



**Koç Group**  
**Sustainability Report**  
2019



# Contents

3	About the Report	35	<b>Act for the planet. Together</b>
4	Ömer M. Koç / Chairperson's Letter	38	Climate Change
5	Levent Çakıroğlu / CEO's Letter	39	Improving our Energy Efficiency
6	Koç Group At a Glance	40	Managing Water Risks
7	Our Manifesto	41	In Practice: Addressing Climate Change Impacts
9	Pathway to Lead. Together	42	Waste Management
11	Delivering the UN Sustainable Development Goals	43	In Practice: Business Plastics Initiative
12	<b>Grow the business. Together</b>	44	In Practice: Circular Economy and Tackling Plastic Wastes
14	Digital Transformation	45	Biodiversity
16	In Practice: KoçDigital & KoçDigital Academy	46	<b>Strengthen communities. Together</b>
17	In Practice: BotGen & Yapı Kredi Bank Whatsapp Service	47	Strengthen Communities. Together
18	Privacy and Cybersecurity	48	In Practice: For My Country: I Design the Future
19	Innovation	49	In Practice: Investing in 21st Century Skills in Vocational Training
20	Koç Innovation Program	50	Gender Equality
21	In Practice: Office-Free Renting	51	In Practice: Partnering with HeForShe Impact 10x10x10 Initiative
22	Suppliers and Distributors	52	Corporate Governance and Risk Management
23	<b>Empower people. Together</b>	54	Sustainability Governance across Koç Group
25	Koç Group Employees in 2019	57	Making It Happen with Stakeholders
26	Future Talent	61	Materiality Analysis
27	Talent Management	63	Performance Indicators
29	In Practice: Personal Development Program	63	Social Performance Indicators
30	In Practice: Agile Transformation	64	Environmental Performance Indicators
31	Diversity and Inclusion	65	GRI Content Index
32	In Practice: AI Female Talent		
33	Performance Management		
34	Health and Safety		

## About the Report

Our 2019 Sustainability Report is prepared to share our ESG performance with our stakeholders. The sustainability performance of Koç Group, including our subsidiaries, Arçelik, Aygaz, Entek, Ford Otosan, Koç Information Group\*, Opet, Otokar, Otokoç Otomotiv, Tat Gıda, Tofaş, Tüpraş, TürkTraktör and Yapı Kredi, is disclosed in the Report. The scope of the Report covers 72% of employees and 84.2% of the combined revenues. Group-wide initiatives and best practices from Koç Group companies are put forward in the Report in addition to the sustainability data\*\*.

This report has been prepared in accordance with the GRI Standards: Core option. In the report our sustainability performance is linked with United Nations Global Compact (UNGC) and Women Empowerment Principles (WEPs)

indicators. In the Report, we also share our contribution to the Sustainable Development Goals (SDGs) within the framework of global agenda.

The scope of the Report is between the dates of January 1, 2019 and December 31, 2019. In order to demonstrate comparative results, we indicate our performance from previous years, where necessary. Additionally, developments in line with our sustainability approach and our future plans are covered in the Report. We are committed to disclose our sustainability performance annually.

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

102-45 / 102-46 / 102-49

\* Koç Information Group does not represent a legal entity, but a common name for KoçSistem and Bilkom all of which are Koç Group companies. Within this report, unless otherwise stated, all performance and practice related information disclosed regarding Koç Information Group consists of the shared data and practices of these enterprises.

\*\* The data disclosed throughout the Sustainability Report 2019 includes performance of 13 Group companies, whereas the previous reports of 2017 and 2018 covered 12 companies. This figures for the years of 2017 and 2018 are updated in accordance with the new scope.



In 2019, we were able to realize our goals regarding **Lead. Together**, focusing on digital transformation, innovation, future talent, diversity and inclusion to create and to share value with and for all our stakeholders.

## Chairperson's Letter

Dear Stakeholders,

We are experiencing a turbulent period during which the Covid-19 pandemic has wreaked havoc with our society and economy. Clearly the global economy is facing a massive challenge that generates fluctuations and uncertainties, whose effects will be felt in the years to come. The world has been struggling with the complex consequences of the climate crisis and growing social inequalities over the last decade. The pandemic, in the blink of an eye, revealed the importance of multilateral solutions to growing challenges to the resilience of our businesses.

As also articulated by the World Economic Forum, we acknowledge that stakeholder capitalism is the key to generate stronger financial figures, while progressing towards long-term aspirations such as addressing the climate change crisis or reducing inequalities. At Koç Group, we are mindful of the critical role our business plays in supporting Turkey's economic growth as well as to improving the livelihoods of millions of people. In different countries and sectors in which we operate, we aim to create shared value with our stakeholders and contribute to their well-being through employment, products and services and corporate citizenship.

Thus, we renew our commitment to the UN Global Compact Principles and collaborate at scale to accelerate progress towards the UN Sustainable Development Goals. Our sustainability approach, **Lead. Together** shapes our business strategy and activities.

In 2019, we were able to realize our goals regarding **Lead. Together**, focusing on digital transformation, innovation, future talent, diversity and inclusion to create and to share value with and for all our stakeholders. Furthermore, we intend to strengthen our commitment, where integrating sustainability is key to our adaptation for a better and prosperous future for us all.

I would like to thank all our stakeholders, notably our employees, suppliers and distributors for enabling us to meet our targets and narrate our progress in this sustainability report.

Sincerely and respectfully,

**Ömer M. Koç**  
Chairperson



As Koç Holding, we are committed to increasing our ESG performance continuously, while improving our dialogue with key stakeholders to reflect their expectations on our strategies.

## CEO's Letter

Dear Stakeholders,

The eruption of the COVID-19 pandemic at the beginning of 2020 is likely to affect both businesses and society, deeply and fundamentally. During this time, critical trends including the climate crisis, digital fragmentation and inequalities exacerbate the impact of this humanitarian and economic crisis on vulnerable groups. Today, we observe that businesses that manage financial and non-financial risks together are more resilient to the current crisis, which further strengthens the role of environmental, social and governance factors in the future of businesses.

As Koç Holding, we are committed to increasing our ESG performance continuously, while improving our dialogue with key stakeholders to reflect their expectations on our strategies. We aim to advance our efforts and fulfil these expectations via Lead. Together, our sustainable and profitable growth approach.

The **Lead.Together** manifesto, under the framework of which we guide our actions, ensures that four main pillars “business, people, planet and communities” provide the foundation of our structured programmes, which enables us to advance our strategic priority areas of digital transformation, innovation, future talent, diversity and inclusion and climate change.

In 2019, our ESG progress was supported by digital transformation, technology and innovation. Ford Otosan Gölcük and Arçelik Romania plants have joined the World Economic Forum Global Lighthouse Network, which brings together leading manufacturers that generate additional value through state-of-the-art technologies. Another achievement was our advanced position in the employer survey of Forbes, which ranked us 35th in World's Best Employer. Last but not least, we announced our group wide commitment to end single-use plastics in consumption and took a leading role in the Business Plastics Initiative to inspire a greater impact among the business community. This report is prepared to provide further information on our achievements as well as our ESG disclosures.

I sincerely thank our stakeholders, notably our people, who have contributed to our success and established partnerships in order to spread our influence for the better.

I believe that we will overcome these challenging times through cooperation and solidarity.

**Levent Çakıroğlu**

CEO



➤ **93,000**  
Employees

➤ **12.5 million**  
Customers

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

Exporting to more than  
➤ **150 countries**

➤ **9%** of Turkey's private sector  
R&D expenditure

➤ **9%** of Turkey's total exports

Revenues equivalent to  
➤ **8% of Turkey's GDP**

## 4 main business areas

- Energy
- Automotive
- Consumer Durables
- Finance



# Lead. Together is a journey.

And our potential is huge.

## Our Manifesto



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

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

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

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

# Our heritage, our future.



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

**Grow the business. Together**

**Empower people. Together**

**Act for the planet. Together**

**Strengthen communities. Together**



# Pathway to Lead. Together

- ➤ ➤ With Koç Group's global vision and evolving sustainability agenda driven by UN Sustainable Development Goals (SDGs), our sustainability approach was formed. Our main purpose is to maximize Koç Holding's impact by focusing on cross-cutting issues, to manage sustainability risks and opportunities effectively, to guide Koç Group companies to lead sustainability in their respective business areas.

**Lead. Together** and its focus areas are a result of an iterative process that includes cross-functional teams from Group companies, senior management across different industries, external stakeholders and opinion leaders.



We launched the processes by organizing preliminary workshops with 12 Group companies that represent the major operations of our business, to get a better understanding on the status of sustainability management across the Group. Different functions like human resources (HR), environment, corporate communications, supply chain and innovation participated in these workshops. Following the workshops, we conducted 20 semi-structured interviews with Group companies' General Managers and other members of senior management to identify the material areas to focus regarding sustainability. Initial findings revealed the need to have a holistic approach to manage sustainability issues since each function or department focused on their own expertise area.

In addition to the internal workshops and interviews, a qualitative external stakeholder research was conducted. Stakeholder opinions were included into the process, in order to ensure the existence of stakeholders' vision and expectations in the way we approach to sustainability.

Koç Group Sustainability Guide which was developed to enable standardization of sustainability management across the Group. In order to effectively implement this guide, we organized workshops with participation of a wide range of experts from the Group companies. The Guide provides direction firstly on defining how to manage material issues and focus areas, stakeholder integration, performance management as well as standards on best practices.

In accordance with the Sustainability Guide, each Group company held cross-functional workshops to determine the material issues and 5 focus areas for their respective companies. As a result, each item covered in this section, were consolidated and presented to the final approval of Koç Holding's senior management. 5 of key issues and their related SDGs were prioritized under 4 focus areas which formed our new sustainability framework, **Lead. Together.**

Our material issues were reviewed and validated in 2019, prior to publishing Sustainability Report 2018, considering stakeholders opinions, external trends and risks, global and local policies and Group strategy. For further details, you may refer to the Materiality Analysis section of the report.

102-47 / 102-49

# Pathway to Lead. Together



102-47 / 102-49

# Delivering the UN Sustainable Development Goals

► ► ► The United Nations Sustainable Development Goals (SDGs) offer a global agenda from the public sector to the business world. The SDGs addresses the global challenges related to poverty, inequality, climate change, prosperity, peace and justice. At Koç Holding, we believe that the business needs to contribute to these goals as a driver for innovation and generator of economic growth. Our sustainability framework **Lead. Together** ensures that we are positioned to contribute to the solutions for sustainable development. Besides, we are aware of the fact that the SDGs also could open up several opportunities for the private sector.

We published a report to reveal the implications of the SDGs on our business and our opportunities to contribute. In the report The Sustainable Development Goals and Their Implications on Business, we showed the key mega trends and their impact on our main industries, which are

Financial Services, Energy, Durable Goods and Automotive. The report highlights how our sustainability framework **Lead. Together** guides us to deliver the SDGs through our sustainability commitments. All Group companies, representing over a half million people, need to seize our approach to SDGs and the implications to their industries. To have a common ground, we held an SDG workshop with Group companies, where we discussed our sustainability model and the interrelation with **Lead. Together** and the SDGs.

We will continue to create value through our business model, and our products and services. However, we know that collaborative action plays a very important role in achieving the SDGs. We urge governments, civil societies and peers to realize the SDGs together.

102-47 / 102-49

## Grow the business. Together



## Empower people. Together



## Act for the planet. Together



## Strengthen communities. Together







**Grow the business.  
Together**



# Grow the business. Together

## Aiming for sustainable, profitable growth

Our aim is to create a business that delivers sustainable, profitable growth. Our vision shows that this growth will come through expanding our global presence and establishing brands that have a competitive edge, wherever we do business. We will succeed by developing business models that are flexible, efficient and focused on creating long-term value.

## Taking the lead with innovation, technology and our brands

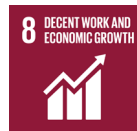
Our technology, innovation capability and brand assets are key to our success and they will be vital tools for the future. Our influence extends far beyond the businesses and brands we manage. Through our long-term relationships with employees, partners, investors, suppliers and distributors we have an opportunity to drive positive change on an international scale. As an investor, we “create long-term shared value through the decisions and investments we make.

## Growth is good for us, and good for society

We believe our prosperity is connected to the prosperity of the world; we only reach our goals if we align with changes in society, the environment, technology and business. Sustainability means using our potential to its fullest by developing products and services that meet the pressing needs and expectations of society.

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 trigger a ripple effect that extends out to all our industries, our business partners and the wider community.

At the Koç Group, we aim to maintain our pioneering position by leading change. In this path, digital transformation and innovation are our strategic priorities to seize current and potential opportunities and SDGs serve as a driver into inclusive economic growth.



# Digital Transformation

- ➤ ➤ Digital technologies are dramatically reshaping sectors and changing the way we interact with each other and with the world. New technologies present new approaches and opportunities for businesses. Believing that the leaders of the digital world will be the leaders of the future we change how we deliver value to our customers and wider society and make use of the revolutionary effect digital has over industries.

Digital transforms customer experience and enables to serve customers better, faster, with a customized approach. It makes production processes more efficient and leaner, enables increased employee participation and creativity and opens up opportunities for new products and business models.

## Digital Transformation Program

The Koç Digital Transformation Program launched in 2016 aims to radically transform products, services and business processes and build the digital skills required to implement and improve digitalization. The Program is an integral part of the annual and long-term plans of all Group companies and in its fourth year the project continue to gain momentum in line with the long term strategic plans.

The Digital Transformation Program includes a wide range of projects but the main topics concentrate on digital marketing and customer experience, digital supply chain and manufacturing and digital lean workplace. There had been a total of 640 projects, of which 400 had been completed.

- **Digital Marketing and Customer Experience:** The main objective of Group Companies is to offer products and services aligned with the customer's needs and preferences at the right time, through the right channel and at right conditions via a completely new experience. We evaluate data in both digital and physical world to understand the customer's need and expectations better and improve the customer experience.
- **Digital Supply Chain and Manufacturing:** The core business of nearly half of the Group companies is manufacturing; therefore improving all processes including products, services and designs a vital part of the Program. Beyond traditional automation and robot usage, The Group's manufacturing companies utilize opportunities offered by the "Industry 4.0" technologie while working to bring the suppliers to the same level.
- **Digital Lean Workplace:** The aim is to enable employees to focus on more value added activities with digital technologies by ensuring the processes other than manufacturing are lean. This contributes to the success of the Group companies by not only increasing efficiency but also improving employee satisfaction.

