



**SUSTAINABILITY
REPORT
2022**

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ABOUT

THE

REPORT

ABOUT THE REPORT

Alarko Holding presents its first Sustainability Report, prepared in alignment with the Global Reporting Initiative (GRI) Standards. This report serves as our commitment to transparently communicate our environmental, social, and governance performance to our valued stakeholders. The report comprehensively covers our sustainability strategy, priorities, goals, and performance established in 2022 by Alarko Holding. Additionally, it outlines the specific areas in which we actively contribute to the United Nations Sustainable Development Goals (SDGs).

This report provides consolidated data and performance results for Alarko Holding A.Ş., along with its subsidiaries Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş., Altek Alarko A.Ş., Attaş Alarko Turistik Tesisleri A.Ş., Alarko Carrier Sanayi ve Ticaret A.Ş., Cenal Elektrik Üretim A.Ş., Meram Elektrik Perakende Satış A.Ş., and Meram Elektrik Dağıtım A.Ş. for the operating year spanning from January 1, 2022, to December 31, 2022.

In the report, Alarko Holding A.Ş. is denoted as **Alarko Holding**, Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. as **ALSİM**, Altek Alarko A.Ş. as **ALTEK**, Attaş Alarko Turistik Tesisleri A.Ş. as **ATTAŞ**, Alarko Carrier Sanayi ve Ticaret A.Ş. as **Alarko Carrier**, Cenal Elektrik Üretim A.Ş. as **CENAL**, Meram Elektrik Dağıtım A.Ş. as **MEDAŞ** and Meram Elektrik Perakende Satış A.Ş. as **MEPAŞ**.

If you have any questions or would like to provide suggestions regarding the content of the report and our sustainability efforts, please reach us at alarkoinvestorrelations@alarko.com.tr

ALARKO HOLDING PRESENTS ITS
FIRST SUSTAINABILITY REPORT!



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MESSAGE

FROM

THE

CHAIRMAN



MESSAGE FROM THE CHAIRMAN

The significant environmental impacts stemming from the accelerated production brought about by the Industrial Revolution throughout the centuries, coupled with the depletion of resources due to the exponential growth in population, have long underscored the need for heightened awareness regarding production and consumption. On the other hand, Industry 4.0 has ushered in a new era where digitalization and green transformation are advancing in tandem on a global scale. In today's world, our aspirations extend beyond mere access to products and services, free from the limitations of time and space. We also seek personalized customer experiences while placing a strong emphasis on solutions that are environmentally conscious, prioritize social well-being, and are driven by efficiency and cost savings. Hence, the concept of sustainability is increasingly taking center stage in all aspects of life today.

States, local governments, global initiatives, civil society, and private companies are collaboratively striving to uphold the principles of sustainability across all its dimensions. Mitigating the impacts of the climate crisis, enhancing social welfare, and nurturing a sense of "co-existence and co-creation" among humanity can only be achieved through the collaborative efforts of the public, private sector, and civil society. At this juncture, it is encouraging to see that international organizations, global corporations, and Turkey's foremost companies are taking sustainability seriously and actively working towards transformation.

In this regard, at Alarko Holding, we collaborate with all our stakeholders and our dedicated team to fulfill our responsibilities and contribute to shaping the future through sustainable business models in the long run. We shape our new investments with this approach by placing responsible and sustainable production at the core of all our areas of operation. Alarko Holding is committed to the goal of achieving net-zero carbon emissions by 2050, in alignment with the European Union member states' commitment outlined in the EU Green Deal.

We are also aware that the sustainability perspective extends beyond the climate crisis and necessitates a comprehensive approach encompassing environmental, social, and governance aspects. Hence, in accordance with the materiality analysis we conducted, the outcome of the efforts of our Sustainability Committee, composed of top-level managers within our Group and directly reporting to our Group Chief Executive Officer, we have determined to execute our initiatives related to ESG (Environment, Social, Governance) under three main headings: "The Planet", "People and Culture", and "Digital Transformation and Innovation".

“We shape our new investments with this approach by placing responsible and sustainable production at the core of all our areas of operation. Alarko Holding is committed to the goal of achieving net-zero carbon emissions by 2050, in alignment with the European Union member states’ commitment outlined in the EU Green Deal.”

We are aware of the mounting pressure that the climate crisis is exerting on our planet. For this reason, as a Group, we have meticulously planned and executed initiatives aimed at reducing our carbon footprint, with the objective of achieving the +1.5-degree target established in the 2015 Paris Climate Agreement. Additionally, we are committed to making responsible investments that support low-carbon and circular economic development, while also contributing to ecosystem restoration in both our current operations and potential business ventures. Furthermore, we have chosen to allocate progressively more resources each year to initiatives aimed at preserving biodiversity, recognizing its critical significance for our Planet. We will collaborate with institutions and organizations that are experts in their respective fields to support the required actions.

We deeply care about the well-being of people and society, aligning with our comprehensive approach to sustainability and are dedicated to enhancing social welfare within our workforce and society as a whole, championing inclusivity and equality in our efforts. We recognize the critical significance of talent management and employee engagement as we cultivate the essential competencies needed for the evolving world of the future. In line with these objectives, we remain committed to advancing our social impact investments, particularly in the realms of education, women’s empowerment, and employment, which have been identified as top priorities, and we will continue our collaboration with reputable non-governmental organizations in our country to achieve our goals.

We regard digital transformation and innovation as pivotal elements in shaping new business models for the future. Our aim is to convert our organization’s heritage, which places humans at the center, into benefits for the Planet and society as a whole.

At Alarko Group, our primary objective is to align with the approach encapsulated by the Sustainable Development Goals, which seeks to enhance the quality of life for all of humanity, in partnership with our Planet. Hence, we remain steadfast in our commitment to generate enduring value for our stakeholders, our nation, and our world, driven by our vision of becoming a leading, robust, and esteemed global company. I wholeheartedly believe that a brighter future awaits us all when we fulfill our responsibilities with unwavering faith and dedication.

İzzet GARIH

Chairman

The background of the entire image is a dense, overlapping pattern of large, teal-colored leaves. The leaves have prominent, parallel veins and are arranged in a way that creates a sense of depth and texture. The color is a rich, slightly dark teal.

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MESSAGE

FROM

THE

CEO



MESSAGE FROM THE CEO

As Alarko Holding, we perceive sustainability as a tool for generating long-term value. Hence, we acknowledge the necessity of efforts to restore the Earth's compromised systems and to rebuild social bonds. Moreover, recognizing the importance of adopting a uniform sustainable perspective across our Group companies, Alarko Group has taken the initiative to become a signatory to the United Nations Global Compact. We have identified our priorities based on the Sustainable Development Goals, conducted targeted initiatives, and formulated a roadmap to attain these objectives.

Through our restructuring efforts initiated within our Group in 2021, we have transformed our well-established and robust structure into a more agile and forward-looking entity. We have commenced the implementation of practices aimed at expediting our digital transformation, a process that gained momentum, particularly in the wake of the pandemic. These practices are tailored to our specific fields of operation and are geared towards promoting sustainability.

At Alarko Holding, we are striving to cultivate business models that prioritize long-term environmental and social advantages, both within our existing Group companies and in our new ventures. Under the umbrella of our sustainability motto, defined as "Value for the Future", we have identified our goals and strategies, categorized into "The Planet", "People and Culture", and "Digital Transformation and Innovation". In this context, I take pride in stating that our Company places sustainability at the forefront of its priorities. Our Sustainability Committee, composed of our C-Level executives, is responsible for monitoring both local and global sustainability practices and regulations. They convene regularly to collaborate on advancing our sustainability objectives.

Under the heading of “People”, we have addressed various aspects, including talent management, diversity and inclusion, employee engagement, and social investments. As a result, we have established specific objectives, including maintaining an employee turnover rate within the range of 8-11%, achieving a 40% representation of female members on the Boards of Directors, raising the employee loyalty score by 20% by 2030, and tripling our social investment expenditures by the same year.

Under “The Planet” heading of our strategy, we have placed particular emphasis on addressing climate change and ecosystem restoration, recognizing them as some of the most critical challenges facing humanity. We have established a vision of achieving net-zero greenhouse gas emissions by the year 2050. Furthermore, as a Group, we track our emissions with annual targets. Recognizing the imperative to restore the planet’s health, we have outlined our objectives in the domains of biodiversity and water as part of our ecosystem restoration efforts. In line with this commitment, we allocate a specific portion of our net profit towards investments in ecosystem and biodiversity conservation projects. Furthermore, we have set a target to reduce our water consumption in our processes by 50% by the year 2030.

Within the framework of our strategy’s “Digital Transformation and Innovation” heading, our objective is to augment the allocation dedicated to sustainability-focused R&D and innovation endeavors in order to expedite the creation of products and services that actively contribute to sustainability, with a concurrent increase in the range of products and services falling under this category. Through our digital transformation initiatives, we are not only ensuring the readiness of our Group companies for the future but also influencing the broader ecosystem we engage with to adapt to future challenges.

In the field of energy production, one of our core areas of operation, we are strategizing to expand our investments. This entails enhancing our existing renewable energy production facilities with the addition of storage capabilities.

Given the current state of technology, we recognize its potential to generate significant benefits for both the climate and society and we remain committed to supporting our Companies accordingly. Our industrial company, Alarko Carrier, is making substantial investments in research and development as part of its objectives to curtail carbon emissions. Meanwhile, our energy distribution company, MEDAŞ, is prioritizing zero errors and high efficiency, significantly reducing its carbon footprint through the digitalization of its processes. Across our Group, we are actively executing digital projects that concentrate on enhancing data security, optimizing document management, and bolstering productivity.

In the field of agriculture, one of our recent investment sectors, our objective is to make meaningful contributions to both the ecosystem and the nation’s economy through sustainable

and responsible agricultural practices. Recognizing that 75% of existing water resources is allocated for agricultural irrigation, we aspire to lead initiatives aimed at reducing water consumption in agriculture. We intend to achieve this by expanding our greenhouse production and implementing modern agricultural methods in the areas we will develop in the future. Through our efforts in this regard, we are poised to play an active role in ecosystem restoration. Simultaneously, we will elevate our commitment to inclusivity by establishing campus facilities that specifically support a female-dominated workforce.

Our brand, Hillside, which has been a trailblazer in the tourism sector, sets a precedent for environmental friendliness without compromising customer satisfaction. This is evident through its initiatives focused on the preservation of sustainable underwater ecosystems, the identification and removal of harmful species from forest ecosystems, and its long-standing afforestation project.

I believe that responsible production and responsible consumption are vital for the sustainable and healthy continuation of life on our planet. In this context, we are committed to sharing the actions we will undertake with you through the annual reports we will prepare.

Sincerely,

Ümit Nuri YILDIZ
CEO

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ABOUT

ALARKO

GROUP



ABOUT ALARKO GROUP

VISION, MISSION, PRINCIPLES

VISION

Our vision is to become a trailblazing, robust, and esteemed global company that thrives through the difference it makes.

MISSION

Our mission is to surpass expectations through innovative business models rooted in universal values and to propel Alarko forward into the future.

MAIN PRINCIPLES OF ALARKO'S PHILOSOPHY

Alarko, since its inception in 1954, has built its reputation and reliability by adhering to world-class standards and fulfilling its responsibility to the public. The principles that guide us in our work are listed below:

- ▶ Conducting all activities with honesty and integrity towards the government, customers, stakeholders, employees, partners, as well as within the broader industry and sub-industries,
- ▶ Preserving nature and fostering internal social balance in all activities,
- ▶ Leveraging our experience and knowledge to guide customers and prioritize meeting their requests,
- ▶ Delivering profits, rightfully belonging to stakeholders, as a consequence of our endeavors, while steadfastly adhering to our principles,



- ▶ Following the principle of autonomous management with centralized control, granting individual autonomy, ensuring that subordinates make autonomous decisions upon approval from superiors rather than merely following instructions,
- ▶ Motivating all personnel through profit-sharing arrangements based on specific formulas, which can be either bilateral or unilateral,
- ▶ Promoting continuous learning and technological proficiency among all personnel by offering training programs tailored to their individual characteristics and job areas on a periodic basis each year,
- ▶ Fostering a self-employed mindset among all personnel and may guide some of them towards opportunities in the private sector, particularly with the intention of having them work dedicatedly for the organization,
- ▶ Prioritizing teamwork as an institutionalized entity with activities governed by specific systems and established procedures; sharing of both profit and loss, as well as successes and failures.

