

# ESG Report

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## Executive Summary / CEO Letter

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To Our Valued Stakeholders,

As CEO, it is with immense pride and a deep sense of responsibility that I present our comprehensive Environmental, Social, and Governance (ESG) report, covering the period from 2019 to 2023. This report reflects our unwavering commitment to integrating sustainable practices into every facet of our operations, driving long-term value not just for our shareholders, but for all stakeholders, including our employees, communities, and the planet. Our vision is to be a leader in our industry, demonstrating that robust financial performance and responsible corporate citizenship are not mutually exclusive but intrinsically linked. We believe that a sustainable future is built on transparency, accountability, and continuous improvement, and this report serves as a testament to our journey.

Over the past five years, we have made significant strides in our environmental stewardship. We are particularly proud of our consistent progress in transitioning towards renewable energy sources, with our renewable energy usage increasing from 20% in 2019 to an impressive 40% in 2023, alongside a rise in renewable carbon emissions percentage from 10% to 30%. This transition has been accompanied by a substantial 32% reduction in our water usage, dropping from 280,624 m<sup>3</sup> to 191,191 m<sup>3</sup> over the period. Furthermore, our commitment to a circular economy is evident in the remarkable increase in waste recycled, growing by 80% from 500 tons to 900 tons, while simultaneously reducing unrecycled waste. While we saw a notable increase in total carbon emissions in 2023, we remain steadfast in our overarching goal to decouple growth from environmental impact and are actively investigating the causes of this recent increase to re-align with our decarbonization pathway.

Our people are our greatest asset, and our social performance reflects our dedication to fostering an inclusive, safe, and engaging workplace. We are delighted to report a significant improvement in workplace safety, with the total number of accidents decreasing from 10 in 2019 to 7 in 2023. We have achieved remarkable progress in gender diversity within our management ranks, with female representation in all management positions soaring from 40.3% in 2019 to an outstanding 61.6% in 2023. Our commitment to employee development is underscored by consistent anti-corruption training for thousands of employees annually. While we acknowledge an increase in voluntary employee turnover and a decrease in our overall workforce in 2023, these are areas of focused attention as we strengthen our talent attraction and retention strategies. We remain committed to supporting employees with disabilities and further enhancing the diversity of our teams across all levels.

Strong governance underpins our entire ESG framework. We have made positive strides in board diversity, increasing female representation on our board from 14.3% to 20% by 2023. Our board's educational background remains diverse, encompassing Law, Engineering, Finance/Economics, and Business, ensuring a robust range of expertise. We maintain high standards of ethical conduct, reinforced by our anti-corruption training programs. Looking ahead, we recognize the importance of further enhancing board diversity, particularly in terms of minority representation, which has fluctuated, and ensuring our leadership fully reflects the diversity of our workforce and the communities we serve.

As we look to the future, our sustainability strategy will continue to evolve, setting ambitious targets for environmental performance, fostering a dynamic and inclusive culture, and upholding the highest standards of corporate governance. We are committed to engaging transparently with our stakeholders, listening to their feedback, and continuously striving for excellence in all our ESG endeavors.

Thank you for your continued trust and support as we work together to build a more sustainable and prosperous future.

Sincerely,

[CEO Name]

Chief Executive Officer

## About the Company

### **\*\*About the Company\*\***

The Company operates as a significant economic entity, maintaining a substantial workforce that has generally ranged between 21,000 and 24,000 employees over the past five years (2019-2023). Its operations reflect a broad impact across environmental, social, and governance dimensions, which are increasingly integral to its strategic decision-making and long-term sustainability. The consistent tracking and improvement of these metrics demonstrate the Company's active engagement with responsible business practices.

Demonstrating a strong commitment to environmental stewardship, the Company has consistently improved its sustainability profile. Over the period from 2019 to 2023, it significantly increased its reliance on renewable energy, moving from 20% to 40% of its total energy consumption, and concurrently raised the share of renewable sources in its carbon emissions from 10% to 30%. Water usage saw a notable reduction of approximately 32%, from 280,624 m<sup>3</sup> in 2019 to 191,191 m<sup>3</sup> in 2023. Waste management efforts have also advanced, with recycled waste increasing by 80% to 900 tons, while unrecycled waste decreased by 20% to 240 tons in 2023, signaling a progressive shift towards a more circular economy.

