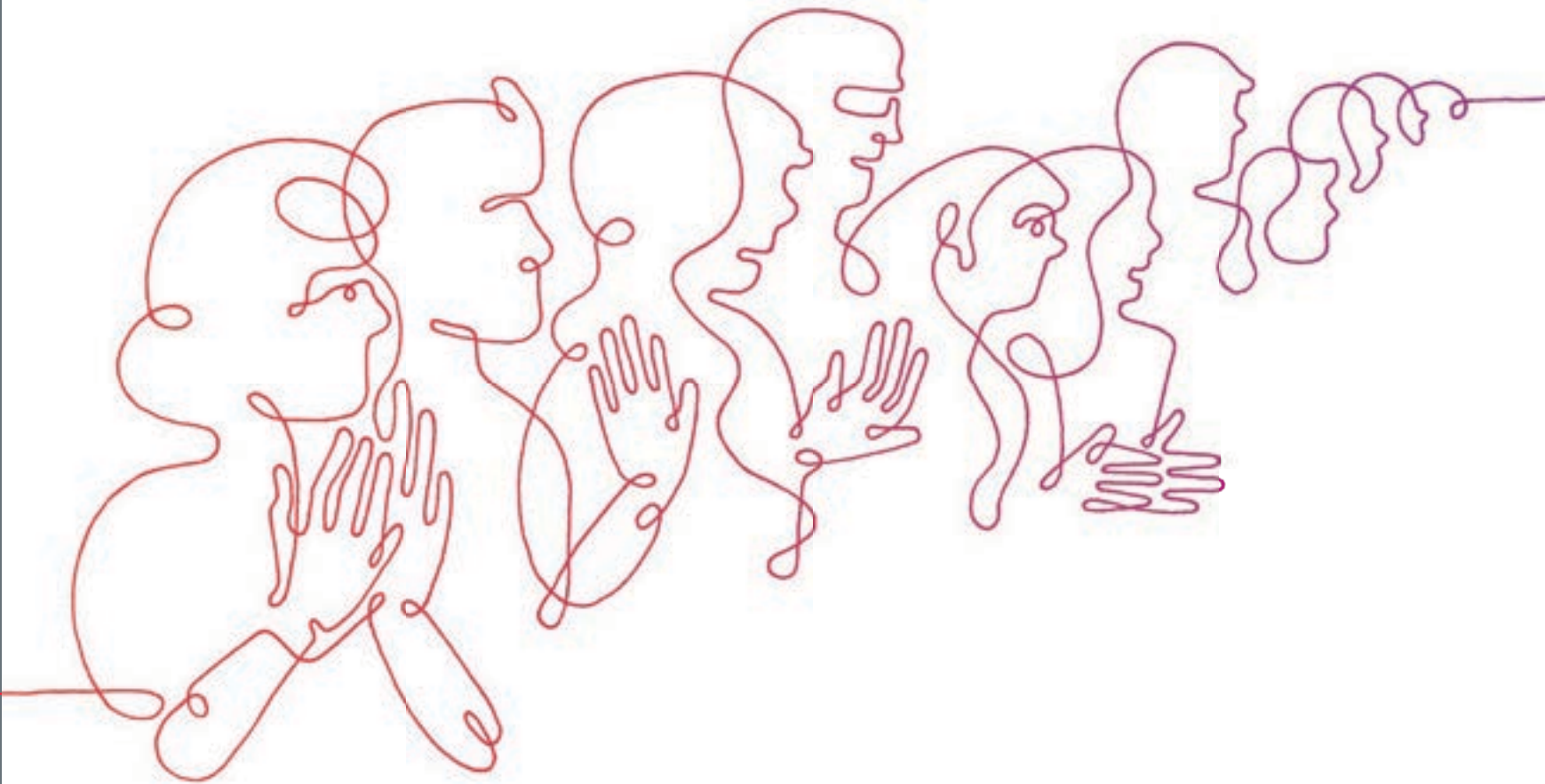
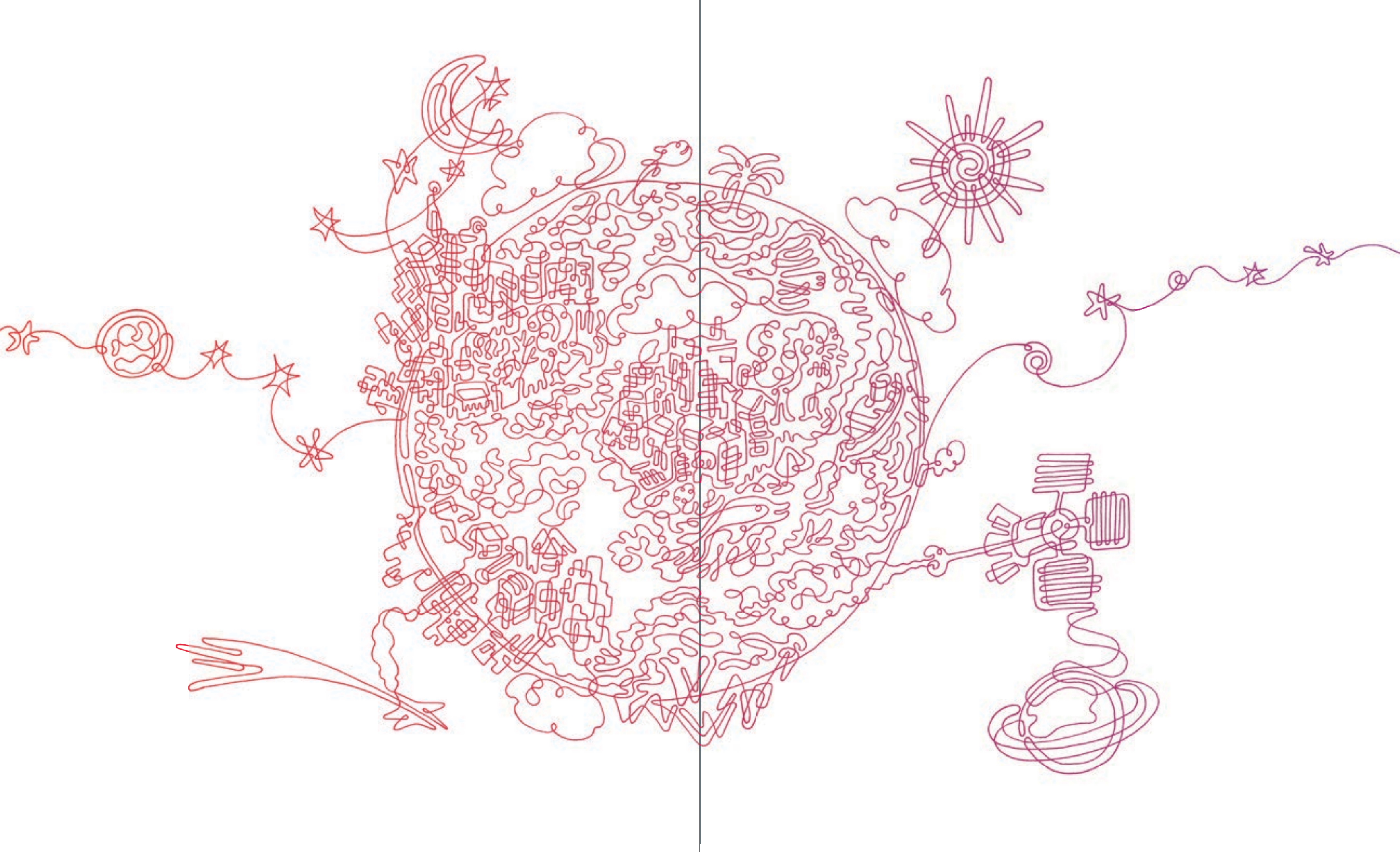


**ZORLU HOLDING
SUSTAINABILITY
REPORT
2018**





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ABOUT THE REPORT

Zorlu Holding regularly shares its performance and activities carried out within the scope of its sustainability strategy with stakeholders through Sustainability Reports.

This report has been prepared in accordance with the GRI Standards: Core option. The report also covers our 9th Communication on Progress on the principles of the United Nations Global Compact (UNGC). The report comprises the Smart Life 2030 sustainability strategy, objectives, performance and our contributions to the United Nations Sustainable Development Goals (SDGs).

For inquiries, opinions and suggestions regarding the report, please contact us via [AkiliHayat2030@zorlu.com](mailto:AkilliHayat2030@zorlu.com)

SCOPE

To cover all our operations with significant impact, this report is based on the consolidated data of Zorlu Holding A.Ş., Korteks Mensucat Sanayi ve Tic. A.Ş., Zorluteks Tekstil Ticaret ve Sanayi A.Ş., Vestel Elektronik Sanayi ve Ticaret A.Ş., Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş., Zorlu Energy Group's operations in Turkey, Meta Nikel Kobalt A.Ş., Zorlu Gayrimenkul Geliştirme ve Yatırım A.Ş., Zorlu Yapı Yatırım A.Ş. and Zorlu Performing Arts Center between the dates January 1, 2018 and December 31, 2018. Throughout the report, Zorlu Textiles Group refers to Korteks Mensucat Sanayi ve Tic. A.Ş. and Zorluteks Tekstil Ticaret ve Sanayi A.Ş.; Vestel Group refers to Vestel Elektronik Sanayi ve Ticaret A.Ş. and Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.; Zorlu Real Estate Group refers to Zorlu Gayrimenkul Geliştirme ve Yatırım A.Ş., Zorlu Yapı Yatırım A.Ş. and Zorlu Performing Arts Center; and Meta Nikel refers to Meta Nikel Kobalt A.Ş.

ZORLU HOLDING AT A GLANCE



Zorlu Holding's foundation was laid in **1953** when Mehmet Zorlu established the textile company Zorlu Mensucat Denizli.



In **1976**, Korteks Velvet Weaving Plant was established in Bursa and in approximately 10 years it began the first export sales of textiles products.



1989, Korteks Yarn Factory was established.



Korteks Polyester Yarn Factory, Europe's largest integrated polyester yarn manufacturer and exporter, began production in **1990**.



Zorlu Enerji was founded in **1993** to meet the energy and steam demands of Zorlu Group's industrial enterprises. Today, Zorlu Enerji stands out with domestic and renewable energy investments and its listed in the Borsa Istanbul (BIST) Sustainability Index.



Vestel Elektronik, which joined the Zorlu Group in **1994**, and Vestel Beyaz Eşya founded in **1997** meet customers' expectations with innovative products. Thanks to their high sustainability performances, they listed the BIST Sustainability Index.



Zorlu Real Estate was established in **2006** and in **2008** it began the construction of Zorlu Center, Turkey's first mixed-use project. Zorlu Center opened its doors as a shopping and performance arts center in **2013**.



Meta Nikel was founded in **2000** and joined Zorlu Group in **2007**. Meta Nikel continues operations in R&D-based new generation mining without compromising its philosophy of innovative, sustainable and environmentally conscious production.

Esteemed Stakeholders,

The global business world has been going through a transformation, especially within the last decade, from a shareholder- and profit-oriented approach towards a stakeholder-oriented one. As a result, all stakeholders have become a part of the value chain and combining profitability with social benefit is now an essential item of business.

As a consequence of this paradigm shift, leading companies now make it an integral part of their business to invest in the environment, society and their employees. Commitment to add value to these elements for the future achievements of the company, society and the country is expressed louder than ever.

The multitude of social issues we face today, such as global warming, urbanization, ageing population, immigration and depletion of resources, has led us towards this shift. These issues are complex and multi-dimensional to such extent that it is simply impossible for nations or organizations to solve them alone. In fact, they do not even possess the resources necessary for it. This is why we need systemic change, which is only possible with companies like us allocating their resources to areas that will generate social impact. As a result, many global companies today focus on social issues such as combating climate change, reducing income inequality and improving public health. They move from a shareholder-oriented corporate structure to a stakeholder-oriented one. The same transformation can be observed on the investor front as well. Today, when buying stakes in a company, investors do not only examine financial statements; they also look for investments in the environment, society and human resources. Studies show that being listed in sustainability indices is a factor that increasingly influences investors' decisions.

Companies that have this in their DNA are one step ahead of the others in this process of global transformation. They are able to take firmer steps in reshaping their corporate culture in line with this approach. In this context, we are highly confident as a Group that has focused on creating public benefit and value with all its operations since its establishment. As we take the necessary steps to make our Group more sustainable and profitable, we are empowered by the value-oriented approach inscribed in our DNA. Our approach enables us to easily adapt to various factors that challenge and transform the business world, such as developments in technology and innovation, climate change, depletion of natural resources and rapid population growth.

In line with this approach and our sustainability-oriented Smart Life 2030 vision, we implement a business model that combines profitability with social benefit and disseminate sustainability across all our companies. We create opportunities by managing environmental, social and economic risks. As we grow, we also create value for our employees, society and the environment. We provide our employees with a pleasant working environment where they can thrive. With our companies' sustainable and innovative products, we take steps to develop lasting solutions for poverty, climate change and many other social issues addressed in the Global Goals.

This smart transformation based on systemic change contributes to the dream for a better future, while also making our companies more sustainable and profitable. As a result, our companies now produce the world's most water- and energy-efficient products. Thanks to technology-driven innovative solutions, the environmental impact of our production processes is minimized. Our products get smarter, offering solutions for the smart homes and cities of the future. Our facilities set the benchmark in Turkey's Industry 4.0 transformation as they become entirely smart from order to delivery. The share of wind, geothermal and solar power grows to 78% of our portfolio. Our environmental investments in energy enabled us to obtain Turkey's first green loan, which was extended based on sustainability performance. A series of smart systems are coming to life, including managing the energy of smart cities based on smart technologies, electric vehicle rentals and electric vehicle charging stations. Smart textile applications pave the way for sustainable products and solutions for a diverse range of industries from health to automotive. Through smart process management, technology, R&D and innovation, nickel, the raw material of the future, is transformed into value-added forms used in electric vehicle batteries, aviation and shipbuilding industries. Innovative living environments we offer in real estate continue to improve people's lives.

All such changes we see across the Group companies are reflections of our Smart Life 2030 vision. Approved by and included in the strategic business plan by our Board of Directors, Smart Life 2030 serves as a guide in expanding step-by-step our stakeholder- and sustainability-oriented business model across all Group companies. Our companies' sustainability-oriented innovative achievements are shaped in line with this vision. As you will see in this report, all our operations are carried out in line with Smart Life 2030 with a 360-degree approach. In the long run, we believe that this vision will transform us into a new generation Group, which stakeholders will be proud to be a part of and investors will prefer as a profitable and sustainable company.

In 2018, Zorlu Group increased its consolidated revenues to TL 27.8 billion with a 37% increase over the previous year, and the Group's activities based on the Smart Life 2030 vision had a significant impact on this success. We will continue to work with the same determination in line with this vision to build a livable, smart and prosperous world for the future.

As we present our sustainability report on our environmental, social, economic and governance performance, reflecting our Smart Life 2030 sustainability vision, I would like to thank all our stakeholders, especially our employees, for their contributions towards realizing the dream for a more livable world.

“

In line with this approach and our sustainability-oriented Smart Life 2030 vision, we implement a business model that combines profitability with social benefit and disseminate sustainability across all our companies.

”

Sincerely,
Ömer Yüngül
CEO





At Zorlu Holding, we respond to this global transformation with our Smart Life 2030 sustainability vision. Smart Life 2030, which we developed to create shared value by combining profitability with purpose, guides us in designing a better future in line with the Global Goals across our industries of operation.



Sincerely,

Cem Köksal
Chairman of the Sustainability
Committee



Esteemed Stakeholders,

2018 demonstrated once again the vital importance of a sustainability-oriented transformation on a global scale. The frequency of natural disasters, inadequacy of the steps taken against climate change, cyber-attacks and trade wars between global powers all point to the need for a new paradigm.

The rapid change and transformation shaped by these complex and multi-dimensional issues show that competition and collaboration will become ever more important. They also reveal that the main item of business will be to solve social and environmental problems with a common value-oriented approach that goes beyond creating economic value. In this regard, it is imperative for especially the private sector to take responsibility. Companies need to change their current ways of doing business drastically to simultaneously ensure profitability and social benefit.