### Digital Transformation Themes

Digital Marketing and Customer Experience

Digital Supply Chain and Manufacturing

Digital Lean Workplace

### Group Wide Supportive Activities

Data and Analytics

Industry 4.0

Digital New Initiatives

### Cultural Transformation

Awareness and Communication

Competency Development

Teamwork and Governance



# Digital Transformation

► ► ► In addition to projects in our main themes, key topics such as data and analytics, Industry 4.0 and digital new initiatives are managed across several Group companies under the leadership of Koç Holding.

- **Data and Analytics:** To enhance data driven decision making and doing business, Group companies extensively use advanced data and analytics technologies. Established to drive the digital transformation within Koç Group, KoçDigital has become a key partner for both Group companies and other companies for data analytics, image processing and the Internet of Things solutions.
- **Industry 4.0:** An Industry 4.0 working group consisting of 12 managers from manufacturing companies within the Group focus on to increase efficiency in production by closely following the emerging technologies.
- **Digital New Initiatives:** Inventram the technology investment company of Koç Holding evaluates and invests in start-ups with new digital ideas.

A Group-wide cultural transformation is an essential part of the Program. Digital transformation leaders, teams and steering committees are the champions of the Program and drive the change throughout the organization.

- **Awareness and Communication:** We launched the next generation interaction and communication platform “KoçHub”. The digital transformation activities started to be shared on one platform which is open to all employees.

- **Competency Development:** We continue different training programs at full speed. We provided;
  - Online programs on data analytics, programming, digital marketing, autonomous vehicles and machine learning offered by Udacity and on strategy and leadership from the Harvard Business School Online.
  - “Personal Development Program” for senior executives to develop their leadership competence and vision for the digital world.
  - The “Post Graduate in Digital Business” education program developed by the Massachusetts Institute of Technology (MIT) and the Columbia Business School.
  - “Digital transformation-oriented online education programs which are offered by the Columbia Business School, the MIT Sloan, the University of Oxford, the London School of Economics, the University of Cambridge and the University of Berkeley.
  - The Modular MBA Technology and Innovation Management Specialization Program by Koç University, which is focused on the subjects required by digital world and geared towards the employees working in engineering.

# Digital Transformation

## In Practice: KoçDigital & KoçDigital Academy



► ► ► **KoçDigital**, KoçDigital established by KoçSistem in partnership with Boston Consulting Group (BCG) focuses on IoT and advanced analytics to create solutions for businesses. The services include product innovation, operations & supply chain projects that enables Industry 4.0, sales & marketing projects that enhance customer management.

KoçDigital also supports the digital transformation program of Koç Group as the Group companies are focusing on marketing, sales, production or supply projects that requires big data and advanced analytical solutions. KoçDigital started developing new digital products and IP's in IoT and advanced analytics areas while implementing commercial projects for industry. In IoT area; Platform360 has been developed as an industrial IoT platform including Manufacturing Execution System (MES), Manufacturing Information System (MIS), Assembly Management System (ASM) and Remote Asset Monitoring (RAM). These product modules have been implemented at Ford Otosan, Demir Export, Arçelik LG, North Iraqi RT Telekom. Ford Otosan joined the World Economic Forum's Lighthouse Network following the Ford Otosan MIS Project.

In the field of advanced analytics, state-of-the-art solutions have been developed and integrated into the customers' existing processes to bring sustainable operations. For instance, demand forecasting, network optimisation, stock, promo and material optimisation projects have been implemented for Arçelik, Koçtaş, Tüpraş, Otokoç and Tat. Additionally, in artificial intelligence; smart worksafe with video analytics product have been developed.

The digital transformation of the companies will only be sustainable if digitalization and improvement is continuous. KoçDigital also provides trainings for digital skills required to implement and manage digital projects with Koç Digital Academy. The aim is to invest in human capital and bring the global know-how and expertise to Turkey. This will enable us to contribute to the future of the country and to create a value-added economy.

KoçDigital Academy assumes the mission of developing the digital competencies of KoçDigital employees and its customers. In this condition, 5 employees received abroad training and 80 employees received more than 100 trainings. The Academy also designed KoçDigital Data & Analytics for Business Program for business professionals from Koc Group and other companies. The program, in which nearly 100 participants graduated is Koç University and BCG experts share their expertise in online & class trainings and participants implement real time projects during the Program. This program aims to train participants on data and analytics topics, helping them to bridge the business with technical perspectives and to accelerate analytical transformation at their organizations.

# Digital Transformation

## In Practice: BotGen & Yapı Kredi Bank Whatsapp Service

► ► ► **Yapı Kredi** developed a platform that produces 100% in-house Bot to efficiently use chatbots in different areas. The BotGen application launched in 2019 is an AI supported platform that enables the production and management of chatbots for different areas and channels without the need for coding. With its natural language processing and advanced analytical capabilities, it does not require coding knowledge, it enables the business units to create, test and use the dialogue models suitable for their needs. It also supports the creation of bots for different sectors and areas with its generalizable structure.

The use of artificial intelligence (AI) is spreading at a high speed, especially with the contribution of private industries in areas such as sales, technical support, or customer relationship management. One of the important developments in AI is the improvements in dialogue systems and chatbots.

The BotGen platform not only provides 24/7 customer service by answering questions and making calculations, but also serves existing and potential customers in various channels such as human resources, customer relationship management and technical support to increase operational efficiency within the organization. While natural language processing techniques are used to understand customer messages in free text format without human supervision and to extract relevant information, current deep learning algorithms are preferred for identifying subjects of customer messages.

Today, 75% of the customer meetings on the Whatsapp channel start and end with a bot. With the launch of the bot, 2 million customer messages were answered in a year which helped to reduce the workload of the representatives. The application has also received many national and international awards such as Stevie Awards and IDC.

As the next step, R&D will continue for identifying methods that will understand the documents and information sets of chatbots in order to respond to messages on previously undefined topics.



## Privacy and Cybersecurity

- ➤ ➤ Rapid digitalization brings also the increased risk of cybercrime. According to the World Economic Forum Global Risks Report cyberattacks are among the top 10 risks with high-impact and high likelihood. Data breaches cause not only financial loss but also important damage to reputation.

As Koç Group is accelerating its efforts on digital transformation, we also give high importance to privacy and cybersecurity while preparing the companies for the digital future. It is very important that our customers know we will keep their data safe and process it according to legislations.

We manage cybersecurity and data privacy in line with our Group Policy on Protection and Processing of Personal Data. In addition to this, each Group company has its own Data Security Policy they follow when managing all their operations. The Koç Group IT Committee is the main governing body and composed of the IT managers of major Group companies. The committee meets monthly and sets the IT Standards such as policies, procedures and guidelines which are followed by all Group companies.

Koç Group IT Security Committee is responsible for setting security policies, evaluating new threats and reducing risk of intrusion, loss of data integrity and compliance violations. Both IT Committee and IT Security Committee are chaired by senior executives. We work towards compliance with all relevant requirements and legislations on cybersecurity and privacy. We perform annual audits for each Group Company based on globally recognized frameworks (i.e. COBIT, ISO27001, CIS 20 etc.) and Koç Group IT Standards. Audit and maturity assessment results are presented to the CEO.

Beside the Koç Group policies and guidelines every company implement safeguards to protect the data of its stakeholders. Every company is responsible for developing and implementing an IT continuity and disaster recovery strategy. Cyber Security Risk Management System is in place to identify, assess, monitor and report on cybersecurity threats including sensitive data such as trade secrets, credit card, customer and healthcare information. The companies also identify the required data security trainings according to their sectors and employees receive trainings on these issues.

# Innovation

- ▶ ▶ ▶ We build a group-wide culture of innovation and intrapreneurship, in order to integrate innovation into our core business.

## **Breakthrough innovation to improve lives and enhance services**

We aim to grow our business with new business models, products and services that improve lives in bold and innovative ways. Our customers are often the first to benefit from our innovations but, by finding new ways of thinking and working, we also support the wider society to become more sustainable, connected and prosperous.

## **Keeping innovation on the agenda for sustainable success**

To stay relevant and resilient, businesses need to develop innovative processes and business models that are based on creative and new ideas. Our stakeholders have a clear view that innovative businesses are sustainable ones. We believe innovation and sustainability go hand in hand, especially when it comes to delivering business growth and solving complex sustainability challenges.

We frequently partner with other business actors – including

start-ups and innovative small firms – to drive enthusiasm for innovation through our ecosystem. We also aim to gain competitive advantage by bringing a structured approach to innovation and entrepreneurship in our own businesses.

Innovation with a sustainability focus improves quality of life, protects the environment and serves communities. By looking for scalable, transformative ideas and taking calculated risks when we find them, we can make substantial contributions to all the SDGs and ensure our customers, society and our business thrive together.

Attaching tremendous importance to technology, R&D and innovation, we allocated approximately TRY 1.1 billion to those areas in 2019. This amount is approximately 6%\* of the total expenditure of Turkey's private sector. With 32 R&D centers, one design center and four Technopolis R&D offices, we have the highest number of R&D centers of any group in Turkey. The Koç Group employs 3,930 R&D personnel, corresponding to 4%\* of all employees working in R&D in Turkey's private sector.

\* Based on Turkish Statistical Institute's November 2019 R&D data

# Innovation

## ► ► ► Koç Innovation Program

Innovation is among the top strategic priorities for Koç Group companies. It is a keystone for profitable and sustainable growth, competitiveness and powerful global presence. Koc Innovation Program launched in 2014 focuses on;

1. Building a culture of innovation and creating the right work environment to enhance our innovation capacity
2. Cultivating corporate entrepreneurship (intrapreneurship) across the Group and supporting employees' entrepreneurial spirit and efforts
3. Extending innovative endeavours not only across product and service development activities, but in all business units and operations
4. Increasing partnership with external stakeholders, an important source of innovation, and managing these collaborations more effectively
5. Managing innovative operations via clear processes to ensure sustainability

The program aims to develop innovation management competences at Koç Group companies. We aim to grow, build a culture of innovation profiting from the entrepreneur mindset in order to ensure business model innovation and increase open innovation capacity. Within the scope of the program, we support corporate entrepreneurs through various training programs, mentors, new project management techniques and awards. Working methods similar to startups are encouraged in innovation projects to decrease time to market and costs.

Built with volunteering aspirations rather than driven by corporate targets, the program is spreading rapidly across the Group. As of the end of 2019, nine Group companies are participating in the Program. Since the start of the program, more than 200 internal startups have been turned into projects, 16 new products and services brought to the market and two companies were established. The companies included in the program have cooperated with over 80 startups in order to support their projects and the entrepreneurship ecosystem.

As a result Koç Innovation Program was awarded the “Best Corporate Entrepreneurship Program” by TOBB (the Union of Chambers and Commodity Exchanges of Turkey), Endeavor, the Özyeğin University and the Startup Magazine.

# Innovation

## In Practice: Office-Free Renting

### Otokoç

Office-free renting initiative “Budget Wherever You Want” is one of the major outcomes of Koç Innovation Programme in 2019.

Applying the Lean Enterprise Methodology, **Otokoç** aimed to bring its services directly to the customers to serve a better vehicle rental experience and to increase customer satisfaction to the highest level. The business idea, which directly matches Otokoç’s vision of being a travel companion that offers mobility solutions, was commercialized in September 2019, following the successful pilot implementation.

With this service, customers do not need to go to the rental office to pick up the vehicle they rented through Budget website, call centre or mobile application. The service is active in seven regions where vehicles are delivered to the location the customers want. Thus, the problems that customers may experience such as the time loss due to the traffic are eliminated. During the Covid-19 pandemic, this model was highly preferred by the customers. In this period the hygiene standards were enhanced to the highest level and employee and customer health was the utmost priority.

By delivering approximately 5,500 vehicles to approximately 3,500 customers the new model made a turnover of 6 million TRY, after being operational until first half of 2020. It has been achieved with a 90% customer satisfaction. Within a short period, the web channel conversion rate almost caught the conversion rate of traditional vehicle rental firms. Otokoc aims to increase this rate to 4% in the time ahead.

By combining the past experiences with future ambitions, Otokoc seeks for ways to improve the vehicle rental experience of the customers including their feedback to the innovation processes. With digitalization positioned in the centre of daily life, it is among Otokoc’s targets to increase the turnover through the use of innovative solutions and thus provide a faster, easier and safer experience to the clients.



## Suppliers and Distributors

- ► ► The size and scale of our business gives us the opportunity to drive positive change across a broad list of industries. We realize the importance of becoming a role-model for our business partners, suppliers, distributors, contractors and focus on analyzing and improving our operations for a positive influence. With the goal of leading by example, we strive to first transform ourselves and then drive this wave of positive change down our value chain.

We require our business partners to share our values of honesty, integrity and business ethics. These values which form the basis of all our operations are protected by laws and regulations and we place great care into making sure that they are followed by every link that comprises our value chain. Each link is responsible for delivering products and services while regarding international standards, laws and regulations. We encourage cooperation as a

principle and support our business partners in improving their performance in quality production, awareness of environmental and human rights as well as forming a strong company culture based on business ethics.

Trainings are an important part of our supplier and distributor relations. We provide diverse training programs and in 2019, 6826 hours of trainings were given. In addition to trainings we have a supplier audit program to ensure that our suppliers are in line with our company's standards. We conduct quality and product safety audits as well as assessments centering around social, environmental and ethical criteria. This year, 15% of our 20,238 suppliers, dealers and service points were audited on these criteria. Our goal is for our audits to cover our entire value chain and spread our sustainability goals beyond our operations.

