness frequency rate (OIFR)	0.10	0.13	0.09
Lost-time injury frequency rate (LTIFR)	2.89	2.81	3.09
Occupational health and safety training provided (person*hours)	732,602	746,550	1,066,481

<b>Health and Safety Performance (Contractors)</b>	2021	2022	2023
Work related fatalities	0	1	2.00
Injury rate (IR)	6.20	4.82	4.40
Occupational illness frequency rate (OIFR)	0.05	0	0
Lost-time injury frequency rate (LTIFR)	4.46	3.31	2.97
Occupational health and safety training provided (person*hours)	95,162	116,354	356,306

<b>Management by Nationality</b>	2023
Turkish	81,52%
Russian	1,88%
Thai	1,71%
Bangladeshi	1,59%
Pakistani	1,50%
Chinese	1,28%
South African	1,10%
Other	9,42%

# Performance Indicators

## Social Performance Indicators

Hours of Training to Suppliers	2021	2022	2023
Ethics	353	1,069	242
Environment	4,335	12,828	578
Social	4,479	2,485	1,754
<b>Total</b>	<b>9,167</b>	<b>16,382</b>	<b>2,574</b>

Supplier Screening KPIs	2023
S1: Total number of Tier-1 suppliers	6,196
S2: Total number of significant suppliers in Tier-1	2,925
S3: % of total spend on significant suppliers in Tier-1	47%
S4: Total number of significant suppliers in non-Tier 1	4,351
S5: Total number of significant suppliers (all Tiers)	7,276
Supplier Assessment KPIs	
A1: Total number of suppliers assessed via desk assessments/on-site assessments	1,523
A2: % of significant suppliers assessed	20%
A3: Number of suppliers assessed with substantial actual/potential negative impact	152
A4: % of suppliers with substantial actual/potential negative impacts with agreed corrective action/improvement plan	10%
A5: Number of suppliers with substantial actual/potential negative impacts that were terminated	1
Corrective Action Plans KPIs	
CAP1: Total number of suppliers supported in corrective action plan implementation	36
CAP2: % of suppliers assessed with substantial actual/potential negative impacts supported in corrective action plan implementation	24%
Supplier Development KPIs	
D1: Total number of suppliers in capacity building programs	209
D2: % of significant suppliers in capacity building programs	7%

	2022	2023
Customers (million)	12.5	22.7
Dealers and after-sales service point	11,000	6,261

	2022	2023
R&D investments (billion TL)	6.8	9.0
Number of R&D employees	6,218	6,110

	2022	2023
Number of projects within the scope of the Digital Transformation Program	1,800	2,000

# Performance Indicators

## Environmental Performance Indicators

GHG Emissions (tCO <sub>2</sub> e) <sup>1</sup>	2017 <sup>2</sup>	2021	2022	2023
Scope 1 emissions	7,572,664	6,245,166	6,864,059	6,625,491
Scope 2 emissions <sup>3</sup> (market-based)	129,471	127,516	127,838	109,877
Scope 1 and 2 emissions of the Group companies' subsidiaries	134,671	184,271	- <sup>4</sup>	- <sup>4</sup>
<b>Total Scope 1 and 2 emissions</b>	<b>7,836,806</b>	<b>6,556,953</b>	<b>6,991,897</b>	<b>6,735,368</b>
Emission Intensity <sup>5</sup> (CO <sub>2</sub> e/million TL)	132	107	81	77

<sup>1</sup> The Koç Group's consolidated Scope 1&2 emissions include emissions by Arçelik, Aygaz, Entek, Otokar, Otokoç, Tat Gıda (As of 19 February 2024, Koç Holding has sold all its shares), Tüpraş, Yapı Kredi companies. Koç Holding received a moderate level of assurance by British Standard Institution (BSI) in line with AA1000AS on its consolidated scope 1&2 emissions for 2017, 2021 and 2022.

<sup>2</sup> 2017 is the baseline year for Koç Holding's Scope 1&2 emissions target.

<sup>3</sup> Scope 2 emissions increased due to the modified boundary of GHG emissions inventory resulting from mergers and acquisitions of the Group companies.