The Company prioritizes the well-being and development of its people. Its workforce, which includes a consistent presence of over 500 employees with disabilities, benefits from extensive collective bargaining coverage for a significant portion of its staff. Diversity and inclusion are actively pursued, most notably reflected in a remarkable increase in female representation in all management positions, surging from approximately 40% between 2019-2022 to an impressive 61.6% in 2023. Employee safety remains a core focus, with total reported accidents generally decreasing from 10 in 2019 to 7 in 2023, though the occurrence of fatal incidents (1 in 2020, 2 in 2022, 1 in 2023) underscores the continuous commitment required for a zero-harm environment. Anti-corruption training is a continuous initiative, reaching thousands of employees annually to uphold ethical standards across the organization.

Robust governance underpins the Company's operations. Its Board of Directors demonstrates a commitment to diversity, with female representation increasing to 20% in 2023 and minority representation consistently maintained. The Board is further strengthened by a diverse educational background, encompassing expertise in Law, Engineering, Finance/Economics, and Business, ensuring comprehensive oversight. The Company's ownership structure is broadly composed, featuring significant stakes from pension funds and a substantial free float, indicating broad market participation and robust financial stewardship. These integrated efforts across environmental sustainability, social responsibility, and robust governance underscore the Company's commitment to creating long-term value for all stakeholders, reflecting an embedded understanding of ESG principles as fundamental to its business model and future success.

## Materiality Assessment

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## Governance

### ## Governance

Our governance framework is built on principles of accountability, transparency, and ethical conduct, ensuring robust oversight and responsible decision-making across all levels of the organization. The Board of Directors provides strategic leadership and critical oversight, playing a fundamental role in guiding the company's long-term sustainability and performance, including the integration and execution of our ESG strategy.

**\*\*Board and Leadership Diversity:\*\*** We are committed to fostering diversity at the highest levels of our organization. In 2023, female representation on our Board of Directors reached 20.0%, building on an upward trend from 14.3% in 2019. Minority representation on the Board stood at 11.3% in the same year. The Board's educational backgrounds are diverse, encompassing Law, Engineering, Finance/Economics, and Business, which collectively enhance its strategic capabilities. While the Board's ethnic composition is predominantly AZE (90.2% in 2023), we recognize the importance of broadening ethnic representation. We currently have no board members with disabilities, an area we will continue to evaluate for future diversity initiatives. This commitment to diversity extends to our management, where female representation in all management positions saw a substantial increase to 61.6% in 2023, a significant rise from 40.3% in 2019, reflecting notable progress in achieving gender balance within our leadership ranks. Minority representation in management positions was 14.0% in 2023.

**\*\*Shareholder Structure:\*\*** Our shareholder base is broadly diversified, fostering a balanced ownership structure. In 2023, pension funds represented 37.3% of the composition, with Ataturk shares maintaining a consistent 28.09%, and the free float accounting for 34.61%.

**\*\*Risk Management:\*\*** We maintain a robust enterprise-wide risk management framework designed to systematically identify, assess, mitigate, and monitor a comprehensive range of strategic, operational, financial, and ESG-related risks. This framework is regularly reviewed and updated to remain agile and adaptive to the evolving business landscape, emerging challenges, and regulatory changes, thereby safeguarding the long-term resilience and sustainability of our operations.

**\*\*Ethics, Compliance, and Anti-Corruption:\*\*** Our commitment to ethical conduct and integrity is paramount to our corporate culture and operations. We adhere to a strict Code of Conduct and comprehensive anti-corruption policies that outline expected behaviors and prohibit bribery and corruption in all forms. These policies are reinforced through ongoing training programs for our employees. In 2023, approximately 33.0% of our total employees received anti-corruption training (6,984 out of 21,167 employees), demonstrating our sustained efforts to cultivate a strong culture of integrity and ensure compliance across the organization.

