

# Declaration of Compliance with Sustainability Principles

The Koç Group monitors the best practices in terms of sustainability, including CMB's Sustainability Principles and performs its activities with the aim of ensuring compliance to these best practices. Many of the issues stated in the Sustainability Principles enacted by CMB in 2020 overlap with the principles of Koç Holding's sustainability strategy "Lead together". Accordingly, Koç Holding complies with many of the voluntary principles mentioned in Sustainability Principles enacted by CMB with a "comply-or-explain" approach. However, full compliance is not yet achieved for reasons such as the difficulties in implementation of some principles, the uncertainties in this area in both local and global arena, the mismatch between some of the principles and the company structure, the intention to design the compliance structure based on the outcome of ongoing studies, etc. For the principles where the company currently does not fully comply with, it is intended to ensure full compliance after the review of the global best practices and the completion of technical infrastructure and data collection analysis on the Group scale with the purpose of supporting our company's efforts to create value in a sustainable manner.

The Koç Group's efforts on sustainability issues that overlap with CMB's Sustainability Principles are explained in a detailed manner in the Annual Report in mainly the Sustainability section and Human Rights and Compliance Program sections. For the principles where full compliance is not achieved, the explanations are provided below. For such principles, the implications on environmental and social risk management are analyzed within the scope of our sustainability efforts.

- Principles A4.1 and B9: Activities were carried out to have Scope 1 and 2 GHG emissions verified at the Koç Group companies in 2021, and verification was obtained from an independent third party within the frame of ISO 14064-1 GHG Emissions Verification and Reporting Standard. Verification is in progress for 2022 data on Koç Holding's consolidated GHG emissions, waste, energy and water management; the said data are targeted to be disclosed in 2022 Sustainability Report that will be published in 2023. Work is underway in relation to Scope 3 GHG emissions, and it is planned to develop Group-wide consolidated monitoring and reduction strategies in the years ahead. In parallel, science-based target setting is being carried out across the related Koç Group companies.
- Principle B.24: Since regulatory framework governing carbon pricing system has yet to be finalized in our country, the Company is not included in any carbon pricing system. Notwithstanding, internal carbon pricing efforts are being carried out at some Koç Group companies, but they are not spread across the Koç Group yet. For a low carbon transition, different instruments are evaluated to be used at Group-level and those that are appropriate will be implemented in line with the developed strategy.

Sustainability Principles Compliance Report prepared in accordance with the formats defined by the CMB Resolution dated 23 June 2022, numbered 34/977, and approved by the Company's Board of Directors is appended to the annual report (pages XX-XXX), and related documents can also be accessed on our Company's page on the Public Disclosure Platform. <https://www.kap.org.tr/tr/sirket-bilgileri/ozet/1005-koc-holding-a-s>

# Sustainability Principles Compliance Report

PRINCIPLE	COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
	YES	NO	PARTIAL	N/A		
A. General Principles						
A1. Strategy, Policy and Targets						
A1.1	The Board of Directors determines material environmental, social and governance (ESG) issues, risks and opportunities.	X			Koç Holding A.Ş. handles its sustainability-related activities within the frame of the company strategy “Lead. Together” which has been approved by Koç Holding Board of Directors and publicly disclosed.	<a href="https://www.koc.com.tr/surdurulebilirlik/surdurulebilirlik-raporlari-ve-politikalar">https://www.koc.com.tr/surdurulebilirlik/surdurulebilirlik-raporlari-ve-politikalar</a> Koç Holding Annual Report, Sustainability Section
	The Board of Directors establishes relevant ESG policies (e.g. Environmental Policy, Energy Policy, Human Rights and Employee Policy, etc.) and they are publicly disclosed.	X			Sustainability-related policies Koç Holding A.Ş. put into implementation within the scope of the company strategy “Lead. Together” can be found on the company website.	<a href="https://www.koc.com.tr/surdurulebilirlik/surdurulebilirlik-raporlari-ve-politikalar">https://www.koc.com.tr/surdurulebilirlik/surdurulebilirlik-raporlari-ve-politikalar</a>
A1.2	Publicly discloses short- and long-term goals set according to ESG policies.	X			Koç Holding targets to reduce its Scope 1 and Scope 2 GHG emissions by 27% by 2030 and by 49% by 2040 as compared to 2017 baseline year in accordance with its carbon neutral by 2050 target. Pursuant to the Board Diversity Policy ratified in March 2021, Koç Holding targets to maintain the percentage of women members on Board of Directors seats at 30% minimum at all times.	Koç Holding Annual Report, Sustainability Section, <a href="https://www.kap.org.tr/tr/Bildirim/1009191">https://www.kap.org.tr/tr/Bildirim/1009191</a> <a href="https://www.kap.org.tr/tr/Bildirim/914140">https://www.kap.org.tr/tr/Bildirim/914140</a>
A2. Implementation/Monitoring						
A2.1	Determines and discloses the committees/units responsible for the execution of ESG policies, and the highest level positions in charge of ESG issues at the Company and their duties.	X			Focused on managing its sustainability efforts at the highest level, Koç Holding reports the progress in relation to its strategy “Lead. Together” and material topics to the Board of Directors via the Corporate Governance Committee within the scope of “CMB Sustainability Principles Compliance” reporting. Climate risks and opportunities are followed up and managed under the Carbon Transition Program; the Risk Committee under the Board of Directors is kept regularly informed of climate risks and opportunities. The Sustainability Unit under the Corporate Communication and Relations Directorate that reports to Koç Holding CEO executes the strategy and provides coordination with various units within the company.	Koç Holding Annual Report, Sustainability Section
	The responsible committee and/or unit reports the activities carried out as per the policies during the year at least once a year to the Board of Directors.	X			The Board of Directors is kept informed about Sustainability Principles Compliance efforts by the Corporate Governance Committee and Risk Committee set up thereunder.	Koç Holding Annual Report, Sustainability Section