<sup>4</sup> For 2020 and 2021, we estimated the GHG emissions of the subsidiaries owned by our Group companies using EEIO factors. This estimation was presented in the third line as 'Total Scope 1&2 emissions of subsidiaries owned by Koç Group companies.' In 2022, we obtained accurate emissions data for the subsidiaries of our Group companies and included this data in the Scope 1 and Scope 2 categories, respectively presented in the first and second lines.

<sup>5</sup> The decreased emission intensity is a result of the increase in consolidated revenues, as well as Scope 1&2 emissions reduced thanks to renewable energy and energy efficiency projects launched at the Group companies.

	2019	2022	2023
Energy Savings (million GJ)	2.19	1.73	2.41
GHG Emission Reduction (thousand-ton CO <sub>2</sub> e)	145	96	137

Emission Category (tCO <sub>2</sub> e)	2019	2021	2022	2023
Scope 3 emissions	191,811,457	184,680,349	200,287,630	217,757,869

Water Withdrawal, Discharge and Consumption* (thousand m <sup>3</sup> )	2021	2022	2023
<b>Water Withdrawal</b>			
Surface water	14,923	17,478	15,389
Ground water	5,815	7,042	7,416
Municipal water	2,469	2,395	3,324
Treated urban wastewater and other sources	11,401	9,795	6,724
<b>Total water withdrawal</b>	<b>34,608</b>	<b>36,710</b>	<b>32,853</b>
<b>Water discharge</b>	<b>17,158</b>	<b>19,257</b>	<b>24,603</b>
<b>Water consumption</b>	<b>17,450</b>	<b>17,453</b>	<b>8,250</b>

Energy Consumption (GJ)	2021	2022	2023
Net Renewable Energy Consumption	1,920,530	2,423,857	2,818,505
Net Non-Renewable Energy Consumption	93,748,934	95,911,940	96,630,145
<b>TOTAL</b>	<b>95,669,464</b>	<b>98,335,797</b>	<b>99,448,650</b>

ISO 14001 Certified Facilities	2021	2022	2023
Number of certified facilities	92	368	697
Number of facilities	107	926	981
% of certified facilities	86%	40%	71%

	2019	2022	2023
Total Renewable Energy Consumption (thousand GJ)	1,921	2,424	2,819

Waste by Type (tons) *	2021	2022	2023
Recovered and recycled hazardous waste (R code)	57,753	28,072	40,298
Recovered and recycled non-hazardous waste (R code)	317,917	262,411	328,680
Hazardous waste disposed (D code)	4,362	4,925	15,066
Non-hazardous waste disposed (D code)	6,639	6,375	12,675
Total waste recycled/reused	375,670	290,813	368,978
Total waste disposed	11,001	11,301	27,741
<b>Total</b>	<b>386,671</b>	<b>302,114</b>	<b>396,719</b>

\* All calculations are made in line with the Waste Management Regulation.

# Performance Indicators

## Environmental Performance Indicators

<b>Waste Disposed (tons)</b>	<b>2022</b>	<b>2023</b>
Hazardous waste incinerated without energy recovery	176	18
Non-hazardous waste incinerated without energy recovery	81	53
Hazardous waste incinerated with energy recovery	4,326	14,209
Non-hazardous waste incinerated with energy recovery	1,031	1,533
Hazardous waste landfilled	423	800
Non-hazardous waste landfilled	5,264	8,055

<b>Environmental Trainings</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Total Training hours (Employees)	125,572	39,378	87,820
Number of participants (Employees)	38,825	45,481	86,001
Total Training hours (Contractors)	8,538	38,025	18,814
Number of participants (Contractors)	17,218	34,716	29,975

<b>Environmental Expenditures and Investments (million TL)</b>	<b>2022</b>	<b>2023</b>
Total OpEx	488.7	50.9
Total CapEx	1,083.1	42.5
Total environmental expenditures and investments	1,572	93.4
Financial savings from environmental expenditures and investments	283.0	30.8

# Independent Assurance Opinion Statement



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## Independent Limited Assurance Report

### To the Management of Koç Holding Anonim Şirketi

We were engaged by Koç Holding Anonim Şirketi (hereinafter "Company" or "Koç Holding") to provide limited assurance on the "Selected Information" as contained in the Reporting Guidelines of the Annual Report (hereinafter "the Report").