OUR GROUP COMPANIES

Companies within the Alarko Group of Companies are categorized under the following six main activity groups:

- ▶ Contracting Group
- ▶ Energy Group
- ▶ Industry & Trade Group
- ▶ Tourism Group
- ▶ Land Development Group
- ▶ Venture Capital Group

ALARKO CONTRACTING GROUP



Guided by the principle of “quality in service and production”, the Alarko Contracting Group successfully executes public-private partnership projects, build-operate-transfer projects, and turnkey projects, both domestically and internationally.

Alarko Contracting Group’s projects encompass a diverse array of industries and sectors, including but not limited to refineries, petrochemical plants, chemical process plants, tank farms, mineral processing and enrichment plants, metallurgy and electrometallurgy plants, iron and steel plants, cement and lime plants, hydroelectric power plants, thermal power plants, combined cycle power plants, heat recovery systems, oil pipelines, natural gas pipelines, water pipelines, urban natural gas distribution networks, compressor stations, pumping stations, wastewater treatment plants, drinking and utility water treatment plants, industrial water treatment plants, wastewater sea discharge lines, water supply and irrigation systems, airports, railways, subway and light rail systems, signaling systems, highways, tunnels, bridges, satellite cities, mass housing, luxury residences, business centers, trade centers, hospitals, and hotels.



3
CONTINENTS

7
AREAS OF
ACTIVITY

200+
PROJECTS

In 2022, our Group, which operates across a broad geographic scope, continued its efforts to explore new markets. Alongside our existing presence in countries such as Turkey, Romania, and Kazakhstan, we placed a strong emphasis on business development initiatives in Uzbekistan.

ALARKO ENERGY GROUP



In the field of electricity generation, our primary objective is to enhance our total generation capacity by diversifying our portfolio based on various energy resources.

We anticipate that electricity demand, which experienced fluctuations starting in 2020 and was significantly impacted by the pandemic, will increase in tandem with the growth of the country's economy in the medium and long term. Our Energy Group is simultaneously assessing our existing assets, which are currently valued above USD 80/MWh despite the maximum settlement price (MSP) limitation, and actively seeking new investment opportunities concentrated on renewable energy in the upcoming period. In the field of electricity generation, our primary objective is to enhance our total generation capacity by diversifying our portfolio based on various energy resources. Our foremost priority in activities to augment our production capacity is to channel our investments toward renewable energy resources. We seek opportunities that promise robust foreign exchange-indexed returns, not only within our country but also abroad, as part of our strategy to diversify our market presence in the medium and long term. We closely monitor the tenders and competitions announced by the Ministry of Energy and Natural Resources and strive to expand our capacity based on renewable energy resources. In addition to exploring investment opportunities for new and existing projects both domestically and abroad, we also investigate opportunities in renewable energy sources that come with foreign exchange-indexed electricity purchase guarantees. We closely monitor projects within the Balkans and Central Asia that fall under the purview of build-operate-transfer and public-private partnerships.

1,540
MW INSTALLED
CAPACITY

10,500
GWH ELECTRICITY
DISTRIBUTION

2.2
MILLION
CONSUMERS

HYDROELECTRIC AND SOLAR POWER PLANTS

In 2022, our Karakuz Hydroelectric Power Plant, with an installed capacity of 76 MWe, continued its sales under the Renewable Energy Resources Support Mechanism (YEKDEM) tariff. Our power plant experienced reduced production in 2021 due to the severe drought that affected the entire country. However, in 2022, as the drought's impact diminished, our power plant returned to its average production levels.



Concerning our Kırklareli Combined Cycle Natural Gas Power Plant, which has an installed capacity of 82 MWe and was suspended due to market conditions, we have submitted an application to the Energy Market Regulatory Authority (EMRA) for the termination of its license for the first phase. After the license termination is completed, we plan to resume sales activities. The proceeds from the sale will be channeled towards new investments focused on renewable energy sources.

Leveraging the YEKDEM tariff, our fully unlicensed solar power plant (SPP) facilities, with an installed capacity of 52 MWe, attained 95% of their production targets in accordance with the budget for 2022. In 2021, additional added value was initiated by issuing certificates for our Karakuz and Gönen Hydroelectric Power Plants, both of which are registered with the I-REC system based on renewable energy resources. Requests for I-REC certificates are carefully assessed, and these certificates are made available for purchase by companies and environmentally-conscious customers. The demand for these certificates is likely to continue growing in the coming years.

KARABİGA THERMAL POWER PLANT

The Karabiga Thermal Power Plant, Turkey's first "ultra-supercritical" thermal power plant, was successfully executed by Cenal Elektrik Üretim A.Ş. with an investment totaling approximately USD 1.2 billion. This project was completed without the involvement of any EPC (Engineering Procurement and Construction) contractor. The components utilized in our power plant, including the boiler, turbine, generator, electro filters, desulfurization system, and mills, have been manufactured using state-of-the-art technology from Alstom and GE. For critical manufacturing, we adhered to ASME. All power units and auxiliary systems within our power plant are CE-certified.

Throughout the design and construction phases of the power plant, paramount emphasis was placed on environmental friendliness. The emission of flue gases was meticulously designed to align with European Union (EU) standards, and cutting-edge technology equipment was employed in the construction of the power plant to ensure its adherence to these environmental standards. Furthermore, the power plant has been designed with a focus on flexibility and efficiency to maximize its overall added value.

The Karabiga Thermal Power Plant is the most efficient coal power plant in our country, especially in the present circumstances. In addition to the environmental and technological advantages of the plant, comprehensive theoretical and practical training programs are conducted to set an example in occupational safety. Our policy of prioritizing occupational safety is rigorously enforced across all our operations.

ELECTRICITY DISTRIBUTION ACTIVITIES

Meram Elektrik Dağıtım A.Ş. (MEDAŞ) is responsible for delivering electricity distribution services across an expansive region encompassing 76,932 km², which includes the provinces of Konya, Karaman, Aksaray, Nevşehir, Niğde, and Kırşehir. This area corresponds to approximately 10% of Turkey's total surface area. To enhance efficiency and effectiveness, MEDAŞ has organized its operations into 37 independent businesses, each with a specific geographic area of responsibility. Through these businesses, MEDAŞ provides services to 6 provinces, 63 districts, 61 towns, 871 villages, and 499 village-affiliated plateaus. In total, it operates 33 sub-enterprises under these businesses and a combined total of 70 enterprises.



ELECTRICITY TRADING

MEDAŞ, which provides electricity distribution and retail sales services, separated its activities in 2013 in accordance with the Electricity Market Law. This regulation, aimed at introducing competition into the retail electricity sales market, led to the transfer of subscription, billing, and collection transactions, which were previously managed by MEDAŞ, to the newly established MEPAŞ.

ALARKO INDUSTRY & TRADE GROUP



The Alarko Industry & Trade Group has established its primary area of operation within the domains of heating, cooling, ventilation, and water pressurization. It engages in the manufacturing, importation, sales, and provision of after-sales services for products within these categories. In 2022, sales of air handling units, fancoils, and rooftop air conditioners, manufactured with the technology and brand of Alarko Carrier, one of our Company's partners, continued both in domestic and international markets.

Following the implementation of the Eco Design Regulation on January 1, 2023, our aim is to double our market share in the domestic market over the course of the next few years, particularly with our new generation rooftop air conditioners. In the chiller market, our sales strategy for 2022 will persist, emphasizing the long-term benefits of our advanced technology and environmentally friendly products, as well as our commitment to a lifetime cost approach.

246
DEALERS

289
SERVICE PROVIDERS

We are currently conducting feasibility studies for solar panel systems designed for both individual and commercial use. Furthermore, in 2023, we plan to initiate product and engineering services in this field through pilot dealers who will be selected for this purpose.

EXPORT
CHAMPIONSHIP FOR

8
CONSECUTIVE
YEARS

17%
EXPORT RATE



4 ABOUT ALARKO GROUP

Vision, Mission, Values

Our Group Companies

Economic Performance

HIGHLIGHTS IN 2022

CORPORATE GOVERNANCE

SUSTAINABILITY APPROACH

MATERIALITY ANALYSIS

THE PLANET

PEOPLE AND CULTURE

DIGITAL TRANSFORMATION AND
INNOVATION

APPENDICES

GRI CONTENT INDEX



MAIN PRODUCTION FACILITY

Our primary production facility, situated within the Gebze Organized Industrial Zone, spans an expansive area of 60,000 m². This modern complex encompasses a total closed area of 38,000 m², which includes a 17,000 m² enclosed production area, 3,000 m² factory offices, a 2,000 m² test and Research and Development (R&D) building, as well as social facilities, training facilities, and management offices. Our production facilities manufacture central air conditioning products, which include air handling units, roof-type air conditioners, and fancoil devices bearing the Carrier brand. Additionally, under the Alarko brand, we produce water pressurization products such as submersible pumps, motors, and circulation pumps.

HEATING DEVICES PRODUCTION FACILITY

Our Heating Devices Production Facility, located within the İstanbul Dudullu Organized Industrial Zone, occupies an area of 18,000 m², with a closed area covering 12,000 m². Within this facility, we manufacture heating products under the Alarko brand, including condensing combi-boilers and wall-type/floor-mounted condensing boilers. Upon the completion of the sale of the Dudullu factory in 2022, there are plans to relocate to a new facility with a closed area ranging from 12,000 to 15,000 m², situated in a city near İstanbul.

ALARKO TOURISM GROUP



As a pioneer in the leisure industry in Turkey, Alarko Tourism Group has consistently set itself apart with its innovative concepts. It draws inspiration from global trends and brings its extensive knowledge, experience, and intuition to create an understanding of tourism that is at the forefront of the industry. Furthermore, the Group manages its brands through distinctive solutions that are tailored to the specific characteristics of each location, environment, and the prevailing trends in different periods, all while staying aligned with global trends. The Group's mission of creating a sense of well-being and its service concept, characterized by meticulous attention to detail and a philosophy of positive behavior, introduce fresh perspectives to the leisure industry.

7
SERVICE POINTS

99%
GUEST SATISFACTION

100+
ACHIEVEMENT AWARDS

HILLSIDE BEACH CLUB

Hillside Beach Club is a 5-star holiday village renowned for its ability to offer guests the vacation of their dreams. Hillside Beach Club, boasting a return rate of 76% in the global tourism industry, welcomed approximately 25,000 guests in 2022. It continues to maintain its prestigious position by providing a blend of comfort, quality, sports, and entertainment opportunities for its guests. Hillside Beach Club has been instrumental in promoting our country through its international accolades. It has garnered recognition at the prestigious Haute Grandeur 2022 Awards, which assess the finest holiday experiences based on a multitude of criteria and include evaluations of renowned chain brands like Four Seasons, Ritz,

Rosewood, and Mandarin Oriental in various categories. For the second time, Hillside Beach Club was honored with the title of “World’s Best Leisure Hotel”.

Furthermore, Hillside Beach Club, lauded by its guests for its service approach that brings every detail to life and meticulously considers all its offerings, was also recognized as the “Best Resort Service” in Europe.

Hillside Beach Club continues to bolster the promotion of our country by being featured in prestigious international publications such as The Times, Conde Nast Traveler, The Telegraph, Financial Times, and Forbes throughout 2022.

HILLSIDE CITY CLUB

Leading the fitness industry in Turkey with its innovative practices, Hillside City Club operates in İstanbul under the umbrella of the Alarko Tourism Group. For over two decades, Hillside City Club has established itself as a true lifestyle hub, adhering to the principle of being “much more than a sports club”. It curates a diverse array of activities that blend art, music, cinema, sports, and entertainment, all aimed at enhancing the social lives of its members.

Moreover, Hillside City Club hosts Hillside Outside events, organized outside the club, which attract the interest of its longstanding community of members.