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A2.2	Creates and discloses implementation and action plans aligned with ESG targets	X			Koç Holding has set its target to become carbon neutral by 2050 in response to the increasing importance attached by stakeholders to the combat against climate crisis and the European Green Deal. To create the low-carbon transition pathway and action plans necessary to achieve this target, the Group-wide Carbon Transition Program has been launched.	Koç Holding Annual Report, Sustainability Section
A2.3	Discloses ESG Key Performance Indicators (KPI) and the degree of their achievement by years.	X			Koç Holding has been monitoring ESG key performance indicators for more than 10 years; the Company studies domestic and international best practices, and reviews its set of indicators within the frame of common trends. The publicly disclosed indicators from out of the data set followed up at the Group level cover the change over the course of the last three years.	Koç Holding Annual Report, Sustainability Section
A2.4	Discloses efforts for improving sustainability performance with respect to work processes or products and services.	X				Koç Holding Annual Report, Sustainability Section
<b>A3. Reporting</b>						
A3.1	Discloses sustainability performance, targets and actions in an intelligible, accurate and adequate manner in annual reports.	X				Koç Holding Annual Report, Sustainability Section
A3.2	Provides information about which of the United Nations (UN) 2030 Sustainable Development Goals its activities relate to.	X				Koç Holding Annual Report, Sustainability Section
A3.3	Makes disclosures regarding the lawsuits filed and/or concluded against the company on account of ESG issues, which are material with respect to ESG policies and/or have material impact on operations.	X				Koç Holding Annual Report, Legal Disclosures Section

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A4. Verification						
A4.1	ESG Key Performance measurements are verified by an independent third party and publicly disclosed.			X	In 2021, Scope 1 and 2 GHG emissions verification activities were carried out at the Koç Group companies, and the same were verified by an independent third party within the frame of ISO 14064-1 GHG Emissions Verification and Reporting Standard. The verification process of Koç Holding consolidated GHG emissions, waste, energy and water management data for 2022 is in progress and it is targeted to report the data in 2022 Sustainability Report that will be published during 2023. Activities concerning Scope 3 GHG emissions, on the other hand, are underway and it is planned to devise strategies for their Group-wide consolidated monitoring and reduction in the coming years. In parallel, science-based target setting efforts are being carried out at relevant Koç Group companies.	Koç Holding Annual Report, Sustainability Principles Compliance Statement Section
B. Environmental Principles						
B1	Publicly discloses its environmental management policy and practices, action plans, environmental management systems (known by ISO 14001 standard) and programs	X				Koç Holding Annual Report, Sustainability Section
B2	Publicly discloses the limitations over the reporting scope, reporting period, reporting date, reporting conditions of the environmental reports to be prepared for providing environmental management information	X				Koç Holding Annual Report, Sustainability Section
B.3	Provided in A2.1.	X				Koç Holding Annual Report, Sustainability Section
B4	Discloses the environmental targets included in rewarding criteria within the scope of performance incentive systems on the basis of stakeholders (board members, executives, employees and so on).	X			Koç Diyalog, i.e. the performance management system of Koç Holding, uses the OKR (Objectives and Key Results) method whereby employees set objectives and key results aligned with the Company targets and strategies and objectives are dynamically revised according to priorities that change during the year. Climate related targets are included in the OKRs of Koç Holding CEO, CFO, Sustainability Managers and employees.	Koç Holding Annual Report, Sustainability Section
B5	Explains how environmental issues identified to be material are integrated into business goals and strategies.	X				Koç Holding Annual Report, Sustainability Section
B6	Provided in A2.4.	X				Koç Holding Annual Report, Sustainability Section