### Scope and Boundary and Limitations

The scope of our assurance is limited to review of the Selected Information listed below:

- Koç Holding's Materiality Assessment

Our assurance process was subject to the following limitations:

- Verification of the data or information provided at the Koç Holding's Office in Istanbul and other locations stated in the Engagement Letter.
- Verification of data and information covered in the scope of work.

We have not been engaged to:

- Verify any statement indicating intention, opinion, belief and / or aspiration of Koç Holding
- Determining which, if any, recommendations should be implemented

### Management's Responsibilities

Koç Holding's Management is responsible for the preparation and presentation of the Report for the Selected Information in accordance with the Koç Holding's internally developed criteria based on the "core" option of GRI Standards as described in the Report, and the information and assertions contained within it, for determining the Koç Holding's objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control system from which the reported performance information is derived.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a Turkish corporation and a member firm of the KPMG network of independent member firms affiliated with KPMG Network of member firms.



The Management is responsible for preventing and detecting fraud and for identifying and ensuring that Koç Holding complies with laws and regulations applicable to its activities.

The Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and the Selected Information are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

The Management is also responsible for the adherence to the AA1000 AccountAbility Principles of inclusivity, materiality, responsiveness, and impact as set forth in the AA1000 AccountAbility Principles Standard (AA1000AP, 2018).

### Our Responsibilities

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. That Standard required that we plan and perform the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement. We also conducted our engagement in accordance with AA1000 Assurance Standard v3 (AA1000AS, 2020), issued by AccountAbility.

We apply International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board of Accountants, which is founded on fundamental principles on integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

### Procedures performed

A limited assurance engagement on Selected Information consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Selected Information, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

- Interviews of management to gain an understanding of Koç Holding's processes for determining the material issues for Koç Holding's key stakeholder groups.
- Interviews with senior management and relevant staff at group level and selected business unit level concerning sustainability strategy and policies for material issues, and the implementation of these across the business
- Interviews with relevant staff at the corporate and business unit level responsible for providing the information in the Selected Information.



- Using the Reporting Guidelines of the Report to evaluate and measure the Selected Information;
- Evaluating the disclosure and presentation of the Selected Information in the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of Koç Holding.
- Comparing the information presented in the Selected Information to corresponding information in the relevant underlying sources to determine whether all the relevant information contained in such underlying sources has been included in the Selected Information.
- Reading the information presented in the Selected Information to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of Koç Holding.
- Assessment of the level of adherence to the principles of inclusivity, materiality, responsiveness and impact set by AA1000AP Standards (2018) in the Report through the analysis of the contents of the Report.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a limited assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a limited assurance engagement been performed.

### Inherent limitations

Due to the inherent limitations of any internal control structure, it is possible that errors or irregularities in the information presented in the Selected Information may occur and not be detected. Our engagement is not designed to detect all weaknesses in the internal controls over the preparation and presentation of the Selected Information, as the engagement has not been performed continuously throughout the period and the procedures performed were undertaken on a test basis.

### Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Based on the procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that the Selected Information of the Report of Koç Holding for the year ended 31 December 2023 is not presented, in all material respects, in accordance with the Koç Holding's internally developed reporting criteria as explained in the Report including adherence to the AA1000AS of inclusivity, materiality, responsiveness and impact.

In accordance with the terms of our engagement, this independent limited assurance report on the Selected Information has been prepared for Koç Holding in connect with reporting to Koç Holding and for no other purpose or in any other context.

# Independent Assurance Opinion Statement



Under separate cover, we will provide Koç Holding management with an internal report outlining our complete findings and areas for improvement. Without prejudice to our conclusions presented above, we present some of the key observations and areas for improvement below:

#### As per AA1000AS principles

##### In relation to the Inclusivity principle

Koç Holding has identified its key stakeholder groups based on the level of influence & impact the Company has on these stakeholder groups. Koç Holding has partnered with various external stakeholder groups with the objective of enhanced value creation. The key concerns by stakeholders and Koç Holding's response to these concerns have been fairly represented in the Report. Koç Holding can consider increasing the sample size increase the response rate and also improve the quality of the responses of the individual stakeholders for its next Annual Report and consider conducting an introductory workshop for key groups to ensure the quality of the responses.

##### In relation to the Materiality principle

Koç Holding has reported on their identified material issues across economic, environmental and social aspects. The methodology of materiality determination used for the Report considers the perspectives of senior representatives from various functions at Koç Holding and various stakeholder groups. The Company has responded to the material issues by disclosing its performance in the report. We are not aware of any matters that would lead us to believe that materiality determination approach does not provide a balanced representation of material issues concerning its sustainability performance.