At Zorlu Holding, we respond to this global transformation with our Smart Life 2030 sustainability vision. Smart Life 2030, which we developed to create shared value by combining profitability with purpose, guides us in designing a better future in line with the Global Goals across our industries of operation.

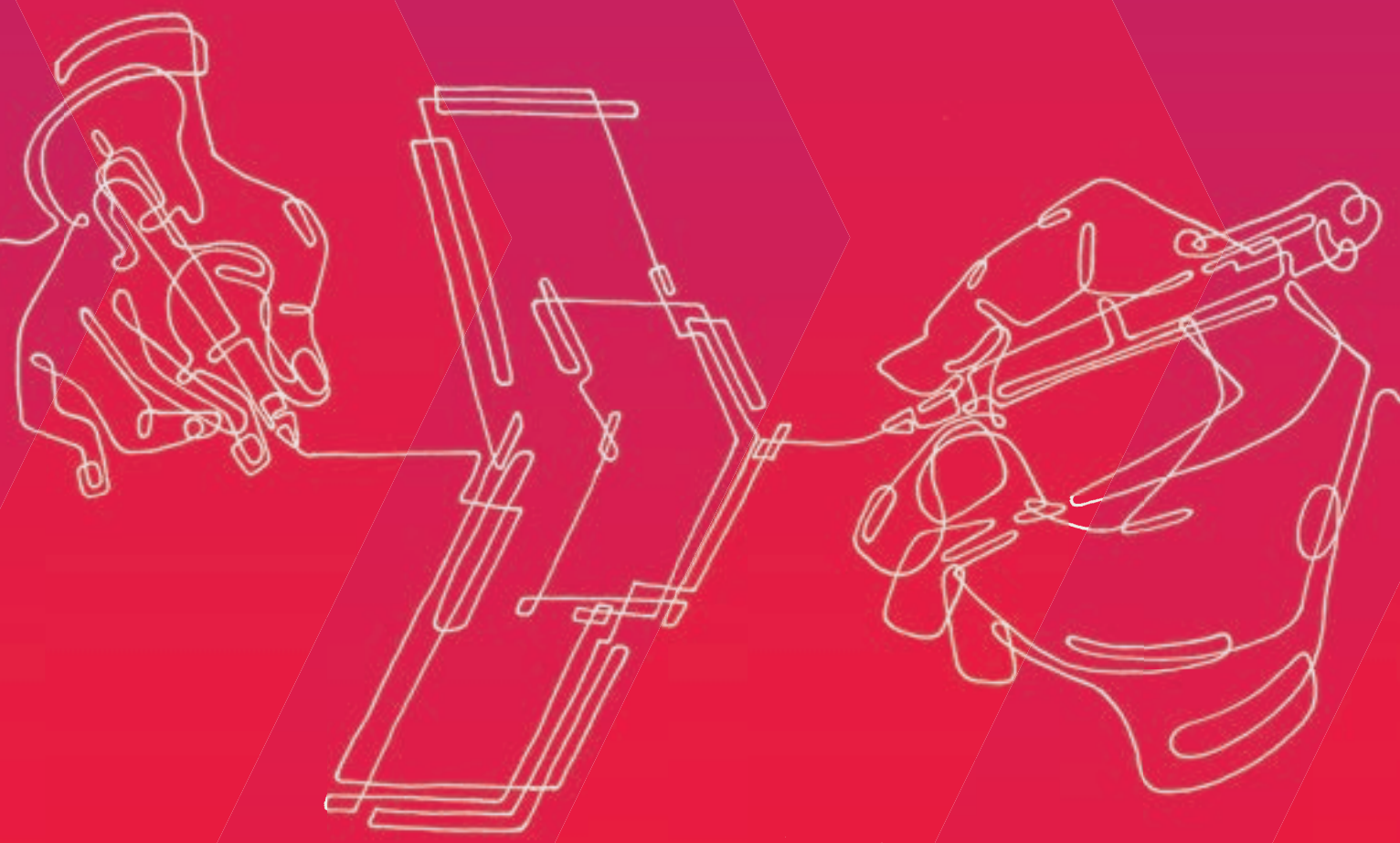
This major global transformation shapes the future and affects our business. To achieve our 2030 objectives in such a dynamic environment, we focus on disseminating innovation, which is inscribed in Zorlu Group's DNA, to the smallest building block of our corporate culture. Our innovation and creativity-based corporate culture becomes more dynamic every day, further enhancing our capacity to adapt to this global transformation.

Driven by the belief that employees are our driving force in sustainability, we took various steps to develop an innovation-oriented and inclusive corporate culture to enable our employees to fully utilize their talents. Various projects on a wide range of topics, including gender equality, employee volunteering and intrapreneurship, have been implemented, and more will follow in 2019. "Smart Life Architects", colleagues who serve as Smart Life Ambassadors within the Group, were supported with trainings. We became the first Turkish company to offer a training program on sustainability with our pioneering "Smart Life 2030 Academy" launched in 2019 in collaboration with Boğaziçi University, one of Turkey's most prestigious institutions. Furthermore, aiming to create value for our country and society, at Zorlu Holding we continue to encourage volunteering to further enhance and expand our social impact. With our Kivılcıklar, we aim for attaining eight hours of volunteer work per employee on average by 2022.

We continue to support the development of youth and form partnerships and collaborations with stakeholders to further support the Global Goals and society's aspirations based on shared values. To this date, we provided scholarships to more than 22,500 students through Mehmet Zorlu Foundation. With Mehmet Zorlu Foundation's 21st Century Competencies Training Program, we help prepare young individuals for the future. With our support for the social innovation platform imece as a founding partner, we contributed to developing sustainable solutions for social issues. Seeing equal opportunity, diversity and inclusion as the foundation of an innovative and constructive work environment, we sustained our support for gender equality and accessibility. Women make up 32% of all Zorlu Group employees and 49% of Zorlu Holding employees. In line with our Smart Life 2030 vision, we work towards increasing the ratio of women employees in Zorlu Group to over 40% by 2022.

In addition to all sustainability projects we implemented, we conclude 2018 with updates on our sustainability activities as necessitated by changing conditions and with intensive sustainability-oriented corporate foundation efforts. In the future, we will continue to further evolve these efforts, focus on the tangible objectives we have set in line with the Smart Life 2030 vision and projects to support sustainability-oriented improvements in our corporate culture. With the support from all our stakeholders and motivation from our 2022 interim objectives, we move forward with the same determination to achieve our 2030 vision.

As we present our 2018 Sustainability Report, prepared in line with our principles of transparency and accountability, I would like to thank all our stakeholders, especially dear Zorlu Group employees, for their contributions to our Smart Life 2030 journey.



SMART LIFE 2030

Climate change, urbanization, immigration, aging population, depletion of resources, socioeconomic changes and digitalization transform our lives, further highlighting the importance of sustainable development. Sustainable development aims for leaving a better, fairer and more livable world for future generations while meeting today's needs; it also brings important opportunities and invites us to examine our ways of doing business with a critical eye. Smart Life 2030 plan comprises innovative solutions to make life more productive, efficient, controllable, holistic and sustainable.




We aim for sustainable growth with an innovative perspective and smart processes.

Smart Life 2030 enables us to approach all processes with an innovative perspective to offer lasting solutions for environmental and social problems on a global scale. With Smart Life 2030, we use advanced technology to develop smart processes. In doing so, we also contribute to the United Nations Sustainable

Development Goals such as reducing dependency on resources, increasing access to technologies that improve the quality of life, developing new products, services and systems, improving inclusion and collaboration and empowering individuals in the digital society of the 21st century.

At Zorlu Holding, we have established the sustainability of our companies as our future goal and positioned sustainability at the core of our growth strategy. To this end, we inspire our employees, thrive our environment and create social value for our society.

Smart Life 2030 is a guide for all our activities. It provides the framework to deliver significant business growth at the same time as reducing our impact on the environment and delivering greater value to society. Smart Life 2030 provides us with an innovative perspective to achieve this goal.

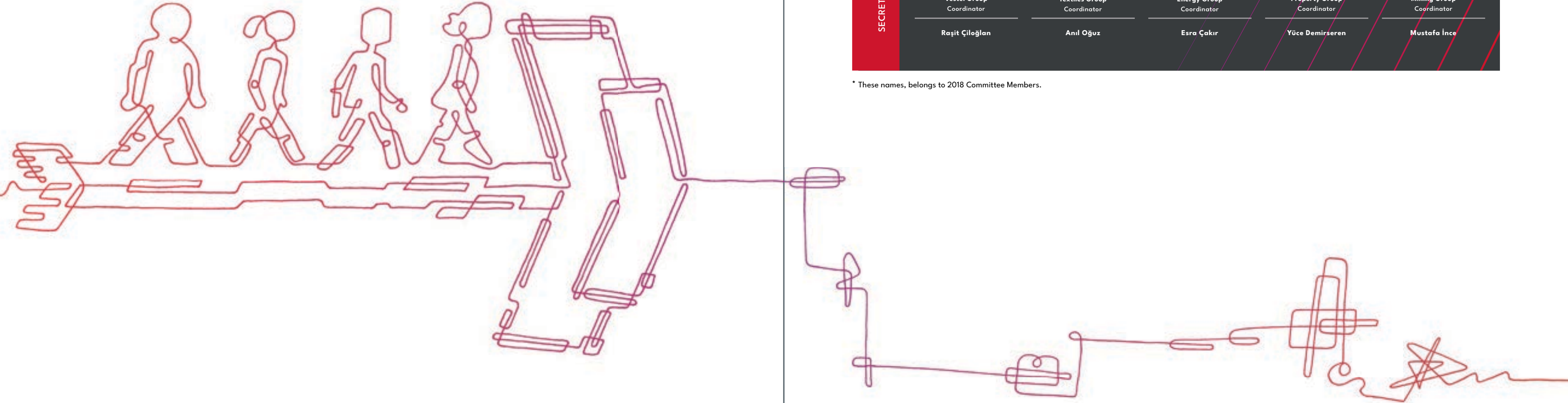
Shared Global Aspiration	The United Nations Sustainable Development Goals		
Our Aims	SMART LIFE 2030 Creating shared value, connecting profit with purpose		
2030 Aspiration	 INSPIRE Empower employees through passion and commitment to inspire and galvanize change	 THRIVE Driven by systems thinking; decouple economic growth to have a positive, restorative impact on our ecosystems to thrive	 COLLABORATE Committed to creating shared value with full collaboration to help fulfill society's dreams and Global Goals.
2022 Interim Objectives	<ul style="list-style-type: none"> › Reaching zero work-related accidents › Raising the number of women employees 40% › Raising employee satisfaction over 80% › Raising our employee engagement over 60% 	<ul style="list-style-type: none"> › Decreasing carbon emissions by 15% per million USD created by 2022 › Ensuring 100% compliance of our strategic suppliers with our Sustainable Procurement Policy 	<ul style="list-style-type: none"> › Investing 1,5% of our profit to SDGs › Increasing the income share received from sustainable product categories to 50% › Increasing the suggestions regarding innovation coming from employees and stakeholders by 50%

Sustainability Management

We manage sustainability in a systematic way to make Zorlu Holding a leading organization that produces for the future, invests in the workforce of the future, cares about social expectations and environmental issues, foresees and adapts to change, and develops leaders.

Our employees are ambassadors of change. We believe that employees' passion and commitment towards the Smart Life 2030 vision, as well as the inspiration they derive from it, will be the enablers of our long-term goals. The Sustainability Committee reporting to the CFO and the seven Working Groups established within the Sustainability Committee on R&D and

Innovation, Employees, Environment, Corporate Management, Relations with Society, Customer Relations, and Supplier Relations, monitor the sustainability goals and ensure that Group companies embrace the Smart Life 2030 approach. Working group members regularly meet throughout the year to discuss the current status and progress on sub-targets defined for the 2022 interim objectives and if necessary, to revise the roadmap for attaining these targets. Leaders of the Working Groups regularly report to the Chairman of the Committee.

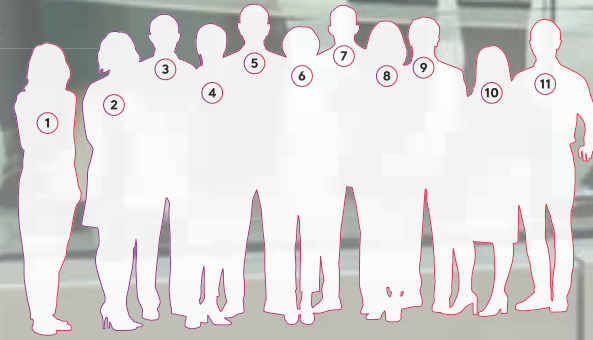


* Smart Life Ambassadors

Sustainability Committee *



* These names, belongs to 2018 Committee Members.



1 Derya Değerli Kaynak **2** Esra Çakır **3** Raşit Çiloğlan
4 Selcen Uygüntüzel **5** Yüce Demirseren
6 Zülal Öztürk Kaya **7** Özgür Tirün **8** Anıl Oğuz
9 Kaan Gençel **10** Billur Demet Atan
11 Mehmet Evren Eynehan

Dialogue with Stakeholders

As one of Turkey's largest Groups, we believe that we are responsible for providing benefits to not only our Holding and Group companies but also to our external stakeholders in all our strategic decisions. We regularly communicate with our key stakeholders and participate in various international platforms.

While determining our material issues we consulted internal stakeholders – our employees -- and external stakeholders who impact our business directly and indirectly. The analysis was led by an independent consultancy according to international AA1000 Stakeholder Engagement Standard. We mapped and prioritized our stakeholders and we received feedback of 30% of them. Feedback from our stakeholders provided important input for our materiality analysis.

While analyzing the significance of the issues for Zorlu Holding;

- We took the Smart Life 2030 strategy and growth strategies of Group companies as points of reference,
- We obtained feedback from the management through face-to-face interviews,
- We evaluated legal impact, financial impact and risks through the Sustainability Accounting Standards Board (SASB) Four Factor Analysis.

While defining the materiality of the issues for the stakeholders;

- We conducted a comprehensive field analysis and consulted different stakeholder groups.
- Through an external trend analysis, we included determining trends in the global agenda and in the industries in which Group companies operate. For the external trend analysis, were guided by the approaches of national and international organizations via key documents including the United Nations Sustainable Development Goals, World Economic Forum Global Risk Report, Presidency of the Republic of Turkey Strategic Document, SASB industry-specific standards.

Please see the Annexes for the list of our memberships.

Material Issues

Through this analysis, Zorlu Holding's extremely important and very important material issues were identified.

Extremely Important	Very Important	Important
1 R&D and innovation	8 Investing in renewable and alternative energy	20 Contribution to local development and employment
2 Financial efficiency	9 Responsible product and service portfolio	21 Sustainable raw material procurement
3 Digital transformation	10 Customer focus and customer satisfaction	22 Social innovation
4 Climate change and carbon management	11 Entrepreneurship and intrapreneurship	23 Improving digital literacy and access to technology
5 Occupational health and safety	12 Employee satisfaction and loyalty	24 Transparency and reporting
6 Talent management	13 Sustainability leadership	25 Waste management
7 Gender equality	14 Stakeholder dialogue	26 Data security and customer privacy
	15 Responsible procurement	27 Circular economy
	16 Business ethics	28 Water management
	17 Employee rights	29 Biodiversity conservation and management
	18 Social investment programs	
	19 Operational excellence and efficiency	

Extremely important material issues identified in the materiality analysis are consistent with the main themes of our Smart Life 2030 sustainability strategy. We see our material issues as a significant tool in implementing our strategic approach.

Digital Transformation and **R&D & Innovation** correspond with our goal to embrace innovation as the corporate culture and to realize society's dreams.

To inspire our employees and to empower them with passion, we make sure to provide an equal-opportunity work environment. To this end, is critical to invest in **Talent Management** and to ensure **Gender Equality**. Furthermore, we safeguard **Occupational Health and Safety** to create and maintain a safe workplace.

Financial Efficiency is one of the prerequisites of creating value as a profitable company. As we pursue our long-term objectives with determination, we believe that financial sustainability is key to creating shared value.

We take responsibility for the environmental impact of our performance. We see the entire ecosystem as a whole; we pay attention to **Climate Change and Carbon Management** to reduce our environmental impact as we grow.