Supplier Training Hours in 2019	Training on Environmental Issues	Training on Social Issues	Trainings on Ethical Issues
	2956	2442	1428





**Empower people.  
Together**



# Empower people. Together

## Aiming for an equal, empowered workforce

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

## Building on our people-first principles

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

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

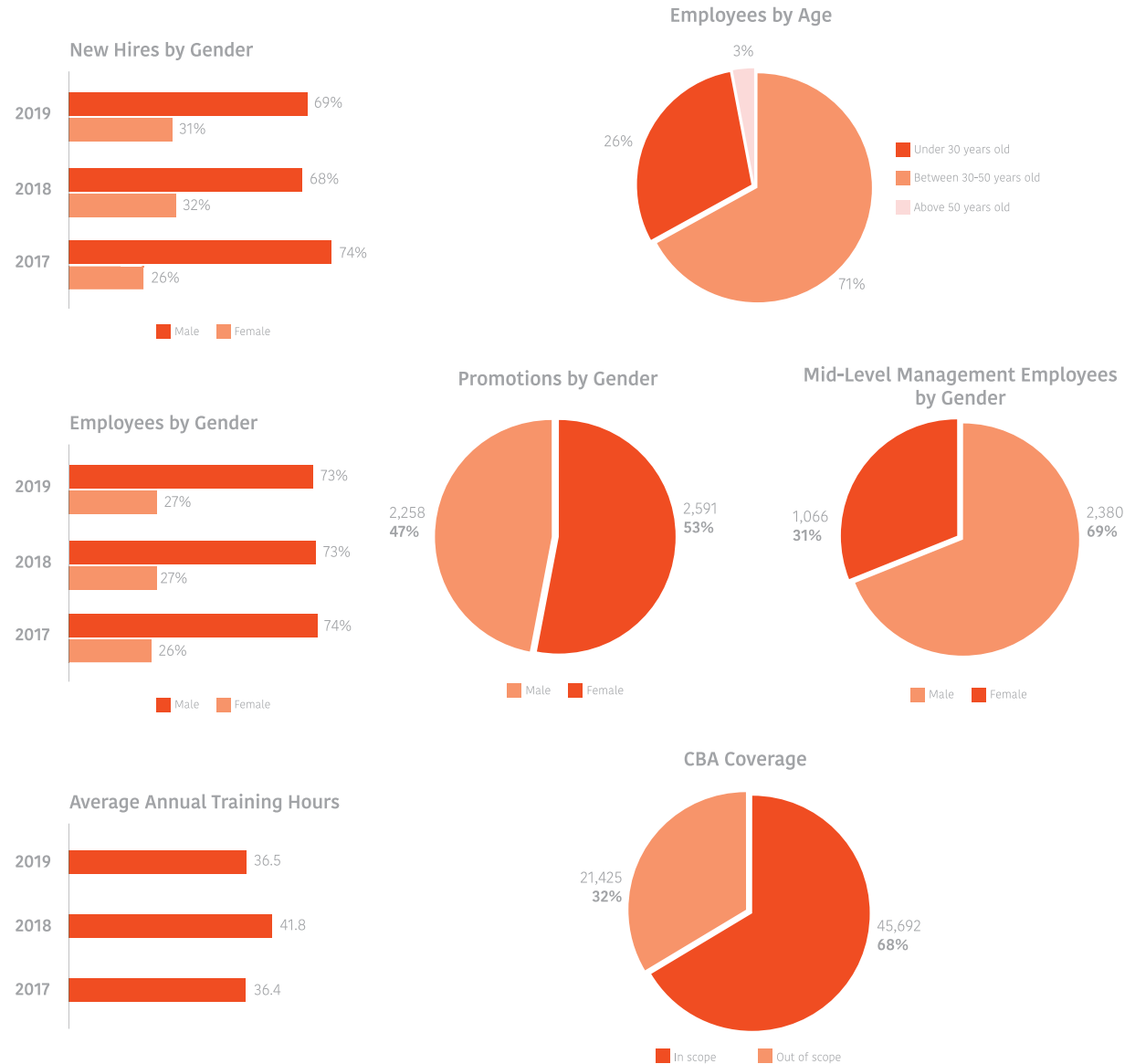
## Empowering people drives sustainable development

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



# Koç Group Employees in 2019

► ► ► As the of end of 2019, **Koç Group** is the largest employer in Turkey with 92,990 people, including 75,843 in Turkey and 17,147 abroad. 99.8% of our employees work full time. This report covers 72% of total workforce representing 67,117 employees.





# Future Talent

## ► ► ► Finding, training and keeping the best

When considering the future of our industries, it is important to understand which skillsets will best support our globally competitive business. We want our workplace to become more flexible, agile, dynamic, bold, collaborative, and entrepreneurial, in order to attract the best emerging talents.

### **Developing people is business as usual**

From the beginning, we have been creating opportunities for our people to grow their potential. By training, we enable our people to meet Industry 4.0's demands with more sophisticated skills. Advancing our human capital is our priority.

### **Facing the skills shortage**

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

challenges facing business and society. We need to grow and strengthen our talent pipeline and give people the skills and the motivation they need to build a resilient business.

The skills shortage in Turkey is a major issue for businesses and it is expected to emerge in the medium to long term. In 2019, 51%\* of private companies stated that they are experiencing difficulties in finding employees with the required skills. At Koç Group, we aim to provide solutions to tackle skills shortage and secure our successful growth in the long term.

### **Industry 4.0 has significant implications for future talent**

Disruptive changes in business models will deeply affect the employment. In near future workplaces will see people and machines working more closely alongside each other, while jobs and skills will change as processes become ever more automated. The workforce is expected to be more integrated to the technology and innovation. We think this can be an opportunity for all, if we equip people with the skillsets they need to succeed in the new business world.

\* Manpower, Talent Shortage Survey, 2019.

## Talent Management

- ► ► We focus on strengthening talent management to empower our business and our people together. We equip people with the skills and motivation they need to prosper in tomorrow's workplace.

We design and implement talent management strategies at Koç Group. Firstly, prospective employees are involved in competency-based evaluation processes designed for different organizational levels and positions. Since 2011, employees who possess top executive level competences are identified by the "Assessment Center". This enables an effective succession plan for top executive positions and proactively supports candidates for these positions via training-development programs and job rotation opportunities. Almost 27% of the participants at Assessment Center are female employees.

Rotation method is talent mobility, which is one of the most important tools to develop Koç Group's long-term human capital. Koç Group employees have priority when filling vacant positions at Group companies thanks to KoçKariyerim, which is the internal posting system. Through the portal of KoçKariyerim, all available positions within the Group are announced and the application process is managed. This system enables employees to actively participate in shaping their career journey. More than 7,000 applications were submitted in response to postings announced on the portal during 2019, and nearly 400 employees benefited from opportunities to rotate between companies. In addition, more than 750 employees benefited from intra-company rotation opportunities. Moreover, there are more than 100 international assignees across the world. Rotation is a must for Top Executive assignment at Koç Group.

One of our focus is improving the recruitment and internship experience. In 2019, we received 2.8 million job applications, while 8,000 out of were recruited. The scope of our approach regarding recruitment includes process and inventory standardization, joint candidate pool, analytics tool, ideal candidate journey, feedback, and audit mechanisms. According to our redesigned recruitment process, we contact the candidate within 24 hours following the receipt of job application and we send a notification regarding the process every 15 days. We apply global assessment tools and systems, and English is mandatory for job recruitment. We give feedback to the candidates who are eliminated during the recruitment process. We send a survey to the candidates to evaluate their recruitment experience. In 2019, 20,371 candidates participated the survey and recruitment process net promoter score increased from -26 to +4 and process satisfaction rate increased to 64% compared to previous years' 48%.

Koç Group employs approximately 5,000 interns every year. This year 36% of interns throughout the Group companies were later recruited to full time positions. This percentage has tripled compared to 2018, thanks to our Group wide Internship Vision Project, which can be seen as an intern education program, where both interns and Group companies benefit. We provide them orientation training and evaluate their performance on the tasks assigned and share the results with them. When a new recruitment process starts, we aim to prioritize candidates which have gone through the Internship Vision Project. In order to increase the internship experience and the efficiency, we moved all of our internship sourcing and recruitment processes to digital platforms. In 2019, net promoter score of internship processes of our companies has become +60.

## Talent Management

- ➤ ➤ Koç Group employees at all levels deliver career development plans at widely used KoçAcademi platform. KoçAcademi provides employees in-class and more than 14 thousand online video trainings including health and lifestyle, digital technologies, family, hobbies, and personal development categories. The Koç Group employees and their families are able to access KoçAcademy through mobile phones, website or tablets. Besides, one-on one coaching, mentoring and project initiatives are also essential tools to effectively manage talents and skills. In 2019, 332 employees attended coaching programs and 660 employees took part in the various mentoring program throughout the Group companies.

As a part of talent management, Learning and Development (L&D) programs which are designed in conjunction with L&D institutions in Turkey and the world are offered to the Koç Group employees. In addition to L&D programs, the Group aims to support employees in a wide range of areas such as leadership, management, strategy and change management at different stages of their career with L&D programs offered under the “LEAD” brand. There are more than 110 different programs available, including Personal Development

Program, BeGlobal China, partnership with Harvard, Udacity, MIT, Columbia, Oxford etc. under LEAD for all employees ranging from newly recruited employees to top executives. BeGlobal China program is designed by Koç Holding Human Resources Directorate following the successful completion of the BeGlobal Silicon Valley program, to examine best practices of global companies on site. We are in the top 5 companies that in terms of enrolling employees to Harvard Business School online programs. Another online training program is Udacity, which is one of the world's most valuable online training companies and which organizes a wide range of online training programs covering areas such as coding and data analysis.

Koc Group employees' digital transformation competencies are developed and strengthened by Ivy League institutions such as Columbia Business School, MIT Sloan, University of Oxford, London School of Economics, and the University of Cambridge.

More information on other employee programs can be found at **Koç Holding 2019 Annual Report.**

# Future Talent

## In Practice: Personal Development Program

- ➤ ➤ While upskilling employees' technical skills, we also attach priority to empowering senior executives with future leadership competencies in the digital world. Therefore, we launched Personal Development Program (PDP) for all senior executives of Koç Group, in cooperation with Harvard University, McKinsey and Aberkyn, to enable our strategic priorities.

The PDP is our first "must have" leadership program for top executives. The program is six-month comprehensive leadership curriculum with 360 assessment, coaching, in-class trainings and online materials. It differs from other programs with digitalization focus, new leadership skills and intense body-mind activities. The program comprises three phases in which senior executives take part in groups of twenty-five. By now, 150 general managers and deputy general managers in 6 groups completed the program. 7th group will be completed in 2021. Our aim is to cover at least two thirds of senior executives to this program.

The first phase is a one-week camp with a theme of "Personal Awareness", aiming individual transformations through mental and physical awareness. In the interim period, the participants complete Harvard Business School's HBX – Disruptive Strategy program in smaller groups. The second phase, also a one-week camp, has the theme of "Change." McKinsey instructors provide trainings on digital trends, design-thinking, digital marketing, big data, agility and change management, which are tailored to address leaders' specific needs in the digital age. The last phase carried out abroad and focused on experience, has the theme of "Renewal". It aims to empower senior executives' adaptive leadership skills by uncovering the adaptability and flexibility of them in challenging natural conditions. The PDP is selected as a best practice case for McKinsey worldwide.



# Future Talent

## In Practice: Agile Transformation

► ► ► By 2025, 75% of workforce will be comprised of millennials\*. We observe the rising demand in working flexibly without stigmas and the will to make tough choices and sacrifices to better manage work and home. Besides, the rate of technological change is ever increasing, and customer expectations are growing faster day by day. We need to keep up with the pace of the world and agile transformation is the key.



\* EY, Global Generations: A global study on work-life challenges across generations

Our research shows that almost 70% of Fortune 100 companies have already started their agile transformation journey. These companies are customer-oriented, take actions quickly and strong in technology. Agile organizations foster more disciplines towards a common goal rather than allowing individual success. They work autonomously and are aligned through a common goal. Customer orientation is the foundation of the agile organizations.

Being aware of this approach, Koç Group has initiated its agile transformation exercises in 2018. Four companies were selected as pilots in 2019; Ford Otosan, Koç Finance and two subsidiaries of Arçelik, WAT Motor Company and Token Financial Technologies, created agile transformation teams. Agile coaches played an important role to raise awareness regarding the transformation within the company from top management to all employees, who supported the process through creating teams and providing training and coaching.

As a concrete example to what the agile organizations are capable of, Ford Otosan's agile transformation teams solved a wrinkled headliner defect ongoing since 8 years in just 2 weeks, decreased marketing request feasibility check process from 6+ months to 6 weeks, achieved almost 180k € per annum cost savings on Ford Courier car model's back seat in 4 weeks through ideation and implementation of these ideas, such as size and geometry optimization of trim support wires allowing deletion of some sub-components. In WAT's Agile Transformation, the first pilot team achieved significant lead time improvement by decreasing new product configuration duration from 21 days to 8 days which resulted into 3 times product definition in the same time period. Additionally, in terms of the overall lead time perspective, the lead time from order to delivery has been decreased from 300 days to 125 days.

The teams' efforts have shown that agile organizations can provide efficiency in finding solutions to existing issues as well as increasing customer satisfaction and employee engagement which enable them to create value for the business and the shareholders. At Koç Group, our goal is to spread agile transformation to all group companies in 2020.

# Diversity and Inclusion

## ► ► ► Creating an equal opportunity workplace

We work hard to cultivate a diverse and inclusive place to work where men and women feel valuable and valued, whether they work in office or industrial roles. Our focus is creating an inclusive culture for a more productive and collaborative workplace across our industrial plants

### Staying true to our progressive values

Our values and compelling previous performance lead us the way to champion diversity and inclusion for many years. As a progressive organization, we take strength from our values and continue to show our commitment to international best practices.

### Diversity and inclusion is good for business...

We regard diversity as a strength and value to adopt international business norms where everyone's contribution counts. We think that diversity and inclusion cover many dimensions, but all are good for business. Diverse organizations outperform those that have less balanced work environment. Organizations where all employees feel valued, respected and equal have higher employee engagement scores which brings about productivity.