**76% GUEST RETURN RATE THE WORLD'S BEST
LEISURE HOTEL AWARD IN 2022 EUROPE'S BEST
RESORT SERVICE AWARD IN 2022**



SANDA SPA

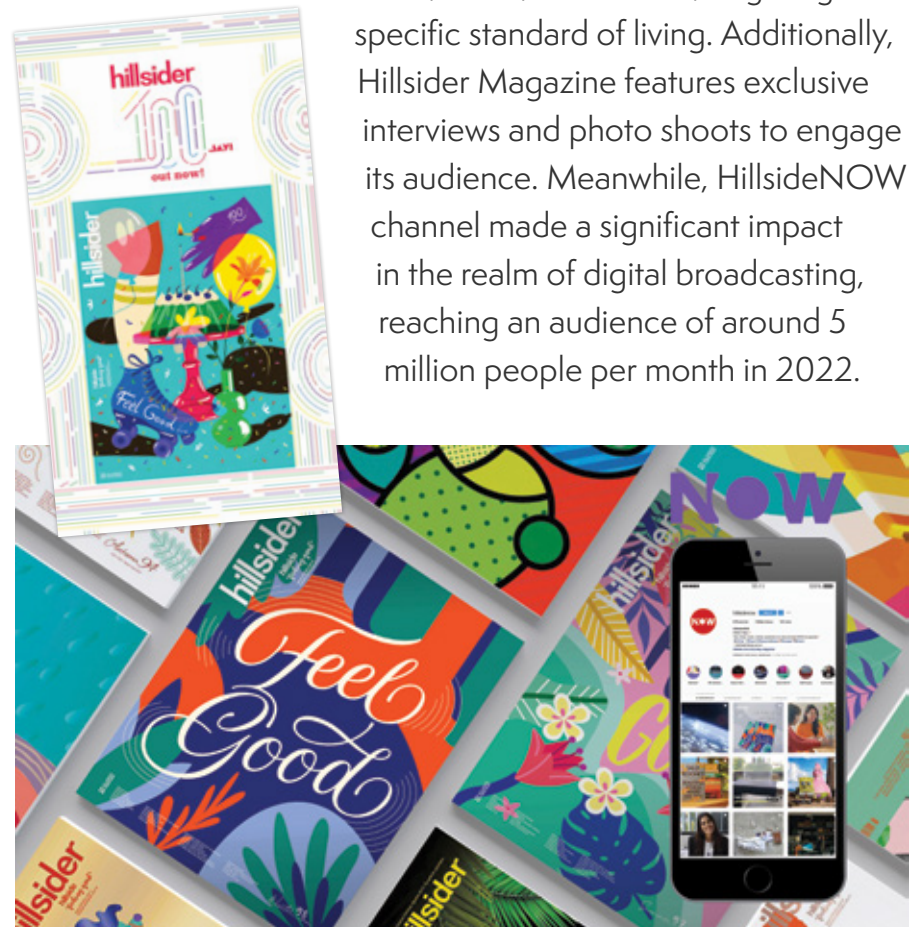
Sanda Spa, which commenced operations at Hillside Beach Club in Fethiye 19 years ago, has established itself as one of the most sought-after and renowned brands in the spa industry. Sanda Spa, providing over 60 therapeutic treatments using Elemis and Body Coffee products, remains committed to its mission of promoting well-being. It operates at two locations, namely Hillside Beach Club and Hillside City Club in Etiler, İstanbul, offering a wide range of relaxation options to help you feel your best.

HILLSIDER MAGAZINE AND HILLSIDENOW

Hillsider Magazine, known for its unique style and original content, has maintained its popularity for 27 years and celebrated its 100th issue, solidifying its position as one of the longest-running publications in the field of magazine publishing.

The magazine boasts a discerning readership due to its high-quality content. It offers inspiring articles in the fields of art,

music, travel, and cuisine, targeting a specific standard of living. Additionally, Hillsider Magazine features exclusive interviews and photo shoots to engage its audience. Meanwhile, HillsiderNOW channel made a significant impact in the realm of digital broadcasting, reaching an audience of around 5 million people per month in 2022.



50+

YEARS OF EXPERIENCE

5,000

FLATS AND VILLAS

7

PIONEER PROJECTS



ALARKO LAND DEVELOPMENT GROUP

LAND DEVELOPMENT GROUP

The Land Development Group has been monitoring the real estate markets and valuable land parcels in Turkey's most prestigious regions since the inception of Alarko, conducting thorough analyses to inform their strategies.

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. is the first real estate investment trust (REIT) company in Turkey. It operates with 47% of its shares publicly traded, and its primary objective is to invest in real estate, real estate projects, real estate-based rights, as well as financial and capital market instruments. Our Company strives to develop projects that prioritize human-centric modern tourism and lifestyle centers. Additionally, we aim to enhance the efficiency and value proposition for individuals who generate rental income from their real estate holdings.



Our Company's receipt of the Tourism Investment Incentive Certificate from the Ministry of Industry, along with the provision of a long-term private use loan as part of the incentive, reflects the confidence and support extended to our endeavors.

VENTURE CAPITAL GROUP

ALARKO VENTURES

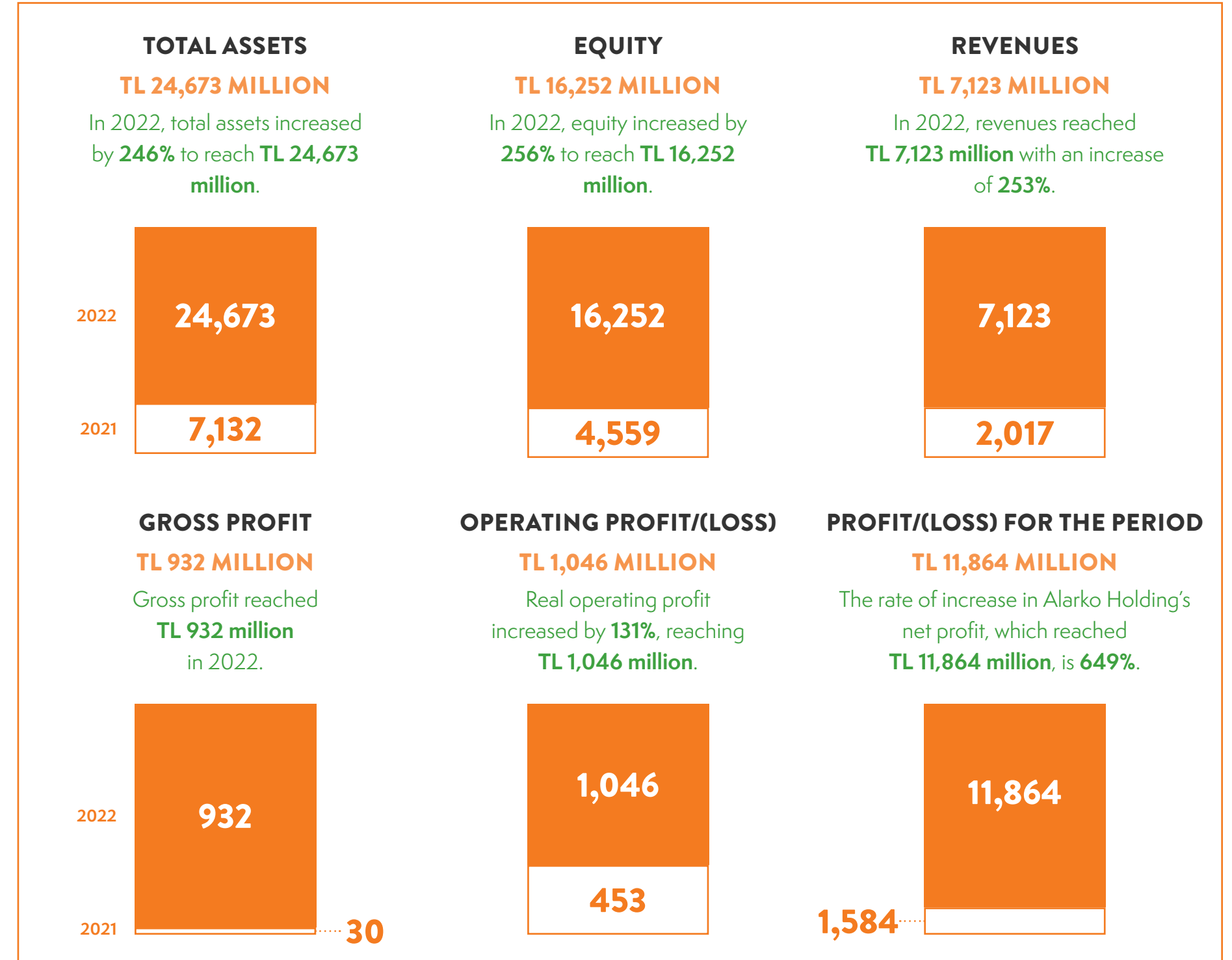
Established as part of the Alarko Group of Companies, Alarko Ventures is dedicated to investing in technology-based next-generation companies with significant potential. Globally, there are five primary categories of investment strategies for rapidly growing digital companies: online marketplaces, healthcare, financial technology, real estate technology, and supply chain/logistics. From a geographical perspective, the investment strategy targets allocating 50%-70% of the capital in America and 30%-50% in regions including Africa, Latin America, South Asia, and the Middle East.



ECONOMIC PERFORMANCE

Alarko Holding has achieved remarkable operational and financial outcomes due to its diverse business segments, strong leadership capabilities, effective financial strategies, and commitment to digitalization, even in a challenging operating environment.

In 2022, Alarko Holding's combined sales revenue increased by 188%, reaching a total of TL 25 billion, while the combined net profit surged by 569% to TL 11.4 billion, and the consolidated net profit soared by 798% to TL 11.4 billion.