Importance to Zorlu Holding
Management + Strategy + 4 Factor Impact Analysis

What is the role of corporate management within the Smart Life 2030 strategy?

Fair, transparent and responsible management is not only the essence of corporate management, but also the basis of our sustainability approach. We have revised our deep-rooted ways of doing business and fundamental principles in light of corporate management principles and organized them under Zorlu Holding Ethical Principles. Our Ethical Principles serves as a guide for our Group companies, business partners and relationships with all stakeholders. In line with our sustainability strategy, we are designing all our processes to be easily measured, analyzed, and transparently monitored by internal and external stakeholders.

Billur Demet Atan
Corporate Management
Working Group Leader

**CORPORATE MANAGEMENT**

In line with Smart Life 2030, we carry out all activities in Zorlu Holding and across all Group companies observing the core principles of corporate governance (transparency, accountability, fairness and responsibility).

Ethical Principles, Anti-Bribery and Corruption

We updated our deep-rooted ways of doing business and fundamental principles in light of corporate management principles and organized them under Zorlu Holding's Ethical Principles. Covering all Group companies and employees, our Ethical Principles are also binding for all other stakeholders, especially suppliers, business partners, dealers, authorized vendors and authorized services, which Zorlu Group employees are in a business relationship with. Our Ethical Principles comprises relationships with employees; corporate and personal conflicts of interest; protection of assets and information security; accuracy in records and financial reporting; occupational health and safety; relationships with stakeholders; compliance with laws and regulations; prevention of money laundering, anti-bribery and corruption; political activities; social responsibility, volunteering and donations; environment and sustainability; and principles and rules for implementation, compliance and violations.

Zorlu Holding's Ethical Principles can be found [here](#).

To establish, improve and sustain the culture of ethics, the Ethics Committee was established under the Zorlu Holding Board of Directors. Head of Zorlu Holding Human Resources Group, Head of Zorlu Holding Legal Group and Zorlu Holding Audit General Manager are the full members of the Ethics Committee established by the Board of Directors of Zorlu Holding under the chairmanship of Zorlu Holding CEO. The responsibilities of the Ethics Committee include carrying out all activities it deems necessary; developing, updating, publishing and ensuring feasibility of the Ethical Principles; organizing training programs for employees and relevant agents, or collaborating with relevant expert organizations.

As an employment requirement, we inform Zorlu Group employees at all levels about the Ethical Principles and their responsibilities as per these principles. We regard our Ethical Principles as an integral part of the employment contract and accordingly share it with all newly hired employees at the orientation program. Employees may access the Ethical Principles and related practices via "Zone", Zorlu Group's internal communication platform.

Furthermore, in 2018 we began building the infrastructure and contents for our online training application for white-collar employees and prepared a comprehensive educational video. Once the online training is completed and offered to Zorlu Holding employees in the first quarter of 2019, it will be extended to employees of other Group companies as well. Efforts are ongoing to organize in-class trainings for blue-collar employees.

Employees are expected to embrace the Ethical Principles and act accordingly while carrying out daily duties/transactions. Moreover, in case of any uncertainty regarding the content of the Ethical Principles and/or witnessing any behaviors or practices that violate the code, employees who wish to report the case or consult may reach the Ethical Principles Hotline by e-mail (etik@zorlu.com) or phone (0212 456 23 23 and/or 0850 226 23 23). Retaliation against employees for their reports is strictly prohibited. Reports of violations of the Ethical Principles are evaluated by the Zorlu Holding Audit Department. The Internal Audit Review Department under the Zorlu Holding Audit Department carries out all necessary examinations, inspections or investigations about the complaints, allegations or reports submitted to the Ethical Principles Hotlines. The Internal Audit Review Department forwards the report on confirmed cases of transactions or actions that have violated the Ethical Principles or the review report on being unable to determine a violation of the Ethical Principles to the CEO of the relevant company, Sector Head, members of the Ethics Committee, as well as the Board Members and the CEO. Reviews were completed for 11 of the 12 reports received in 2018 and the audit was initiated for the 12 reported case.

The Ethical Principles also covers the relevant regulations on Anti-Bribery and Corruption. Of the 12 cases reported this year, seven cases were evaluated within the scope of corruption. Following the Internal Audit Review Department's reviews, based on the recommendations by the Legal and Human Resources Departments on the audit report the senior management of the relevant company decided to take action (e.g. termination of employment contract, legal action, termination of business relationship with the supplier) regarding 9 employees.

ORGANIZATIONAL STRUCTURE

Zorlu Holding Board of Directors is composed of five members, one of whom is a woman. As per the principle of separation of powers, the positions of the Chairman of the Board of Director and CEO are held by different individuals.

CEO

CHIEF LEGAL OFFICE

LEGAL AFFAIRS DEPARTMENT / ENERGY & FOREIGN

LEGAL AFFAIRS / DOMESTIC

LEGAL AFFAIRS / REAL ESTATE

COMPETITION COMPLIANCE MANAGEMENT

CHIEF HUMAN RESOURCES OFFICER

HUMAN RESOURCES DEPARTMENT

CORPORATE SECURITY AND INTELLIGENCE DEPARTMENT

PURCHASING DEPARTMENT

TECHNICAL AND ADMINISTRATIVE AFFAIRS DEPARTMENT

TECHNICAL WORKS MANAGEMENT

CHIEF FINANCIAL OFFICER

STRATEGY AND BUSINESS DEVELOPMENT DEPARTMENT

STRATEGY AND BUSINESS DEVELOPMENT MANAGEMENT

FINANCE DEPARTMENT

FINANCIAL REPORT DEPARTMENT

ACCOUNTING DEPARTMENT

FINANCE DEPARTMENT

TREASURY DEPARTMENT

CORPORATE RISK MANAGEMENT DEPARTMENT

CHIEF INFORMATION OFFICER

IT INFRASTRUCTURE AND OPERATIONS DEPARTMENT

NETWORK AND SECURITY DEPARTMENT

SERVER SYSTEMS DEPARTMENT

INFORMATION TECHNOLOGIES AND BUSINESS DEVELOPMENT DEPARTMENT

PROJECT MANAGEMENT OFFICE

AUDIT GENERAL MANAGER

TAX DEPARTMENT

TAX AUDIT DEPARTMENT

TAX ADVISORY DEPARTMENT

FINANCIAL AUDIT DEPARTMENT

INTERNAL AUDIT REVIEW DEPARTMENT

INTERNAL AUDIT PROCESS DEPARTMENT

CORPORATE COMMUNICATIONS GENERAL MANAGER

CORPORATE COMMUNICATIONS MANAGEMENT

INTERNAL CONTROL GENERAL MANAGER

INTERNAL AUDIT DEPARTMENT

Risk Management

The Early Detection of Risk Committee and Corporate Risk Management Department are in charge of the early detection of financial and non-financial risks that may pose threats to the existence, development and continuity of Zorlu Holding and Group companies and taking necessary measures.

The Early Detection of Risk Committee is chaired by an independent Board Member and composed of other Board Members. This independent committee reports only to the Board of Directors. The Corporate Risk Management Department's role in this committee is defined as meeting with committee members and if necessary preparing reports on the subjects requested by the Committee Chairman or members to be presented to the Board of Directors or recommended by the Corporate Risk Management Department to inform the Early Detection of Risk Committee. Following the meeting, the Committee Chairman presents the committee decisions to the approval of the Board of Directors.

Within the scope of risk management, we aim to effectively manage and eliminate all risk factors that may have a negative impact on the company's sustainability.

The effective management of risks is crucial for the sustainability of our companies and activities. Throughout our Smart Life 2030 journey, we strive to manage risks in the most effective way by combining analytics with our experience and expertise.



FINANCIAL RISKS

LIQUIDITY RISK



HOW DO WE MANAGE THEM?

Liquidity risk is defined as the inability of a company's assets to meet its cash demands. Liquidity risk arises when assets have longer maturities than those of liabilities. We manage liquidity risk proactively, through planning in advance alternative courses of action based on possible scenarios and stress test results.

FINANCIAL RISK

Group companies under Zorlu Holding make long-term investments due to the nature of their operations. The financial needs of these investments are met by bank loans in addition to equities. We manage financial risks, arising from not being able to find sufficient amounts of applicable funds, by integrating alternative financing methods to the existing structure in order to diversify company's funding resources.

FOREIGN CURRENCY RISK

External funding used in financing investments and raw material procurement by Group companies under Zorlu Holding are mostly in foreign currency. As a result, the Group is exposed to foreign currency risk. We eliminate this risk primarily by routine methods of balancing the accounts. When necessary, we hedge with derivatives to minimize potential negative impacts.

INTEREST RATE RISK

Group companies under Zorlu Holding are affected by the changing interest rates in domestic and global markets as they fund their investments with various external funding resources. As a result, the Group is considerably affected by fluctuations in interest rates. We use various derivatives to minimize this risk. We alleviate the impact of fluctuations in the current market values of the derivatives on financial statements by means of hedge accounting.

CREDIT RISK

Credit risk is defined as the possibility of a borrower or a party of a contract to be unable to meet contractual obligations. Regarding this risk, the Holding employs comprehensive Receivables Risk Management. Our systematic management framework includes an Internal Rating Mechanism and most notably Credit Insurance. We embrace a preventive approach in receivables management. For instance, we obtain financial reports from outside sources and carry out Intelligence Activities about customers with whom we are in a commercial relationship. Moreover, we request Letters of Guarantee, Bank Cheques, etc. from customers for assurance against receivables risk. Measures and actions taken regarding receivables risk management are monitored and approved by Group companies' Credit Risk Committees.

ECONOMIC RISKS

Economic risks manifested through shrinking demand, recession, inflation, increasing energy and commodity costs negatively impact Group companies in investment and operation phases. We measure possible related negative impacts via scenario and stress test analyses and develop different actions for each case. The Risk Committee periodically reports to the Board of Directors on economic risks that might affect investment opportunities.



NON-FINANCIAL RISKS



HOW DO WE MANAGE THEM?

STRATEGIC RISKS

Measures to take against Strategic Risks require full-fledged projects and strategic risks are directly reported to the senior management. Zorlu Holding Corporate Risk Management Department monitors and reports general or industry-specific strategic risks. Strategic risks such as competition that affect market share, change in customer demands, development of products and services, investments and growth are managed by diversifying investments in various industries and countries, accurate and timely assessment of changes in all fields. Business Development and Strategy Directorate coordinates all necessary activities regarding these risks and opportunities with relevant departments. We assess legal, political, etc. risks regarding Zorlu Holding's overseas investments pre- and post-investment with the help of consultancy services when necessary, and adopt country-specific courses of action and management frameworks.

OPERATIONAL RISKS

Operational risks arise due to transactions necessary for daily practices and they need to be improved. With the activities of the Holding's Audit, Financial Audit, Internal Control and Tax Audit Departments; we control and audit all operational processes (procurement, production, delivery, transportation, sales, human resources, customer services, information technologies, etc.) of the Holding and Group companies.

BUSINESS CONTINUITY RISK

We strategically prepare contingency plans regarding saving and recovering functionality of critical systems, technical infrastructure and facilities in alternative locations during or after disasters, unexpected incidents or emergencies. We periodically revise these plans and test their applicability with necessary drills.

LEGAL RISKS/COMPLIANCE

We manage legal risks such as changes in regulations, lawsuits, tax disputes, violation of intellectual property rights, unfair competition, critical issues in contracts with stakeholders and related risks through well-coordinated communication between all relevant units within Group companies and the Holding.

REPUTATIONAL RISK

Exposure to all risks may negatively affect the reputation of the Holding and Group companies. We manage reputational risk through maintaining multi-dimensional, consistent and continuous communication with all stakeholders. Moreover, we protect our brand value and reliability by integrated management of all communication processes in line with strategic business goals. To this end, the Corporate Communications Department was established at the Holding and provides representation at the CEO level.

INFORMATION SECURITY RISKS

Information security related risks have recently become increasingly more effective and we try to mitigate their potential negative impacts on activities primarily by reinforcing our infrastructure. Efforts on the traceability of technological infrastructure include various external scans as well. Furthermore, we closely follow laws and regulations regarding information security and strive to ensure maximum compliance with them.

ENVIRONMENT / HEALTH / SAFETY RELATED RISKS

We follow all policies and procedures regarding compliance with legal standards on environmental health, stakeholder safety and health across all Group companies and the Holding. We provide all Zorlu Holding employees with mandatory occupational health and safety training as per the relevant regulations. We transfer risk through natural disaster and terrorism risk insurance.

Audit

The audit of Zorlu Group companies is carried out by the centralized Audit Department operating within Zorlu Holding. Comprising Internal Audit Process, Internal Audit Review, Financial Audit, Tax Audit and Tax Advisory Departments, the Audit Department carries out activities on effective and efficient use of resources, compliance with written rules, and information accuracy, security and reliability in line with a Board-approved, risk-based annual audit program. The department also provides consultancy services with reasonable assurance.

During the year, the Audit Department organizes periodic meetings with the CEO and Board of Directors. In these monthly audit evaluation meetings, participants evaluate planned and actual audit, consultancy and special audits, etc., share findings, review action plans and follow-up results based on these findings, and review plans for the upcoming period.

For more details about the Zorlu Holding Audit Department, please see our [2018 Annual Report](#).

Internal Control System

Developing and implementing an internal control mechanism effective in all activities and processes is an integral component of a responsible and sustainable management approach. Zorlu Holding centrally coordinates and carries out internal control of Zorlu Group Companies. Zorlu Holding Internal Control Department aims to carry out efficient, effective, integrated and consistent risk management at Group companies in line with goals. To this end, the department coordinates establishing and maintaining an internal control system to enable sharing, disseminating and spreading the implementation of best practices of companies.

The Internal Control Department prepares an annual risk-based internal control plan. The plan is prepared based on risk-based evaluations by the Internal Control Department, requests from the Board of Directors and management, findings on internal control from audit activities conducted by the Audit Department, and corporate risk maps. The annual internal control work plan is submitted to Zorlu Holding's CEO and Board of Directors for information and approval. The Internal Control Department supports executives and employees in identifying areas to improve in processes and the internal control system and the necessary steps to take; in utilizing informational technologies as much as possible while implementing these steps; in implementing the decided actions and regularly monitoring their progress. In addition, the department provides regular guidance to executives and process owners on these issues. During regular meetings between the Internal Control Department and the management, internal control activities planned and realized within the year are evaluated and relevant findings are shared. In addition, action plans to be implemented on the findings and follow-up results are shared and plans for the upcoming period are reviewed. All relevant executives and employees of Group companies contribute in establishing, monitoring and evaluating internal control systems and taking the necessary measures.

For more details about the Zorlu Holding Internal Control Department, please see our [2018 Annual Report](#).

INSPIRE

A strong future is possible only within a work environment that supports diversity, equal opportunity and inclusion. While providing our employees with a safe work environment that carries them into a strong future, we inspire them to embrace different perspectives, think creatively and take action.

People are at the center of the age of change and transformation we are living in. We shape the future with our employees, who are the greatest asset of Zorlu Holding and Group companies. Creativity, diversity, inclusion and equality are principles that support us. We inspire our employees to achieve our aspirations; we motivate them to work with passion and commitment.



How do employee loyalty and satisfaction affect the sustainability of a company's performance? How does Zorlu Holding approach employee loyalty and satisfaction?



At Zorlu Holding we believe that improving and sustaining employee motivation and loyalty is key to successfully sustaining our corporate performance. We keep employee loyalty and satisfaction at the core of all our practices and activities.



Zülal Öztürk Kaya

Employees

Working Group Leader



EMPLOYEES

Our employees are one of the greatest assets of our Smart Life 2030 vision. We walk towards our dream of a better future with our employees and design our steps together. Along these lines, we provide an efficient work environment for our employees, who use their talents and add value to our business for the change we wish to create.

The success of the journey of Smart Life 2030 that we embarked for a sustainable future and the success depends on our employees' passion and commitment to this vision. Everything we do in line with Smart Life 2030 will first be a part of us, and then of our environment, society and the universe. To be able to reach our aspirations in this race, we strive to provide our employees with a safe and healthy work life and a peaceful work environment that fosters team spirit, synergy and dialogue.

We have aligned our objectives with our roadmap.