### ... and good for sustainability

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

In the direction of our aforementioned approach, we launched a series of initiatives to provide the same performance, training and career opportunities to all our

employees both in office and industrial positions. We address the needs of our employees regardless of their gender, religion, sexual orientation, language, ethnicity, race, beliefs, faith, disability, or any other personal attribute protected by law. Our human rights principles which is a written declaration of our attitude regarding our workforce also comply with the international agreements issued by the International Labor Organization (ILO) and its international equivalents. We follow Koç Group Code of Ethics and Business Conduct in our human resources processes and expect our business partners to do so. Collective bargaining rights of employees is respected and supported at our company.

We specifically adopt gender equality since 2014 and pioneered many initiatives within the Group. Initially, we re-evaluated our work environment from a gender point of view and improved our conditions to be more conducive to women. We enhanced childcare and safety at workplace and provide mentoring during and after maternity leave. In 2019, 1111 of our female employees took maternity leave and 94% of them returned back to work after their official leave ended. 20% of women employees benefit from childcare.

At Koç Group, we adopted a comprehensive approach in order to eliminate all kinds of discrimination and bias regarding gender at workplace. We signed the Declaration of Equality at Work and published Koç Group Equality Guidelines and Implementation Principles to ensure that the gender equality is adopted throughout the company at all levels. We also signed the United Nations Women Empowerment Principles (WEPs) with 30 of our subsidiaries. We encourage our employees and business partners in gender equality via HeForShe initiative. For more information regarding the initiative you may refer to the section of **Strengthen communities. Together**

102-41

# Diversity and Inclusion

## In Practice: AI Female Talent

- ► ► Despite global efforts, the gap between men and women employed in the technology field is wide and women remain underrepresented all around the world. We believe that private sector have responsibilities to take actions to close gender gap in tech and support their women employees. According to World Economic Forum's Gender Gap Report 2020\*, it is observed that gender gaps are visible in specific skilled roles and it is estimated that women only make up to 26% of Data and AI roles.

In light of this, we collaborated with Microsoft Turkey to initiate AI Female Talent program towards the end of 2019. 20 employees

from Group companies, who have already been working on artificial intelligence and/or data science or completed trainings of Koç University and/or Udacity Data Science program, were selected for the program.

This is the first training program in Turkey that focuses on improving competencies of women in the area of AI. During the 3-month program, the participants took online trainings, attended workshops and hackathons in Microsoft Turkey office.

In the first phase of the program, the participants were instructed to plan a project for a social cause by using cognitive AI services. In the second phase, the participants are expected to create a solution with AI to a business problem at Koç Group. The self-organizing, dedicated group within the AI Female Talent program come together on regular basis and carry on with their learning and project development studies. Recently, the group developed an application for the blind people, assisting them during credit or debit card payments, vocalizing the amount shown on the pos device. The mobile application is planned to be available for use in 2020.

\* Global Gender Gap Report, 2020

## Performance Management

- ➤ ➤ We aim to create a community of empowered, engaged employees who have the knowledge and skills to carry our business forward. Therefore, we consider performance management as a set of applications which enables us to deploy our Group-wide corporate goals integrated to our strategy.

Our performance management system is based on measuring and rewarding our employees' achievements. During the process, we focus on creating long-term value rather than short-term accomplishments.

Targets are reviewed throughout the year and the performance management process is completed by evaluating the targets at the end of the year. Our employees are assessed with regard to specific goals set

previously, following that promotions are made according to performance appraisal results. In 2019, 98% of office employees and 82% of employees in industrial positions were subjected to performance appraisal.

As a part of this vision, we determine our employees' competencies and plan their individual development. Effective communication with employees, mutual feedback and reconciliation constitutes the basic principles of performance appraisal. Performance management system also provides inputs for the Compensation Management System including benefit packages. For details on performance management, remuneration and bonuses, please refer to the Remuneration Policy for Members of the Board of Directors and Senior Executives and **Koç Holding 2019 Annual Report**.



## Health and Safety

- ➤ ➤ Reaching excellence in health and safety standards is an essential part of our goal of achieving zero accidents throughout our operations. Occupational health and safety rules constitute the core value of our work culture without any compromise.

With a precautionary and risk-based approach, we progressively develop health and safety related policies and management systems. In accordance with regulations and directives, globally accepted standards and the Koç Group Code of Ethics and Business Conduct, we manage health and safety issues and look to ensure the elimination of any relevant risks. We regard international standards such as OHSAS 18001 or ISO 45001 as frameworks to ensure systematic management of health and safety issues at our facilities. As of 2019, approximately 72% of facilities owned by Koç Group companies were certified with either OHSAS 18001 Occupational Health and Safety Management System or the newer version of the certificate, named as ISO 45001. Occupational health and safety management processes at our Group companies mainly include risk assessments, continual measurement and tracking of occupational health and safety performance, trainings, and making use of new technologies and implementing innovative practices.

Health and Safety Performance	2017	2018	2019
Injury rate (IR)* employees	4.40	6.96	5.91
Occupational illness frequency rate(OIFR)** employees	0.12	0.14	0.21
Lost-time injury frequency rate (LTIFR)*** employees	47.29	3.52	3.51
Occupational health and safety training provided Koç Group (employee*hours)	589,816	525,047	467,393
Occupational health and safety training provided - contractors (employee*hours)	89,947	94,811	112,382

In 2019, the central Health, Safety and Environment Unit is established in order to contribute to the transition towards an encompassing and integrated occupational health, safety and environment management policy and system. This Unit is leading the Group-wide committees, which have participants from the Group companies, collaboratively develop long term strategies, roadmaps, management systems and standards. Besides, our goal is to become one of the global best practices through a wide range of projects carried out under the “LongLive Life” (Yaşasın Hayat) platform.

We believe that employee engagement is key to foster a healthy and safe working environment. To that end, trainings play a significant role to form a safety culture based upon shared responsibility. In 2019, we provided 467,393 employee-hours of occupational health and safety training to Group employees and 112,382 employee hours to contractors.

- \* IR = (Number of injuries in given period\*1,000,000) / Total hours worked in given period  
 \*\* OIFR: (Number of occupational illnesses in given period\*1,000,000) / Total hours worked in given period  
 \*\*\* LTIFR: (Number of lost time injuries in given period\*1,000,000) / Total hours worked in given period  
 The calculation excludes fatalities. LTIFR values of 2017 are based on total recordable data, while since 2018 calculations are based on only lost time injuries.





Act for the planet.  
Together



# Act for the planet. Together

## Aiming for a balanced approach for doing business

Sustainable economic development will only happen when protecting the environment is core to our decision making. Put another way, at Koç Group, we know our financial wellbeing is worth very little without the human wellbeing that comes with a healthily functioning natural world.

## A connected, long-term perspective

We are in a strong position to act on complex global challenges with long time frames – like climate change. Our global scale and engagement present big opportunities to contribute to the progressive climate agenda. In doing so, we provide a role model for other businesses – both within our own ecosystem and beyond.

Global climate change has widespread unprecedented social and environmental impacts. It is one of the biggest

challenges that the humanity is facing ever since, with a potential to have irreversible hazards if action is not taken on time. In order to mitigate the effects of climate change, businesses, governments and societies need to act together. The internationally recognized 1.5°C limit for temperature increase is approaching and the challenge ahead is more acute than ever.

Businesses around the world have an important role responding to the needs of the planet. Goals set in Paris Agreement and the United Nations Sustainable Development Goals address the need for a change, especially for the areas being affected the most. A global shared vision is of utmost need in order to raise awareness and trigger transformation towards a more environmental sensitive business model. To this end, the leadership of private sector in collaboration with different initiatives is essential, which is the core of our motivation to act for a better planet.



# Act for the planet. Together

## Koç Environment Committee

Experts and practitioners on environment, energy and sustainability working in different Koç Group companies are united under Koç Environment Committee and concentrate their efforts in order to create sustainable solutions and strategies for all Group businesses. The Committee develops its strategies in the light of the global agenda driven by the Paris Agreement, UN Global Compact and UN Sustainable Development Goals.

Each of the Group companies is tasked to establish business plans in line with the long-term strategies designed by the Koç Environment Committee and adapting them according to the unique conditions of the locations they operate. Our current long-term strategy focuses on climate action, resource and energy efficiency, green procurement, zero-waste operation, developing

environment-friendly products and obtaining internationally recognized environmental management certifications for all our facilities.

In order to achieve these goals, we monitor our performance closely and evaluate our efficiency through monthly held meetings with representatives from over 20 of our companies. The key performance indicators in the field of environmental management, which companies prepare their annual performance reports, accordingly, are determined by the research and discussion conducted by the Committee. With the Group Environmental Manager, we manage our performance and carry out coordinated work in an efficient manner.



# Climate Change

- ► ► Climate change is a material issue for majority of our business. We aim to demonstrate our commitment to address this challenge, by innovating and collaborating for the future, increasing our operational performance, and taking adaptive measures to build a resilient business.

Adopting the best available technology to optimize our operations is essential for reducing emissions and improving energy efficiency, increasing our use of renewable energy, and adapting to the impacts of climate change across all our industries. Developing effective solutions to environmental issues requires coordinated efforts between all related parties. We work with industry and sector peers, government institutions, public bodies, academia, and civil society to drive forward the climate change agenda and support policy development, both nationally and internationally.

Following stakeholders' expectations, we continue to act on climate change, adapt to the shift towards a low carbon economy and invest in renewable energy and energy efficiency to mitigate the effects.

## Climate Leadership

Since 2011, Koç Group represents Turkish business community on climate change with its presence in many local and international platforms. The Group participates in the Climate Change Conference of the Parties (COP) annually and adheres to the United Nations Framework Convention on Climate Change (UNFCCC). Koç Group companies Tüpraş and Arçelik participated in the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP25) in 2019, Arçelik shared its experiences on its sustainability strategy, best practices and EBRD loan for enhancing responsible R&D investment as a panellist in the 10 Years Countdown to 2030: Banks Acting as Influencers to Enhance Common Market Practice session. Arçelik has also made a

commitment to the Science Based Targets initiative to reduce its greenhouse gas emissions. Yapı Kredi became the first financial institution to obtain "ISO 14046 Water Footprint Certificate" for its Head Office buildings. Tofaş, Ford Otosan, Yapı Kredi and Arçelik have responded to Carbon Disclosure Project (CDP) in Climate Change and Water programs in 2019.

Since 2015, a senior executive from Koç Group leads the Environment and Climate Change Working Group under Turkish Industry and Business Association (TÜSİAD). With Koç Group companies and Environment Committee, we regularly contribute to position papers and research developed by TÜSİAD.

# Climate Change

## Improving our Energy Efficiency

- ► ► With its short and long-term implications for businesses, climate change is an emerging risk. It is our responsibility to act accordingly and carry out projects to improve energy efficiency in our operations. We are committed to sustain continuous improvement of our operational processes. We give high importance to increase energy efficiency and decrease greenhouse gas emissions emitted by our direct or indirect operations.

Energy intensity is an indicator which reveals the amount of energy consumed per income generated. The overall energy intensity of the Group companies in 2019 was 386 GJ/TL million of net income. Additionally, our greenhouse gas emissions intensity was 24.9 tons CO<sub>2</sub>e/TL million of net income. In the energy sector these figures stand at 672 GJ/TL million and 43.4 CO<sub>2</sub>e/TL million. The Group companies operating in non-energy industries have an average energy intensity of 60.5 GJ/TL million and an average greenhouse gas emission intensity of 3.9 tons CO<sub>2</sub>e/TL million.

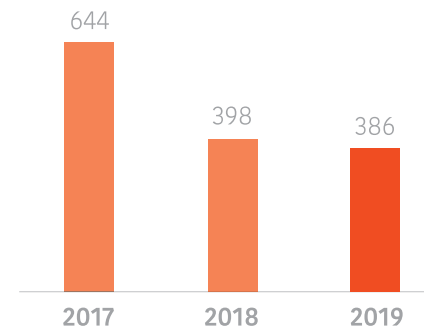
We focus on ways to reduce the energy intensity by increasing the energy efficiency of our operations. Each group company focusses on their own business models and processes and it contributes to the group total energy efficiency. Based on these efforts, in 2019 Koç Group saved 1.47 million GJ of energy, which resulted in a CO<sub>2</sub>e reduction of 44,838 Tons.

Furthermore, Arçelik, Ford Otosan, Opet, Tofaş, TürkTraktör and Yapı Kredi's greenhouse gas emissions were certified in accordance with the ISO 14064-1 Greenhouse Gas Emissions Reporting Standards. Tüpraş began to certify greenhouse gas reductions obtained from energy efficiency projects under ISO 14064-2 and included a life cycle analysis approach in its work. Arçelik, Aygaz, Entek, Ford Otosan, Tat Gıda, Tofaş, TürkTraktör and Tüpraş have been

audited and certified by independent organizations within the scope of ISO 50001 Energy Management System Standard.

### Energy Management Highlights of 2019

- **Arçelik** reached 64,666 GJ of energy saving and reduced 4,818 tons of CO<sub>2</sub> emissions through 160 different energy efficiency projects in Turkey.
- **Aygaz** saved 215 tons of CO<sub>2</sub> emissions through energy efficiency projects with annual total impact of 1,566 GJ/year.
- **Ford Otosan** saved 2,813.80 tons in CO<sub>2</sub> emissions and 64,799 GJ of energy through several energy saving projects.
- **Otokar** saved 965 GJ of energy and 259 tons in CO<sub>2</sub> emissions through several energy efficiency projects.
- **Tat Gıda** reduced its energy consumption per year by 20,841 GJ and its carbon emissions by 1,301 tons through efficiency improvements on machine optimization and hot wastewater reuse.
- **Tofaş** reduced its energy consumption by 48,975 GJ and its carbon emissions by 3,959 tons with the help of 116 energy efficiency projects.
- **Tüpraş** reached a CO<sub>2</sub> emission reduction of 26,292 tons and a energy consumption reduction of 473,234 GJ with 24 different energy efficiency projects.
- **TürkTraktör** saved 79,000 GJ through several energy improvement projects.
- **Yapı Kredi** reduced its energy consumption by 278.84 GJ through energy efficiency projects and saved 4,447 tons of CO<sub>2</sub> in total with various emission reduction efforts.