##### In relation to the Responsiveness principle

Koç Holding has identified its various stakeholder groups and the engagement mechanism for each of them along with their concerns. Koç Holding responds to concerns-raised by stakeholder groups through structured engagement channels at periodic intervals. Koç Holding has also provided information on specific actions through disclosure of performance. Koç Holding can consider integrating the responses of the concerns for the identified material issues in the organization's sustainability strategy and overall governance strategy.

##### In relation to the Impact principle

Koç Holding discloses impacts generated through the response given in each material issue. Koç Holding communicates its sustainability performance through regular internal reporting throughout the year related to material sustainability topics. We are not aware of any matters that would lead us to believe that Koç Holding has not been measuring, monitoring and evaluating the impact it has on its broader ecosystem.



#### Restriction of use of our report

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than Koç Holding, for any purpose or in any other context. Any party other than Koç Holding who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than Koç Holding for our work, for this independent limited assurance report, or for the conclusions we have reached.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Şirin Soysal  
Partner  
21 March February 2024  
Istanbul

Appendix 1: Integrated Annual Report

# Independent Assurance Opinion Statement



## Independent Assurance Opinion Statement

To the Management of Koç Holding,

### Scope and Objectives :

TÜV SÜD Turkey was commissioned by Koç Holding to conduct independent assurance of its 2023 Sustainability Report ("the Report"), as published on the company's website at <https://www.koc.com.tr/sustainability/sustainability-reports-and-policies> and to carry out an independent verification of Scope 1 and Scope 2 GHG emissions for 2023, Scope 3 GHG emissions for 2019 ,2021 and 2022. Water withdrawal for 2023 and waste, waste disposal indicators for 2023.

Our assurance engagement was planned and carried out in accordance with AA1000 Assurance Standard AA1000AS v3.

### TÜV SÜD's approach

TÜV SÜD's assurance engagements are carried out in accordance with our verification procedure. Reviewing the data collection and consolidation processes used to compile selected data, including assumptions made, and the data scope and reporting boundaries; We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion. We were engaged to provide Type 2 moderate level assurance, which covers:

- Evaluation of adherence to the AA1000AS v3 principles of inclusivity, materiality and responsiveness and impact (the Principles); and
- The reliability of specified sustainability performance information along with related claims in the report including:
  - Desk review
  - Site visit
  - Data sampling
  - Reporting

### Inclusivity, Materiality, Responsiveness and Impact principles;

Koç Holding has made a commitment to its stakeholders. The participation of stakeholders has been initiated in developing and achieving an accountable and strategic response to sustainability.

Koç Holding publishes sustainability information that enables its stakeholders to make informed judgments about the company's management and performance. In our professional opinion the report covers the Koç Holding's materiality issues.

Koç Holding has implemented the practice to respond to the expectations and perceptions of its stakeholders.



## Assurance level

The moderate level assurance provided is in accordance with AA1000AS v3 in our review, as defined by the scope and methodology described in this statement.

### Independence/Responsibilities of Koç Holding and of the Assurance Providers

TÜV SÜD was not involved in collecting and calculating data, or in the development of the Report. TÜV SÜD's activities are independent from Koç Holding . Koç Holding has sole responsibility for preparation of the Report. In performing our assurance work, our responsibility is to the management of Koç Holding.

The assurance team was composed of Lead auditors and Carbon Footprint Verifiers experienced in industrial sector, and trained in a range of sustainability, environmental and social standards including AA1000AS, ISO 14001, ISO 45001, and ISO 9001 EU ETS, GS, VCS, ISO 50001 etc. "Add value. Inspire trust." Since it was established more than 150 years ago, TÜV SÜD has been guided by this purpose: to make progress attainable by protecting people, the environment and assets from technology-related risks. More than 26,000 employees at over 1,000 locations in around 50 countries around the world work to provide safety, security, certainty and added value for our customers.

### Materiality Analysis

Koç Holding publishes sustainability information that enables its stakeholders to make informed judgments regarding the company's management and performance. In our professional opinion, the report covers Koç Holding's materiality issues, their related business impact, and the associated risks and opportunities.