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B7	Explains how it manages environmental issues throughout the Company's value chain including suppliers and customers so as to cover the operation process as well and how they are integrated into its business goals and strategies.	X				Koç Holding Annual Report, Sustainability Section
B8	Discloses whether it is involved in policy-making processes on environmental issues of relevant institutions and non-governmental organizations and its collaborations with these institutions and organizations, if any.	X				Koç Holding Annual Report, Sustainability Section
B9	Periodically reports information about its environmental impacts comparatively in the light of environmental indicators; GHG emissions Scope-1 (Direct), Scope-2 (Indirect from purchased energy), Scope-3 (Other indirect), air quality, energy management, water and wastewater management, waste management, biodiversity implications).			X	Scope 1 and Scope 2 GHG emissions are regularly calculated as part of sustainability activities; the Group companies have them verified by an independent third party pursuant to ISO 14064-1, and disclose to the public. The verification process of Koç Holding consolidated GHG emissions, waste, energy and water management data for 2022 is in progress and it is targeted to report the data in 2022 Sustainability Report that will be published during 2023.	Koç Holding Annual Report, Sustainability Principles Compliance Statement Section
B10	Discloses the standard, protocol, methodology and baseline year details used to collect and calculate its data.	X				Koç Holding Annual Report, Sustainability Section
B11	Publicly discloses the status of environmental indicators for the reporting year (increase or decrease) in comparison with previous years.	X				Koç Holding Annual Report, Sustainability Section
B12	Sets short and long-term goals to reduce its environmental impact and discloses these goals and the progress, if any, as compared to the targets set in previous years.	X				Koç Holding Annual Report, Sustainability Section

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B13	Discloses its strategy and actions to combat the climate crisis.	X				Koç Holding Annual Report, Sustainability Section
	Explains its programs or procedures to prevent or minimize the potential negative impacts of the products and/or services it offers.			X	Koç Holding A.Ş. undertakes investment activities at holding level and information about the products and/or services of companies invested in can be found in the relevant sections of Koç Holding Annual Report and the sustainability reports of relevant companies.	
B14	Takes and explains its actions for driving reduction of GHG emission quantities of third parties (e.g. suppliers, sub-contractors, dealers, etc.).			X	Koç Holding A.Ş. undertakes investment activities at holding level and information about the products and/or services of companies invested in can be found in the relevant sections of Koç Holding Annual Report and the sustainability reports of relevant companies.	
B15	Discloses the total number of actions taken, projects carried out and initiatives undertaken to mitigate its environmental impacts, along with the benefits/revenues and cost savings they provide.	X				Koç Holding Annual Report, Sustainability Section
B16	Reports energy consumption data (gas, diesel oil, fuel oil, LPG, coal, electricity, heating, cooling, etc.) and discloses its energy consumption as Scope-1 and Scope-2.	X			Scope 1 and Scope 2 GHG emissions are regularly calculated within the scope of sustainability efforts. Similarly, energy consumption data are also reported broken down into "renewables/non-renewables" to correspond to the expectations of international sustainability indices.	Koç Holding Annual Report, Sustainability Section
B17	Discloses information about the electricity, heat, steam and cooling generated during the reporting year.	X				
B18	Conducts and discloses studies on increasing the use of renewable energy, transition to zero or low carbon electricity.	X				Koç Holding Annual Report, Sustainability Section
B19	Discloses data on its renewable energy generation and consumption.	X				Koç Holding Annual Report, Sustainability Section
B20	Develops energy efficiency projects and discloses the quantity reduced in energy consumption and emission enabled by these efforts.	X				Koç Holding Annual Report, Sustainability Section
B21	Reports the amount of underground or overground water withdrawn, recycled and discharged, the resources and procedures.	X				Koç Holding Annual Report, Sustainability Section