Koç Group energy intensity (GJ/million TL)

	2017	2018	2019
Energy	1193.81	666.47	672.20
Automotive	74.14	54.00	47.42
Consumer Durables	77.50	54.26	39.57
Finance	49.99	26.02	26.66
Koç Group	643.77	397.57	385.84

Energy intensity per sector (GJ/million TL)

# Climate Change

## Managing water risks

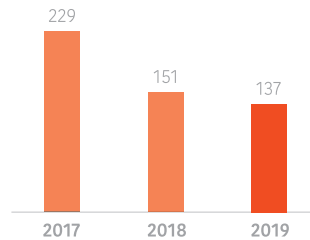
- ➤ ➤ Achieving SDG 6: Clean Water and Sanitation is essential to human health, environmental sustainability, and economic prosperity. In addition, water risk is a significant concern for the industries we operate. Recognizing the importance of managing water risks across our operations, Koç Group Environment Committee prepared the “Koç Group Water Risks Analysis” to examine the physical, regulatory, and reputational risks in the river basins that we operate.

In order to effectively manage our water risks, we aim to reduce freshwater withdrawals by boosting water efficiency in production through recycling and recovery, to lower the stress on water resources through source diversification, to cut wastewater and improve the quality of it. Performance is

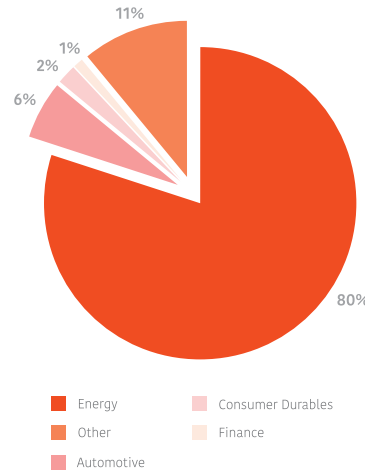
tracked on all of these fields across the Group companies. In 2019, Group companies have consumed 38 million m<sup>3</sup> of freshwater, which led to a water density of 137 m<sup>3</sup> per million TL revenue generated, which maintained its reducing trend throughout the years.

### Water Management Highlights:

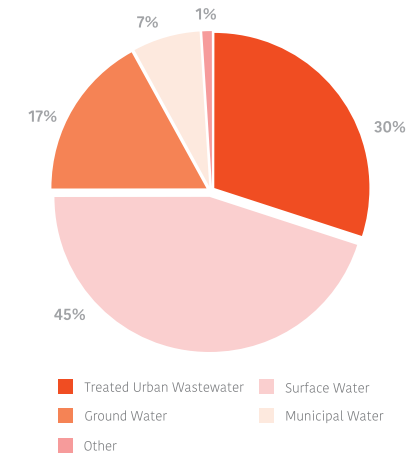
- **Arçelik** saved approximately 159,000 m<sup>3</sup> of water by implementing water-use efficiency measures.
- **Otokoç** reached 40% reduction in water use thanks to the LEED Green Office Certificate.
- **Tüpraş** supplied 99% of its water needs through wastewater recovery at İzmit Refinery.



Koç Group water intensity (m<sup>3</sup>/million TL)



Water consumption by sectors (%)



Total water withdrawal by resource (%)

# Climate Change

## In Practice: Addressing Climate Change Impacts

► ► ► **Tüpraş**, Turkey's largest company and the seventh largest refinery in Europe, has been addressing climate change in its business strategy for more than a decade. Tüpraş focuses on R&D and maximizing energy efficiency in all its facilities and production processes, effectively taking part in climate action, and adapting its business to the impact of climate change. In virtue of various partnerships and collaborations, Tüpraş shares its experience with a wide community of stakeholders.

### Focusing on Energy Efficiency

In accordance with its sustainability objectives, Tüpraş, as an industry with high energy consumption, concentrates on maximizing energy efficiency all its facilities. Prioritizing energy-efficiency projects in its investments made it possible for Tüpraş to reach an energy saving of 473,234 GJ in 2019. This energy saving is equivalent to 26,292 tons of CO<sup>2</sup> emission savings and led to a financial saving of TL 21.6 million.

### Adaptation to Climate Change

Recognizing the significance of adapting to climate conditions, Tüpraş prioritizes identifying and eliminating the effects of climate change which poses a threat to its operations. Accordingly, it has acted to preserve the vital sources of its operations, mitigating water risks, and adjusting its production processes to manage its resources effectively. In collaboration with the Körfez Municipality, Tüpraş has initiated the Urban Wastewater Recycling Project, investing \$24.8 million in İzmit Refinery between 2014 and 2015. Currently, the total municipal wastewater recovery production capacity of the refinery is 1,500 m<sup>3</sup>/hour and 99% of the water being used at the facility comes from the wastewater of the Municipality. İzmit and İzmir refineries of Tüpraş are gradually working to recycle industrial wastewater and reuse processed wastewater in the intermediate stages. As one of the few initiatives around the globe which focuses on repurposing urban wastewater recycling project and the recycled-reused industrial wastewater, the projects lead to the recycling of 87 million m<sup>3</sup> of water in the last four years. This means that the project saved an amount of water equal to the annual consumption of an urban area around 542,500 houses.

Tüpraş R&D departments work to present solutions to mitigate climate change impacts on the company's business. As part of the Horizon 2020 programme, which is the biggest European Union Research &

Innovation Programme, Tüpraş has established various partnerships and has taken action to promote energy efficiency projects, the economically and environmentally viable conversion of CO<sup>2</sup> waste into value-added products to be used as alternative fuels or chemicals, development and demonstration of new and advanced CO<sup>2</sup> capture technologies, research and development of advanced waste water treatment technologies and the manufacturing of energy efficient materials. Partnerships initiated by Tüpraş aim to produce biosynthetic fuel with the objective of supporting low carbon development, innovating technologies which make the recycling of waste heat possible and active sustainability on an industrial scale.

Especially in energy-intense industries, significant amounts of waste heat are lost to the atmosphere. 10 different leading institutions from 5 different countries came together to start Indus3Es project in developing an innovative absorption heat exchanger (AHT) system that will efficiently recycle low temperature (below 130 °C) waste heat that occurs in industrial processes. In 2019 the pilot project was implemented at Tüpraş İzmit Refinery, thus, making it the first refinery to use the technology developed under Horizon 2020.

### Collaboration

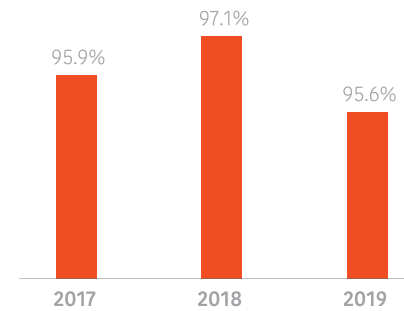
Recognizing sharing knowledge and making collaborations as an essential part of sustainable development, Tüpraş makes effort to share its own experience on climate change with the business world. Tüpraş participated at the 25th Session of the COP 25, which was held in Madrid, Spain by joining related sessions in order to follow the international agenda closely. As part of its collaboration with the Körfez Municipality, the company held meetings with several local municipalities, the Ministry of Forest and Water Management, along with NGOs and universities.

## Waste Management

- ➤ ➤ At Koç Holding it is of the utmost importance to manage waste in the most environmentally friendly way, which is enabling circular methodologies in our operations. In other words, we aim to reduce the waste generated and continuously increase the waste percent which is recycled and reused. Furthermore, we practice ways to safely treat and dispose the residual waste. We identify possible effects of our waste and treat them accordingly. As of today, 13% of our total waste generated is labelled as hazardous waste, which is held as highly significant and treated accordingly.

With our practices on waste management we aim to lead the industries we operate in and the communities we are in touch with towards a more circular way of managing the waste generated. We believe this transformation is significant in order to build a future with higher responsibility of the waste generated.

Waste recovery by year (%)





# Climate Change

## In Practice: Business Plastics Initiative

- ➤ ➤ Global Compact Turkey, Business Council for Sustainable Development Turkey and Turkish Industry and Business Association came together to fight against plastic pollution and started "Business Plastics Initiative".

The Initiative invited companies to give commitments to address plastic pollution while guiding them through the process and reporting the progress transparently. The formation of the Initiative was followed by the 16th Istanbul Biennial which brought the plastic pollution issue to the public agenda in Turkey. Koç Holding, being the main sponsor of the Istanbul Biennial, is one of the founding companies of the Initiative hosted the launch event in November 2019.

A senior executive from Koç Holding takes place in the Steering Committee of the Initiative and actively contributes to the work of the Initiative. Companies that want to be part of the solution by answering the Initiative's call announced that they would set their plastic pollution commitments by 2021 the latest. As Koç Group, we came forward with a multi-phase plan to end use of single-use plastics by the end of 2020, a commitment covering all Group companies.



# Climate Change

## In Practice: Circular Economy and Tackling Plastic Wastes

- ➤ ➤ **Arçelik** aims to create shared value for all its stakeholders, following its vision and strategy, where business efforts and sustainability are interlinked. In line to this, Arçelik gives high importance to circular economy, which enables recyclable or reusable waste to be handled as an input in the new production processes.

Arçelik was deemed worthy of the "Zero Waste Private Sector Award" in 2019 by the Ministry of Environment and Urbanization for its zero waste operations, success in waste management and recycling facilities.

### **Eco-Sustain: High Performance Recycled Plastic Materials**

Arçelik carried out plastic recycling studies for the plastic parts used in all product types. Recycling plastic raw material formulations have been developed according to the application areas and technical expectations. Calcite filled recycled polypropylene (PP) compounds, flame retardant recycled PP compounds, recycled black PP compounds have been developed and approved for mass production. Detergent boxes, pump filter bodies, inner cover parts, back covers and intermediate glass plastics are some of the recycled plastic parts approved for production in the facilities.

### **Vacuum cleaner made from recycled materials**

With the use of waste plastic, Grundig electric vacuum

cleaner was manufactured, which is 90% made of recycled plastic using plastic materials obtained in Arçelik's recycling plants. In Arçelik's new vacuum cleaners 31% of the plastic parts of each broom are made from recycled plastic with improved material properties. This means that approximately 106 tons of recycled plastic transformed in a way that it adds value to Arçelik's products. By developing this product, Arçelik saves approximately 2,207 GJ of energy and 285 tons of CO2 emissions annually, which equals to annual consumption of approximately 219 households, by reducing the use of plastics from petroleum sources.

### **PET Tub**

In order to further combat against the plastic pollution and contribute to circular economy, Arçelik uses PET bottles for manufacturing some part of the washing machines. With this approach Arçelik recycled over 30 million PET bottles from the beginning of the project until the end of 2019, 11.4 million bottles in 2019 alone. Thus far, the project saved 20,500 GJ energy equivalent to 1,700 households annual electricity consumption and prevented 885 tons of carbon dioxide emissions.

### **Ghost Fishing Nets**

The ghost fishing nets constitute a major threat to marine life. Arçelik has developed innovative high-performance plastic materials using those recycled fishing nets and the materials are approved for oven productions. Arçelik produced various oven plastic parts that require a high levels of hardness and thermal stability, using a glass fiber reinforced polyamide-based compound in which all polyamide polymer content in plastic parts is obtained from recycled fishing nets and waste yarn fibers. In order to fibers to maximize the end product's performance, Arçelik used a combination of recycled plastics

from ghost fishing nets and waste filament. In 2019, the production processes used more than 65 tons of recycled waste fishing nets in more than 200,000 products.

### **Bio-plastics & Bio-Cool**

The efforts to reuse or recycle plastic are not the sole actions taken for combatting plastic waste. Alternative methods to replace plastics are also being studied for at Arçelik. The bio-plastic project developed by Arçelik enables plant-based resources such as corn starch, soybean oil to be used instead of petrol-based plastics. Bioplastics emit 80% less carbon dioxide compared to petroleum-based plastics. Thanks to the bio-materials developed by Arçelik, the life-span and durability of the bio-plastics are increased for durable goods and home appliance applications. For the Bio-Cool, Bio Based Polyurethane Insulation Materials project, industrial egg shell waste and bioplastics were combined to produce the egg-trays of refrigerators. Within the same project, bio-based hard polyurethane foam insulation was produced by using natural oils to be used in compartments for household type refrigerators. Arçelik was able to save 6 kg of CO2 per cabinet produced in the selected refrigerator. For a more efficient transformation towards the bio-plastics Arçelik works in collaboration with its European partners within the frame of EU Horizon 2020 BIO4SELF Project.

### **Microfiber Filtration System**

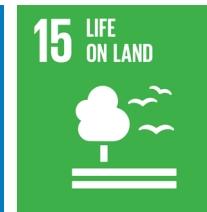
Arçelik designed world's first microfiber filtrating washing machine, which filters up to 90% of microfibers that otherwise go into oceans and seas. The microfiber filtration box can be recycled and reused in producing new filters or textile products. The filtration system overall reduces the amount of plastic that goes into oceans, while also contributing to the circular economy by being fully-recyclable.

## Biodiversity

- ► ► Human activity on a global scale has a potential to threaten the biodiversity and ecosystems. The potential negative impacts need to be dealt with in order to restore the environmental sustainability, as well as to ensure economic and human development. In line with this, our environmental strategy includes the conservation of biodiversity, evaluation and mitigation of potential negative impacts of our operations. We prioritize these fields and summarize our biodiversity approach under four pillars.

Koç Group Environmental Committee has created a biodiversity action plan and expanded this to all Group companies aiming to create conservation strategies for endemic species. We also conducted a biodiversity monitoring project for marine species in partnership with the Nature Conservation Centre and the Institute of Marine Sciences and Technology. According to the biodiversity action plan, we are

continuously seeking ways to minimize the impacts caused by our operations. We aim to provide effective land management and biodiversity protection. The biodiversity action plan incorporates ecosystem protection, habitat degradation, preservation for all species and particularly those whose existences are under threat as well as endemic species and soil protection. Our actions in this area also help us contribute to the SDGs, in particular to Goal 14 (Life Below Water) and Goal 15 (Life on Land).