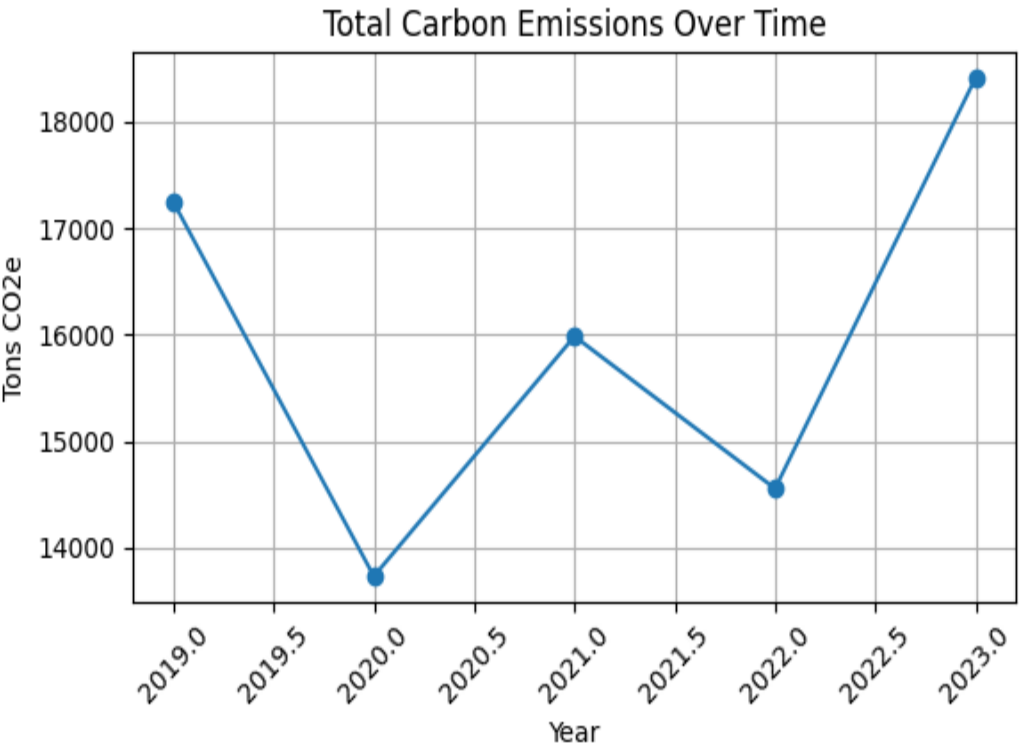
## Environmental

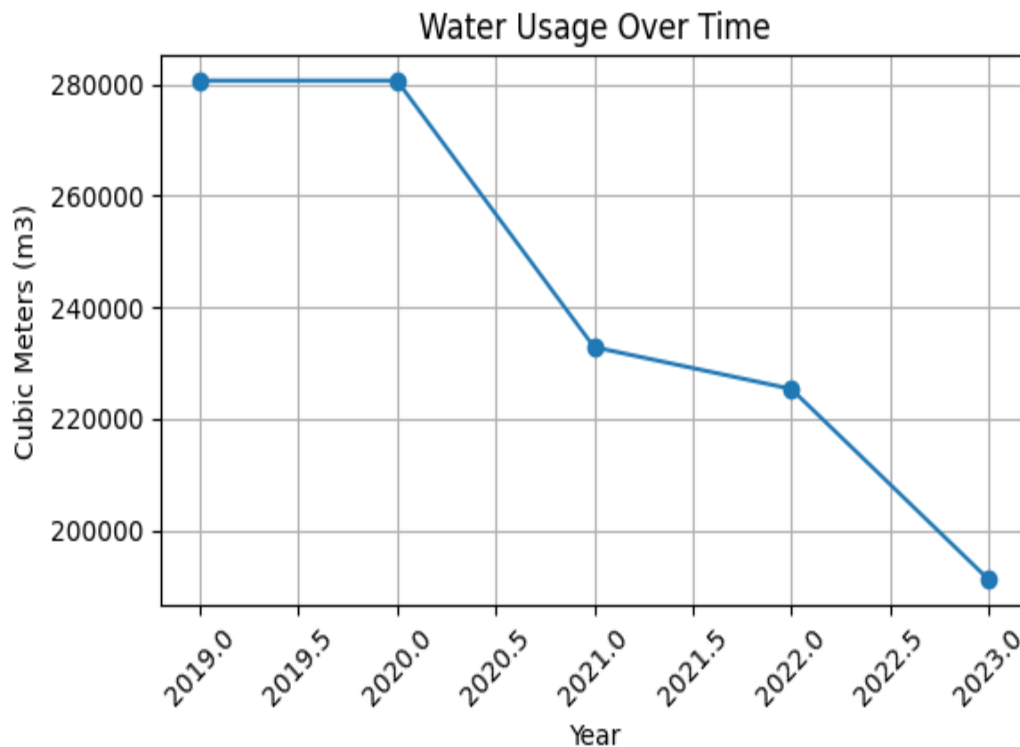
## Environmental

Our environmental strategy is anchored in a deep commitment to minimizing our ecological footprint, enhancing resource efficiency, and actively contributing to a sustainable future. We continually strive to integrate sustainable practices across our operations, focusing on climate action, responsible resource management, and waste reduction.