We aspire to create a work environment where employees enjoy strong communication, dialogue and opportunities for growth. This is why investments in employees constitute one of the main areas of focus in Smart Life 2030. Zorlu Holding and Group companies have set objectives for 2022 in line with the roadmap. Our goal is to create a safe, healthy, inclusive work environment that is enriched by team spirit, synergy and communication; and to provide development opportunities for employees to discover their talents.

Objectives for 2022	Progress in 2018
Reaching Zero work-related accidents rate	We map our occupational health and safety (OHS) risks by region. We monitor accident severity rate for all companies and on a consolidated basis.
Increasing the rate of women employees across the Group and in management	We prepared the Gender Equality Strategy. We established the Gender Equality Committee and a Working Group composed of volunteer employees.
Improving employee satisfaction	We prepared action plans for employee satisfaction and loyalty.
Improving employee engagement	
Increasing corporate volunteering activities	We designed and implemented the corporate volunteering program that covers the entire Group. As of December 2018, our corporate volunteering program Kivılcımlar is active in all industries.

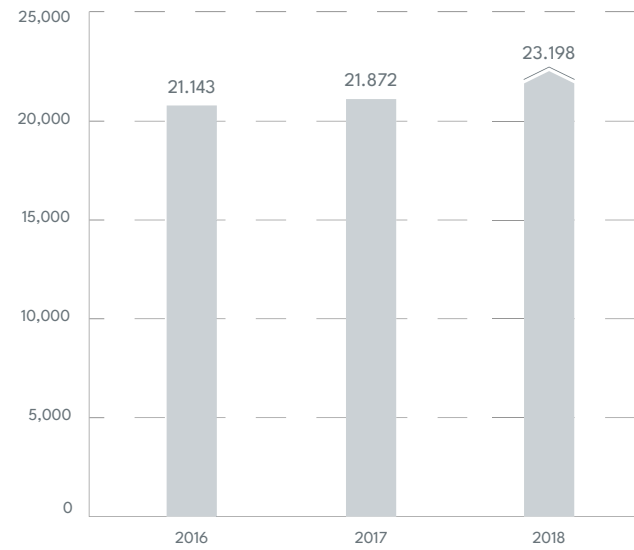
By investing in our employees, we contribute to the global goals of Gender Equality, Decent Work and Economic Growth.



Zorlu Holding Human Resources Policy:

- Our employees are the force driving our competitive advantage.
- We expect our employees to embrace values compatible with our corporate culture.
- We aim for Zorlu Holding to be a preferred organization for employment.
- We embrace fairness and equal opportunity for our employees.
- We expect and encourage success and high work performance.
- To meet today's needs without reducing the resources of future generations, we strive to spread awareness among employees about sustainability.
- We encourage employees to participate in volunteering projects and events that seek social benefit.

EMPLOYEE DEMOGRAPHICS



● Number of Employees by Year

Diversity

We believe that diversity of opinions and voices as well as inclusion create a more efficient and happier work environment that inspires creativity, encourages and sustains innovation, and enables effective decision-making. We also believe that diversity in the workplace transforms different competencies and talents into a competitive advantage, enhances performance, and enables improving products and services. At Zorlu Holding and Group companies, we embrace an equal opportunity-based working culture that supports diversity.

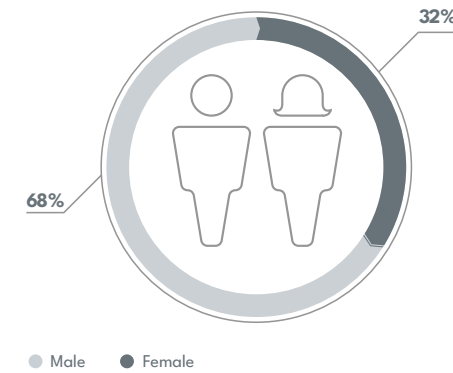
Gender Equality

We recognize the need for higher representation of women in business as well as for supporting women leadership and we take an inclusive stance regarding gender equality. In line with our Smart Life 2030 vision and with the voluntary participation of our colleagues, we established the Gender Equality Working Group. Our goal is to support women's empowerment and maximize our potential with a workforce equally composed of women and men.

Diversity reinforces the equal work environment and enables gender equality. We believe that it is our responsibility to ensure that equality spreads from the business world throughout the society. We strive to create an ecosystem where all employees have equal opportunities and women participate more actively in all aspects of life. We know that in order for women to be able to participate in the workforce on equal terms, gender equality practices must be developed to support women leaders and role models.

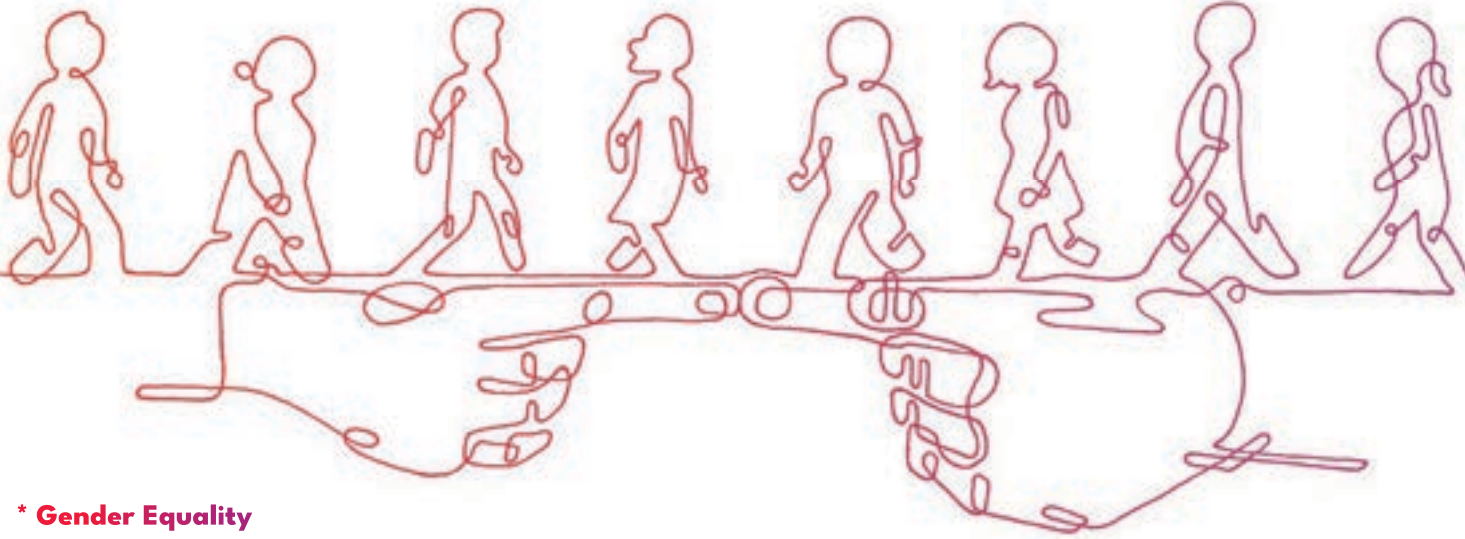
Eşit
bi' hayat

EMPLOYEES BY GENDER



We are a United Nations Women's Empowerment Principles (UNWEP) signatory since 2015. We support not only increasing the number of women employees but also women to be in senior management positions and decision-making mechanisms. We are one of the founders and an active member of the 30% Club in Turkey, which aims to improve the gender balance and to increase the ratio of women in companies' decision-making mechanisms, board of directors and senior management to 30%. We support the Buy from Women, Let the Country Win campaign by the Women Entrepreneurs Association of Turkey (KAGİDER) to have more women in the supply chain and to help reinforce women in society. We are also a part of the KAGİDER Equal Opportunity Model (FEM), implemented to ensure equal opportunity in human resources processes.

Women constitute 32% and men constitute 68% of all Group employees. At Zorlu Holding, 49% of employees are women and 51% are men.



* Gender Equality

- 1 To manage our efforts strategically, in 2018 we prepared the Gender Equality strategy framework through participatory workshops. In line with this strategic framework, we prepared our roadmaps on Discourse, Work Environment and Collaborations.
- 2 We prepared the Gender Equality Manifesto.
- 3 In order to further improve our efforts in line with the strategic framework and to monitor our performance, we established the Gender Equality Committee and Working Group, composed of employees who volunteer want to take initiative.

We aspire to create an ecosystem where women participate more actively.

To transform the corporate culture and raise awareness on gender equality, we organized training for employees in the Corporate Communications, Marketing and Human Resources departments and Sustainability Working Groups. We aim to further disseminate these training programs, through which we aim to have the gender equality lens adopted in communications with internal and external stakeholders, advertising and publicity campaigns.

› **We supported the 16 Days of Activism campaign:** We supported the global 16 Days of Activism campaign organized by United Nations Entity for Gender Equality and the Empowerment of Women (UN Women) for November 25-International Day for the Elimination of Violence Against Women. Between November 25 and December 10, we lit up our Head Office Building Levent 199 and Zorlu Center in orange to help raise awareness.

› **We organized events on International Women's Day:** Every year on March 8, International Women's Day, Zorlu Holding CEO sends all Zorlu Group employees an e-mail highlighting gender equality; informs and shares opinions on the necessity of women's participation in social and economic life on equal terms with men, violence against women and the steps Zorlu Group

has taken for gender equality. We also share posts on social media. In 2018, we organized a talk at Zorlu PSM for all Zorlu Group employees with the participation of inspiring women entrepreneurs.

› **We provide daycare services at our Lüleburgaz Factory:** By providing daycare facilities at the Lüleburgaz Factory, Zorluteks has contributed to employment of women who had to leave or were unable to join the workforce because of childcare.

› **We organized a women's empowerment themed new year's fair:** The main theme for the new year's fair at the Zorlu Holding Head Office building was women's empowerment. Organized to raise funds for CSOs, the new year's fair helped us support the

projects of and promote initiatives that support women's labor such as the Hope Foundation for Children with Cancer (KAÇUV), Foundation for the Support of Women's Work (KEDV), Emeğe Dönüşen Umutlar, and the imece team Maide Kitchen.

› **The Women Technicians Training project celebrates its first graduates:** Vestel has begun the era of women technicians in its services. The Women Technicians Training Program, designed to train expert customer representatives employed in authorized

services willing to become technicians, graduated its first cohort. In the first phase of the project, 13 women technicians completed the four-week training, received their certificates on March 8 and began working in Istanbul, Ankara, Izmir, Bursa, Gaziantep, Tekirdağ, Denizli, Amasya and Şırnak.

› **In 2018, Meta Nikel** was recognized by the Social Security Institution Manisa Provincial Directorate in the category of enterprises that employ the highest number of women.

Accessibility

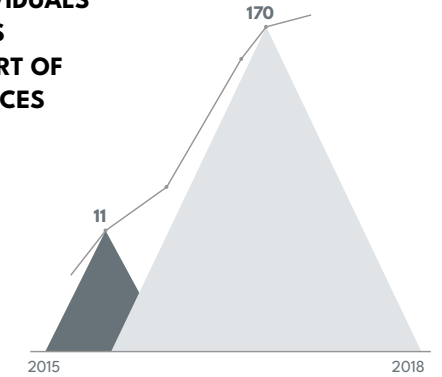
We firmly believe that when offered equal opportunities, individuals with disabilities can fully participate in all aspects of life. We work to increase awareness on accessibility and see this as a corporate responsibility.

Recognizing that accessibility is a right, we raise awareness on the subject. We particularly improve the physical accessibility of our spaces and implement exemplary practices in employment of individuals with disabilities.

› Vestel employs the highest number of individuals with disabilities above the legal quota

Through Vestel's Eşit Şans Projesi (Equal Chances Project), we provide training for individuals with hearing and speech impairments and support their active participation in the workforce. Within the scope of the project, we work with individuals with hearing and speech impairments who have graduated from special education schools. As part of Hayatın İçindeyim (I'm a Part of Life), we employ individuals with Down syndrome and mental disabilities in our cafeterias. Moreover, individuals with Down syndrome and mental disabilities get training and work in fields suited to their abilities in the Vestel classroom built by the Manisa OIZ Directorate. We were awarded by the Turkish Employment Agency (İŞKUR) as the enterprise that employs the highest number of individuals with disabilities above the legal quota.

NUMBER OF INDIVIDUALS WITH DISABILITIES EMPLOYED AS PART OF THE EQUAL CHANCES PROJECT



Employee Satisfaction and Loyalty

Employees who work with passion and happiness play an important role as we strive to achieve our goals. Our Smart Life 2030 aspirations include improving employee loyalty and satisfaction. We conducted an employee loyalty and satisfaction research to understand the experience of employees at Zorlu Holding and Group companies, receive all kinds of feedback and to identify potential areas for improvement.

According to the most recent study conducted in 2017, employee satisfaction rate was 71% and employee loyalty rate was 47%. We continue to further analyze the study findings by industry and company. We prepared action plans to develop human resources practices in light of these findings. We plan to repeat the research biannually.

Talent Management

Our key asset is our experienced, competent and well-trained human resources. We offer our employees opportunities to develop their talents and competencies.

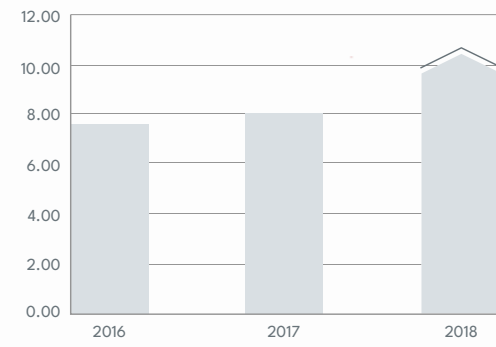
To sustain our success in our fields of operation we prioritize employing talented individuals who closely follow future trends, can adapt to change and create added value for our companies.

As we progress towards our goals and develop applications that give us a competitive advantage in business, we pay attention to selection of employees who possess the talents our companies need. To help develop their talents, we employ a transparent performance management system based on awarding success.

› We support the spirit of innovation and entrepreneurship with Parlak Bi' Fikir!

As part of our Smart Life 2030 journey towards building a more sustainable and smarter future, we took another significant step and launched the intrapreneurship program titled Parlak Bi' Fikir. Our goal for 2022 is to encourage our employees to work on intrapreneurship and open innovation and to create an innovative culture where different ideas are realized and supported with an entrepreneurial perspective.

TRAINING*



* OHS training not included.