**Strengthen communities.  
Together**



# Strengthen communities. Together

## Aiming for better, across society

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

## Leveraging our scale to drive change

Our scale means we have the potential to create a paradigm shift in the areas in which we invest. When our employees, distributors, suppliers and their families are combined, we reach out to an audience of half a million people. Engaging this many people in affecting change can start a movement that spreads through communities and beyond, creating a positive social transformation throughout society. Coupled with this, we work in a wide range of industries – from food processing to energy, consumer durables to finance. This means we can build interdisciplinary teams that are inclusive of diverse talents to make creative interventions and to scale impact at national and international level.

## Building the world we want to live in

Our stakeholders recognize us as a driving force in society. We, too, see ourselves as a unique part of the socio-economic landscape. In line with the SDGs, we imagine and build the world we want in 2030 through transformative partnerships and with the momentum of our stakeholders. It all begins internally before reaching out to the wider community. Through our community investments, we aim to create sustainable, scalable and replicable models for wide dissemination and lasting impact in the five focus areas of Lead. Together - digital transformation, innovation, future talent, diversity & inclusion and climate change. Thus, we focus on the societal effects of complex issues material to Koç Group and partnering with stakeholders to increase the prosperity and equality in the world, where we do business. By doing so, we aim to create shared benefits for the society and our business.

## Supporting an enhanced community

At Koç Group, we aim to reflect future-oriented thinking in all areas of our business. A digital future awaits us, where our daily, economic and social lives, relationships, working environment and practices are redefined by the increasing impact of digital technologies. In this emerging future, the focus areas of Lead. Together are all intersecting and equally relevant. We, therefore, focus on the social change essential to digital transformation, innovation and future talents. In addition, gender equality continues to stay on our community investment agenda, with respect to the great importance we give to diversity & inclusion.

## In Practice: For My Country: I Design the Future

- ➤ ➤ As Koç Group, we aim for wide dissemination and lasting impact for the society through our community investments. Our target is to address the societal effects of complex issues material to Koç Group.

Since 2006, For My Country platform is active as a social responsibility initiative to mobilize Koç Group's vast network of employees, suppliers and distributors around different fields of sustainable development. The focus area of the platform changes every three years. Currently the motto is "For My Country: I Design the Future". We concentrate our efforts to understand the complex relationship between digital transformation, innovation and future talent.

In a world of fast-paced change, technology is redefining the way we live and the way we do business. The adaptation and transformation are key issues in order to sustain the business and further inspire communities during this transition. We, therefore, focus our community investments on discovering how technology is shaping and changing our lives and how we can transform the way we do business accordingly. In order to empower individuals to rethink their relationships with technology for a better future, Koç Group has partnered with Deloitte Digital to develop the content of the programme and the Community Volunteers Foundation to reach a wider community.

The program offers several tools for individuals to explore their perception of the future and their relationship with technology. The tools are designed as different stages of

progress. In 2019, we launched the program in our Group companies and trainings were conducted by the volunteers within the company.

- Future compass: It is an online self-assessment tool that helps individuals to define their personal roadmap in this changing environment. With a 20-minute experience, individuals can explore their perception on shaping future as well as their relationship with technology.
- Designing the Future Sessions: These are 1-hour sessions delivered by Koç Group volunteers. The aim of the session is to discuss how rapid change results in uncertainty, how technology is widely used and accessible, how technology is solving complex issues at scale and what each of us can do to shape our futures.
- Future Workshop-1: 1-day workshop that targets at deeply exploring the different perspectives on future and technology.
- Future Workshop-2: It is a 1-day workshop that includes futuristic methodologies. Participants work on future scenarios, understand the trends and their impact. At the end, each participant prepares a personal manifesto to imagine their role in their desired future scenario.

The programme helps Koç Group employees, our ecosystem of suppliers and distributors to get familiar with the rapid change in technology and its impact on our business and daily lives. These tools are disseminated through 120 volunteer employees as well as more than 80 volunteer distributors. We aim to reach out to all of our employees, as well as nearly 10,000 distributors and young people in the communities across 17 cities. While introducing this concept at Group level, we also channel our community investments in the same direction for a larger impact.

## In Practice: Investing in 21st Century Skills in Vocational Training

- ➤ ➤ Vocational training has an essential role in developing and supporting young talents for 4th Industrial Revolution. Koç Group has been investing in vocational training for more than a decade and carried out a comprehensive programme, Vocational Training: A Crucial Matter for the Nation from 2006 to 2013.

In collaboration with Vehbi Koç Foundation\* and the Ministry of National Education, the programme aimed at creating awareness in all segments of society on the importance of vocational technical education as well as positioning business as a key stakeholder in vocational training.

The main outcome of the programme is "School-Company Collaboration Model" which puts forward the major components of collaboration such as on-the-job trainings, mentorship opportunities as well as establishing labs at schools with up-to-date technologies.

\* Vehbi Koç Foundation, established in 1969 as Turkey's first private foundation, has significant contributions to the development of civil society and philanthropy in the country. It has celebrated its 50th anniversary this year.

Yet, with the adoption of Industry 4.0 technologies, there is an emerging need to update the Model and support students learn 21st century skills. In order to achieve this, Koç Holding is partnering with the Ministry of National Education and IBM to develop a sustainable business-school partnership model and strengthen the vocational training ecosystem in line with 21st century skills.

Accordingly, in specifically designed workshops, students, teachers and industry representatives from Koç Group companies and IBM work together to develop innovative solutions to complex problems with design thinking methodology. As an important outcome of the process, students had the chance to apply this approach in real life with the industry representatives. In 2019 they designed a washing machine in these workshops. Throughout the process, a specific physical space need has emerged to conduct these workshops. Therefore, a design thinking lab has been designed in the context of vocational training for the first time and it will set an example to other vocational schools.



# Gender Equality

- ➤ ➤ Gender equality is vital to advance social progress, improve human development and build more equitable societies. According to the Sustainable Development Goals Progress Report 2019\*, while gender equality advances and some forms of discrimination against women and girls are diminishing, it continues to hold women back and deprives them of basic rights and opportunities. This reveals that there is still much to be done.

While growing globally and recognizing the trends in the world, we recognize the need to invest boldly in initiatives that address gender equality in the communities where we're operating. Therefore, it is critical for us to create the right environment to foster gender equality in our

workplace, among distributors and suppliers, and in the wider community.

Koç Group companies operate in various industries including the energy, durable goods, automotive and finance sectors. These industries are traditionally male dominant; thus we see that barriers in equal access to economic participation and gender-sensitive workplaces can only be overcome by removing gender stereotypes. For that reason, Koç Group works to shift traditional norms and to be a role model to improve this situation. More information on Koç Group's efforts on diversity and inclusion can be found in the **Empower People. Together** section.

\* The Sustainable Development Goals Report 2019.



# Gender Equality

## In Practice: Partnering with HeForShe Impact 10x10x10 Initiative

- ► ► UN Women launched the IMPACT 10x10x10 Initiative in 2015 in order to engage key decision makers in governments, corporations, and universities around the world to drive change from the top. IMPACT Champions make gender equality an institutional priority by committing to advance and achieve gender equality for all.

Mustafa V. Koç, former Chairperson of the Board of Directors of Koç Holding, was also selected as an Impact Champion. He supported the efforts personally and served as one of the ambassadors of the campaign. Koç Holding Chairperson Ömer M. Koç took on the leadership role after late Mustafa V. Koç.

As a HeForShe Champion, we initiated a movement within the Koç Group companies, where creating role models could play a significant role in changing people's minds. Our Group companies developed programs in line with the needs of their respective sectors, including outreach activities to attract and retain women for manufacturing and engineering jobs, as well as specially designed trainings to support women reach senior management positions.

Also, as part of a global movement, we were able to leverage the power of our brands to reach out to consumers with gender-sensitive communications. It was the first step to position gender inequality as one of the top priority areas within the Group and to that end develop a holistic approach to address the challenges and overcome gender biases. In this context, we developed a Guide to Gender Equality in Communications. We reached out to an extensive audience including our employees, individuals in the value chain, as well as specific groups like marketing and communications experts and agencies to shift gender norms in Turkey. In order to mainstream the approach introduced by the Guide, we partnered with the key stakeholders including Turkish Industry and Business Association (TUSIAD), Advertisers Association, Advertising Foundation, Association of Communications Consulting Companies, Public Relations Association of Turkey and Association of Corporate Communicators.

In 2019, we received Sustainable Business Awards by Sustainability Academy Turkey, in the field of Sustainability Communications with the works carried out in Gender Equality in Communications.

# Corporate Governance and Risk Management

- ➤ ➤ Managing sustainability across diverse industries and structures can be a challenging task. Our tailor-made approach allows us to integrate sustainability into our business strategies by setting a central framework and implementing through senior management in each business. This distinctive way of managing sustainability enhances our competitive advantage, enables a continuously improving business environment and means we get the win-win of an overarching perspective that also reflects the specifics of the industries we work in.

As Koç Group, we believe that robust corporate governance practice is key to the long-term productivity and success of the Group Companies by helping to improve performance and mitigate risks. For details on Corporate Governance, please refer to **Koç Holding 2019 Annual Report**.

## Ethics and Transparency

Strong corporate governance, ethics and transparency play an important role in our success. We have extensive global operations with numerous stakeholders around the world. Therefore, it is crucial that the Group continues to earn their trust while ensuring high ethical standards and the cooperation of both internal and external stakeholders.

## The Koç Group Code of Ethics and Implementation

The Koç Group Code of Ethics and Implementation Principles provides guidance for all Koç Group employees on value-based and legally irreproachable conduct. Our aim is to provide clear guidance, to protect our employees, companies, and business partners by outlining the basic rules of conduct and ethical issues within the Group. We update the Code of Ethics and Implementation Principles to widen its scope and to comprise ever emerging issues as it is necessary.

Each Group Company's Human Resources Department is responsible for ensuring that employees read and understand the Code of Ethics and Business Conduct and Implementation Principles, and to document the employees' commitment to their execution. Employees can report any suspected violations or concerns via email or a telephone line. Any such report is kept strictly confidential and is not shared with any third party. Our Code of Ethics and Business Conduct also extends to our business partners.

The Koç Group Code of Ethics and Implementation Principles document can be accessed [here](#).

### ► ► ► Countering Bribery and Corruption

Corruption undermines competitive and fair business, reduces investor confidence and impacts both regional and global economic growth. To conduct our operations with integrity and without any form of bribery and corruption is essential part of our core business approach. Our business principles require us to comply with all rules and regulations in each sector where we operate and not to accept any form of corruption. We aim to act with integrity towards our stakeholders while following our business principles. At Koç Group, we are rigorous about fighting bribery and corruption. The Koç Group Code of Ethics and Implementation Principles states a zero-tolerance policy on corruption and demands compliance with all relevant laws and our own business principles. All employees and all third parties acting on behalf of Koç Group are required to comply with the rules on the fight against corruption and with the applicable laws and regulations. In 2019, 21,106 employees have received trainings on anti-bribery, which is almost one third of all our employees.

### Risk Management

Sustainability management is closely tied to our management of risk and opportunities. Since our foundation we have achieved long-term success through our robust approach toward risk management. We are investing and preparing our companies for the future while maintaining our prudence.

At Koç Group, risks are managed by the Finance Department with the oversight of the Board of Directors, in coordination with all Group presidents. Koç Holding's Risk Management function was established to further develop the Group's risk policies, limits and review mechanisms. This risk management function leverages the risk infrastructures in each of the Company's businesses, which

have adopted an approach that is aligned with the Group's overall risk policies and limits. Risk Management Committee is responsible for the overall process of risk management, which is the highest body within the group reporting directly to the Board of Directors. Risk Management Committee is composed of two Board members, the committee chair being an independent member. The Board of Directors is periodically being informed regarding the outputs of the work carried out in the Risk Management Committee, which convenes at least 6 times per year. In 2019, the Committee worked to assess the Company's risk profile and identify the measures to be taken in risk prone areas.

The speed and unprecedented scale of change introduces new risks constantly. We believe risk management is a value-generating activity. Including non-financial risks, such as climate change, talent management, biodiversity and occupational health and safety to our risk management approach enables us to deal global trends, improve competitiveness of our Group. The Sustainability and CSR Unit is tasked with overseeing non-financial risks amid an accelerating change agenda. The Unit monitors the global trends and developments, regularly follows up with stakeholders and promotes improved sustainability performance to manage these risks and address them in a pro-active manner. This approach enables us to identify potential risk and impact areas in advance and helps Group companies to take necessary actions to mitigate and manage non-financial risks.

For further details on our risk and opportunity management and a detailed description of significant risks, please refer to **Koç Holding 2019 Annual Report**. More information on how we manage sustainability risks and opportunities is available under "**Empower people. Together**" and "**Act for the planet. Together**" sections of this report.

# Sustainability Governance Across Koç Group

- ➤ ➤ In order to address today's pressing global issues such as climate crisis, resource scarcity, inequality and inclusive growth the private sector needs to integrate environmental and social considerations into decision-making processes and policies. Effective management of sustainability at Group level requires having committed leadership and clear direction.

Sustainable thinking is embedded firmly at the core of Koç Group's business practices. Sustainability management

enables us to take holistic view and implement it through senior management level across diverse industries we operate in.

The way we perceive sustainability, and how we decide to incorporate it our business strategy enhances our competitive advantage, reduces costs and risks, increases revenues, helps safeguard the value of non-financial assets and creates value for our stakeholders.





# Sustainability Governance Across Koç Group

## ► ► ► How we coordinate sustainability at Group level

Our sustainability governance model at Group level provides a strong anchorage for implementing the Lead. Together strategy. Sustainability and CSR Unit is responsible for the overall coordination of sustainability management at Koç Group. The Unit is led by Koç Holding Corporate Communications and External Affairs Departments' Director, who reports directly to the CEO. It ensures that we focus on embedding sustainability into the business by implementing decisions in the relevant business areas.