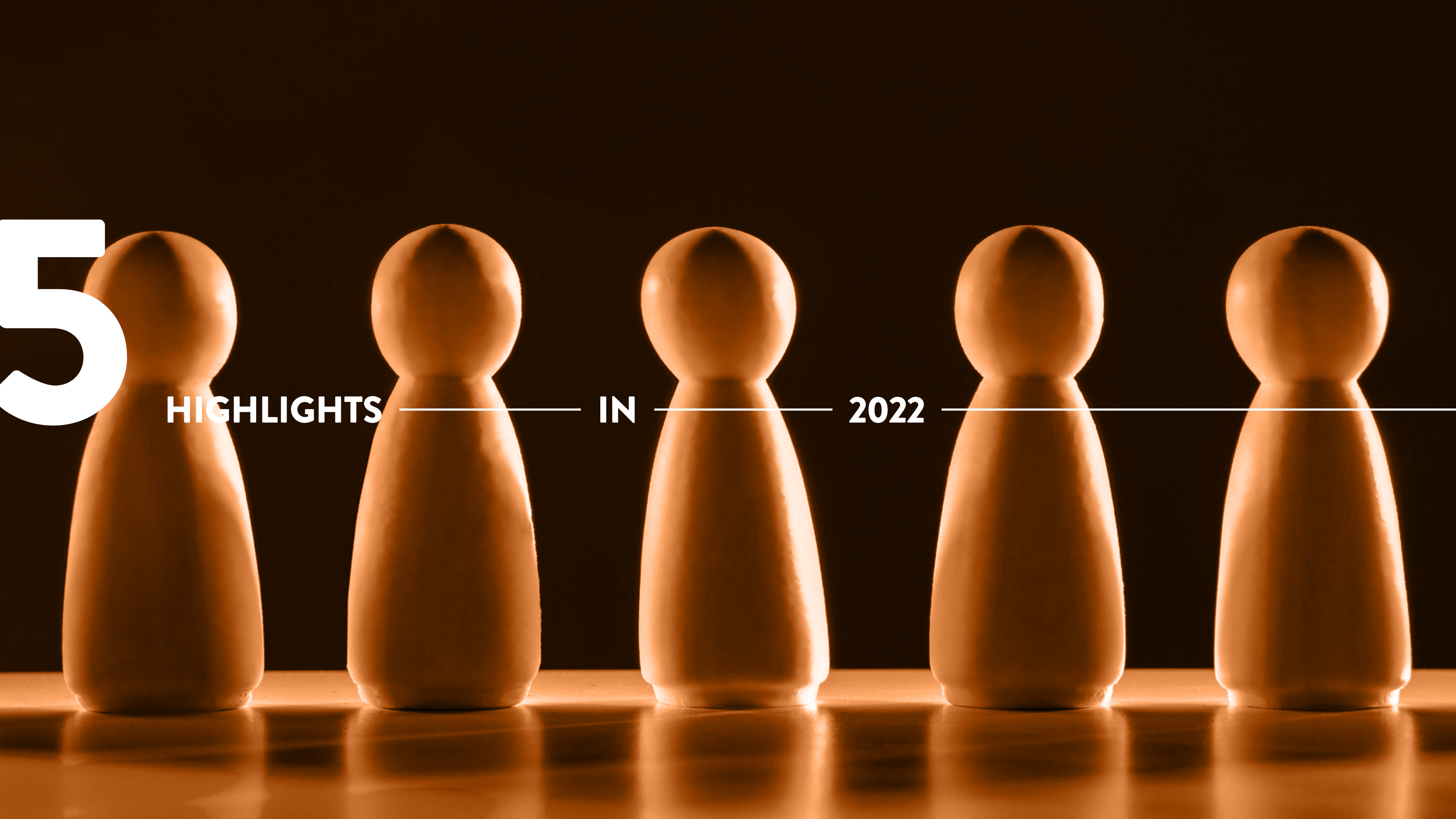


5

HIGHLIGHTS

IN

2022



HIGHLIGHTS IN 2022

Alarko Holding

- ▶ The sustainability strategy and sustainability targets were determined.
- ▶ A Sustainability Committee was established to monitor and manage sustainability targets.
- ▶ A Digital Transformation Roadmap was created, and 10 initiatives were identified for the transformation.
- ▶ The Corporate Governance Rating was increased.
- ▶ Collaborations were made with non-governmental organizations to promote women's employment and support education in the field of social responsibility.
- ▶ Alarko Life Volunteers, a volunteer platform created by Group employees, focuses on supporting volunteering projects that generate social benefits.
- ▶ A talent management strategy was formulated, encompassing all Group companies, and the "Career Architecture and New Title Structure" project was launched to establish a career framework that aligns with the strategic objectives for employees.
- ▶ Corporate social responsibility expenditures, including Alarko Holding and all affiliated companies, amounted to TL 17 million.

MEDAŞ

- ▶ As a result of the improvement efforts for customer satisfaction, the Ministry of Energy and Natural Resources named MEDAŞ one of the distribution companies with the highest customer satisfaction rate in Turkey.
- ▶ As part of ongoing R&D initiatives, 10 projects have been approved by the EMRA.
- ▶ Approximately TL 2.1 billion was allocated to technological investments and improvements, as well as investments in the renewal and capacity expansion of electricity distribution facilities.

Alarko Carrier

- ▶ A comprehensive study was conducted in collaboration with research sector institutions to assess the level of climate literacy in Turkey.
- ▶ Its new R&D study earned the company the third prize in the "Best Optimization Project Statement" category at the 2022 International Design, Research, and Development Conference (RDCONF).

Hillside Beach Club

- ▶ The Occupational Health and Safety ISO 45001 certificate was successfully renewed through the practices conducted by the sustainability department.
- ▶ A total of 242,650 seeds were planted in Hillside Forests in Fethiye and surrounding regions.

6

CORPORATE

GOVERNANCE

CORPORATE GOVERNANCE

Corporate governance plays a crucial role in effectively managing sustainability efforts. Companies with a strong corporate governance structure can effectively align their strategic objectives with sustainability principles by fostering transparency, accountability, and ethical decision-making in their processes. At Alarko Holding, we believe that transparent and responsible corporate governance practices play a pivotal role in fostering trust among all our stakeholders, ensuring the enduring sustainability of our initiatives, and generating value. As a result of our work in this area, we have increased our Corporate Governance Rating in 2022. In 2021, we commissioned Kobirate to conduct our first corporate rating. Achieving a Corporate Governance Principles Compliance Score of 8.99, we earned a place in the Borsa İstanbul Corporate Governance index. In light of the progress we made throughout the year, we managed to improve our ratings in key areas such as “Shareholders”, “Public Disclosure and Transparency”, and “Board of Directors”, achieving a compliance score of 9.22 in 2022.

WE INCREASED OUR CORPORATE GOVERNANCE RATING IN 2022.

We recognize the importance of diversity and inclusion in our corporate governance approach. As part of our Women Members of the Board of Directors Policy, Alarko Holding aims to maintain a minimum representation of women on the Board of Directors at 25%. In the nomination process for the Board of Directors, female candidates are given prioritized consideration over male candidates with similar qualifications in terms of knowledge, experience, and competence. Currently, when we examine the consolidated results of all our Group companies, the representation of female members on the Board of Directors stands at 27%. Our long-term goal is to raise this share to 40%.

Furthermore, we have committees in place to support all aspects of our governance processes. The Corporate Governance Committee fulfills the responsibilities of both the Nomination Committee and the Remuneration Committee. We also have committees such as the Early Detection of Risk Committee, Audit Committee, and Risk Committee.

6 CORPORATE GOVERNANCE

Risk Management

Business Ethics and Transparency

Occupational Health and Safety

Stakeholder Relations

SUSTAINABILITY APPROACH

MATERIALITY ANALYSIS

THE PLANET

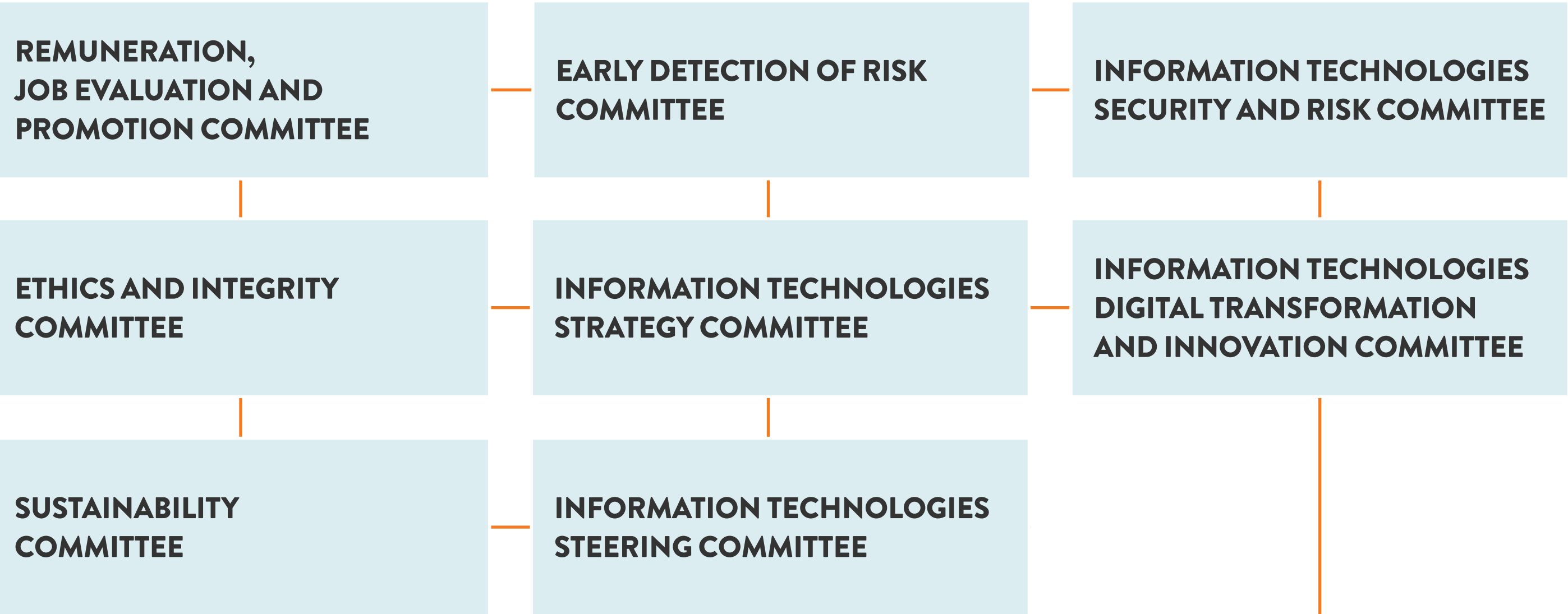
PEOPLE AND CULTURE

DIGITAL TRANSFORMATION AND
INNOVATION

APPENDICES

GRI CONTENT INDEX

OUR COMMITTEES



- ▶ Risk Management
- ▶ Business Ethics and Transparency
- Occupational Health and Safety
- Stakeholder Relations

RISK MANAGEMENT

At Alarko Holding, we prioritize the implementation of an effective risk management strategy to mitigate potential risks and ensure sustainable growth for our Company. Our goal is to minimize the risks that our Group companies may encounter under the umbrella of the Holding and to provide a reasonable level of assurance against potential risks. The primary risk parameters monitored in this context can be summarized as follows:

- ▶ **Market risk:** Price volatility in key inputs
- ▶ **Credit risk:** Monitoring the loan-to-equity ratio
- ▶ **Exchange rate risk:** Volatility in foreign exchange rates and interest rates
- ▶ **Liquidity risk:** Maintaining an acceptable current ratio.

The Group's comprehensive risk management program aims to reduce the impact of financial market volatility and potential adverse conditions on the Group's financial performance.

The complete hedging policy is available on the [corporate website](#). The Board of Directors oversees the regular activities of the Risk Hedging Transactions and Early Detection of Risk Committee. A risk management and internal control mechanism was established by the Board of Directors. Administrative risks are regularly assessed by the Audit Advisory and Approval Board (AAAB) and the Early Detection of Risk Committee, which is composed of members of the Holding's Board of Directors. In the aforementioned Board, a decision was made to establish, enhance, and continuously update the internal control mechanism across all Alarko Group of Companies. Following this decision, the Group Audit Team has been tasked with overseeing the implementation of the internal control mechanism and assessing its effectiveness. The Group Audit Team conducts regular audits of the internal control mechanism as per the approved annual audit plans, and it reports its findings and recommendations to the senior management regarding the identified issues.

The Audit Committee further assesses the mentioned matters and provides recommendations to the Audit Advisory and Approval Board. The Audit Advisory and Approval Board, Early Detection of Risk Committee, and Audit Committee collaboratively identify measures to address issues and provide instructions to company managers through the Group Chief Executive Officer. An Early Detection of Risk Committee, comprising three members, was formed to advise the Board of Directors in identifying potential risks our company might encounter early on and to establish an effective risk management system. The Committee's operating principles were ratified by the Board of Directors. In 2022, the Early Detection of Risk Committee held a single meeting and generated six reports, which were subsequently presented to the Board of Directors.

BUSINESS ETHICS AND TRANSPARENCY

Ethics and compliance form the basis of our corporate governance framework. The Holding has prepared a Code of Ethical Conduct and Working Principles handbook based on this understanding. The Holding and all Group companies adhere to the rules outlined in the handbook, and employees are obligated to adhere to these rules in their daily activities. New recruits are provided with an Ethical Principles booklet, and they are required to acknowledge that they have read it. The Ethical Principles encompass all of the company's policies and procedures, guiding interactions and relationships with various stakeholders, including Alarko Holding employees, customers, shareholders, business partners, suppliers, competitors, public institutions, and society at large, including temporary employees.

CODE OF ETHICAL CONDUCT AND WORKING PRINCIPLES BOOKLET

- ▶ The booklet establishes a framework for applying ethical rules in all activities conducted. These rules are governed by the Ethics and Integrity Committee. The Ethics and Integrity Committee plays a crucial role in developing and maintaining a system that ensures compliance with ethical rules. It oversees the creation of necessary documents, provide training, and establishes the management structure to support adherence to these rules. If needed, it also assigns individuals or teams to carry out these activities.
- ▶ The committee ensures that ethical rules are not only established but also internalized and applied consistently throughout the entire company.
- ▶ It has established a system that enables all employees, shareholders, and customers to report violations of ethical rules and similar regulations through standardized rules and procedures.
- ▶ The committee provides explanations and guidance on ethical rules as needed.
- ▶ It sets up reporting mechanisms for employees to report violations of ethical rules or instances where someone is coerced into violating these rules.