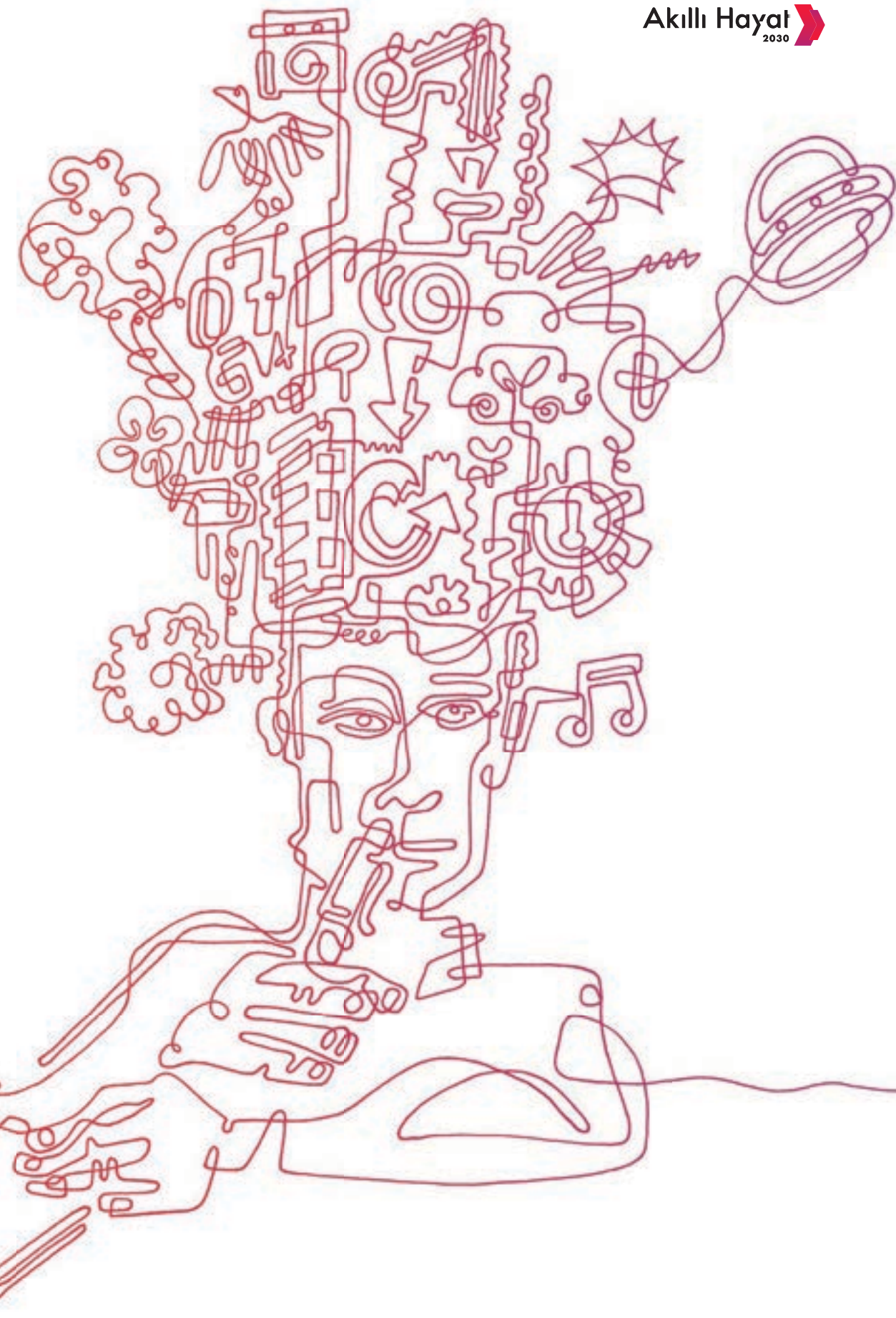
› We offered 11.3 hours of trainings per employee on average.

At Zorlu Holding and Group companies, we offer all our employees opportunities to develop their talents and competencies. As we improve our employees' existing competencies, we also help to gain competencies needed in our companies.

Our annual training programs include various topics such as personal development, technical know-how and skills, management, finance, law, sales and marketing. Training programs are planned according to areas of improvement identified by the performance assessment process and employees' preferences. With a 40% increase over the previous year, we offered 11.3 hours of trainings per employee on average.

While practices may vary depending on strategies adopted by Group companies and industry-specific differences, all companies employ performance management systems within the scope of talent management. Performance management system results contribute to improving various human resources processes, from planning training and development activities to career development. We identify horizontal and vertical career development opportunities for our employees and support their career development. We employ relevant promotion and horizontal rotation systems suitable for our companies' needs and employees' career objectives.

We regularly organize Dialogue Conferences in Istanbul and all other cities where we operate, aiming to enrich our employees' know-how and awareness, help them develop different perspectives and embrace life-long learning. Through the series of conferences on social and cultural issues, we have reached over 2,000 employees. We also continue our Küçük Bi' Mola (A Short Break) events.



* Corporate Intrapreneurship



Employee Volunteering

In all our activities and projects, we focus on creating value for the society. The Smart Life 2030 vision we have launched to realize the dream of a better future is also shaped with the same philosophy. Employee volunteering is one of the most important components of Smart Life 2030.



We aim for employees to turn their competencies and potential into social benefit. We believe that corporate volunteering increases employees' commitment to work and helps develop their capacity of taking initiative, teamwork, planning, organization and leadership skills. Embracing the motto Volunteering for a bright future, sustainable life, and social benefit, on December 5, International Volunteer Day we launched the Kıvılcıklar to develop social benefit and impact-oriented projects to create social value. To disseminate this platform throughout all Group companies, we organized events to promote for employees at Zorluteks in Lüleburgaz, and at Vestel and Meta Nikel in Manisa.

As part of the Kıvılcıklar, we collaborate with Association of Private Sector Volunteers (ÖSGD). In line with our 2022 objective, we encourage 8 hours/year of volunteer work on average for each white-collar employee and include allocating time for volunteering activities in the performance assessment criteria. As we continue our efforts to develop the overall framework of the volunteering program, as part of the corporate culture our employees continue to volunteer for various projects.

Occupational Health and Safety

We do our business with trust and responsibility. We always observe occupational health and safety and strive to further improve our processes.

We comply with national and international legislation and regulations; we create a healthy, safe and decent work environment through practices that fully meet all relevant regulations. We analyze all health and safety related risks in the work environment and work to minimize them.

To establish Occupational Health and Safety (OHS) within the corporate culture we organize training programs to raise awareness on the issue. We take the necessary measures to attain our goals of zero work-related accidents and zero occupational diseases. We regularly organize practical and interactive OHS training programs. We prepare employees for OHS-related risks they may encounter in the workplace through informative leaflets and OHS-themed drills.

› Zorluteks Lüleburgaz Factory rated "Very Good"

Aiming to create a healthy and safe workplace that meets international standards, Zorluteks has its sustainable working conditions audited and certified by independent platforms. Zorluteks Lüleburgaz Factory underwent the BSCI audit in 13 different criteria and received the highest rating of Very Good, verifying its success in this field once again. The BSCI audit primarily covers OHS-related subjects and measures performance in the following 13 criteria: Social Management System and Cascade Effect, Workers' Involvement and Protection, the Rights of Freedom of Association and Collective Bargaining, No Discrimination, Fair Remuneration, Decent Working Hours, Occupational Health and Safety, No Child Labor, Special Protection for Young Workers, No Precarious Employment/No Bonded Labor, Protection of the Environment, and Ethical Business Behavior.

In addition to OHS training, we provide detailed information in sections on OHS-related subjects during training sessions on quality, environment, energy, and information security. At Zorlu Holding and across Group companies, this year we provided 5.1 hours of OHS trainings per employee on average.

* Volunteering

THRIVE

With our Smart Life 2030 vision, we protect people in line with our sustainable and inclusive growth approach and also help protect the world. We use technology in the most efficient way and deliver smart products to let people and our environment thrive.



What approach do companies embrace in a time such as this when environmental challenges such as climate change and resource scarcity are on the rise?



In recent years, the impact of resource scarcity and climate change has been felt ever more strongly. Companies assess related risks and impacts on their industries and activities, prepare action plans and determine goals related to the most significant impact areas. At Zorlu Holding and Group Companies, we design all operations to cover all environmental impact areas in the value chain, from raw material to after-sales processes.



Kaan GENÇEL
Environment Working
Group Leader



ENVIRONMENT

We believe that we can only achieve these goals towards a better future for all through a transformation based on innovation and technology. This vision gives us opportunities to reduce our environmental impact. We aim to be a part of the global transformation by conserving more energy and resources, consuming less, and developing innovations and improvements for more efficient production.

Our sustainable and inclusive growth approach involves protecting the world and its resources. In line with our transparent, environmentally conscious, resource-efficient, responsible production and consumption approach we reduce our carbon footprint, disseminate the environmentally conscious production approach throughout our supply chain, use technology in the most efficient way and deliver smart products to let people and the environment thrive.

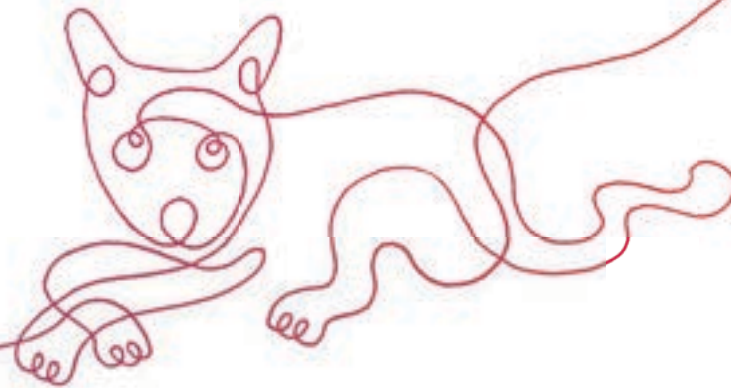
Our environment management is always guided by international standards. We monitor our performance through specific indicators and targets and strive to scale up best practices. Contribution to Sustainable Development Goals is among our priorities.

We publicly disclose our carbon and water footprint in a transparent manner.

Turkey's first energy company to participate in the Carbon Disclosure Project (CDP), Zorlu Enerji publicly discloses its annual footprint transparently since 2011 and its water footprint since 2017. Vestel Elektronik participates to CDP since 2016 and Vestel Beyaz Eşya since 2017. The former responds to carbon, water and supply chain programs; the latter responds to the carbon and water programs.



	ISO 14001	ISO 50001	ISO 14064	ISO 14046
Zorlu Enerji	✓	—	✓	✓
Vestel Beyaz Eşya	✓	✓	✓	✓
Vestel Elektronik	✓	✓	✓	✓
Zorluteks	✓	✓	✓	—
Korteks	✓	—	—	—
Meta Nikel	—	—	—	—



* Regenerative Energy

Climate Change and Energy Efficiency

One of the most pressing challenges of our era, climate change is our most material environmental issue as it affects all the sectors we operate in, from energy to mining. All public and private sector stakeholders must take action to keep the global temperature rise below 2 °C.

We contribute to tackling climate change with our objective to decrease carbon emissions by 15% per million USD generated by 2022. We take significant steps by investing in innovative technologies, increasing the use of renewable energy, helping customers consume less and progress towards our objective. At Zorlu Group we develop various projects in efficiency and innovative solutions:

› **Investments in solar energy are increasing:** A major part of Zorlu Enerji's portfolio is composed of renewable energy projects in geothermal, wind and solar energy. Ramping up investments in solar energy, Zorlu Enerji plans to increase its 18-MW solar energy investment in Palestine to 100 MW. In addition, a 50-MW solar power plant will be established in Kazakhstan. In line with its vision to make Turkey the solar hub of the region, Zorlu Solar was founded in 2017 and became the distributor of solar panels manufactured by US-based First Solar in 26 countries.

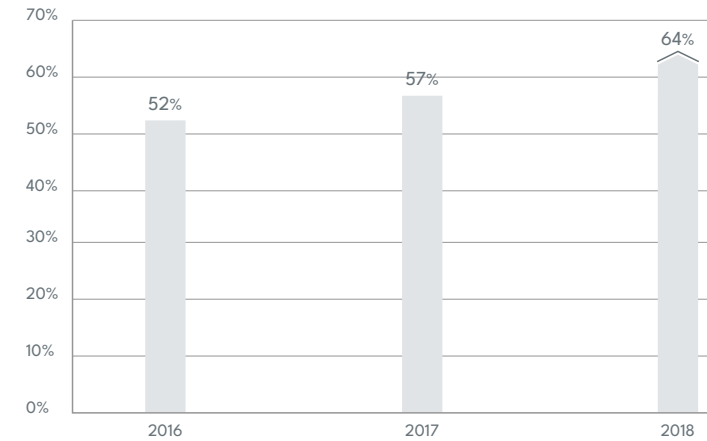
› **We signed Turkey's first green loan agreement:** Zorlu Enerji and Garanti Bank signed Turkey's first green loan agreement. Garanti Bank will assess the interest rate of the loan based on our sustainability performance, granting interest rate discounts for improvements in our sustainability performance throughout the loan period.

› **Our smart transportation activities are expanding:** After installing its first electric vehicle charging station at Zorlu Center in Istanbul, Zorlu Enerji's new generation technology brand ZES (Zorlu Energy Solutions) continued to expand its network to cover a total of nine charging stations. It also launched electrip, Turkey's first electric vehicle sharing platform.

› **We improve our efficiency with advanced technologies:** In production, Vestel Group employs advanced automation and cutting-edge technological tools offering high efficiency compatible with Industry 4.0. The TPM (Total Production Maintenance) model, aiming for zero breakdowns and zero defects in production systems, supports environmental performance in all aspects, from energy and water efficiency to waste reduction. With their efforts in this field, Vestel Elektronik received the Special Award for TPM Achievement and Vestel Beyaz Eşya won the Award for Excellence in Consistent TPM Commitment.

› **We were named the Low Carbon Hero:** In recognition of its energy efficiency efforts Vestel Beyaz Eşya was granted the Low Carbon Hero Award for the second time, at the 5th Istanbul Carbon Summit hosted by Sustainable Production and Consumption Association (SPCA). Vestel Beyaz Eşya earned this award by preventing 1,765 tonnes of carbon emissions within the scope of its Energy Efficiency in Ancillary Facilities Project.

ZOLU ENERJI'S RENEWABLE ENERGY RATIO



Ratio of renewables within Zorlu Enerji's installed capacity in Turkey: 87%

Ratio of renewables within Zorlu Enerji's total installed capacity: 64%

Environmentally Conscious Products

We invest in smart technologies. In line with our vision to build a sustainable future and a livable world for future generations, we work on not only eco-friendly production but also the environmental impact of our products that reach our customers.

While it is important to account for environmental impact of production, it is equally important to reduce those that arise during product use. Zorlu Group companies use nanotechnologies, digital, smart and new generation technologies to deliver pioneering and efficient products to customers. We help our customers reduce their energy and natural resource consumption through energy- and water-efficient products. We account for the environmental impact of our products at every step throughout their lifecycle, from design to use and recycling after the end of their service life.

Innovative, efficient and environmentally conscious.

Vestel products include washing machines that consume 50% less water compared to the market average and 70% less energy compared to A+++ products, Frost Free combi refrigerators that are 15% more energy-efficient compared to A+++ products, dishwashers that consume 20% less energy and ovens that consume 50% less energy compared to A-grade products. The Waterbox and Pyrojet families feature record-breaking products in energy and water conservation. Vestel's portfolio also includes mercury-free eco-friendly LED lighting products that conserve up to 80% energy and reduce waste thanks to their 35,000+ hours of life.

The Textiles Group offers customers innovative products such as Self-Cleaning Roller Blind and Fabric Curtains, Cool Piques and LED Curtains that help reduce their energy consumption.

Natural Resource and Waste Management

Another environmental challenge is resource scarcity due to growing population and urbanization. We minimize resource consumption and waste generation and work for the adoption of circular systems.

Vestel becomes the first Turkish company to win an award in the Process category at the European Business Awards for the Environment: In its production processes Vestel prefers using recyclable materials, reducing diversity of materials and using less raw materials. With the Waste Paint Recycling and Reusing System project designed along these lines Vestel Elektronik represented Turkey for the second time at the European Business Awards for Business and become the first Turkish company to receive an award in the Process category.

We plan to reduce water consumption: Meta Nikel has implemented a water recovery and waste reduction project, through which it aims to recover water from the water storage facility and consume 1,800,000 m³ less water per year.

We reuse water: With its water recovery facilities, Zorluteks reuses the same water in more than one process. To produce 1 kg of cotton fabric, Zorluteks consumes 80 l of water, instead of the global average of 120 lt.

We treat and reuse wastewater: As part of the TUBITAK-sponsored clean production techniques development project, Zorlu Textiles Group aims to identify and implement the most

suitable production processes for reducing energy, water and chemical consumption. With the Zero Brine project, Zorluteks plans to treat wastewater and reuse it in production.

Black dye recovery: At Zorluteks we combine different colors of waste dye to recover 40 tonnes of black dye on average per year.

Polylactic Acid (PLA): At Korteks we are working to produce curtains from PLA yarn derived from high-starch agricultural products such as corn and sugarcane.

Zero Discharge of Hazardous Chemicals (ZDHC): The ZDHC program was launched to eliminate hazardous chemicals that are widely used in the textile industry. As part of our compliance efforts, we continue with activities related to the Chemical Management System, one of the basic requirements of ZDHC. Every six months, Zorluteks runs analyses on its wastewater according to the ZDHC requirements and publishes the results on the ZDHC Gateway portal.

NON-HAZARDOUS WASTE (TONNES)	
Sent to landfill	28,158
Recycled	48,704
Recovered for energy	5,173
Recovered ¹ (Amount of fly ash)	6,460,020

HAZARDOUS WASTE (TONNES)	
Sent to landfill	2,048
Recycled	1,500
Recovered for energy	608

¹ All fly ash from Meta Nikel processes are sent to cement factories to be used as input in the cement production process.