Koç Holding has implemented the practice of responding to the expectations and perceptions of its stakeholders. Furthermore, in 2023, the company conducted a materiality assessment process based on the principles of dynamic materiality and double materiality, in line with the European Union Corporate Sustainability Reporting Directive and the methodology provided by the European Financial Reporting Advisory Group.

### TÜV SÜD's Opinion

Based on TÜV SÜD's approach, we believe that Koç Holding A.Ş. has:

- Met the requirements above
- Disclosed accurate and reliable GHG emissions, water withdrawal and waste data.
- Scope 3 emissions include the emissions from all 15 categories in line with GHG Protocol

### Verified Data:

Emission Category (tCO2e)	2023
Total Scope 1 emissions	6,625,491
Total Scope 2 emissions – market based	109,877
Total Scope 1 and 2 emissions	6,735,368



Emission Category (tCO2e)	2019	2021	2022
Total Scope 3 emissions	191,811,457	184,680,349	200,287,630

Water Withdrawal (thousand m3)	2023
Surface Water	15,389
Ground Water	7,416
Municipal Water	3,324
Treated urban wastewater and other sources	6,724
<b>Total</b>	<b>32,853</b>
<b>Water discharge</b>	<b>24,603</b>
<b>Water consumption</b>	<b>8,250</b>

Waste by Type (tons)	2023
Recovered and recycled hazardous waste (R code)	40,298
Recovered and recycled non-hazardous waste (R code)	328,680
Hazardous waste disposed (D code)	15,066
Non-hazardous waste disposed (D code)	12,675
<b>Total</b>	<b>396,719</b>

Waste Disposed (tons)	2023
Hazardous waste incinerated without energy recovery	18
Non-hazardous waste incinerated without energy recovery	53
Hazardous waste incinerated with energy recovery	14,209
Non-hazardous waste incinerated with energy recovery	1,533
Hazardous waste landfilled	800
Non-hazardous waste landfilled	8,055

Mehmet Kumru

Date: 04.06.2024

Head of Sustainability, Director





# Koç Group Companies' Commitment

Company	2026 Commitment	Progress (Base year: 2021)
<b>Tüpraş</b>	Commitment for increasing % of women working in STEM positions: 40%	2021: 23% 2022: 25% <b>2023: 29%</b>
	Commitment to reach girls through the STEM Women in Technology and Innovation Program: 100,000.	<b>2023: 15,000</b>
<b>Aygaz</b>	Commitment for increasing % of women working in STEM positions: 35%	2021: 13,5% 2022: 15% <b>2023: 17%</b>
	Commitment to reach women and girls through the STEM Women in Technology and Innovation Program: 100,000.	<b>2023: 43,417</b>
<b>Ford Otosan</b>	Commitment for increasing % of women working in STEM positions: 30%	2021: 18% 2022: 20% <b>2023: 22%</b>
	Commitment to reach young women through the STEM Women in Technology and Innovation Program: 100,000.	<b>1,000*</b>
<b>Tofaş</b>	Commitment for increasing % of women working in STEM positions: 30%	2021: 18% 2022: 19% <b>2023: 20%</b>
	Commitment to reach women and girls through the STEM Women in Technology and Innovation Program: 30,000	<b>2023: 2,350</b>
<b>TürkTraktör</b>	Commitment for increasing % of women working in STEM positions: 50%	2021: 28% 2022: 28% <b>2023: 31%</b>
	Commitment to reach 30,000 women and girls between 2022-2026 through STEM community programs	<b>2023: 7,492</b>
<b>Arçelik</b>	Commitment for increasing % of women working in STEM positions: %35	2021: 18% 2022: 19% <b>2023: 21,3%</b>
	Commitment to provide STEM trainings to 100,000 girls until 2026	<b>35,372**</b>
<b>Yapı Kredi</b>	Commitment for increasing % of women working in STEM positions: 40%	2021: 35% 2022: 37% <b>2023: 37%</b>
	Commitment to reach 80,000 women and girls between 2022-2026 through STEM community programs	<b>***</b>
<b>Koç Finans</b>	Commitment for increasing % of women employees in Technology and Innovation positions from 40% to 50%	2022: 40% <b>2023: 36%</b>

\* **Ford Otosan:** In 2023, projects were initiated to empower women in STEM fields by prioritizing earthquake zones, and these projects will continue to be implemented in collaboration with NGOs in 2024.