In terms of climate action and energy, we have made significant progress in transitioning to renewable energy sources. Our renewable energy consumption has steadily increased from 20% of total energy in 2019 to 40% in 2023. Correspondingly, the percentage of our carbon emissions derived from renewable sources has grown from 10% in 2019 to 30% in 2023, reflecting a dedicated shift towards decarbonization. Total energy consumption within the organization saw a positive downward trend, decreasing to 480,600 units in 2023, down from a peak of 522,821 units in 2021. While we have made strides in increasing our renewable energy share, our total carbon emissions (tons CO<sub>2</sub>e) have fluctuated, reaching 18,415 tons in 2023, an increase from 17,249 tons in 2019, indicating an area for continued strategic focus and investment in comprehensive emissions reduction initiatives.

Our efforts in responsible resource management are evident in our water and waste performance. We have achieved a substantial reduction in water usage, with consumption decreasing by over 30% from 280,624 m<sup>3</sup> in 2019 to 191,191 m<sup>3</sup> in 2023. Concurrently, our waste management initiatives have yielded positive results: the volume of waste recycled has consistently increased year-on-year, rising from 500 tons in 2019 to 900 tons in 2023. During the same period, unrecycled waste decreased from 300 tons to 240 tons, demonstrating our commitment to a circular economy approach. These achievements underscore our dedication to environmental stewardship, and we remain committed to pursuing further innovation and improvement in our environmental performance across all operational facets.





## Social

### ## Social

Our commitment to social responsibility is fundamental to our operations, focusing on the well-being and development of our workforce, fostering diversity and inclusion, and upholding ethical standards.

#### \*\*Workforce Well-being and Development:\*\*

Employee safety remains a paramount concern. We are encouraged by a consistent downward trend in overall employee accidents, with total incidents decreasing from 10 in 2019 to 7 in 2023. However, we acknowledge the occurrence of fatal accidents in multiple years, including 1 in 2023, underscoring our continuous focus on enhancing safety protocols. We maintain a strong commitment to ethical conduct, evidenced by our anti-corruption training programs, which engaged 6,984 employees in 2023. Our workforce dynamics saw a voluntary employee turnover rate of 6.4% in 2023, reflecting an increase from previous years. Approximately 8,984 employees were covered by collective bargaining agreements in 2023, demonstrating our dedication to fair labor practices and employee representation. The company's total workforce in 2023 was 21,167.

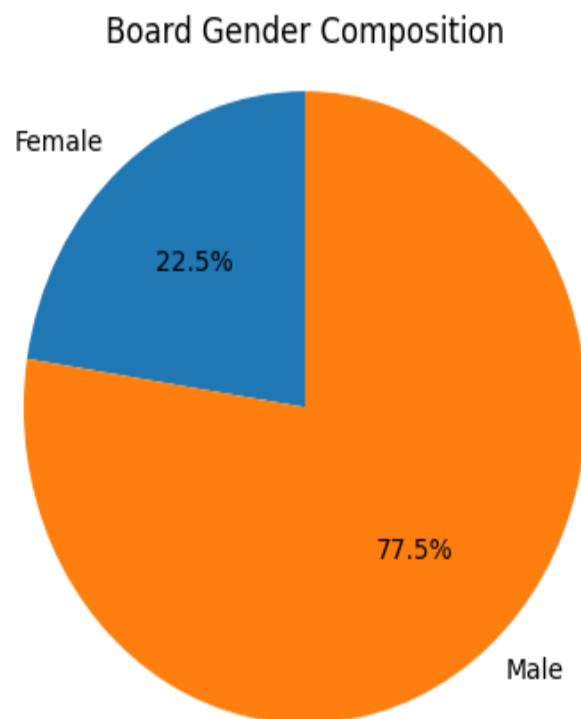
#### \*\*Diversity, Equity, and Inclusion (DEI):\*\*

We are proud to report significant advancements in our Diversity, Equity, and Inclusion initiatives, particularly in leadership roles. In a notable achievement in 2023, the representation of female employees in all management positions surged to 61.6%, a substantial increase from approximately 40% in previous years, reflecting our concerted efforts towards gender parity in leadership. Female representation on our Board of Directors also returned to 20.0% in 2023. We maintain a stable