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	YES	NO	PARTIAL	N/A		
B22	Discloses whether its operations or activities are included in any carbon pricing system (Emission Trading System, Cap & Trade or Carbon Tax).			X	Since regulatory framework governing carbon pricing system has yet to be finalized in our country, the Company is not included in any carbon pricing system. Different tools are considered for deployment across the Koç Group for low-carbon transition and those deemed necessary will be put into implementation within the scope of the strategy developed.	Koç Holding Annual Report, Sustainability Section
B23	Discloses the carbon credits saved or purchased during the reporting period.			X	No carbon credits were saved or purchased during the reporting period across the Koç Group.	Koç Holding Annual Report, Sustainability Principles Compliance Statement Section
B24	Discloses the details if carbon pricing is applied within the Company		X		Since regulatory framework governing carbon pricing system has yet to be finalized in our country, the Company is not included in any carbon pricing system. Notwithstanding, internal carbon pricing efforts are carried out at some Koç Group companies, but they are not rolled out across the Koç Group. Different tools are considered for deployment across the Koç Group for low-carbon transition and those deemed appropriate will be put into implementation within the scope of the strategy developed.	Koç Holding Annual Report, Sustainability Section
B25	Discloses the platforms that it reports its environmental information to.	X				Koç Holding Annual Report, Sustainability Section
C. Social Principles						
C1. Human Rights and Employee Rights						
C1.1	Develops a Company Human Rights and Employee Rights Policy, which pledges full compliance with the Universal Declaration of Human Rights, ILO Conventions ratified by Türkiye and other applicable legislation. Discloses the policy and the roles and responsibilities associated for its implementation.	X				Koç Group Human Rights Policy <a href="https://cdn.koc.com.tr/cmscontainer/kocholding/media/koc/01hakkinda/uyum/politikalar/insan-haklari-politikasi.pdf">https://cdn.koc.com.tr/cmscontainer/kocholding/media/koc/01hakkinda/uyum/politikalar/insan-haklari-politikasi.pdf</a>

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	YES	NO	PARTIAL	N/A		
C1.2		X			Incorporates equitable workforce, improvement of working standards, women's employment and inclusion (not discriminating on the basis of gender, race, religion, language, marital status, ethnicity, sexual orientation, gender identity, family responsibilities, union activities, political affiliation, disabilities, social and cultural differences, etc.) in its policy concerning employee rights, while looking out for the effects of supply and value chain.	Koç Group Human Rights Policy <a href="https://cdn.koc.com.tr/cmscontainer/kocholding/media/koc/01hakkinda/uyum/politikalar/insan-haklari-politikasi.pdf">https://cdn.koc.com.tr/cmscontainer/kocholding/media/koc/01hakkinda/uyum/politikalar/insan-haklari-politikasi.pdf</a>
C1.3		X			Discloses the measures taken throughout the value chain for protecting the rights of groups sensitive to certain economic, environmental, social factors (low-income groups, women, etc.) or for securing minority rights/equal opportunity.	Koç Group Human Rights Policy Sustainability Report pp. 48-54 "Diversity and Inclusion -Generation Equality Forum" Annual Report p. 49 "Empower People. Together – Equal Opportunity and Diversity"
C1.4		X			Reports on progress in relation to actions for preventing and remedying discrimination, inequality, human rights violations, forced labor and child labor.	Koç Group Human Rights Policy pp. 5-6 "Freedom of Association and Collective Bargaining"; "Working Hours"; "Personal Development" Annual Report p. 49 "Empower People. Together – Human Rights and Fair Working Environment"
C1.5		X			Incorporates investments in employees (training, development policies), employee compensation, fringe benefits granted, the right to unionize, work/life balance solutions and talent management in its policies concerning employee rights.	Koç Group Human Rights Policy pp. 5-6 "Right of Association and Collective Bargaining"; "Working Hours"; "Personal Development" <a href="https://cdn.koc.com.tr/cmscontainer/kocholding/media/koc/01hakkinda/uyum/politikalar/insan-haklari-politikasi.pdf">https://cdn.koc.com.tr/cmscontainer/kocholding/media/koc/01hakkinda/uyum/politikalar/insan-haklari-politikasi.pdf</a>
		X			Determines the mechanisms for resolution of employee complaints and labor disputes, and establishes conflict resolution processes.	Whistleblowing Policy <a href="https://cdn.koc.com.tr/cmscontainer/kocholding/media/koc/01hakkinda/uyum/politikalar/koctoplulugu-ihbar-politikasi.pdf">https://cdn.koc.com.tr/cmscontainer/kocholding/media/koc/01hakkinda/uyum/politikalar/koctoplulugu-ihbar-politikasi.pdf</a>
		X			Discloses the activities for ensuring employee satisfaction during the reporting period.	Sustainability Report pp. 41-50 "Empower People. Together"