\*\* **Arçelik:** Due to the major earthquake that occurred in Türkiye in February 2023, the program has been suspended by the Ministry of National Education. Accordingly, other actions have been taken with regards to the earthquake.

\*\*\* **Yapı Kredi:** Since the program started in 2023, the number of people reached has not yet been published.

# GRI Content Index

Statement of use	Koç Holding has reported in accordance with the GRI Standards for the January–December 2023 period.		
GRI 1 used	GRI 1: Foundation 2021		
GRI Standard	Disclosure	Location/ Page No, Source and/or Direct Answers	Additional information and reasons for omission
<b>GENERAL DISCLOSURES</b>			
<b>GRI 2: General Disclosures 2021</b>	2-1 Organizational details	Koç Holding Annual Report 2023 s:4-7	
	2-2 Entities included in the organization's sustainability reporting	3	
	2-3 Reporting period, frequency and contact point	3	
	2-4 Restatements of information	GHG Emissions for 2017 and 2021 have been updated.	
	2-5 External assurance	118	
	2-6 Activities, value chain and other business relationships	Koç Holding Annual Report 2023 s:41-67	
	2-7 Employees	113	
	2-8 Workers who are not employees	113	
	2-9 Governance structure and composition	Koç Holding Annual Report 2023 s:178-186	
	2-10 Nomination and selection of the highest governance body	Koç Holding Annual Report 2023 s:177	
	2-11 Chair of the highest governance body	Koç Holding Annual Report 2023 s:178	
	2-12 Role of the highest governance body in overseeing the management of impacts	11	
	2-13 Delegation of responsibility for managing impacts	11	
	2-14 Role of the highest governance body in sustainability reporting	11	
	2-15 Conflicts of interest	Koç Holding Annual Report 2023 s:169	
	2-16 Communication of critical concerns	102	
	2-17 Collective knowledge of the highest governance body	11, 66	
	2-18 Evaluation of the performance of the highest governance body	Koç Holding Annual Report 2023 s:27	
	2-19 Remuneration policies	Koç Holding Annual Report 2023 s:27	
	2-20 Process to determine remuneration	Koç Holding Annual Report 2023 s:27	
	2-21 Annual total compensation ratio	-	This information is not disclosed for reasons of confidentiality.
	2-22 Statement on sustainable development strategy	9,10	
	2-23 Policy commitments	100-103	
	2-24 Embedding policy commitments	100-103	
	2-25 Processes to remediate negative impacts	100-102	
	2-26 Mechanisms for seeking advice and raising concerns	100-102	
	2-27 Compliance with laws and regulations	100-102	
	2-28 Membership associations	6	
	2-29 Approach to stakeholder engagement	27	
	2-30 Collective bargaining agreements	41	

# GRI Content Index

GRI Standard	Disclosure	Location/ Page No, Source and/or Direct Answers	Additional information and reasons for omission
<b>MATERIAL TOPICS</b>			
<b>GRI 3: Material Topics 2021</b>	3-1 Process to determine material topics	19-21	
	3-2 List of material topics	19	
	3-3 Management of material topics	19-27	
<b>Anti-corruption</b>			
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	100-103	
<b>GRI 205: Anti-corruption 2016</b>	205-3 Confirmed incidents of corruption and actions taken	102	
<b>Energy</b>			
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	57-65, 70-71	
<b>GRI 302: Energy 2016</b>	302-1 Energy consumption within the organization	70-71	
	302-4 Reduction of energy consumption	70-71	
<b>Water and effluents</b>			
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	80-82	
<b>GRI 303: Water and Effluents 2018</b>	303-1 Interactions with water as a shared resource	80-82	
	303-3 Water withdrawal	80-82, 116	
	303-4 Water discharge	80-82, 116	
	303-5 Water consumption	80-82, 116	
<b>Emissions</b>			
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	57-78	
<b>GRI 305: Emissions 2016</b>	305-1 Direct (Scope 1) GHG emissions	70, 116	
	305-2 Energy indirect (Scope 2) GHG emissions	70, 116	
	305-5 Reduction of GHG emissions	70	
<b>Waste</b>			
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	91-92	
<b>GRI 306: Waste 2020</b>	306-1 Waste generation and significant waste-related impacts	91-92	
	306-2 Management of significant waste-related impacts	91-92	
	306-3 Waste generated	91-92, 116	
	306-4 Waste diverted from disposal	91-92, 116	
	306-5 Waste directed to disposal	91-92, 116	
<b>Employment</b>			
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	41-54	
<b>GRI 401: Employment 2016</b>	401-1 New employee hires and employee turnover	113	
	401-3 Parental leave	114	