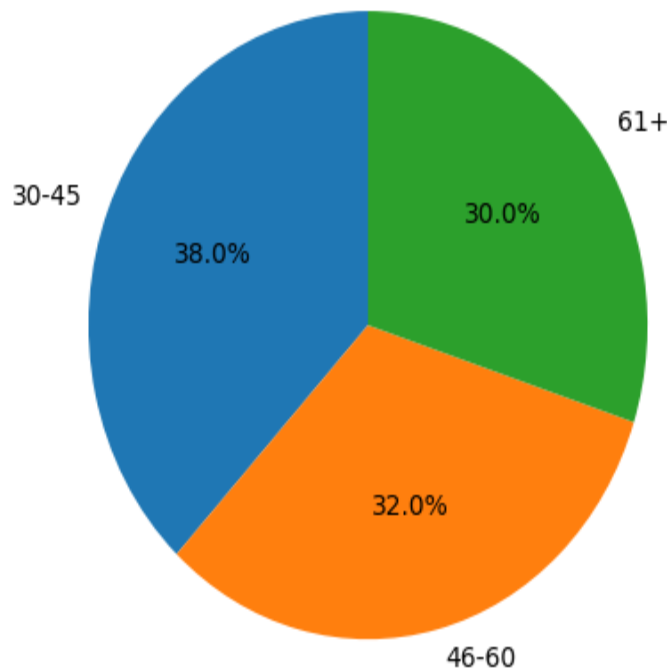
commitment to supporting employees with disabilities, consistently employing around 520-530 individuals annually, with 524 in 2023. Our overall age-group composition in 2023 demonstrates a balanced workforce, with 38% aged 30-45, 32% aged 46-60, and 30% aged 61+, showcasing a multi-generational team. While we have made progress in certain areas, we recognize the need for continued focus on other aspects of diversity; minority representation in management positions decreased to 14.0% in 2023, and minority representation on the Board fluctuated, standing at 11.3%. Additionally, we continue to strive for improved representation of individuals with disabilities across all levels, including at the Board level, where no members with disabilities were reported.

**\*\*Community Engagement:\*\***

While specific metrics for community engagement are not detailed within the provided data, our social responsibility extends beyond our internal operations. We are committed to fostering positive relationships and contributing to the communities in which we operate, understanding that our presence has a broader societal impact.



Age Group Composition



## Performance Metrics & Targets

### ## Performance Metrics & Targets

Our commitment to Environmental, Social, and Governance (ESG) principles is underpinned by rigorous data collection and performance monitoring. The following section outlines our key performance metrics from 2019 to 2023, highlighting both progress and areas for continued focus. Specific forward-looking targets are not provided in the scope of this report.

#### \*\*Environmental Performance:\*\*

We have made significant strides in our environmental stewardship. Renewable energy sources now account for 40% of our total energy consumption in 2023, a substantial increase from 20% in 2019, demonstrating our transition towards a lower-carbon operational footprint. Similarly, the proportion of renewable carbon emissions has grown from 10% in 2019 to 30% in 2023. Water usage has seen a notable reduction, decreasing from 280,624 m<sup>3</sup> in 2019 to 191,191 m<sup>3</sup> in 2023. Our waste management efforts have also yielded positive results, with waste recycled increasing from 500 tons in 2019 to 900 tons in 2023, while unrecycled waste decreased from 300 tons to 240 tons over the same period. While total energy consumption has shown a slight overall decrease since 2019, reaching 480,600 units in 2023, total carbon emissions fluctuated, peaking at 18,415 tons CO<sub>2</sub>e in 2023, indicating an area for enhanced focus on decarbonization strategies.