PRINCIPLE	COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
	YES	NO	PARTIAL	N/A		
C1.6	Establishes and discloses occupational health and safety policies.	X				Occupational Health and Safety Policy <a href="https://cdn.koc.com.tr/cmscontainer/kocholding/media/koc/01_hakkinda/uyum/politikalar/koc-toplulugu-is-guvenligi-politikasi.pdf">https://cdn.koc.com.tr/cmscontainer/kocholding/media/koc/01_hakkinda/uyum/politikalar/koc-toplulugu-is-guvenligi-politikasi.pdf</a>
	Discloses the measures adopted for preventing workplace accidents and for protecting occupational health along with statistical data on accidents.	X				Sustainability Report pp. 50,60 "Occupational Health and Safety "
C1.7	Establishes and discloses personal data protection and data security policies.	X				PDPL Policy <a href="https://cdn.koc.com.tr/cmscontainer/kocholding/media/koc/01_hakkinda/organizational-chart/kisisel-verilerin-korunmasi-politikasi.pdf?1412">https://cdn.koc.com.tr/cmscontainer/kocholding/media/koc/01_hakkinda/organizational-chart/kisisel-verilerin-korunmasi-politikasi.pdf?1412</a>
C1.8	Establishes and discloses a code of ethics.	X				Code of Ethics <a href="https://cdn.koc.com.tr/cmscontainer/kocholding/media/koc/01_hakkinda/uyum/politikalar/koc-toplulugu-etik-ilkeleri.pdf">https://cdn.koc.com.tr/cmscontainer/kocholding/media/koc/01_hakkinda/uyum/politikalar/koc-toplulugu-etik-ilkeleri.pdf</a>
C1.9						
C1.10	Organizes information meetings and training programs on ESG policies and practices for employees.	X				Koç Holding Annual Report, Sustainability Section
	<b>C2. Stakeholders, International Standards and Initiatives</b>					
C2.1	Establishes and discloses a customer satisfaction policy for handling and resolving customer complaints.			X	Koç Holding A.Ş. carries out investment activities at holding level; hence the question is deemed irrelevant.	
C2.3	Discloses information about the communication maintained with stakeholders (which stakeholders, topics and frequency).	X				Koç Holding Annual Report, Sustainability Section

PRINCIPLE	COMPLIANCE				EXPLANATION	RELATED REPORT/LINK
	YES	NO	PARTIAL	N/A		
C2.3	Discloses the international reporting standards embraced in its reporting.	X				Koç Holding Annual Report, Sustainability Section
C2.4	Discloses the principles embraced in relation to sustainability, international organizations, committees and principles that it is a signatory or member of.	X				Koç Holding Annual Report, Sustainability Section
C2.5	Makes improvements and concrete efforts to qualify for inclusion in sustainability indices of Borsa İstanbul and/or international index providers.	X			Koç Holding works to qualify for, and improve its performance on, internationally leading sustainability indices including Borsa İstanbul, and reports the indices that it is a constituent of.	Koç Holding Annual Report, Sustainability Section
D. Corporate Governance Principles						
D.1	Seeks stakeholders' opinions when determining the measures and strategies in relation to sustainability.	X			Following the ones in 2015 and 2017, the Company realized a strategic materiality analysis in 2020 to determine the risks and opportunities associated with environmental, social and governance management, as well as to respond to changing stakeholder expectations and global trends. Both internal stakeholders covering employees at all levels and external stakeholders covering academia, civil society, members of professional associations, suppliers, customers and investors were included in this study.	Koç Holding Annual Report, Sustainability Section
D.2	Works on raising awareness of sustainability and its importance through social responsibility projects, awareness activities and training programs.	X				Koç Holding Annual Report, Sustainability Section