# GRI Content Index

GRI Standard	Disclosure	Location/ Page No, Source and/or Direct Answers	Additional information and reasons for omission
<b>MATERIAL TOPICS</b>			
<b>Occupational health and safety</b>			
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	54	
<b>GRI 403: Occupational Health and Safety 201</b>	403-1 Occupational health and safety management system	54	
	403-2 Hazard identification, risk assessment, and incident investigation	54	
	403-5 Worker training on occupational health and safety	114	
	403-6 Promotion of worker health	54	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	54	
	403-9 Work-related injuries	54, 114	
	403-10 Work-related ill health	54, 114	
<b>Training and education</b>			
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	45-49	
<b>GRI 404: Training and Education 2016</b>	404-1 Average hours of training per year per employee	41, 113	
	404-2 Programs for upgrading employee skills and transition assistance programs	45-49	
	404-3 Percentage of employees receiving regular performance and career development reviews	114	
<b>Diversity and equal opportunity</b>			
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	52-53	
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1 Diversity of governance bodies and employees	52-53, 113	
	405-2 Ratio of basic salary and remuneration of women to men	53, 113	
<b>Non-discrimination</b>			
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	102-103	
<b>GRI 406: Non-discrimination 2016</b>	406-1 Incidents of discrimination and corrective actions taken	102	
<b>Customer privacy</b>			
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	102	
<b>GRI 418: Customer Privacy 2016</b>	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	102	

# 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 "core" 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.	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 nonexecutive; 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 11 Koç Holding Annual Report, Corporate Governance Compliance Report, page 342
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 19-27
Ethical behaviour	Anti-corruption	<p>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.</p> <p>a) Total number and nature of incidents of corruption confirmed during the current year, but related to previous years; and</p> <p>b) Total number and nature of incidents of corruption confirmed during the current year, related to this year.</p> <p>2. Discussion of initiatives and stakeholder engagement to improve the broader operating environment and culture, in order to combat corruption.</p>	Sustainability Foundations, Ethics and Compliance, page 102, 103
	Protected ethics advice and reporting mechanisms	A description of internal and external mechanisms for: <p>1. Seeking advice about ethical and lawful behaviour and organizational integrity; and</p> <p>2. Reporting concerns about unethical or unlawful behaviour and lack of organizational integrity.</p>	Sustainability Foundations, Ethics and Compliance, page 102, 103
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.	Act for the Planet. Together, Low-carbon Transition, page 32 Grow the Business. Together, Cybersecurity as an Emerging Risk, page 72

# 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 (tCO2e) GHG Protocol Scope 1 and Scope 2 emissions.  Estimate and report material upstream and downstream (GHG Protocol Scope 3) emissions where appropriate.	Environmental Performance Indicators, page 117, 118
	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, Climate-related Risks and Opportunities, page 41
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.	Environmental Performance Indicators, page 117, 118

# 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, Koç Group Employees in 2023, page 80 Empower people. Together, Diversity and Inclusion, page 91 Social Performance Indicators, page 114-116
	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 91
	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 104
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 93 Social Performance Indicators, page 114-116
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, page 80

# 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 114-116
	Economic contribution	<p>1. Direct economic value generated and distributed (EVG&amp;D), on an accruals basis, covering the basic components for the organization's global operations, ideally split out by:</p> <ul style="list-style-type: none"> <li>• Revenues</li> <li>• Operating costs</li> <li>• Employee wages and benefits</li> <li>• Payments to providers of capital</li> <li>• Payments to government</li> <li>• Community investment</li> </ul> <p>2. Financial assistance received from the government: total monetary value of financial assistance received by the organization from any government during the reporting period.</p>	Koç Holding Annual Report, page 205
	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 251-255
Innovation of better products and services	Total R&D expenses	Total costs related to research and development.	Grow the Business. Together, Innovation, page 74
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 31



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**"Lead Together" Visuals:** Muhsin Ergün

## For more information

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