Biodiversity

Starting from the investment planning phase, across all regions of operation we carry out all activities mindful of our impact on all living species. When identifying new regions of operation, we conduct comprehensive feasibility studies to define measures to mitigate environmental risks during the investment phase and we implement relevant environment protection efforts starting from the beginning of investment.

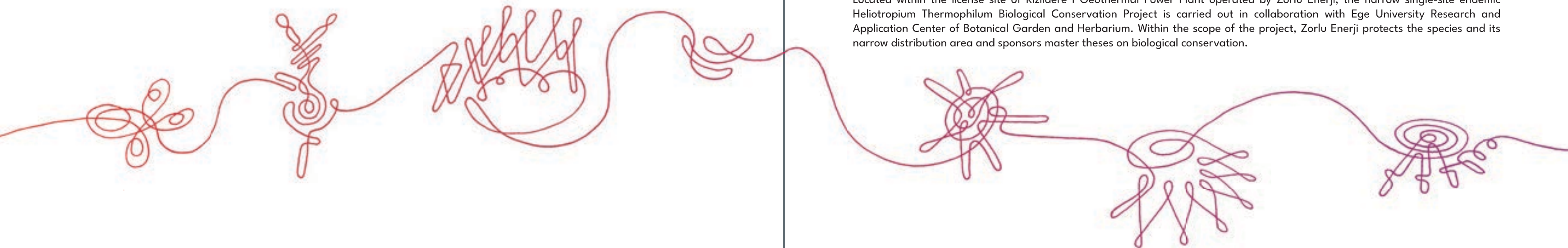
Biodiversity is decreasing as a result of increasing human activities and is currently under threat. In our operations it is our principle to protect and not to harm biodiversity, which provides us with the essential ecosystem services for our survival.

Zorlu Enerji carries out biodiversity monitoring and conservation programs, mammalogy and ornithology surveys, ecosystem assessments, habitat restorations, forestation and planting activities as well as environmental impact analysis and monitoring studies at its power plants. Since 2010, Zorlu measures its carbon footprint resulting from its operations and plants trees to cancel out its footprint. The number of trees planted as part of the Zero Carbon Footprint Forests Project reached 145,000.

Zorlu Textiles Group also plants trees to balance out carbon emissions since 2008 as part of its Ülkem için Orman project. The Group continues to contribute to biodiversity with the project, which has already reached 150,000 trees.

Heliotropium Thermophilum Biological Conservation Project

Located within the license site of Kızıldere I Geothermal Power Plant operated by Zorlu Enerji, the narrow single-site endemic Heliotropium Thermophilum Biological Conservation Project is carried out in collaboration with Ege University Research and Application Center of Botanical Garden and Herbarium. Within the scope of the project, Zorlu Enerji protects the species and its narrow distribution area and sponsors master theses on biological conservation.



Why is it important to integrate a sustainability- and innovation-oriented perspective into R&D activities?



Sustainability efforts require changing the existing norms and routines of doing business. This is only possible by developing novel business practices. Therefore, it is crucial to integrate innovation into R&D and P&D activities. Examples of such novel business practices include intrapreneurship and open innovation activities. Products resulting from these steps provide social and environmental benefit and also contribute to the Group's profitability.



Yüce Demirseren

R&D and Innovation
Working Group Leader



R&D AND INNOVATION

Smart Life 2030 is an essential guide paving the way for us to be among the companies that lead the future by means of adapting to the requirement for technology-and innovation-oriented change. We determine the course of our efforts regarding R&D and innovation in line with this guide, and strive to fully meet the expectations of our stakeholders, most notably our customers, in all sectors we operate in via the technologies we develop. Our innovative perspective and commitment to research, development and learning lie behind the success we have attained.

In today's world where natural resources grow scarcer and population increases rapidly, smart technologies play a key role in the transformation of industries, and consequently, in the effective management of resources. We focus on adding strength to environment and people with our smart products by using technology in the most efficient way via the Thrive approach, a part of our Smart Life 2030 Strategy. We deliver strategic products and services that create value added for achieving sustainable growth.

We make investments to trigger industrial transformation and implement more efficient production processes with the aim to be among the pioneers of the future's global innovation economy. With the Smart Life 2030 objectives we have announced in 2017, we strive to further improve our performance.

Every year we allocate approximately 2% of our revenues to R&D.

As one of Turkey's leading companies in terms of R&D and Innovation investments, the Vestel Group is also one of the three Turkish companies to rank among the world's top 1,000 companies by R&D spending. Allocating approximately 2% of its revenues to R&D each year, the Group collaborates with several national and international organizations, particularly with universities. Developing innovative products with a team of over 1,600 people at nine R&D Centers around the world, the company significantly contributes to Turkey's export volume.

R&D efforts of Vestel Group includes new screen technologies, smart solutions, photovoltaic cells, energy transformation and storage systems, electric vehicle charging stations, 5G, automotive electronics, wearable technologies and telecommunication. The Group focuses on developing technologies and products that deliver maximum performance via smart sensors maximizing energy and water conservation and using resources efficiently and can be remotely controlled via internet access.

The Vestel Group allocates half of its R&D budget to the development of environment- friendly products. Vestel's household appliances product range now consists entirely of products with high energy efficiency ratings of A, A+, A++ and above. In addition to R&D activities, the Vestel Group invests in digitalization and technology. As of 2018, the Group has increased automation and the use of robots in the Manisa factory, using its own software and designs in robot production.

R&D AND INNOVATION TARGETS FOR 2022

- To increase R&D spending by **50%**
- To increasing sales in sustainable product categories by **50%**
- To increase the number of suggestions regarding intrapreneurship and open innovation by **50%**



Vestel Beyaz Eşya was granted the Innovation Award for its refrigerators with Vacuum and FermentStore technologies at the CES Unveiled Awards held in New York in 2018, where technologies by hundreds of brands competed in 28 categories. It also won First Place in the Large-Scale Enterprise R&D category with its Refrigerator Cooling Technology Revision Process at the Efficiency Project Awards organized by the Republic of Turkey Ministry of Industry and Technology Industry Directorate General.

The smart cane WeWALK, developed in collaboration by Vestel Elektronik and Young Guru Academy, was recognized with the Gold Award in the Health & Wellness category at the Edison Awards, one of the most prestigious awards in innovation organized in the US.

Vestel Elektronik received the Best Project Award in the Big Data & Analytics category at the IDC Manufacturing Awards. With the Setup File Management Project, change of models in plastic injection machines are carried out in an unmanned basis within the framework of the Vestel Group's Smart Factory vision, which will eliminate the loss of parameter settings in model changes and automatically upload the parameter settings to machines on an order basis.

Vestel Elektronik received the Incentive Award in the Large-Scale Enterprise Sustainable Production category with its Electronic Frame Production Plant Energy Conservation by Removing the Wave Soldering Process Project at the Efficiency Project Awards organized by the Republic of Turkey Ministry of Industry and Technology Industry Directorate General.

Vestel Group has a total of 344 patented inventions.

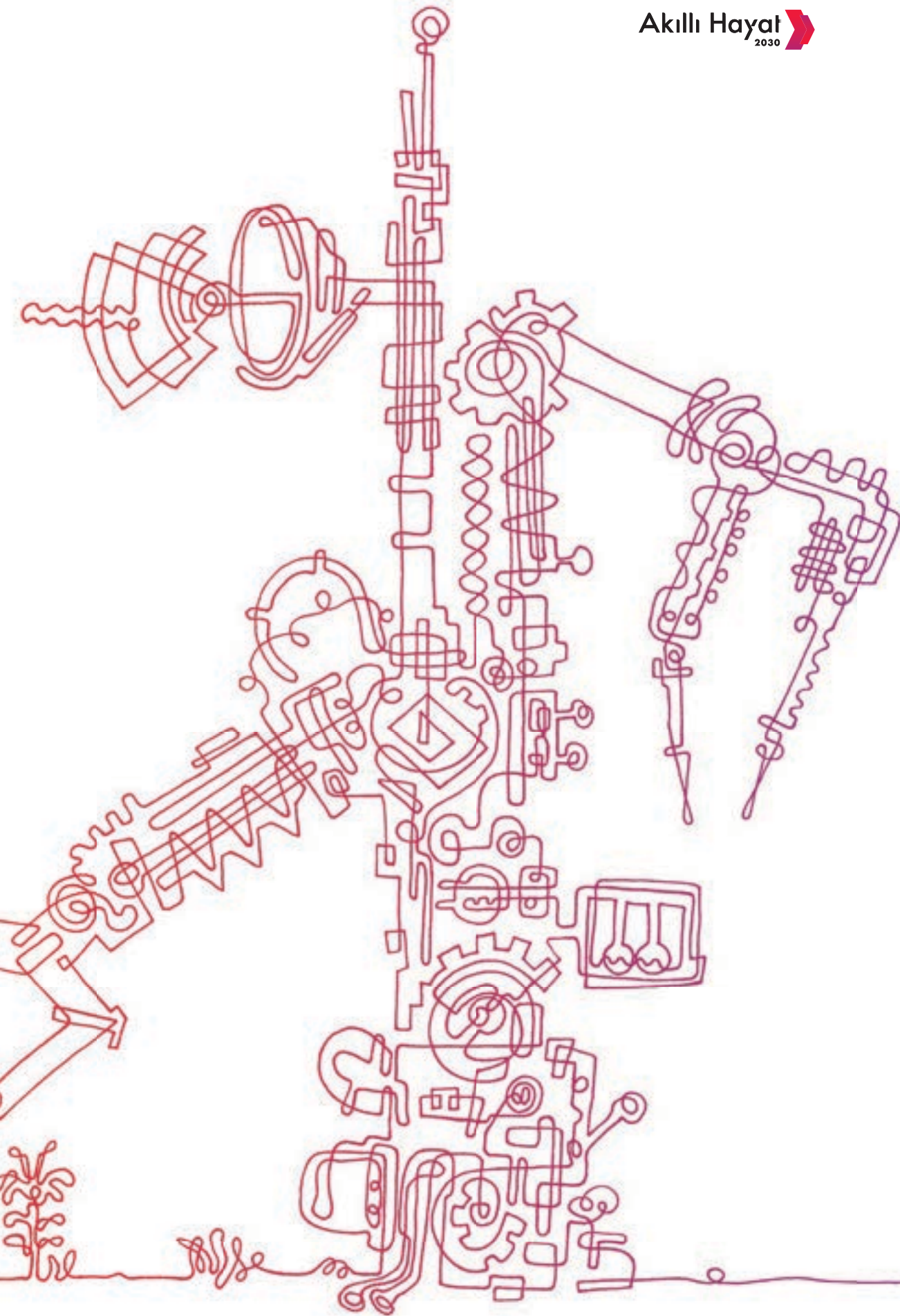
VHepveni (V Alwaysnew), the Vestel Group's new sales application was awarded in the "Best Technology-Led Innovation" category at the Gamechangers Awards organized by GeniusIstanbul.com and Management Center Turkey. In 2018, Vestel Elektronik applied for patents for 104 inventions. As of the end of 2018, Vestel Elektronik has a total of 123 and Vestel Beyaz Eşya has a total of 221 registered and patented inventions.

We embrace an innovative approach in producing textiles.

Zorlu Textiles Group continues innovative production at the Korteks R&D Center, Europe's largest integrated polyester yarn manufacturer, Zorluteks R&D Center established shortly afterwards, and Zorluteks Istanbul Design Center certified by the Ministry of Industry and Technology. At Korteks and Zorluteks, we use information and communication technologies to improve efficiency with a minimum-defect approach in all processes from production to design, from order to delivery. We focus on nano applications in textiles to reduce consumers' environmental footprints. Our Self-Cleaning Roller Blinds reduce the use of water and detergent. We decrease consumers' energy consumption with thermal insulated blackout curtains and products that do not require ironing. With innovative products such as LED curtains, content-producing QR-Code Bedding, and UV Resistant polyester threads, we bring technology into consumers' daily routines and make their lives easier.

Meta Nikel's investment valued at TL 600 million to establish Turkey's first nickel-cobalt processing plant in Gördes, Manisa will contribute to the development of R&D and technology-assisted mining activities in Turkey. Meta Nikel also owns the first and only R&D center in the mining industry and collaborates with various national and international technology institutions and universities.

Meta Nikel continues R&D efforts to eliminate problems in processes, reducing costs, expanding product range, producing raw materials for high-tech products and battery cathodes. Along these lines, it has applied for TUBITAK funding with two projects and the "Producing Cobalt Sulfate from the MHP (Mixed Hydroxide Precipitate) Obtained from the Gördes Laterite Ore Using the Solvent Extraction Method" project received a grant.



* Smart Production

We are implementing new generation technologies in energy.

With a focus on renewable energy investments, Zorlu Enerji develops innovative solutions for energy efficiency. With ZES (Zorlu Energy Solutions) operating under Zorlu Enerji, we are bringing new generation technologies to life. We encourage the use of electric vehicles through ZES, by installing fast-charging stations in cities and on highways and making life easier for electric vehicle users. In the long run, we plan to install charging stations throughout Turkey to make electric vehicles accessible and available all across the country.

We aim to contribute to energy efficiency by spreading the use of electric vehicles through Electrip, Turkey's first electric vehicle sharing platform launched by Zorlu Enerji.

Zorlu Enerji is one of the partners of the EU-funded Horizon 2020 GECO (Geothermal Emission Control) Project.

Zorlu Enerji and Middle East Technical University are the only Turkish partners of the project, which will be carried out by a consortium of 18 organizations from countries including France, UK, Italy, Iceland, and Germany. The project aims for achieving sustainability in geothermal sites through international accumulation and transfer of knowledge and know-how on elimination of CO2 and other similar gases to achieve zero emissions. The project is coordinated by Reykjavik Energy (OR) and Zorlu Enerji will be the only Turkish energy company in the consortium to contribute geothermal expertise and R&D resources.

Horizon 2020 is the biggest European Union Research and Innovation program with EUR 80 billion of funding available over seven years, established to support taking breakthroughs, creative ideas and inventions from the lab to the market for a more sustainable world. Given Zorlu Enerji's impressive track record in the field, it will obtain Horizon 2020 funding as a partner in the GECO project.

Within the framework of the Smart Life 2030 vision, Zorlu Real Estate delivers innovative living environments that make people's lives easier through smart projects and applications shaped by innovation and technology. It also implements smart building technologies to develop real estate projects that reduce environmental impact. It continues to develop Zorlu Center as a new generation living environment, already one of the unique examples in Turkey and around the world operating as a mixed-use complex including a shopping mall, performance arts center, hotel, offices and residences, equipped with sustainable technologies and smart technology systems.

For detailed information about our R&D and Innovation activities, [please see our 2018 Annual Report.](#)

Industry 4.0 Transformation

The transition of production companies from a cost-oriented approach to a value-added competitive one constitutes one of the main challenges in the business world. Being Industry 4.0 compatible equips companies with the necessary tools for operational excellence and flexibility to meet the demand for high-quality customized products. Companies that are able to fully integrate Industry 4.0, with essential components such as Interconnectivity, Automation, Machine Learning, Real-Time Data, into production processes are able to stand out with a competitive advantage. Smart production technologies impact a wide range from production efficiency to meeting customer expectations, critically transforming the industry and the business world at large scale.

As one of the pioneers of the Industry 4.0 transformation in Turkey, the Vestel Group implements its vision towards digital transformation in all processes by focusing on fields such as horizontal/vertical value chain integration, artificial intelligence software, IoT (Internet of Things) technologies, light-out factory

applications, automation (robots, Cobots (cooperative robots)), 3D printing (layered/additive manufacturing), AGVs (Automated Guided Vehicle) and SDVs (Self Driving Vehicle). The goal of these efforts is to interconnect all processes, reduce losses to drive production efficiency, and ensure the agility and coordination of production lines in the transition to smart factories.

Zorlu Textiles Group is transforming its entire commercial and economic cycle, from production to marketing, to be compatible with Industry 4.0, aiming for more efficiency and less defects in manufacturing.

The Real Estate Group leads the industry by implementing innovative projects based on the concept of sustainable buildings and smart building management systems shaped by Industry 4.0.

What role does supply chain management play in disseminating Zorlu Holding's Smart Life 2030 sustainability strategy?