The main objectives and responsibilities of the Koç Holding Sustainability and CSR Unit include:

- providing guidance for Koç Group companies on cross-cutting issues,
- creating platforms to build a community of practice,
- building relationships with internal and external stakeholders at different levels,
- acting as a hub for learning and development of managing sustainability priorities.

### Koç Group Sustainability Coordination Platform

Clear responsibilities and decision-making processes assure the efficiency of our operations. Koç Group Sustainability Coordination Platform is supported by a wider network, known as sustainability community and is managed by the Holding's Sustainability and CSR Coordinator. The Platform consists of members from Koç

Group's publicly listed companies and report directly to General Managers or Assistant General Managers in their respective organizations. The Platform members meet twice a year to forge cross-sectoral links, to review global trends and their potential impact, to discuss material issues and to share listed companies' strategic priorities and best practices.

Members of the Platform are:

- Arçelik Sustainability and Corporate Affairs Director
- Aygaz Corporate Communications Manager
- Ford Otosan Corporate Communications Manager
- KoçSistem Segment Marketing and Corporate Communication Director
- Opet Corporate Communications Manager
- Otokar Finance Manager / Corporate Communications Manager
- Otokoç Technology and Strategy Director
- Tat HR Director / Product Development and Quality Manager
- Tofaş External Relations Director
- Tüpraş Corporate Communications Director
- Türk Traktör HR Director/Investor Relations Manager
- Yapı Kredi CSR and Sustainability Manager

Sustainability Coordination Platform is mainly responsible for informing Group companies about Koç Holding's sustainability agenda. The Platform contributes to the development of shared standards among the Sustainability Community, strengthens stakeholder engagement, tracks sustainability performance management and develops best practice in line with Koç Group Sustainability Guide.

# Sustainability Governance Across Koç Group

## ► ► ► Koç Group Issue-Based Committees

Three different issue-based committees monitor the progress – and potential risks – of the Lead. Together and report to Koç Holding C-level in their respective areas. Committee members meet several times throughout the year. The Sustainability and CSR Unit works closely with issue-based committees within the Group. Members of the Unit regularly attend committee meetings to review how sustainability and business strategies are aligned and to ensure that the strategic direction and actions taken are in line with Koç Holding's sustainability agenda.

### Koç Group Sustainability Community

Koç Group Sustainability Community consist of Sustainability Coordination Platform, Koç Group Issue-Based Communities and Koç Holding Departments. The Community operates closely with the Sustainability Coordination Platform in order to implement sustainability strategies within relevant functions of Group companies. The Community brings together mid-level managers from a wide range of expertise areas, including environment, human resources, innovation, digital transformation, auditing, purchasing, legal and corporate communications functions. The Community meets twice a year under the leadership of the Sustainability and CSR Unit to share best practices, discuss industry-specific issues, develop stakeholder engagement and highlight the contribution of each function within the overall Lead. Together strategy. These meetings include, but are not limited to, team members from companies represented in the Platform.

## How sustainability is organized at Koç Group: The role of Koç Holding Sustainability and CSR Unit

The Unit focuses to build a community of practitioners and provide thought leadership to facilitate collective progress. The Unit brings together sustainability professionals from Platform companies, creates an environment for sharing and learning, introduces external know-how to reach international standards and scale best practices in line with the Koç Group Sustainability Guide.

### Koç Group Sustainability Guide

Through the Guide, we aim to:

- Build group-wide sustainability leadership capacity,
- Develop an integrated approach for sustainability,
- Align sustainability practices such as issue management, stakeholder engagement, setting up and monitoring key performance indicators (KPIs) and implementation and dissemination of best practices, across industries and companies
- Create a shared understanding for risk management within Koç Group companies.

# Making It Happen with Stakeholders

- ➤ ➤ **Lead. Together** sets us a framework for making collective progress and helps us harness the power of our network to drive positive change and develop every person and organization we engage with. Increasing partnerships with external stakeholders is crucial for progress and managing such collaborations in a more efficient way. 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.

As Koç Group, we believe collaboration with stakeholders requires a goal-oriented approach and our foremost objective is to consistently create value for our stakeholders. Therefore, our sustainability approach and the way we manage it, is aligned with SDG 17. The 2030 Agenda requires effective collaborations between all stakeholders and an integrated approach in order to achieve the seventeen SDGs.

Stakeholder outreach and integration is a key driver for group companies' success. 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.

102-42

# Making It Happen with Stakeholders

Stakeholder Groups	Engagement Relevancy	Material Issue Relevancy	Our response (Related report sections)
<b>Shareholders and Investors</b>	<ul style="list-style-type: none"> <li>To ensure sustainable and profitable growth</li> <li>To deliver the digital transformation and innovation agenda</li> <li>To become a role model that drives change in society</li> </ul>	<ul style="list-style-type: none"> <li>Digital transformation</li> <li>Innovation</li> <li>Social responsibility programmes</li> <li>Stakeholder dialogue</li> <li>Risk Management</li> </ul>	Corporate Governance and Risk Management Grow the Business. Together
<b>Employees</b>	<ul style="list-style-type: none"> <li>To be more appealing to the best emerging talent</li> <li>To create an inclusive culture for a collaborative workplace</li> </ul>	<ul style="list-style-type: none"> <li>Employee rights and human rights</li> <li>Talent management</li> <li>Employee engagement</li> <li>Occupational health and safety</li> <li>Diversity and inclusion</li> <li>Ethics and transparency</li> <li>Countering bribery and corruption</li> </ul>	Empower people. Together Corporate Governance and Risk Management
<b>Group Companies</b>	<ul style="list-style-type: none"> <li>To transform our business for the better</li> <li>To provide guidance on managing sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Leadership in sustainability</li> <li>Climate change management</li> <li>Waste management</li> <li>Biodiversity</li> <li>Water stewardship</li> </ul>	Grow the Business. Together Act for the Planet. Together
<b>Suppliers &amp; Distributors</b>	<ul style="list-style-type: none"> <li>To support the transformation towards sustainability of SMEs</li> <li>To increase the level of commitment related to sustainability issues</li> </ul>	<ul style="list-style-type: none"> <li>Leadership in sustainability</li> <li>Responsibility in the value chain</li> <li>Supporting local development</li> <li>Climate change management</li> <li>Waste management</li> <li>Biodiversity</li> <li>Water stewardship</li> <li>Gender Equality</li> </ul>	Grow the Business. Together Strengthen communities. Together
<b>Customers</b>	<ul style="list-style-type: none"> <li>To serve our customers better, faster, with a fully customized experience</li> </ul>	<ul style="list-style-type: none"> <li>Customer satisfaction and customer orientation</li> <li>Privacy and cybersecurity</li> </ul>	Grow the Business. Together
<b>Civil Society Organization</b>	<ul style="list-style-type: none"> <li>To unify efforts in order to offer solutions to sustainability issues</li> <li>To act in line with the expectations of local Communities</li> <li>To commit resources on areas that matter to stakeholders</li> <li>To enable sustainability of impact</li> </ul>	<ul style="list-style-type: none"> <li>Community investment programmes</li> <li>Stakeholder dialogue</li> <li>Climate change management</li> <li>Waste management</li> <li>Biodiversity</li> <li>Water stewardship</li> <li>Gender Equality</li> </ul>	Strengthen communities. Together Act for the Planet. Together
<b>Governmental Authorities and Entities</b>	<ul style="list-style-type: none"> <li>To collaborate for scalable action in order to solve complex sustainability issues</li> </ul>	<ul style="list-style-type: none"> <li>Community investment programmes</li> <li>Stakeholder dialogue</li> <li>Leadership in sustainability</li> </ul>	Strengthen communities. Together
<b>International Organizations</b>	<ul style="list-style-type: none"> <li>To develop scalable action in order to solve complex sustainability issues</li> </ul>	<ul style="list-style-type: none"> <li>Community investment programmes</li> <li>Stakeholder dialogue</li> <li>Leadership in sustainability</li> </ul>	Strengthen communities. Together
<b>Industry Associations</b>	<ul style="list-style-type: none"> <li>To initiate joint action in order to contribute to cross-industry issues</li> <li>To initiate self-assessment, self-regulation tools for the transformation of the business world</li> </ul>	<ul style="list-style-type: none"> <li>Leadership in sustainability</li> <li>Digital transformation</li> </ul>	Strengthen communities. Together Grow the Business. Together
<b>Universities</b>	<ul style="list-style-type: none"> <li>Partnerships, cooperation and joint projects, support for research projects, know-how transfer through internship and courses</li> </ul>	<ul style="list-style-type: none"> <li>Community investment programmes</li> <li>Stakeholder dialogue</li> <li>Leadership in sustainability</li> </ul>	Strengthen communities. Together

102-40 / 102-43 / 102-44



# Making It Happen with Stakeholders

## 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 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 as partnerships lasting for a pre-determined period. 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. Koç Holding takes part in multi-stakeholder initiatives where an issue has wider effects within the society and requires the presence of various stakeholders in order to **Lead. Together** narrative.

102-42 / 102-43 / 102-44

# Making It Happen with Stakeholders

## Stakeholder Groups & Engagement Methods

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. This gives us the responsibility to assess and evaluate risks and opportunities and show leadership in the sustainability transformation of industries and the society. Environment, social and governance (ESG) factors have an increasing impact on

investor decisions and stakeholder perceptions. Thus, we planned to conduct a study in order to re-understand the perceptions and expectations of stakeholders regarding Koç Holding's sustainability performance from an ESG perspective. In addition to our continuous communications to our stakeholders, we will carry out a widely applied analysis in the time ahead.

Stakeholder Groups	Engagement Platforms & Tools	Communication frequency
<b>Shareholders and Investors</b>	General Assembly meeting, meetings upon requests in different countries, road shows and conferences, quarterly webcasts, investor relations bulletin, website, and the iPad app; e-mails, teleconferences, financial (quarterly and annually) and sustainability reports, credible stock exchange indices	At least once a week
<b>Employees</b>	Intranet, digital communication tools, monthly internal magazine "News from Us", meetings and organizations on regular basis, Website and the iPad apps, employee engagement surveys, volunteering programmes	On a daily basis
<b>Group Companies</b>	Internal meetings and workshops, issue, function, and industry specific committees	On a daily basis
<b>Suppliers &amp; Distributors</b>	Anatolian Meetings (with the participation of CEO, Chairman of the Board and Executives), "News from Us" magazine, capacity building trainings, workshops	At least once a week
<b>Customers</b>	Communication form on the website, phone or e-mail, call centers, satisfaction surveys	Daily support by telephone and email. Once a year by survey
<b>Civil Society Organization</b>	Memberships, cooperation and joint projects, workshops, project partnerships, annual and sustainability reports.	Every two weeks
<b>Governmental Authorities and Entities</b>	Workshops, cooperation on joint projects	Every two weeks
<b>International Organizations</b>	Multi-stakeholder initiatives and partnerships, cooperation and joint projects, roundtables, memberships	Every two weeks
<b>Industry Associations</b>	Multi-stakeholder initiatives and partnerships, participation at management level, memberships	Every two weeks
<b>Universities</b>	Partnerships, cooperation and joint projects, support for research projects, know-how transfer through internship and courses	Every two weeks
102-47 / 102-49		

# Materiality Analysis

► ► ► With many industries we operate in, we have a great potential for positive impact. Sustainable economic development can only be possible if environmental and social needs are met. In order to address these needs and be part of solutions, we work in collaboration with our stakeholders. In line with our strategic approach Lead. Together, where sustainability is put to the core of our decision making, we regularly revisit our material issues. Most recently, materiality analysis was conducted in early 2019, prior to publishing Sustainability Report 2018. The aim of this analysis was to validate our sustainability approach Lead. Together and review material sustainability issues for Koç Holding. By reviewing these material issues periodically, we enable to both meet stakeholder and investor expectations, generate shared value for all our stakeholders on numerous industries and areas we operate in and be in line with global sustainability trends. In order to achieve this, we have a comprehensive methodology, including Group strategy, internal and external stakeholders, global trends and SASB 4 Factor Analysis.

## Materiality Analysis

### Priorities for Koç Holding

Koç Holding Annual Reports and Investor Kit  
Sustainability Approach  
SASB 4 Factor Analysis

### Priorities for Stakeholders

External Trends  
Stakeholder Analysis

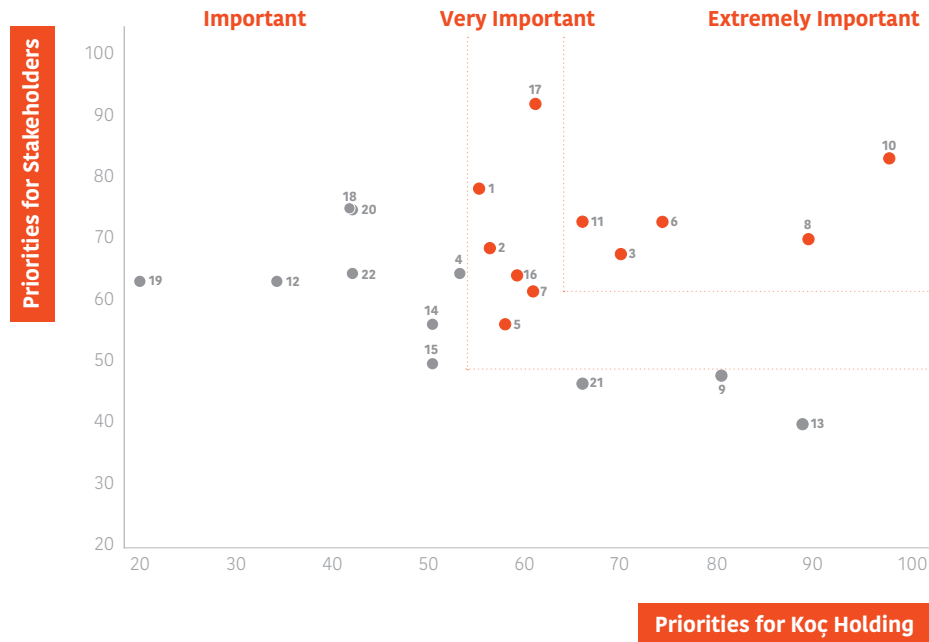
Stakeholder expectations and appeals are critical in order to understand the needs of the society and the planet. In line with this, stakeholders were asked to respond to questions on critical mega trends and sustainability issues, implications of megatrends and issues on emerging markets, business' role for contributing the SDGs, material

issues for Koç Holding and roles and expectations from Koç Holding. The stakeholders included government institutions, international organizations, NGO's, business organizations, research centers, opinion leaders, start-ups and universities both at national and international level.