Additionally, our employees can report any actions or situations they believe violate ethical rules in writing to the Chairman of the Board of Directors or by e-mail to the Ethics Committee at etik.bildirim@alarko.com.tr.

In our ethical principles that prioritize our employees and teamwork, we also emphasize principles such as profit and loss sharing, recognizing success and learning from failure. We provide regular training to all personnel based on their qualifications and areas of work, ensuring that they embrace modern technology.

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OCCUPATIONAL HEALTH AND SAFETY

We prioritize the implementation of highly effective occupational health and safety (OHS) practices to safeguard the well-being of our employees, stakeholders, and the environment. As part of our OHS initiatives, we adhere to both national and international laws and regulations, work diligently to mitigate risks in this domain, and demonstrate our dedication to sustainable operations and ethical business conduct. Under the framework of the Occupational Health and Safety Management System, all of our Group companies are committed to sustaining a safe and healthy work environment.

Alarko Holding systematically assesses all types of risks, hazardous situations, and behaviors related to OHS in all the activities of Group companies. Furthermore, by identifying and applying effective risk control methods, our goal is to eliminate hazards at their source and minimize risks to prevent injuries and safeguard the mental and physical health of individuals.

Regarding OHS, the Holding considers it a minimum responsibility to adhere to relevant national and international legislation, meet customer and specification requirements, and stay updated with technological advancements in this field. The Holding allocates both material and moral resources to establish a healthy and safe working environment. In this context, our Group companies organize training programs to raise and enhance OHS awareness, and we encourage all our employees to actively participate in these initiatives. The average OHS training hours per person increased in 2022 compared to previous years, with employees receiving an average of 23.3 hours of training and subcontractors receiving 104.1 hours.

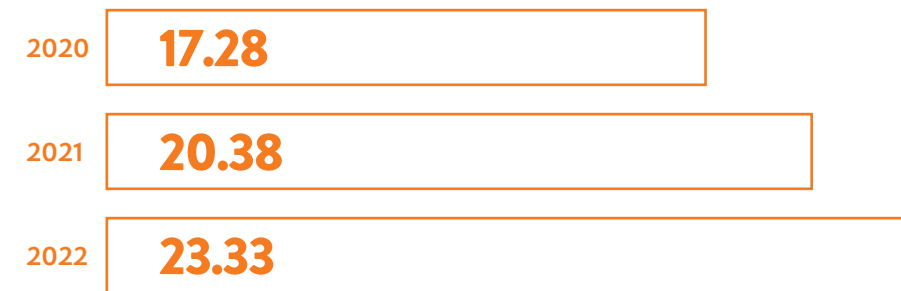
In 2022, Alarko Holding and its Group companies provided a total of 102,981 hours of OHS training.

OHS TRAINING HOURS

Employee Training Hours



Average Training Hours per Employee



Subcontracted Employee Training Hours



Average Training Hours per Subcontracted Employee



OHS TRAINING RELATIVE TO TOTAL TRAINING



Additionally, since each of our Group companies operates in different fields, each company has its own specific OHS target. The table below outlines the OHS targets set by the companies based on their respective industry-specific conditions.

COMPANY	OHS OBJECTIVE
Alarko Carrier	Achieve a 25% reduction in the accident frequency rate for the Gebze facility
Alarko Holding	Maintain zero accident rate
ALSİM	Achieve an occupational accident frequency rate* below 5 in 2022 Achieve an occupational accident severity rate** below 60 in 2022 Achieve a minimum average success rate of 85% in internal audits and performance measurements conducted throughout the year
ALTEK	Maintain zero accident rate
ATTAŞ	Reduce the number of occupational accidents Reduce lost work days due to occupational accidents
CENAL	Decrease the time required to address identified nonconformities Raise the count of reported near misses and safety hazard notifications
MEDAŞ	Decrease the amount of lost workdays
MEPAŞ	Achieve zero occupational accident rate

* Number of Accidents x 1,000,000 / Total Human x Hours Produced in a Year

** Total Days Loss Due to Work Accidents x 1.000.000 / Total Human x Hours Produced in a Year

GOOD PRACTICES BY OUR GROUP COMPANIES

ALSİM

Occupational Safety Information Management Report Tracking System (IBYS-RTS)

The system ensures the implementation of the Alarko Occupational Health and Safety Management System in all projects and facilitates the rapid reporting of information by transferring it to the electronic environment. The tracking system has enabled field inspections to be conducted swiftly and efficiently. Moreover, based on statistical data, specific project-related measures have been formulated. Additionally, this project facilitated the transfer of data to the Ministry of Labor and Social Security. This tracking system allowed for centralized control and comprehensive, secure data recording for all projects.

Mobile Field Detection Application

The Mobile Field Detection Application facilitates the rapid recording of OHS and environmental non-conformities detected in the field using a mobile application. The application allows for the swift transmission of information to the relevant personnel at Alarko or its subcontractors. This project aims to achieve comprehensive data recording and generate meaningful reports based on the collected data. The project implementation resulted in time and paper savings.

MEDAŞ

To ensure the highest level of OHS, MEDAŞ conducted inspections in all 37 regions in 2022 with its field supervisor staff. Actions were planned accordingly based on the findings. As a result, the occupational accident severity rate* decreased by 28% compared to the previous year.

* Total number of lost days due to occupational accidents in a given working period

CENAL

Lifeline to the Coal Stock Site

To ensure employee safety, a 354-meter-long lifeline was constructed spanning two coal stock sites.

Video for Subcontracted Employees and Visitors

A video has been created to educate individuals working temporarily or as subcontracted employees at the CENAL site about site-specific rules and workplace-specific risks. The project visually reinforced OHS rules and promoted efficient and effective use of time.

STAKEHOLDER RELATIONS

STAKEHOLDER GROUP	COMMUNICATION METHOD	FREQUENCY OF COMMUNICATION
Employees	Alarko Holding Code of Conduct, Alarko Holding Code of Ethics, in-house intranet, social media publications, Alarko Invention Day, Suggestion, Appreciation and Reward System, Alarko Holding Strategy Day, Alarko Day, Alarko Group's White Paper, Working Groups and Committees, "Bizim Dünyamız" (Our World) corporate magazine, "Alarko'da Yaşam" (Life at Alarko) internal communication bulletin, CEO message bulletin, Coordination bulletin, internal publications such as announcements, social events, Performance Management System, Annual Report and Sustainability Report, Employee Engagement Research and surveys, leadership meetings	Continuous
Analysts and Creditors	Announcements of quarterly and annual financial results, quarterly and annual financial reports, quarterly business summaries, corporate website, Capital Markets Day, social media and digital channel publications, investor and analyst presentations, material disclosures, financial results evaluation meetings, one-on-one meetings and meetings, General Assembly meetings, Annual Report and Sustainability Report	Continuous
Financial Institutions	Announcements of quarterly and annual financial results, quarterly and annual financial reports, quarterly business summaries, corporate website, Capital Markets Day, social media and digital channel publications, investor and analyst presentations, material disclosures, financial results evaluation meetings, one-on-one meetings and meetings, General Assembly meetings, Annual Report and Sustainability Report	Continuous
Subsidiaries	Alarko Day, Alarko Strategy Day, Annual Report and Sustainability Report, Working Groups, project partnerships	Continuous
Shareholders	Announcements of quarterly and annual financial results, quarterly and annual financial reports, quarterly business summaries, corporate website, Capital Markets Day, social media and digital channel publications, investor and analyst presentations, material disclosures, financial results evaluation meetings, one-on-one meetings and meetings, General Assembly meetings, Annual Report and Sustainability Report	Continuous
Business Partners and Suppliers	Annual Report and Sustainability Report, Alarko Holding Working Principles, Alarko Holding Ethical Principles, trainings, award ceremonies, one-on-one meetings, Occupational Health and Safety Committees, internal publications	Periodic
NGOs and Initiatives	Annual Report and Sustainability Report, Working Groups, Committee and Board of Directors memberships, memberships, joint projects and initiatives, meetings and gatherings	Periodic
Public Institutions and Local Governments	Annual Report and Sustainability Report, audits, meetings and gatherings	Periodic
International Organizations	Annual Report and Sustainability Report, audits, meetings and gatherings	Periodic
Media	Annual Report and Sustainability Report, interviews and interviews, meetings and interviews, press releases, material disclosures	Continuous
Universities	Annual Report and Sustainability Report, academic congresses and seminars, articles and publications, academic research, joint projects, training and technical support, sponsorships, meetings and gatherings, social media channels	Periodic



SUSTAINABILITY

APPROACH



SUSTAINABILITY APPROACH

At Alarko Holding, we prioritize sustainability in line with our vision and mission, and we uphold the principles of the Alarko Philosophy to nurture sustainability. In this context, we view our vision of becoming a leading and respected global company as a guiding principle for attaining social and environmental benefits through sustainability. We are dedicated to generating sustainable benefits in both our country and the regions where we operate.

For Alarko Holding, sustainability serves as a tool for creating long-term value. We take steps to ensure sustainability in the activities of our Group companies and aim to go beyond these efforts. We are aware that in order to be a leading and respected company on a global scale, we must work to restore the deteriorated systems of our planet and re-establish social bonds. To this end, we materialize our long-term perspective by embodying our strategic sustainability framework and long-term goals.

With our sustainability strategy initiated in 2022, we identified the areas where we will create long-term value, focusing on our priority concerns. Moving forward, we are committed to addressing our priority concerns, which we have categorized under the headings of “The Planet”, “People and Culture” and “Digital Transformation and Innovation”, through long-term goals.



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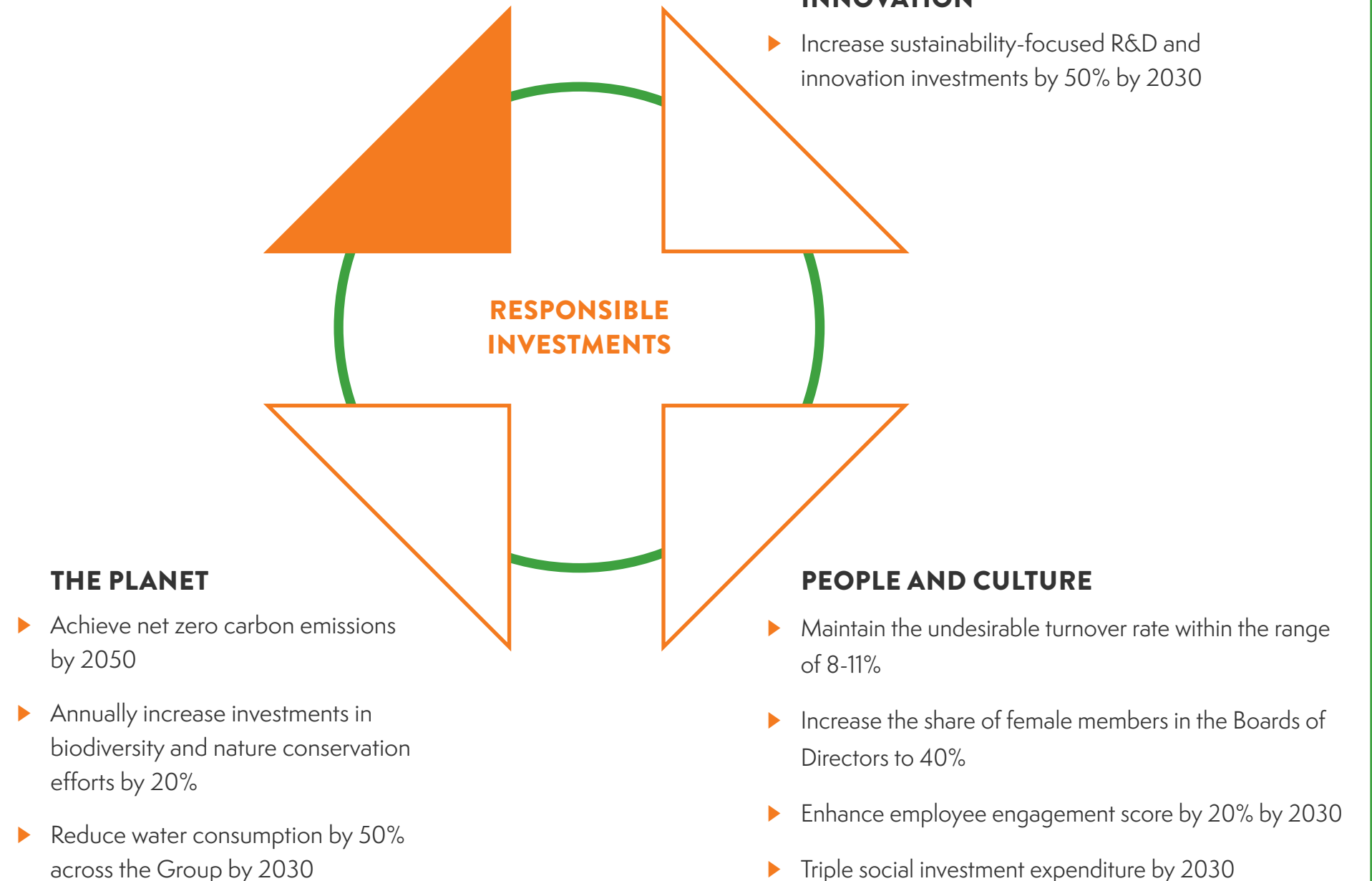
SUSTAINABILITY FRAMEWORK AND OBJECTIVES