The supply chain is an essential component of corporate-level sustainability efforts that give the private sector a competitive advantage. Considering companies' widespread and comprehensive impact on societies, dissemination of the corporate sustainability approach across the value chain makes a big difference. With its broad network of suppliers, Zorlu Holding has a large area of influence. We aim to spread our sustainability philosophy and practices to our suppliers, leading the way in transforming their respective industries.

Özgür Tirün
Supplier Relations Working
Group Leader



SUPPLY CHAIN

In terms of the environmental and social impact of our company, we are not solely responsible for ourselves. We also aim to raise an awareness of responsible production and consumption in all suppliers and business partners involved in delivering our products and services to you.

Production processes are becoming increasingly more competitive. While creating social benefit, the competition also drives economic growth in the supply chain and brings about challenges in balancing sustainability. Zorlu Holding's fields of operation such as the textile, energy, electronics, household appliances, real estate, mining and metallurgy industries have high economic, social and environmental impact in terms of its value chain. In line with our Smart 2030 vision, we believe that we feel responsible not only for ourselves but also for our suppliers. We monitor sustainability criteria of the companies in our supply chain to disseminate the awareness on sustainability throughout our value chain. By managing our broad ecosystem of suppliers sustainably, we aim to lead the way in transforming the respective industries. For a lasting and sustainable success, we act responsibly throughout our value chain regarding issues that impact our stakeholder ecosystem.

The suppliers in our ecosystem are obliged to carry out all operations in compliance with national and international legislation and regulations. Zorlu Holding Supplier Principles serve as a guide adopted by the Group companies. The Principles comprise the following main subjects: prevention of child labor and forced labor, prevention of discrimination, humane treatment, remuneration, working hours, occupational health and safety, environment, and ethics.



We have a total of 12,000 suppliers and business partners in different sectors which we operate in. In order to develop the local economy, we increase localization in our supply chain. The number of local suppliers has increased by 5% compared to 2017. The share of payments to local suppliers within overall supplier payments has also increased by 5%.

This year we expanded the scope of the Supplier Lifecycle Management (SLC) project, which we launched last year to enable synchronized management of the pool of suppliers for all Group companies. We integrated financial risk and performance assessments, assessment reports and surveys into the project.

› Vestel is evaluating their suppliers with SLC

All strategic suppliers of VESTEL are assessed based on quality, delivery, costs, corporate social responsibility, risk, consciousness and innovation and supplier scorecards are published quarterly. With SLC we carry out self-evaluations for all new suppliers for VESTEL based on their performance in quality, environment, R&D, production and social responsibility.

How do you manage customer demands and adapt to rapidly changing trends in providing an excellent customer service?



We believe that effective management of customer relations is key to creating a sustainable business. We aim to create an excellent customer experience and to improve our processes and ourselves in light of customer feedback.

As Customer Relations Working Group, we provide high-quality, fast, pioneering and reliable services backed by the offerings of the digital world. It is also an integral part of our job to collaborate with the customers and carry out communication activities to spread awareness among customers on environmental and social issues.

Selcen Uygüntüzel

Customer Relations
Working Group Leader



CUSTOMER RELATIONS

Our customers are the key stakeholders regarding sustainable growth. This is why customer relations is one of our material issues. We present our services and solutions for customers in an easily accessible manner that serves sustainability.

In all our sectors of operation, we strive to improve our communication and relationship management skills and form new collaborations to provide better and higher-quality services. To this end, we conduct regular customer satisfaction surveys. We periodically monitor customer expectations and **work to improve our processes** aiming to turn customer relations into an excellent customer experience.

Through the Transformation Project we carried out in collaboration with PwC Turkey, we developed new customer-oriented business processes for Zorlu Textiles. We continue the comprehensive project for organizational changes.

We build feedback mechanisms through our easily accessible **communication channels**, such as communication centers, website forms, social media which all interact with one another, **collect customer complaints, take the necessary actions aiming to provide better and higher-quality services.** The feedback we receive is taken into account for our high customer satisfaction goal. We also ensure customer engagement in product development, designing the products of the future with our customers.

› Highest standards in customer satisfaction: Vestel Customer Services implements the ISO 10002 customer satisfaction quality management standards and guidelines on managing customer complaints in organizations, and the Customer Contact Centers Standard ISO 18295. We are planning the projects for implementing these standards in all our fields of operation in the upcoming years.

› Industry leader in customer experience: Since 2013, Vestel Customer Services ranks first in the Television Industry and Household Appliances Industry categories at the ŞikayetVar Achievement in Customer Excellence Awards, based on customer feedback on the sikayetvar.com platform. In 2017 and 2018, we also ranked first in the Mobile Phones category. We embrace the motto Her Şey Bi' Teşekkür İçin and prioritize customer satisfaction above all else.

› Industry leader in customer satisfaction: In 2018 Zorlu

Elektrik ranked first in the Energy Industry category at the ŞikayetVar Achievement in Customer Excellence Awards. In addition to that, we began the Satisfaction 4.0 R&D project to improve the satisfaction level of our nearly 2 million customers. With this project, we will integrate technological features into our communication center IVR system, aiming to improve our solution rates.

› We listen to our customer: We take customer feedback into account in product development. At the Zorluteks Export Curtain department, we listen to feedback from customers across the country and collaborate with them in product development efforts.

To meet the rapidly changing demands and needs of customers, we include customer feedback in our innovation processes and encourage open innovation across the Holding.

› **We organize workshops for youth:** Starting in 2018, at Zorlu PSM we established a board composed of university students who are enthusiastic about culture and arts. Throughout the season we organized five-six workshops with them. In these workshops, participants shared their thoughts on what needs improvement in culture and arts overall and in Zorlu PSM specifically. They expressed the shortcomings as seen from their perspective. They helped us obtain important information about students' culture and arts habits.

We strive to turn dreams into reality in a wide range of industries from textiles to household appliances, from the energy industry to shopping centers and performance arts. We carry out communication activities to **increase our customers' awareness about environmental and social issues**. We also apply these messages to our products to reach customers, turning these activities into opportunities for **customer engagement**, letting them be a part of these efforts.

› **Doğa Bizim Evimiz:** At Zorlu Textiles, we produce all shopping bags from 100% recyclable and biodegradable raw materials. In 2018, we manufactured cotton tote bags for our customers to encourage reducing the use of plastic bags. We used our tote bags with the motto Doğa Bizim Evimiz at our TAÇ Inova stand at the Evtteks home textiles fairs and gifted bags to all customers who visited our stand.

› **We produced bedding from recycled materials:** To encourage good habits in our customers, we planted trees on behalf of all customers who bought our TAÇ reborn beddings produced from recycled materials and bought items as part of our joint campaign with the TEMA Foundation.

One of the keys to our excellent customer service is developing customized services based on customer needs and diversity.

› **Special seats for our guests with disabilities:** Since its inception, Zorlu PSM features a systematic service for guests with wheelchairs. Guests with disabilities are able to contact us via the call center, present their disability identification cards at events and buy tickets for the specially reserved seats and their companion. At standing-room-only concerts, we set up a separate platform for our guests with disabilities. At our own production of the Fiddler on the Roof, we featured captions for guests with hearing impairments. Furthermore, we provide space for events organized by related associations on special occasions.

We consider customer feedback while designing all business processes. We also listen to the feedback from our employees and business partners who contact customers one-on-one. We value all the feedback in designing better processes aiming for excellence in customer experience.

› **We receive stakeholder feedback via Fikirler Fora:** At Vestel Customer Services we developed a platform for ideas/suggestions. Through the platform titled Fikirler Fora we receive feedback from authorized services and employees in direct contact with customers to help improve our processes. We develop and implement projects to offer our customers a better experience.

COLLABORATE



What are the benefits for companies to make social investments based on their business strategies? How does Zorlu Holding manage this process within the scope of Smart Life 2030?



While problems such as inequalities in income distribution, environmental problems and poverty were once regarded as issues for governments to tackle, now the private sector is also expected to be a part of the solution. In today's circumstances, it seems impossible for companies to thrive where societies do not. This is why we need to collaborate more than ever to solve today's complex social issues. It has become crucial to scale the benefits created through intra- and cross-sector collaborations. In line with Smart Life 2030, our strategy for the future, at Zorlu Holding we form partnerships and collaborations with stakeholders to realize the SDGs and society's aspirations based on shared values. It is possible to scale this impact and reach greater numbers of people by embracing social innovation backed by the power of technology.



Aslı Alemdaroğlu

Relations With Society
Working Group Leader



RELATIONS WITH SOCIETY

We believe that our business should create lasting benefits and social good. We reflect our Smart Life 2030 vision not only upon our production-oriented activities but also our social responsibility efforts. Targeting primarily our human resources, we implement innovative projects that develop sustainable solutions and create social benefit.

At Zorlu Holding, we aim to directly contribute to United Nations Sustainable Development Goals through our Smart Life 2030 sustainability framework, principles, and program areas of focus.

In line with our Smart Life 2030 sustainability strategy, we believe that the business world can only thrive in a prosperous society of peaceful individuals and that sustainable growth is only possible within a strong society. To this end, we collaborate with the community to be able to address the needs of all walks of life in the future as well.

Designing products, services and processes that improve environmental and social conditions, greatly contributes to sustainable development. But we need collaboration and a participatory culture to develop innovative ideas. Along these lines, we analyze our stakeholders' needs and expectations and implement public-benefit projects in various fields including education, health, gender equality, culture and arts. Our projects support open innovation processes focusing on smart solutions and creative industries, where external stakeholders, as well as internal stakeholders and employees, are also a part of developing solutions to problems. In these projects, we see stakeholders from various disciplines as part of the solution; we make it easier for them to develop their ideas to carry out benefit-driven innovation collaborations.

We allocate 1.5% of our profit to such efforts that serve the United Nations Sustainability Development Goals. Through our activities, we contribute to achieving the goals of: Quality Education (4), Gender Equality (5), Industry, Innovation and Infrastructure (9), Reduced Inequalities (10), Sustainable Cities and Communities (11) and Partnerships for the Goals (17).

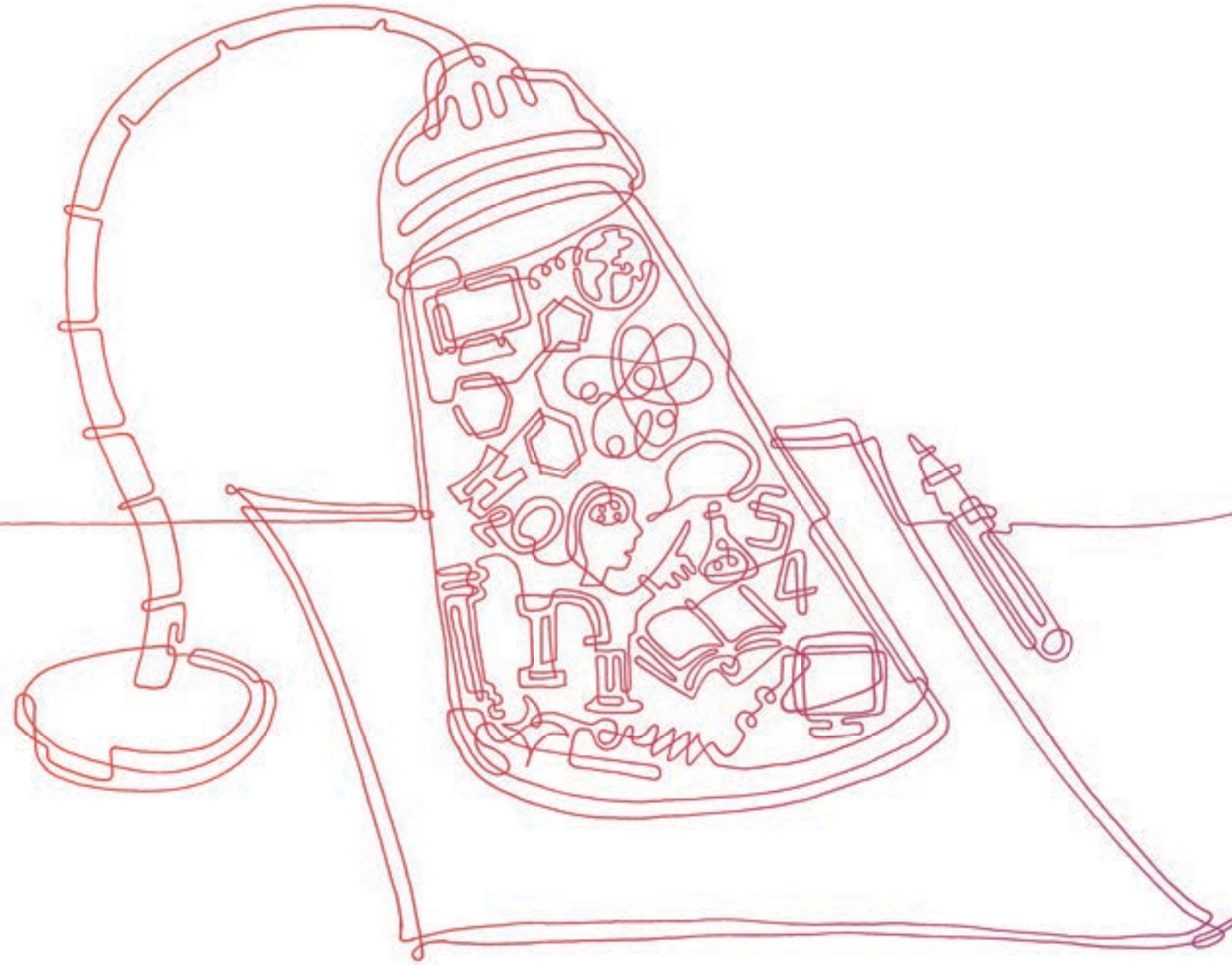


Mehmet Zorlu Foundation

Through Mehmet Zorlu Foundation, so far, we have provided scholarships to a total of 22,500 students. We reached nearly 900,000 children with our Children's Theater.

Zorlu Holding carries out its social responsibility projects through Mehmet Zorlu Foundation (MZF). Since 1999, we work to create social value through activities in education, sports and culture.

In education, as of the end of the 2018-2019 school year, we have provided scholarships to a total of 22,500 students. In health, we provide medicine, medical products and equipment aid to persons in need of assistance. We also support organizations such as the Foundation for Children with Leukemia (LÖSEV), the Hope Foundation for Children with Cancer (KAÇUV), and Turkish Kidney Foundation (TBV). In culture and arts, we have reached a total of 886,700 children in 15 years at 1,305 performances of 14 plays by the Zorlu Children's Theater established by MZF in 2003.



* Quality Education

21st Century Skills Training Program

We prepare youth for the future

With the 21st Century Skills Training Program we launched in 2016, we aim to prepare youth for the future. In addition to academic and technical knowledge, the training curriculum is designed to develop competencies to adapt to the 21st century and updated every year. The 21st Century Skills Training Program includes Presentation Techniques, Excel, Career Planning, Preparing Resumes, 21st Century Citizenship (Digital Literacy, Financial Literacy, Information Literacy), Coding and Entrepreneurship, Social Innovation and Sustainability courses for university and high school students. We also aim to reach greater numbers of young people across Turkey through the live streams of our classes. So far, a total of 600 people graduated from our university and high school programs.

A first in Turkey, the program features in-class trainings, dissertations, summer internships and post-internship working experiences. Organized at the end of the program, the MZF Youth Summit brings students together with prominent experts from various fields in Turkey. We give them the opportunity to listen to stories that may inspire their career plans, meet and communicate with these experts. Upon completion of the program we also conduct a social impact assessment to monitor and analyze the change brought upon by the training and its impact on the students' lives. In light of the results of the assessment and students' feedback, we review the program design and aim to develop activities that will further enhance the impact created.

› Mehmet Zorlu Foundation Youth Summit

The 2018 Mehmet Zorlu Foundation Youth Summit was organized with a zero-waste goal. We set an example by identifying the potential waste in advance and implementing prevention, reuse and recycling strategies to minimize waste resulting from the event. Following the event, we prepared the Zero-Waste Event Environmental Assessment Report. We used recyclable paper wristbands instead of plastic nametags. Instead of printing posters, we shared the event program via the mobile application. We did not throw away the previous year's stage decorations and remodeled them to use this year. Through these efforts we saved 1,889 kW of energy during the summit. We saved the equivalent of a home's electricity consumption for 222 days, a person's water consumption for 68 days and prevented 48 days' worth of waste and greenhouse gas emissions worth 7,318 km travelled by car.