#### \*\*Social Performance:\*\*

Our social metrics reflect ongoing efforts to foster an inclusive and safe workplace. We are particularly proud of the significant increase in female representation in management positions, which rose from

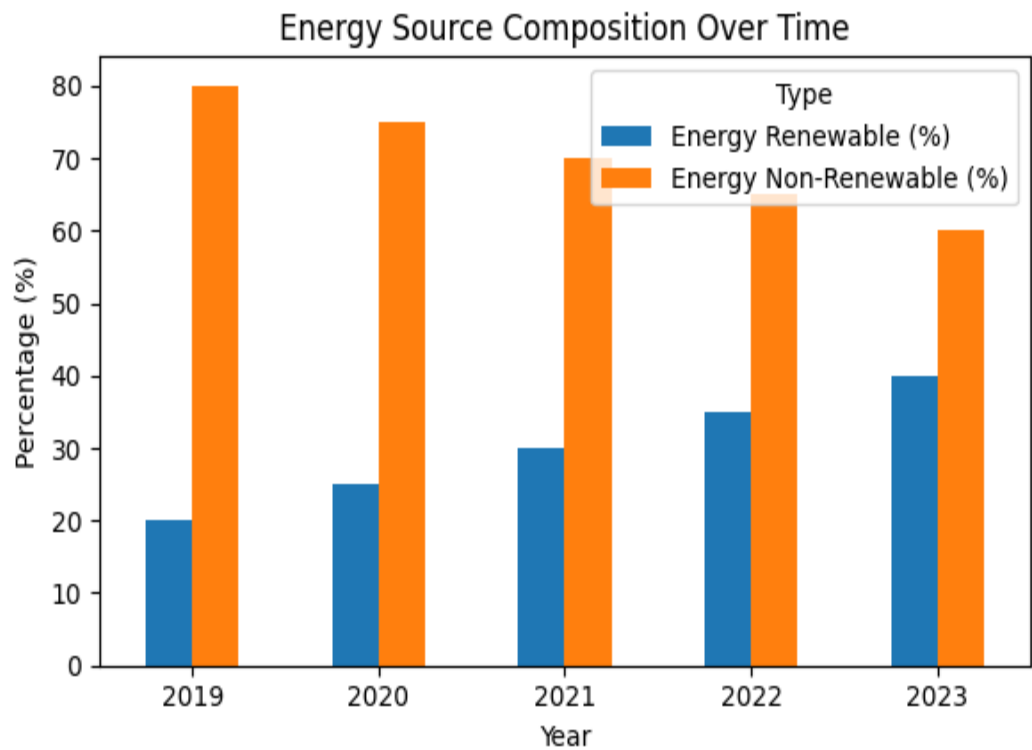
40.3% in 2019 to 61.6% in 2023. Overall employee safety has improved, with total accidents decreasing from 10 in 2019 to 7 in 2023. However, the number of fatal accidents saw fluctuations, registering 1 in 2023, up from 0 in 2019. The voluntary employee turnover rate increased from 4.2% in 2019 to 6.4% in 2023, suggesting a need to evaluate employee retention strategies. The number of employees with disabilities remained relatively stable around 520-530 persons annually. Minority representation in management positions decreased from 20.0% in 2019 to 14.0% in 2023, and the number of employees covered by collective bargaining agreements declined from 9,350 to 8,984. Anti-corruption training reached 6,984 employees in 2023, a slight decrease from 7,577 in 2019, emphasizing the importance of consistent training programs. Our total workforce size experienced a decrease from 24,053 in 2019 to 21,167 in 2023.