Under “The Planet” heading of our strategy, we have placed particular emphasis on addressing climate change and ecosystem restoration, recognizing them as some of the most critical challenges facing humanity. We have established a vision of achieving net-zero greenhouse gas emissions by the year 2050. Furthermore, as a Group, we track our emissions with annual targets. Recognizing the imperative to restore the planet’s health, we have outlined our objectives in the domains of biodiversity and water as part of our ecosystem restoration efforts. In line with this commitment, we allocate a specific portion of our net profit towards investments in ecosystem and biodiversity conservation projects. Furthermore, we have set a target to reduce our water consumption in our processes by 50% by the year 2030.

Under the heading of “People”, we have addressed various aspects, including talent management, diversity and inclusion, employee engagement, and social investments. Accordingly, we have established targets related to various aspects, including reducing the rate of unwanted losses, increasing the representation of female members on the Boards of Directors, enhancing employee loyalty scores, and allocating a portion of our resources to social investment. We recognize that people and society are the most crucial elements in our journey towards sustainability and extending beyond sustainability. In this context, we will continue our efforts to facilitate social transformation, beginning with ourselves.

Within the framework of our strategy’s “Digital Transformation and Innovation” heading, our objective is to augment the allocation dedicated to sustainability-focused R&D and innovation endeavors in order to expedite the creation of products and services that actively contribute to sustainability, with a concurrent increase in the range of products and services falling under this category. Through our digital transformation initiatives, we are not only ensuring the readiness of our Group companies for the future but also influencing the broader ecosystem we engage with to adapt to future challenges.

VALUE AREAS AND LONG-TERM TARGETS



SUSTAINABILITY NARRATIVE

In all our Group companies and in our new investments, we strive to create business models that are resilient, adaptable to uncertainties, and aligned with long-term environmental and social benefits.

At Alarko Holding, we believe that sustainability is the key to long-term success. Through our responsible investment principles, we aspire to make a positive impact on the future and harness our capabilities to drive transformative change in this field. In this context, in all our Group companies and in our new investments, we strive to create business models that are resilient, adaptable to uncertainties, and aligned with long-term environmental and social benefits. We encourage our companies to collaboratively develop innovative and forward-thinking solutions with their stakeholders within their respective industries. Rather than attempting to predict the future, we focus on enhancing our adaptability throughout the entire value chain in collaboration with our stakeholders, with the aim of fostering prosperity across our entire business ecosystem.

Through our current actions, we recognize that we are molding the future of our organization, our employees, and our stakeholders. Therefore, we strive to generate enduring environmental and social advantages by investing in new sectors that will be advantageous to our employees, society, and stakeholders, with the goal of creating a valuable future for all.

We are aware of the mounting pressure that the climate crisis is exerting on our planet. We invest in endeavors that promote low-carbon and circular economic development, both in our current operations and in potential ventures. We develop lasting ecosystem improvement plans, recognizing the importance of the ecosystem as our future guarantee, and strive to engage in responsible investments for ecosystem restoration.

We prioritize the well-being of people and society and invest in the future of our business. We promote inclusivity and equality, aiming to enhance social welfare within our workforce and society, while also fostering the essential skills for the future world.

We recognize that addressing complex challenges requires diverse and innovative viewpoints. Through investments in innovative products and services, we enhance our organizational innovation capabilities and foster an entrepreneurial ecosystem that can contribute to shaping future business models. We harness the opportunities presented by digital transformation to seize opportunities and enhance our organizational resilience. In doing so, we design future-oriented business models by cultivating skills that are well-suited for what lies ahead.

At Alarko Holding, we aim to harness the power of technology and innovation to transform our people-centered organizational heritage into benefits for the planet. We will continue to generate enduring value for our stakeholders, our nation, and our world, driven by our vision of becoming a leading, robust, and esteemed global company.

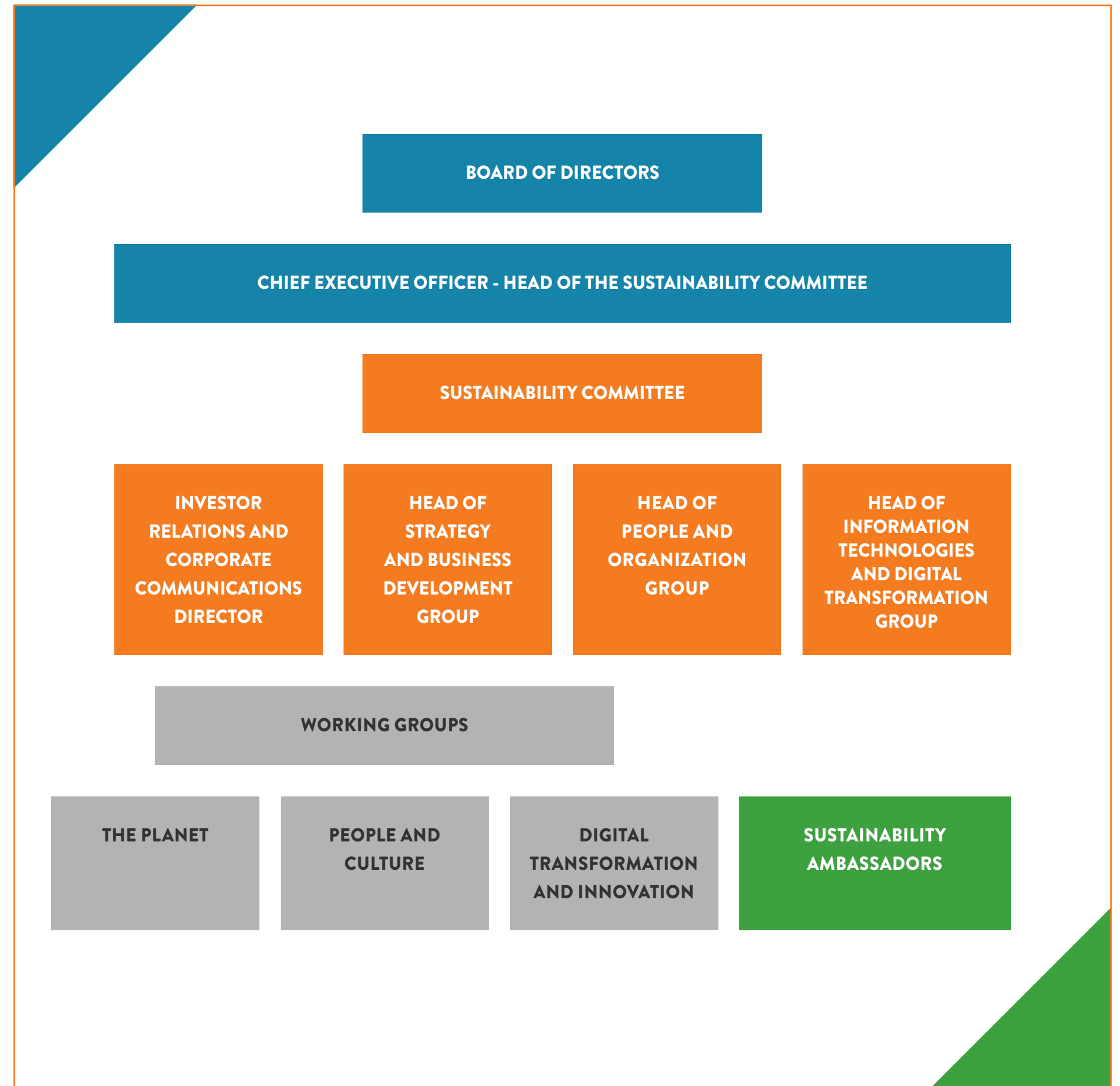
SUSTAINABILITY GOVERNANCE STRUCTURE

Sustainability governance within Alarko Holding is overseen by the Sustainability Committee, which holds the authority and responsibility for these matters. The Sustainability Committee reports directly to the Chief Executive Officer and convenes four times a year with predefined agenda items. The Committee oversees matters such as the advancement of sustainability objectives, items to be incorporated into the investment agenda, and the sustainability achievements of group companies. If needed, the Head of the Committee presents these issues to the Board of Directors.

The coordination of the Sustainability Committee is managed by the Investor Relations and Corporate Communications Director. The other members of the Committee include the Head of People and Organization Group, Head of Strategy and Business Development Group, and Head of Information Technologies and Digital Transformation Group.

The Working Groups are positioned to assist the Committee in each value area. They play a role in monitoring annual performance within the companies and generating project ideas for improvements. They report the progress of Group companies to the Committee twice a year and provide their reports to the relevant Group Head within the Committee. Each group decides independently on the frequency of Working Group meetings and the urgency of issues to be reported and communicated to the Committee.

Another aspect of the governance structure is the Sustainability Envoys, who are volunteers and gather to promote a cultural shift towards sustainability. By embracing a unique learning and leadership approach, this community strives to influence sustainability matters across the organization and generate long-term value by incorporating diverse viewpoints and innovative solutions.



8

MATERIALITY

ANALYSIS



MATERIALITY ANALYSIS

PROCESS FOR TOPIC MATERIALIZATION

Given the evolving trends and global dynamics, we currently find ourselves in a pivotal era where corporate responsibility in the field of sustainability holds significant importance. In 2022, at Alarko Holding, we formulated our sustainability strategy to elevate our commitment to sustainability and place it at the core of our business operations. A crucial initial step in this journey involved identifying our sustainability-linked material topics through active engagement with stakeholders. During the selection of our sustainability-linked material topics, we integrated our stakeholders into the process, following the guidelines of the AA1000 Stakeholder Engagement Standard.

In this process, we recognized our business partners, suppliers, strategic external stakeholders, as well as our internal stakeholders, including our colleagues and shareholders, as entities that have a direct economic impact on our operations. Additionally, we identified analysts, public institutions, local governments, financial institutions, and our affiliates as stakeholder groups that have an indirect economic impact on our operations. Furthermore, we recognized non-governmental organizations as part of our stakeholder group, which provides new opportunities, insights, and perspectives. As part of the materiality study, we gathered feedback from eight distinct stakeholder groups using a survey, and this input informed the creation of our materiality matrix.



Before engaging with stakeholders through a survey, we conducted a comprehensive literature review that involved analyzing international trends, the global agenda, sector-specific demands, and stakeholder expectations. After completing this desktop work, we, as the Holding, shifted our focus to the issues where we could make a substantial impact, compiling a lengthy list of priority concerns. We sought feedback from our stakeholders on the extensive list of topics we had compiled by conducting a survey. Additionally, we collected insights aligned with the companies' strategic direction through individual meetings with senior management within the Holding.