Education Reform Initiative

Since 2011, Mehmet Zorlu Foundation is a supporter of Education Reform Initiative (ERG) established in collaboration with Sabancı University. ERG is an independent and not-for-profit think-and-do-tank that contributes to systemic transformation in education for development of the child and society through sound evidence, constructive dialogue and critical thinking.

Teachers Network

We support the Teachers Network project, which has brought together Turkey's leading organizations Mehmet Zorlu Foundation, Mother Child Education Foundation (AÇEV), Aydın Doğan Foundation, ENKA Foundation, Sabancı Foundation and Vehbi Koç Foundation for the first time, aiming to support teachers' development honoring the 100th anniversary of the Republic of Turkey.

The Teachers Network creates a collaboration platform for stakeholders in education, including foundations, civil society organizations, individuals and institutions from various disciplines to support teachers in their personal and professional development journeys. The platform creates solutions for teachers' needs "not on behalf of teachers, but together with teachers." By bringing together the necessary resources in education, it creates a community that enables sustainable empowerment. Up to date, the Teachers

Network reached 5,928 individuals in 27 provinces and 35,000 students through collaborations with education stakeholders, individuals, institutions, universities and local governments. MZF aims to continue supporting teachers' empowerment through the Teachers Network.

› **Benim Renkli Sınıfım blends creativity with the spirit of solidarity**

Developed with the collaboration of TAÇ and Community Volunteers Foundation (TOG), Benim Renkli Sınıfım project turns children's drawings into curtains, making their living spaces more colorful. The first products of the project that blends creativity with the spirit of solidarity began to decorate the classrooms of Cumhuriyet Primary School in Mardin. In trainings given by community volunteer youth, children draw and paint their dreams, which are then turned into curtains at the TAÇ production facilities to decorate the primary school classrooms.

imece

We support the entrepreneurship ecosystem.

As a founding partner of the social innovation platform imece, Zorlu Holding brings together individuals and organizations that gather around social issues, social entrepreneurs willing to create solutions for social challenges and introduces them to grants and training, mentoring, networking resources to help them develop innovative and sustainable solutions. In doing so, it contributes to the development of the social innovation ecosystem in Turkey.

During each seven-month Accelerator, we focus on a certain theme based on Sustainable Development Goals and social issues around the specified theme. This year, our Accelerator II with the Gender Equality theme focused on women's empowerment. Following a preliminary research, we identified the following issues of focus in this field: women's equal participation in economic life, women's access to education and quality of education, and ensuring women's physical, social and mental health and wellbeing. In addition to public announcements via various channels, we also called Zorlu Group employees to participate in the project to encourage intrapreneurship. Three different teams from Group companies participated in the program with their project ideas. The three teams Kızlar Sahada (Girls on the Field) Academy, Maide Kitchen and Baby Academy were among the ten projects selected by the jury members at the end of the early-incubation phase to receive mentoring and support in field of operation, training, access to ecosystem, corporate partnerships and grants during the incubation phase.

Through imece's Mind the Impact program we contribute to capacity building in impact investment by providing content on social financing for a group of funding managers, investors

and start-ups. Through our events, international partnerships, activities and programs for students we are contributing to build of a social innovation community in Turkey that is opening up to the world.

In 2018, we hosted the SIX Wayfinder Istanbul powered by imece and convened by Social Innovation Exchange (SIX). The event brought together experts, entrepreneurs, and innovation ambassadors from Turkey and around the world who play a key role in the development of social innovation. The SIX Wayfinder Istanbul explored what social innovation has to offer for the future of Turkey and the globe by examining what needs to be done to tackle systemic barriers to systemic change over the next decade; how to bring about transformational changes, such as attaining the Sustainable Development Goals. You can find the insights from the Wayfinder in the [SIX Wayfinder report](#).

Gender Equality

As part of our Smart Life 2030 sustainability strategy, we focus on gender equality. To raise awareness on the subject, we carry out various activities and projects both within and outside Zorlu at a greater scale to reach a wide population.

You may find our 2018 activities to support gender equality, including first and foremost the preparation of the Gender Equality strategy document, in the [Employees section](#).

Zorlu Performing Arts Center

Under Sustainable Development Goal 11, target 11.4 focuses on "Strengthening efforts to protect and safeguarding the world's cultural and natural heritage". Investing in culture and arts contributes to sustainable development that supports the development of individuals and social values. As per art's universality, Zorlu Performing Arts Center (PSM) hosts activities and events addressing all walks of life. Since the day of its inception, Zorlu PSM has contributed to Istanbul's culture and arts life with a philosophy of social responsibility and has been established itself as a platform that leads Turkey's culture and arts life. Zorlu PSM has completed its fifth year in 2018. So far it has well proven itself, having hosted 2,000,000 guests at various events and with its unique approach to culture and arts.



* Social Entrepreneurship

Accessibility

› We sponsored rehabilitation services for 70 children through September

For the past three years we have participated in September, an annual event held every September all around the world to raise awareness on Cerebral Palsy, organized also in Turkey by the Spastic Children's Foundation of Turkey. In 2018 we took part in September with 127 teams and 500 participants. We raised a total of TL 100,286.11, the second highest amount of donations collected by an organization and helped 70 children access rehabilitation services free of charge.

› No Barriers in Zorlu

Thanks to the Yol Arkadaşım AVM feature on the (Hayal Ortağım) application brought to life by Turkcell and Young Guru Academy (YGA) at Zorlu Center, we help people with visual disabilities participate in social life more actively and independently. With this application, users can obtain information about the locations they pass by in Zorlu Center and orientation services. Furthermore, we trained all staff in Zorlu Shopping Mall food courts in sign language and prepare restaurant menus in

Braille with the support of Association of Blinds of Turkey (TURGED). Through other collaboration projects we provided the Guide Dogs Association with a working space and support in communications. As a result of all these efforts, the No Barriers in Zorlu Center project was granted a Community Support Award by the International Council of Shopping Centers (ICSC). Within the scope of this award, the Guide Dogs Association received a USD 10,000 grant.

› Mission accomplished: 2.5 tonnes of waste oil turned into an electric wheelchair

Zorluteks employees collect waste oil from their homes to help obtain electric wheelchairs for individuals with disabilities. Since 2016, employees collected a total of 2.5 tonnes of waste oil and succeeded to turn 2.5 tonnes of waste oil into an electric wheelchair. With this project, employees have helped reduce pollution while donating an electric wheelchair for an employee's relative with a disability.

ANNEXES

Memberships and Collaborations

- 30% Club
- Accumulator Importers and Producers Association (TÜMAKÜDER)
- Aegean Industry and Business Association (ESIAD)
- Ashoka
- Association of Artificial Synthetic Fiber Manufacturers (SUSEB)
- Association of Private Sector Volunteers (ÖSGD)
- Association of Turkish Home Textile Industrialists and Businessmen (TETSIAD)
- Association of Turkish Travel Agencies
- Babadağ Industrialists and Businessmen Association (BASIID)
- Bursa Disaster Association (BURAD)
- Bursa Industrialists and Businessmen Association (BUSIAD)
- Bursa Research Foundation
- Business Council for Sustainable Development Turkey (BCSD Turkey)
- Corporate Communication Professionals Association
- Corporate Governance Association of Turkey
- DigitalEurope
- Education and Culture Foundation of People of Denizli (DENBIR)
- Endeavor
- Entrepreneur Institutions Platform
- Ethics and Reputation Society (TEID)
- European Man-Made Fibers Association
- Foreign Economic Relations Board of Turkey (DEIK)
- Geothermal Power Plant Investors Association
- Guide Dogs Association
- Hasbahçe Social Assistance and Solidarity Association
- imece
- Institute of Internal Auditing - Turkey (TIDE)
- International Competition and Technology Association (URTEB)
- International Patent Association (UPB)
- Istanbul Chamber of Certified Public Accountants (ISMMMO)
- Istanbul Technical University Çekirdek
- Middle East Solar Industry Association (MESIA)
- Social Innovation Exchange
- Spastic Children's Foundation of Turkey
- Technology Development Foundation of Turkey
- Turkish Entrepreneurship Foundation
- Turkish Industry and Business Association (TUSIAD)
- Turkish Public Relations Association
- Turkish Society for Quality (KALDER)
- Uludağ University Support Foundation
- UN Global Compact Turkey (UNGC)
- Union of Chambers and Commodity Exchanges of Turkey (TOBB)
- Women Entrepreneurs Association of Turkey
- Young Guru Academy

ENVIRONMENTAL PERFORMANCE INDICATORS

GREENHOUSE GAS EMISSIONS (Thousand Tonnes CO ₂)	2016	2017	2018
Scope 1	1,253	1,224	1,944
Scope 2	251	262	268
Total	1,504	1,487	2,212

WATER CONSUMPTION (m ³)	2016	2017	2018
Municipal water	787,420	1,014,837	1,022,313
Surface water	2,240,250	2,693,854	1,275,766
Groundwater	2,765,971	3,497,766	3,376,284
Rainwater	9,000	9,000	9,000
Other	0	35,416,117	73,025,507

SOCIAL PERFORMANCE INDICATORS

NUMBER OF EMPLOYEES BY GENDER	2016		2017		2018	
	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE
Number of employees	6,657	14,486	7,093	14,779	7,473	15,716
Total	21,143	21,872	21,872	23,189	23,189	23,189

NUMBER OF EMPLOYEES BY CATEGORY	2016		2017		2018	
	BLUE-COLLAR	WHITE-COLLAR	BLUE-COLLAR	WHITE-COLLAR	BLUE-COLLAR	WHITE-COLLAR
Number of employees	14,010	7,133	14,254	7,618	14,968	8,221
Total	21,143	21,872	21,872	23,189	23,189	23,189

GRI Standard	Disclosure	References	Omission
GRI 101: Foundation 2016			
GRI 102: General Indicators 2016			
GRI 102: General Indicators 2016	Organizational Profile		
	102-1	5	-
	102-2	http://www.zorlu.com.tr/en/fields-of-activity/brands	-
	102-3	http://www.zorlu.com.tr/contact	-
	102-4	http://www.zorlu.com.tr/en/fields-of-activity/brands	-
	102-5	http://www.zorlu.com.tr/assets/files/faaliyet-raporlari/faaliyet-raporu-en-2018.pdf	-
	102-6	http://www.zorlu.com.tr/en/fields-of-activity/sectors/textile	-
	102-7	http://www.zorlu.com.tr/assets/files/faaliyet-raporlari/faaliyet-raporu-en-2018.pdf	-
	102-8	28, 66	-
	102-9	53	-
	102-10	There were no significant changes.	-
	102-11	21-24	-
	102-12	65	-
	102-13	65	-
	Strategy		
	102-14	6	-
	102-15	16, 17	-
	Ethics and Integrity		
	102-16	19	-
	102-17	19	-
	Governance		
	102-18	19	-
	102-19	20, 21	-
	102-20	12, 13	-
	Stakeholder Engagement		
	102-40	16	-
	102-41	There are no employees working under collective bargaining agreement.	-
	102-42	16	-
	102-43	16	-
	102-44	16, 17	-
	Reporting Practice		
	102-45	5	-
102-46	5	-	
102-47	16, 17	-	
102-48	There were no restatements.	-	
102-49	16, 17	-	
102-50	5	-	
102-52	1 January 2017 - 31 December 2017	-	
102-52	Sustainability Report is published annually.	-	
102-53	5	-	
102-54	5	-	
102-55	67-69	-	
102-56	No external assurance for the report provided.	-	

GRI Standard	Disclosure	References	Omission
GRI 200: Economic Standard Series 2016			
Anti-corruption			
GRI 103: Management Approach 2016	103-1	19	-
	103-2	19	-
	103-3	19	-
GRI 205: Anti-corruption 2016	205-2	19	-
GRI 300: Environmental Standards Series			
Energy			
GRI 103: Management Approach 2016	103-1	42	-
	103-2	42	-
	103-3	42	-
GRI 302: Energy 2016	302-5	43	-
Water			
GRI 103: Management Approach 2016	103-1	44	-
	103-2	44	-
	103-3	44	-
GRI 303: Water 2016	303-1	66	-
Emissions			
GRI 103: Management Approach 2016	103-1	42	-
	103-2	42	-
	103-3	42	-
GRI 305: Emissions 2016	305-1	66	-
	305-2	66	-
	305-5	42	-
Effluents and Waste			
GRI 103: Management Approach 2016	103-1	44	-
	103-2	44	-
	103-3	44	-
GRI 306: Effluents and Waste 2018	306-2	45	-
Supplier Environmental Assessment			
GRI 103: Management Approach 2016	103-1	53	-
	103-2	53	-
	103-3	53	-
GRI 308: Supplier Environmental Assessment 2016	308-1	53	-
GRI 400: Social Standards Series			
Employment			
GRI 103: Management Approach 2016	103-1	27, 28	-
	103-2	27, 28	-
	103-3	27, 28	-
GRI 401: Employment 2016	401-2	31-32	-
Labour/Management Relations			
GRI 103: Management Approach 2016	103-1	27, 28	-
	103-2	27, 28	-
	103-3	27, 28	-
GRI 402: Labour/Management Relations 2016	402-1	Minimum legal notice periods are applied regarding operational changes.	-

GRI Standard	Disclosure	References	Omission
GRI 400: Social Standards Series			
Occupational Health and Safety			
GRI 103: Management Approach 2016	103-1	36	-
	103-2	36	-
	103-3	36	-
GRI 403: Occupational Health and Safety 2018	403-1	36	-
	403-5	36	-
Training and Education			
GRI 103: Management Approach 2016	103-1	27, 32	-
	103-2	27, 32	-
	103-3	27, 32	-
GRI 404: Training and Education 2016	404-1	27, 32	-
	404-2	27, 32	-
	404-3	27, 32	-
Diversity and Equal Opportunity			
GRI 103: Management Approach 2016	103-1	29-30	-
	103-2	29-30	-
	103-3	29-30	-
GRI 405: Diversity and Equal Opportunity 2016	405-1	29	-
	405-2	There is no gender-based discrimination in remuneration.	-
Local Communities			
GRI 103: Management Approach 2016	103-1	59	-
	103-2	59	-
	103-3	59	-
GRI 413: Local Communities 2016	413-1	59-62	-
Supplier Social Assessment			
GRI 103: Management Approach 2016	103-1	53	-
	103-2	53	-
	103-3	53	-
GRI 414: Supplier Social Assessment 2016	414-1	53	-
Material Topics That Are Not Covered by the GRI Standards			
R&D and Innovation			
GRI 103: Management Approach 2016	103-1	47	-
	103-2	47, 48, 50	-
	103-3	47, 48, 50	-
Digital Transformation			
GRI 103: Management Approach 2016	103-1	51	-
	103-2	51	-
	103-3	51	-
Financial Efficiency			
GRI 103: Management Approach 2016	103-1	11	-
	103-2	11	-
	103-3	11	-

If all can be one line, it is possible to have a sustainable life.

The illustrations in Zorlu Holding's 2018 Sustainability Report are composed of one line. The line which starts from beginning of the catalog and moving along to finish, creates the whole illustrations. It interprets Zorlu Holding's sustainability goals with one line.

It is possible to create a drawing with one line; however, writing a novel with a letter is impossible. Drawing with single line is one of the richnesses in the expression of itself. It represents a perspective which is minimal and simple. Also, it is a way of understanding the world. It is a reminder for the delicate life on the earth how connected to each other with the single line.

When the single line move forward, it goes from the basic forms which are the essence of living beings, objects and nature. It brings out the less and core. The single line seperates itself from showdowns, fancy sentences, glorious displays and shows the simplicity of the life.

The United Nations' 17 Goals for Sustainable Development is a 'main' source and target of creating a balanced living in our precious world. We can create a perfect picture for living harmonious life with becoming a line together.

My special thanks for who are conscious about their responsibilities for a sustainable life...

Tan Cemal GENÇ*

* The illustrations in this report were drawn by Tan Cemal GENÇ, using the lineart technique.