**\*\*Governance Performance:\*\***

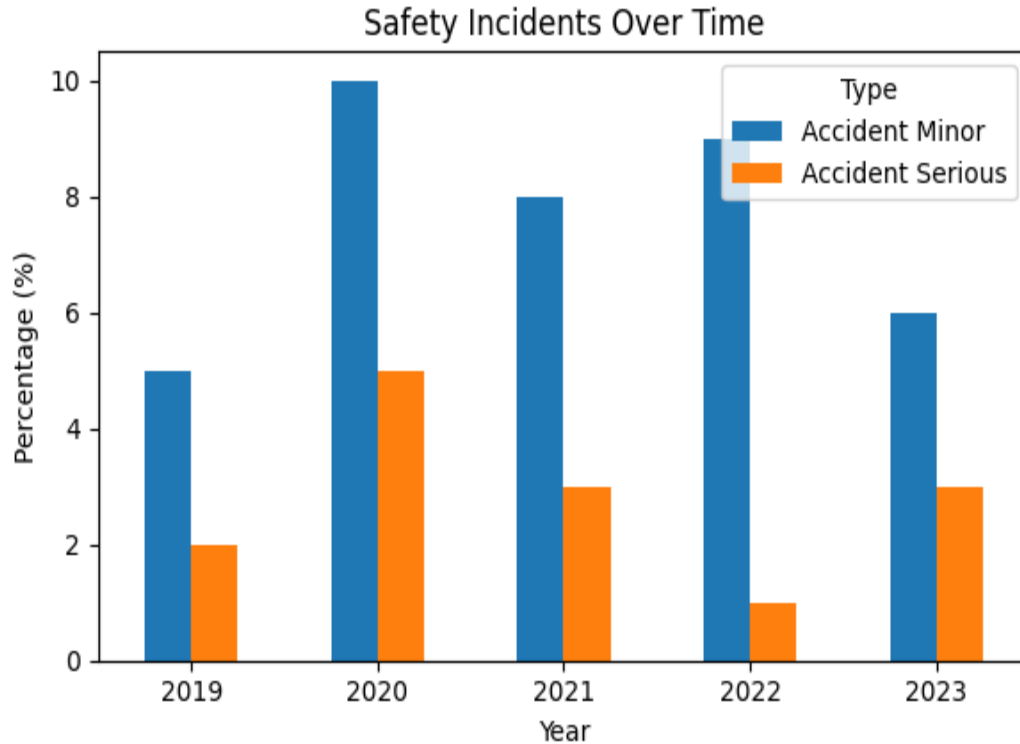
In governance, we continue to enhance board diversity. Female representation on the Board of Directors increased from 14.3% in 2019 to 20.0% in 2023. However, minority representation on the board experienced a slight decrease from 13.7% in 2019 to 11.3% in 2023. We acknowledge that no board members with disabilities have been reported throughout the period, which highlights an opportunity for future inclusion efforts. The board's educational composition demonstrates a diverse range of expertise, with Business, Finance/Economics, and Engineering representing significant portions. Shareholder composition remained broadly stable, with pension funds, Ataturk shares, and free float making up the primary categories.

**\*\*Commitment to Continuous Improvement:\*\***

These performance metrics provide a comprehensive overview of our ESG journey over the past five years. While specific forward-looking targets are not provided within the scope of this document, this data forms the foundation for our ongoing commitment to continuous improvement. We will leverage these insights to refine our strategies, address areas requiring further attention, and establish ambitious goals for sustainable growth and positive impact in the future.







## Case Studies / Highlights

### ## Case Studies / Highlights

Our commitment to Environmental, Social, and Governance (ESG) principles is tangibly demonstrated through several key operational highlights that underscore our journey towards sustainable practices and organizational resilience. While specific sustainable lending case studies are not within the scope of the provided operational data, our focus remains on enhancing operational sustainability and fostering an inclusive and ethical corporate environment.

#### \*\*Environmental Stewardship and Operational Efficiency:\*\*

We have made significant strides in environmental performance, reflecting our dedication to resource optimization and a reduced ecological footprint. Demonstrating notable operational efficiency, our water usage has seen a substantial decrease, falling from 280,624 m3 in 2019 to 191,191 m3 in 2023. Concurrently, our waste management initiatives have shown continuous improvement; recycled waste volumes increased by 80%, from 500 tons in 2019 to 900 tons in 2023, while unrecycled waste saw a positive reduction from 300 tons to 240 tons over the same period. A cornerstone of our environmental strategy is the transition towards renewable energy; the proportion of renewable energy sources in our overall consumption doubled from 20% in 2019 to 40% in 2023, and renewable sources contributing to our carbon emissions reduction strategy tripled from 10% to 30% within this five-year span.

#### \*\*Social Impact and Inclusive Growth:\*\*

Our dedication to fostering an inclusive and safe workplace is evident in several key areas. In a significant stride towards gender equity, female representation in management positions surged remarkably from approximately 40% in previous years to an impressive 61.6% in 2023, reflecting our commitment to diverse leadership. While continuously striving for the highest safety standards, the organization has seen an overall reduction in total employee accidents, from 10 in 2019 to 7 in 2023, showcasing the impact of ongoing safety protocol enhancements. Furthermore, our commitment to a diverse workforce is sustained, with a consistent number of employees with disabilities (around 520-530 individuals annually) integrated into our teams. Anti-corruption training remains a priority, with thousands of employees receiving vital education each year, peaking at 7,830 in 2020.

**\*\*Robust Governance and Board Diversity:\*\***

Our governance structure emphasizes diversity and robust oversight. Female board representation has shown a positive trend, increasing from 14.3% in 2019 to 20% in 2023. The Board's composition reflects a diverse range of expertise, with members holding qualifications spanning law, engineering, finance/economics, and business, ensuring a well-rounded approach to strategic decision-making and risk management. This multi-faceted expertise contributes significantly to our organizational resilience and effective governance.