The insights gathered from stakeholder surveys constitute one aspect of the materiality analysis. To complete the materiality analysis, we incorporated the following four distinct analytical inputs:

Direct Economic Impact

- ▶ Employees
- ▶ Business Partners and Suppliers
- ▶ Shareholders

Indirect Economic Impact

- ▶ Analysts
- ▶ Public Institutions and Local Governments
- ▶ Financial Institutions
- ▶ Subsidiaries

New Opportunities and Insights

- ▶ Non-Governmental Organizations

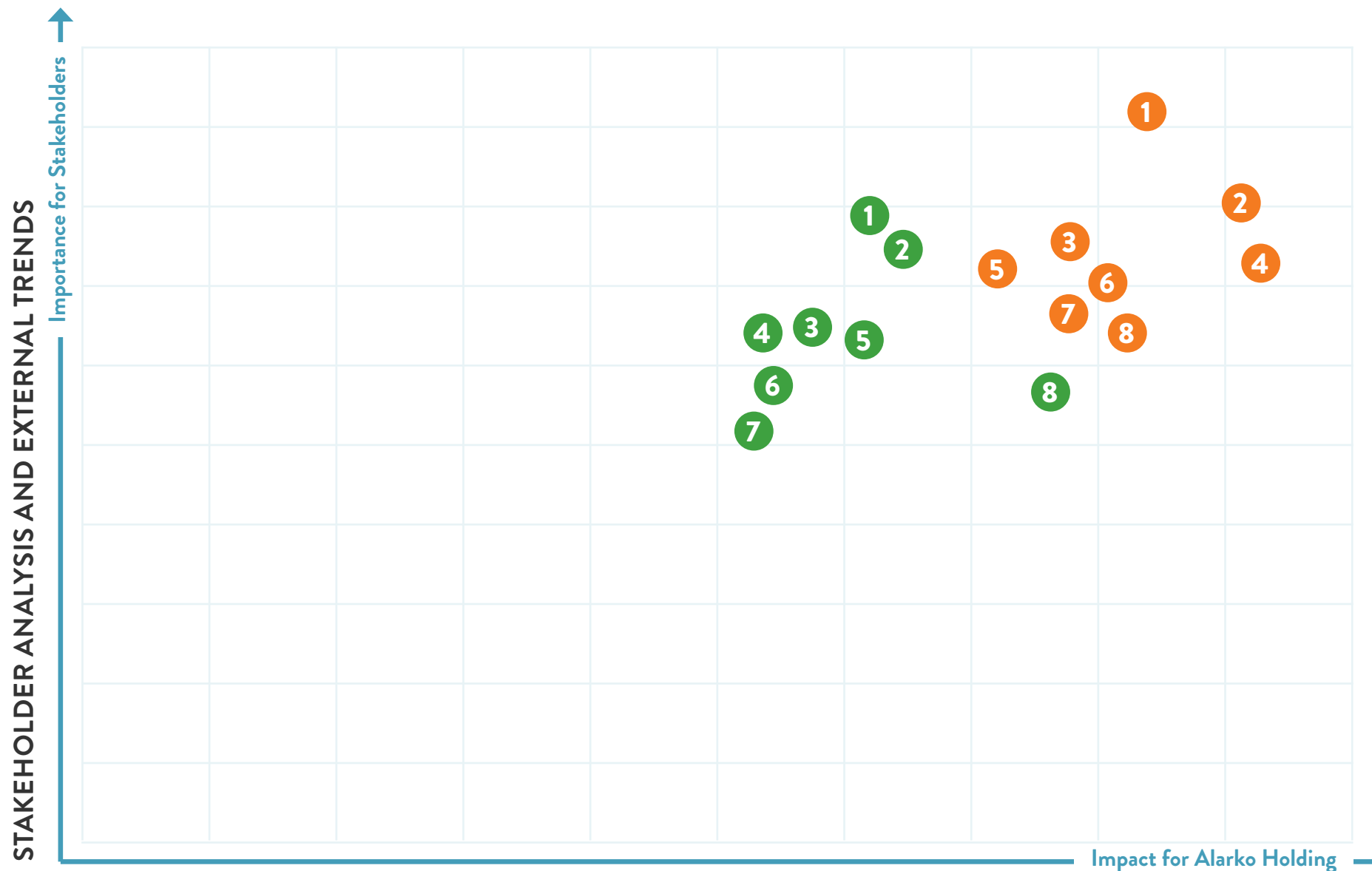
- ▶ External trend analysis
- ▶ Manager interviews
- ▶ Impact analysis (financial, environmental and social)
- ▶ Company strategy

We finalized the materialization process by individually assessing each material issue within a total of five main categories, which included the stakeholder engagement component of the process. We then positioned these material topics from our long list on a two-dimensional materiality matrix.

MATERIALITY MATRIX

The key topics for Alarko Holding in the upcoming period have been identified through a comprehensive process. A materiality matrix was created by assessing the Holding's business strategy, external trends, and stakeholder expectations. The final version of the materiality matrix was established following approval from our senior management. This matrix serves as a guide to determine which sustainability-linked topics Alarko Holding should prioritize based on its available resources and opportunities. Furthermore, it actively contributed to aligning our sustainability strategies with the expectations of our stakeholders.

All the topics listed in the matrix are considered priority topics for Alarko Holding. They have been categorized as Very High Priority Material Topics and High Priority Material Topics to facilitate their management and identify areas of value.








STAKEHOLDER ANALYSIS AND EXTERNAL TRENDS
VIEWS OF EXECUTIVES AND ALARKO HOLDING STRATEGY AND IMPACT ANALYSIS

VERY HIGH PRIORITY MATERIAL TOPICS

- 1 Climate Change
- 2 Energy Efficiency
- 3 Novel Products and Innovation
- 4 Digitalization
- 5 Water Management
- 6 Talent Management
- 7 Responsible/Sustainable Supply Chain
- 8 Sustainable Finance and Responsible In-vestment

HIGH PRIORITY MATERIAL TOPICS

- 1 Waste Management
- 2 Ethics, Compliance and Transparency
- 3 Diversity and Inclusion
- 4 Customer-Orientedness
- 5 Community Investments
- 6 Data Security
- 7 Biodiversity Conservation
- 8 Organizational Development and Culture

MATERIALITY RANK	MATERIAL TOPIC	OUR DEFINITION	RELEVANT SUSTAINABLE DEVELOPMENT GOAL	
VERY HIGH PRIORITY MATERIAL TOPICS	1	Climate Change	Identifying the impact of the climate crisis and associated risks, facilitating the transition to a zero-carbon economy, reducing both direct and indirect greenhouse gas (GHG) emissions across all business pro-cesses, and assessing carbon reduction opportunities	
	2	Energy Efficiency	Ensuring the continuous improvement of processes and equipment to increase energy efficiency	 
	3	Novel Products and Innovation	Conducting novel product development and innovation initiatives that align with sustainability and emerging business trends, while enhancing environmental and social benefits	
	4	Digitalization	Integrating digitalization driven by rapidly advancing technologies into business operations and replacing manual processes with digital workflows	  
	5	Water Management	Reducing water consumption in our operations and throughout the value chain, responsibly treating wastewater, and promoting practices for recycling and reusing water resources	 
	6	Talent Management	Assessing the skills and competencies of both current and prospective employees to meet present and future needs, enhancing employee skills, and motivating them to improve performance	 
	7	Responsible/Sustainable Supply Chain	Prioritizing sustainability in the supply chain, which involves assessing the environmental and social impact of every step from raw material procurement to production, storage, delivery, and transportation, while adhering to environmental, social, and ethical standards and enhancing traceability	
	8	Sustainable Finance and Responsible Investment	Exploring sustainable finance opportunities to support current and potential investments, capacity building, and transformation, with a consideration of ESG performance criteria alongside economic factors	 

MATERIALITY RANK	MATERIAL TOPIC	OUR DEFINITION	RELEVANT SUSTAINABLE DEVELOPMENT GOAL
PRIORITY MATERIAL TOPICS	9	Waste Management	Disposing of all forms of waste generated during operations and throughout the value chain using the most environmentally and socially responsible methods to minimize harm to the environment and society
	10	Ethics, Compliance and Transparency	Compliance with laws and ethical behavior, including issues such as corruption, anti-bribery and unfair competition in all activities, communications and relations, transparent communication, reporting and information sharing on these issues
	11	Diversity and Inclusion	Implementing practices to prevent discrimination based on criteria such as gender, ethnicity, religion, sexual orientation, and age in the workplace and throughout the value chain, ensuring that the organization promotes fairness and impartiality, and incorporates such diversity
	12	Customer-Orientedness	Offering products to customers in accordance with evolving consumer preferences and demands, expanding customer communication channels, and ensuring high levels of customer satisfaction
	13	Community Investments	Assessing the organization's current and potential investments to create social benefits, adhering to a shared value approach in investments, and making investments in alignment with societal needs
	14	Data Security	Securing the confidentiality of crucial personal and commercial data for the organization and its stakeholders (employees, customers, investors, etc.) and safeguarding this information
	15	Biodiversity Conservation	Preserving and enhancing biodiversity in affected regions' terrestrial, freshwater, and marine ecosystems
	16	Organizational Development and Culture	Increasing awareness and enhancing the capacity of all employees within the organization, with a particular focus on ESG and sustainability matters

9

THE

PLANET

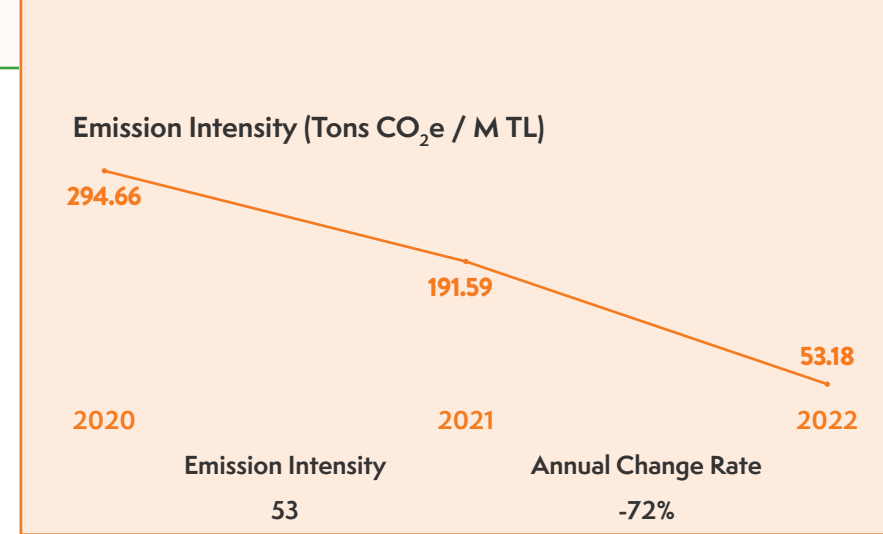


THE PLANET

Challenges such as the climate crisis, ecosystem degradation, biodiversity loss, and the depletion of natural resources are becoming increasingly systemic with each passing year. We recognize that it is impossible to establish a sustainable economic order without a healthy planet. We believe that the environmental damage caused by humanity over the past few centuries must be reversed. As a result, one of the key components of our sustainability strategy is the planetary aspect. We are striving to enhance our performance by establishing goals related to climate change, ecosystem restoration, and the protection of natural assets.