We enriched the stakeholder opinion and vision with the external trends, in order to have a more thorough assessment of external opinions on sustainability issues relevant to Koç Group. We made this possible through the assessment of the global initiatives and decision mechanisms and inclusion of these outcomes to the materiality analysis. These parties, which are directly and indirectly linked to the many business areas we are active in are also important in terms of setting the global sustainability trends. World Economic Forum's The Global Risks Report 2019, UN Sustainable Development Goals, Sustainability Accounting Standards Board (SASB) materiality map considering an industry based assessment of potential impacts on companies, 2019 Strategy of Presidency of Republic of Turkey and other lawmaker institutions are some of the many parties which were included to the study.

We included our business and sustainability strategy to the study in order to determine our material issues. Additionally, we included the SASB 4 Factor Analysis, which reflects an integrated thinking and management structure in our analysis. It provides a risk analysis of the main sustainability issues, based on likelihood and impact assessment. We analysed each issue, whether they have a direct financial impact on the business, with respect to legal, regulatory and policy drivers, their potential to create a differentiation opportunity regarding competitiveness and potential innovation opportunities.

# Materiality Analysis



- |                                             |                                                    |
|---------------------------------------------|----------------------------------------------------|
| 1. <b>Ethics and transparency</b>           | 12. Responsibility in the value chain              |
| 2. <b>Countering bribery and corruption</b> | 13. Customer satisfaction and customer orientation |
| 3. <b>Talent management</b>                 | 14. Privacy and cybersecurity                      |
| 4. Employee rights and human rights         | 15. Supporting local development                   |
| 5. <b>Employee engagement</b>               | 16. <b>Leadership in sustainability</b>            |
| 6. <b>Occupational health and safety</b>    | 17. <b>Climate change management</b>               |
| 7. <b>Diversity and inclusion</b>           | 18. Waste management                               |
| 8. <b>Digital transformation</b>            | 19. Biodiversity                                   |
| 9. Product quality and safety               | 20. Water stewardship                              |
| 10. <b>Innovation</b>                       | 21. Community investment programmes                |
| 11. <b>Risk management</b>                  | 22. Stakeholder dialogue                           |

(Extremely important and very important material issues are marked with red)

The materiality analysis, which served as a validation of our priority issues revealed results which comply with our existing material issues such as digital transformation, innovation, talent management, diversity and inclusion, and climate change. Risk management, ethics and transparency, countering bribery and corruption, employee engagement and occupational health and safety have always been part of the way we do business. We will continue to manage and report our performance on these issues. Furthermore, privacy and cybersecurity came out as an emerging issue which may have a potential impact on our business in the near future.

102-47 / 102-49



# Performance Indicators

## Social Performance Indicators

	2017		2018		2019	
Employees by Gender	Female	Male	Female	Male	Female	Male
Number of Employees	18,631	54,262	18,203	50,266	17,797	49,320
Total Number of Employees	72,893		68,469		67,117	

Employees by Employment Type	2017	2018	2019
Full Time	72,342	68,279	66,984
Part Time	906	671	586

Employees by Age	2017	2018	2019
Under 30	25,191	20,391	17,765
30-50	46,008	46,221	47,288
Over 50	1,694	1,857	2,027

	2017		2018		2019	
Employees Who Left by Gender	Female	Male	Female	Male	Female	Male
Number of Employees	2,759	9,751	2,945	9,169	2,513	7,171
Total	12,510		12,114		9,684	

	2017		2018		2019	
Promotions by Gender	Female	Male	Female	Male	Female	Male
Number of Promotions	1,610	2,297	1,937	2,864	2,591	2,258
Total Promotions	3,907		4,801		4,849	
% of Promotions by Gender	41%	59%	40%	60%	53%	47%

\* IR = (Number of injuries in given period\*1,000,000) / Total hours worked in given period  
 \*\* OIFR: (Number of occupational illnesses in given period\*1,000,000) / Total hours worked in given period  
 \*\*\* LTIFR: (Number of lost time injuries in given period\*1,000,000) / Total hours worked in given period  
 The calculation excludes fatalities. LTIFR values of 2017 are based on total recordable data, while since 2018 calculations are based on only lost time injuries.

Employee Turnover Rate	2017	2018	2019
Employee Turnover	17.2	17.7	14.4

	2017		2018		2019	
New Hires by Gender	Female	Male	Female	Male	Female	Male
Number of New Hires	3,042	8,726	2,463	5,237	1,644	3,612
Total	11,768		7,700		5,256	

	2017		2018		2019	
Senior Management by Gender	Female	Male	Female	Male	Female	Male
Number of Senior Management	22	180	25	194	29	186

	2017		2018		2019	
Mid-Level Management by Gender	Female	Male	Female	Male	Female	Male
Number of Mid-Level Management	1,023	2,230	1,042	2,317	1,066	2,380

Training Hours	2017	2018	2019
Average Annual Training Hours per Employee	36.4	41.8	36.5

Health and Safety Performance	2017	2018	2019
Injury rate (IR)* employees	4.40	6.96	5.91
Occupational illness frequency rate (OIFR)** employees	0.12	0.14	0.21
Lost-time injury frequency rate (LTIFR)*** employees	47.29	3.52	3.51
Occupational health and safety training provided - Koç Group (employee*hours)	589,816	525,047	467,393
Occupational health and safety training provided - contractors (employee*hours)	89,947	94,811	112,382
Work Related Fatalities (Employees)	0	1	0
Work Related Fatalities (Contractors)	4	3	0

# Environmental Performance Indicators

## Energy Savings and Reduction in Greenhouse Gas Emissions by Year

Year	Energy Savings (million GJ)	Reduction in Greenhouse Gas Emissions (thousand ton CO <sub>2</sub> e)
2017	1.09	71.12
2018	3.88	275.74
2019	1.47	44.84

## Water Consumption (m<sup>3</sup>)

	2017	2018	2019
Surface water	14,450,227	17,194,359	17,226,597
Ground water	8,179,582	6,791,670	6,490,512
Municipal water	3,360,121	2,826,971	2,497,051
Treated urban wastewater, rainwater and other sources	15,760,632	11,700,740	11,608,948
<b>Total consumption (m<sup>3</sup>)</b>	<b>41,750,562</b>	<b>38,513,739</b>	<b>37,823,108</b>

## Waste by type (tons)

	2017	2018	2019
Recovered and recycled hazardous waste (R code)	28,187	38,944	33,493
Recovered and recycled non-hazardous waste (R code)	312,884	283,378	273,961
Hazardous waste disposed (D code)	7,398	2,430	8,265
Non-hazardous waste disposed (D code)	6,864	6,327	5,404
Hazardous waste sent to temporary storage	231	899	340
Non-hazardous waste sent to temporary storage	3	23	0
<b>Total</b>	<b>355,567</b>	<b>332,001</b>	<b>321,464</b>

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

ISO 14001	2017	2018	2019
Number of Certified Facilities	91	93	101
Number of Facilities	99	116	118
% of Certified Facilities	92%	80%	86%

Environmental Trainings in 2019	Employees	Contractors
Number of participants	28,751	27,516
Training (person*hours)	39,869	19,155

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report. For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report. The service was performed on the English version of the report.

GRI Standard	Disclosure	Page Number(s) and/or URL(s)
<b>GRI 101: FOUNDATION 2016</b>		
<b>GRI 102: GENERAL DISCLOSURES 2016</b>		
<b>GRI 102: General Disclosures 2016</b>	<b>Organizational Profile</b>	
	102-1	3
	102-2	"https://www.koc.com.tr/en-us/activity-fields/sectors https://www.koc.com.tr/en-us/activity-fields/list-of-brands"
	102-3	https://www.koc.com.tr/en-us/about/headquarters
	102-4	https://www.koc.com.tr/en-us/activity-fields/international-network-of-koc-group
	102-5	https://www.koc.com.tr/en-us/investor-relations/corporate-overview-and-governance/shareholder-structure
	102-6	https://www.koc.com.tr/en-us/investor-relations/financial-statements-and-statistics/Annual%20Reports/Koc-Holding-2019-Annual-Report.pdf
	102-7	https://www.koc.com.tr/en-us/investor-relations/financial-statements-and-statistics/Annual%20Reports/Koc-Holding-2019-Annual-Report.pdf
	102-8	25, 63
	102-9	22
	102-10	https://www.koc.com.tr/en-us/investor-relations/financial-statements-and-statistics/Annual%20Reports/Koc-Holding-2019-Annual-Report.pdf
	102-11	9, 10, 22, 31, 34, 36, 37, 47, 52, 53, 54, 56, 57
	102-12	3, 9, 10, 22, 31, 34, 36, 37, 47, 52, 53, 54, 56, 57, 60
	102-13	31, 51
	<b>Strategy</b>	
	102-14	4-5
	102-15	9, 11
	<b>Ethics and Integrity</b>	
	102-16	52, https://www.koc.com.tr/tr-tr/hakkinda/Documents/Koc-Group-Code-of-Ethics-and-Business-Conduct.pdf
	<b>Governance</b>	
	102-18	54-56 https://www.koc.com.tr/en-us/about/organization-chart
	<b>Stakeholder Engagement</b>	
	102-40	58
	102-41	31
	102-42	57-59
	102-43	58-59
	102-44	58-59
	<b>Reporting Practice</b>	
	102-45	3
	102-46	3
	102-47	9, 10, 11, 62
	102-48	No such restatements were made in this report
	102-49	3, 9, 10, 11, 62
	102-50	3
	102-51	3
	102-52	3
	102-53	3
	102-54	3
	102-55	65, 66
	102-56	Information and data presented in this report has not been independently verified.

GRI Standard	Disclosure	Page Number(s) and/or URL(s)
<b>GRI 200: ECONOMIC STANDARDS SERIES 2016</b>		
<b>Economic Performance</b>		
GRI 103: Management Approach 2016	103-1	13, 14
	103-2	13, 14
	103-3	13, 14
GRI 201: Economic Performance 2016	201-1	<a href="https://www.koc.com.tr/en-us/investor-relations/financial-statements-and-statistics/Annual%20Reports/Koc-Holding-2019-Annual-Report.pdf">https://www.koc.com.tr/en-us/investor-relations/financial-statements-and-statistics/Annual%20Reports/Koc-Holding-2019-Annual-Report.pdf</a>
	201-2	<a href="https://www.koc.com.tr/en-us/investor-relations/financial-statements-and-statistics/Annual%20Reports/Koc-Holding-2019-Annual-Report.pdf">https://www.koc.com.tr/en-us/investor-relations/financial-statements-and-statistics/Annual%20Reports/Koc-Holding-2019-Annual-Report.pdf</a>
<b>GRI 300: ENVIRONMENTAL STANDARDS SERIES 2016</b>		
<b>Energy</b>		
GRI 103: Management Approach 2016	103-1	36-38
	103-2	36-38
	103-3	36-38
GRI 302: Energy 2016	302-1	39, 64
	302-3	39, 64
	302-4	39, 64
<b>Water</b>		
GRI 103: Management Approach 2016	103-1	36-38
	103-2	36-38
	103-3	36-38
GRI 303: Water 2016	303-1	40, 64
	303-3	40, 64
<b>Emissions</b>		
GRI 103: Management Approach 2016	103-1	36-38
	103-2	36-38
	103-3	36-38
GRI 305: Emissions 2016	305-1	39, 64
	305-2	39, 64
	305-4	39, 64
	305-5	39, 64
<b>Waste</b>		
GRI 103: Management Approach 2016	103-1	36-38
	103-2	36-38
	103-3	36-38
GRI 306: Effluents and Waste 2016	306-2	42,64
<b>Supplier Environmental Assessment</b>		
GRI 103: Management Approach 2016	103-1	22
	103-2	22
	103-3	22
GRI 308: Supplier Environmental Assessment 2016	308-2	22



GRI Standard	Disclosure	Page Number(s) and/or URL(s)
<b>GRI 400: SOCIAL STANDARDS SERIES 2016</b>		
<b>Employment</b>		
GRI 103: Management Approach 2016	103-1	24-27
	103-2	24-27
	103-3	24-27
GRI 401: Employment 2016	401-1	63
	401-3	31
<b>Occupational Health and Safety</b>		
GRI 103: Management Approach 2016	103-1	34
	103-2	34
	103-3	34
GRI 403: Occupational Health and Safety 2016	403-1	34
	403-2	34
<b>Training and Education</b>		
GRI 103: Management Approach 2016	103-1	26-27
	103-2	26-27
	103-3	26-27
GRI 404: Training and Education	404-1	27
	404-2	27-29
	404-3	33
<b>Diversity and Equal Opportunity</b>		
GRI 103: Management Approach 2016	103-1	31
	103-2	31
	103-3	31
GRI 405: Diversity and Equal Opportunity 2016	405-1	63
<b>Non-discrimination</b>		
GRI 103: Management Approach 2016	103-1	31
	103-2	31
	103-3	31
GRI 406: Non-discrimination	406-1	31
<b>Supplier Social Assessment</b>		
GRI 103: Management Approach 2016	103-1	22
	103-2	22
	103-3	22
GRI 414: Supplier Social Assessment 2016	414-1	22

# GRI Index

GRI Standard	Disclosure	Page Number(s) and/or URL(s)
<b>MATERIAL TOPICS</b>		
<b>Digital Transformation</b>		
GRI 103: Management Approach 2016	103-1	14, 15, 18
	103-2	14, 15, 18
	103-3	14, 15, 18
<b>Innovation</b>		
GRI 103: Management Approach 2016	103-1	19-21
	103-2	19-21
	103-3	19-21
<b>Risk Management</b>		
GRI 103: Management Approach 2016	103-1	52, 53
	103-2	52, 53
	103-3	52, 53

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