## **Assurance & Verification**

### **## Assurance & Verification**

Our company is committed to fostering transparency and trust in our Environmental, Social, and Governance (ESG) disclosures. We recognize that robust assurance and verification processes are fundamental to enhancing the credibility and reliability of the data and information presented in our ESG reports.

External assurance provides an independent evaluation of our ESG data and reporting processes against recognized standards and frameworks. This rigorous review helps to confirm the accuracy and completeness of our disclosures, offering stakeholders greater confidence in the integrity of our reported performance. Typically, an assurance engagement involves an independent third-party assessing our data collection methodologies, internal controls, and the preparation of our ESG metrics, often resulting in a limited or reasonable assurance opinion.

Based on the source text and quantitative data provided for this report, specific details regarding external assurance, certifications, or third-party reviews performed on the included ESG data are not available. We continually evaluate opportunities to strengthen our reporting practices through independent verification to ensure we meet the evolving expectations of our stakeholders and uphold the highest standards of ESG reporting.

## **Appendices**

### **## Appendices**

This section provides supplementary information to support the data and disclosures presented in the main body of this ESG Report, enhancing transparency and aiding stakeholder understanding. It comprises a detailed methodology for data collection and reporting, a glossary of key terms, an overview of our alignment with global ESG reporting standards, and comprehensive data tables.

**\*\*A. Methodology and Data Reporting Principles\*\***

This appendix details the approach taken for data collection, calculation, and presentation throughout the report. It outlines our reporting boundaries, which encompass all controlled entities and operations, ensuring consistency across reporting periods (2019-2023). Specific methodologies for environmental metrics, such as Scope 1 and 2 carbon emissions calculations (including the emission factors used for both renewable and non-renewable energy sources), energy consumption breakdown, water usage measurements, and waste management figures (recycled vs. unrecycled), are defined. For social metrics, the methodologies for calculating voluntary employee turnover, accident rates (including definitions for fatal, serious, and minor incidents), diversity percentages (gender and minority representation on the board and in management, employees with disabilities), collective bargaining coverage, age-group composition, and anti-corruption training participation are explained. Governance data, including board composition by gender, minority status, ethnicity, education background, and shareholder distribution, is reported based on official corporate records. Unless otherwise specified, all data is collected from internal management systems and verified through internal controls. Any significant changes in methodology or scope from previous reporting periods are explicitly noted herein to ensure comparability.

#### **\*\*B. Glossary of Terms\*\***

A comprehensive glossary is provided to define key ESG terms, metrics, and abbreviations used throughout this report. This ensures clarity and a common understanding of the terminology, ranging from environmental concepts like 'Carbon Emissions (tons CO<sub>2</sub>e)' and 'Renewable Energy (%)' to social indicators such as 'Voluntary Employee Turnover Rate' and 'Employees covered by collective bargaining', and governance metrics like 'Board members (female) as % of total' and 'shareholder percentages (broad composition)'.

#### **\*\*C. ESG Reporting Standards Alignment\*\***

This report has been prepared with reference to leading global ESG reporting frameworks to ensure comprehensive and relevant disclosure. We align our disclosures with the Global Reporting Initiative (GRI) Standards, covering universal standards and relevant topic-specific standards pertinent to our industry. Furthermore, we reference the Sustainability Accounting Standards Board (SASB) Standards, focusing on industry-specific metrics and disclosures that are financially material to our operations. A detailed GRI Content Index and SASB Metrics Table, indicating where each disclosure and metric can be found within this report or supplementary materials, are included as Annexes to these Appendices. This alignment underscores our commitment to transparent and standardized ESG reporting.

#### **\*\*D. Quantitative Data Tables\*\***

Detailed quantitative data for the reporting periods 2019 through 2023 are presented in the following tables. These tables include comprehensive metrics across our environmental footprint (e.g., energy consumption, carbon emissions, water usage, waste recycled/unrecycled, renewable energy and carbon emissions percentages), social performance (e.g., total employees, voluntary employee turnover rate, employees with disabilities, employees covered by collective bargaining, employee safety incidents by type, anti-corruption training, management and board diversity by gender and minority, employee age-group composition), and governance indicators (e.g., board ethnicity, board education, board members with disabilities, shareholder composition). All figures are presented on an annual basis, providing a clear trend analysis over the past five years.