CLIMATE CHANGE

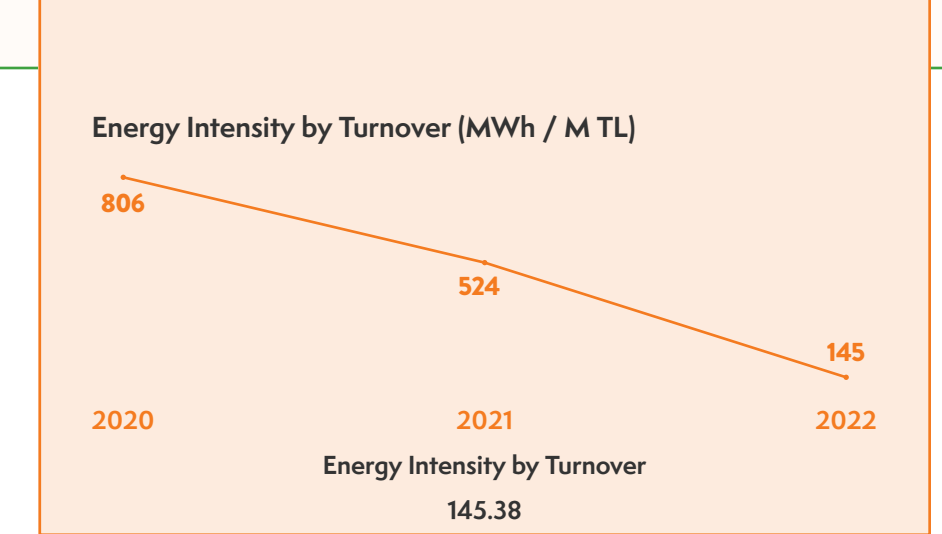
As the climate crisis continues to gain attention on the social agenda with new challenges emerging daily, it is imperative to address its planetary and social consequences equitably through collective efforts. It has become the responsibility of all sectors and companies to align their actions with the 1.5-degree scenario outlined in the Paris Climate Agreement. The climate crisis has become critical, especially for exporting companies, due to the increase in regulations. The climate crisis is a multifaceted issue that affects various aspects of our planetary system, including biodiversity and ocean health. Addressing it requires a systematic and holistic approach that goes beyond regulations to promote long-term environmental sustainability. It is imperative to initiate measures in the near future, not only for climate change mitigation but also for climate change adaptation.



Compared to 2021, we have reduced our turnover-based greenhouse gas emissions and energy intensity.

In this context, Alarko Group of Companies has established a vision of achieving net-zero carbon emissions by 2050. We are actively working to reduce our greenhouse gas emissions across all our Group-wide activities in alignment with our annual targets. Our Group companies offer a diverse range of products and services. To achieve our goal, each of our companies aligns their own emission reduction targets with the targets we establish at the Group level. Our strategy, which serves as a roadmap for decarbonizing our entire portfolio, informs decisions regarding new investments and outlines the actions required to reduce emissions from our existing companies. Thus, we are taking strategic steps to incorporate new-generation businesses that have a meaningful future impact and are not carbon-intensive industries into our portfolio.

While our total greenhouse gas emissions in 2022 increased slightly compared to the 2020 level, the greenhouse gas intensity per unit of economic value produced decreased significantly.



The majority of our emissions are associated with the energy sector companies in our portfolio. Therefore, the energy sector is the primary focus of our emission reduction efforts. We aim to reduce emissions in the near term and meet annual targets, especially through investments in renewable electricity and energy efficiency measures. The reduction in our energy consumption relative to turnover also follows a trend similar to the decrease in emission intensity.

Under the guidance of our strategy and the studies planned for the upcoming period, we will strive to reduce both annual emissions and absolute emissions, contributing to the 1.5-degree scenario in the long run. Additionally, our product-oriented companies are actively working to minimize emissions during the usage stages of their products. Furthermore, we remain committed to raising awareness on a societal level and fostering a deeper understanding of the climate crisis.

Our Group companies also have ISO documents that enable them to globally monitor their environmental impacts. Data on ISO certificates in all our facilities for the year 2022 are provided in the table below.

RELEVANT DOCUMENT	NUMBER OF FACILITIES WITH THE RELEVANT ISO CERTIFICATE
ISO 14001	45
ISO 50001	40
ISO 9001	57

BEST PRACTICES BY OUR GROUP COMPANIES

ALARKO CARRIER

R454B Refrigerant Rooftop Air Conditioner Development Project

Within the scope of the R454B Refrigerant Rooftop Air Conditioner Development Project, our primary objective is to develop a Rooftop Air Conditioner that utilizes the R454B refrigerant as an alternative to the existing R410A refrigerant for devices with a capacity exceeding 100 kW. The adoption of the R454B refrigerant with its low GWP (global warming potential) value is expected to result in a significant reduction in carbon footprint, approximately around 80%. Additionally, it is anticipated that this transition will lead to an approximate 3% increase in energy efficiency. In the second phase of the project, the goal is to transition to the use of R454B refrigerant in devices that have a cooling capacity below 100 kW. Through this project, we plan to introduce rooftop air conditioner products that use R454B refrigerant. These products are not only environmentally friendly but also more efficient, competitive, and expected to enhance our export potential in the market.

“Our Expertise: Climate”

The concept of “climate literacy” has been embraced with the aim of enhancing environmental and global climate change awareness within society and elevating the knowledge level of future generations on this subject. Under the initiative with the slogan ‘Our Expertise: Climate’ efforts were initiated to address the concept of eco-anxiety, which has negative psychological effects on individuals, despite limited resources on the topic in Turkey. Awareness sessions were organized for both families and children as part of these efforts.

OEM Combi-Boiler Package Recycling Project

The project’s goal is to promote and increase the utilization of recycled packaging materials. To promote sustainable practices, various initiatives were implemented, including the use of bags made from recycled materials in combi-boilers, sourcing printed materials from recycled sources, adopting recycled cardboard for packaging boxes, and exploring alternatives to styrofoam materials.

ALARKO HOLDING

Energy Efficiency Improvements

Efficiency and sustainability are prioritized in the data center of Alarko Holding, achieved through the use of energy-efficient servers in the system room, resulting in reduced energy consumption and heat production. In addition to using energy-efficient servers, an A++ ventilation system has been installed to maintain optimal server temperatures, improve air circulation, and enhance energy efficiency in the data center. Energy efficiency has also been enhanced by implementing energy-saving lighting products within the company’s lighting systems. An energy management system has been implemented in the server room of the data center to monitor and control energy and heat usage.



ALTEK

Zero Emissions Target

As part of the Karakuz HEPP project, a 2.5 MW hybrid SPP has been implemented with the aim of reducing emissions. As part of the journey towards achieving zero emissions, the operation of the natural gas combined cycle power plant in Kırklareli was halted in 2018. As a result, emissions were reduced by 99%. The goal is to achieve this target by offsetting the emissions generated by employee transportation and emergency generators.

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ECOSYSTEM RESTORATION

While new targets are announced and new steps are taken to address the climate crisis, another existential crisis facing humanity, the loss of biodiversity, has been largely overlooked until recently. Considering the recent emphasis on scientific findings and the interconnected and complex nature of ecosystems, it is imperative to establish and actively pursue specific targets for ecosystem restoration. Private sector representatives, in particular, must shoulder the responsibility and invest in efforts to reverse the ecological destruction that has occurred thus far.

We commit to allocating 20% more resources each year for ecosystem restoration and biodiversity conservation compared to the previous year.

We have identified ecosystem restoration as one of our material topics and have established long-term goals for biodiversity and water conservation at Alarko. Accordingly, we commit to allocating 20% more resources each year for ecosystem restoration and biodiversity conservation compared to the previous year. Through innovative business models, we aspire to support regenerative agricultural practices that enhance soil health. We are also implementing projects to minimize our environmental footprint within our existing operations and investing in sustainable initiatives.

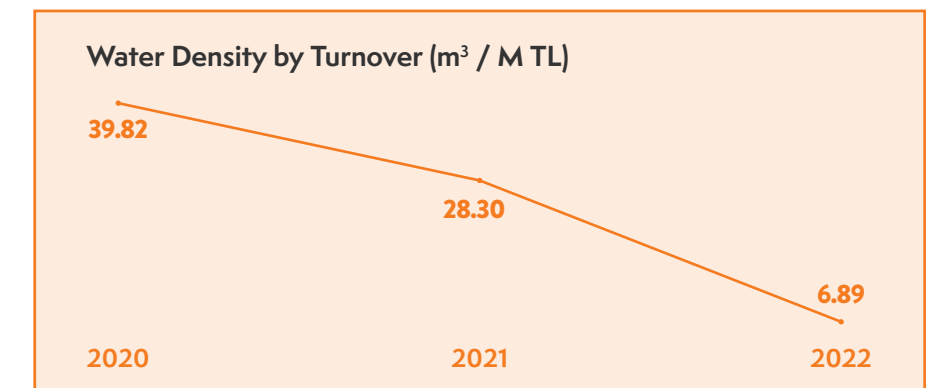
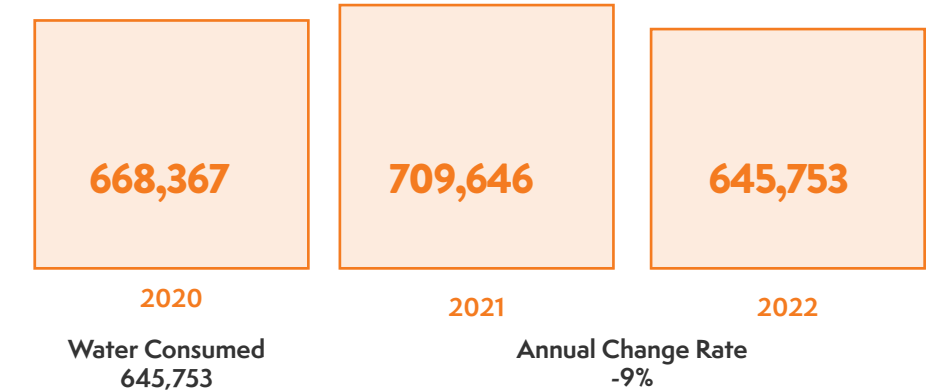
We have established significant targets for our water usage. Water is not only essential for our production processes but also a fundamental source of life. Access to water, an increasingly scarce resource, necessitates proactive restoration actions by the private sector. We are also aware of our responsibility in this regard and aim to reduce our water consumption by 50% throughout the Group by 2030.

**IN 2022,
WE ALLOCATED TL
4.5 MILLION FOR
BIODIVERSITY
CONSERVATION
EFFORTS.**

While working towards our 2030 long-term goal, we are actively reducing our water usage at Alarko Holding and across our Group companies. In 2022, we achieved a 3.5% reduction in our water consumption compared to 2020 and a 9% reduction compared to 2021.

COMPANY	INVESTMENT AMOUNT (TURKISH LIRA)	PROJECT AREAS
CENAL	500,000	<ul style="list-style-type: none"> ▶ Expand, conserve, and afforest green spaces within the facility ▶ Provide sponsorship support for afforestation efforts in nearby forested areas ▶ Provide assistance to local farmers in Karabiga
MEDAŞ	3,479,060	<ul style="list-style-type: none"> ▶ Voltage isolation of bare conductors and distribution network equipment
ATTAŞ	604,614	<ul style="list-style-type: none"> ▶ Hydrant investments made within the scope of fire safety ▶ Forest cleaning ▶ Seed sowing using unmanned aerial vehicles in cooperation with Ecording ▶ Detection of ecosystems for sustainable underwater life ▶ Detection and capture of harmful species such as the Mediterranean pine bark beetle in the forest ecosystem are important activities to protect forests from infestations
Total Amount	4,583,674	

TOTAL WATER CONSUMED (m³)



BEST PRACTICES BY OUR GROUP COMPANIES

MEDAŞ

Production of Medium Voltage Aerial Line Insulation Materials with Domestic Resources

The project aims to enhance the safety of overhead power lines using domestically sourced solutions, thereby mitigating the risk of electric shocks to birds during migration. The goal is to eliminate potentially lethal risks associated with migratory birds coming into contact with power transmission lines and to enhance the reliability of the power supply by reducing interruptions.

Insulation of Power Transformers

The project aims to retrofit and upgrade the insulation systems in legacy substations that were established in the past and currently have insulation deficiencies. By rectifying the insulation deficiencies to prevent the entry of wild predators (such as martens) into transformer buildings, this project aims to protect wildlife and enhance occupational health and safety for employees.





10

PEOPLE

AND

CULTURE

“AT ALARKO, ‘WE’ COMES BEFORE ‘ME.’”

ISHAK ALATON

PEOPLE AND CULTURE

At Alarko Holding, we believe that our employees are our most valuable asset, and we are committed to fostering an organizational culture that encourages their continuous growth and development. As part of our Talent Management approach, we implement a comprehensive process encompassing evaluation, training, and mentoring. We build and implement systems to ensure that we attract, nurture, and retain the top talent. We provide equal opportunities to all our employees and offer continuous training and development opportunities for them to acquire new skills and knowledge, enhance their performance, and advance their careers.

We recognize the importance of investing in the communities where we operate, and we believe that our success is closely tied to the well-being of these communities. Therefore, we spearhead projects driving social and environmental sustainability, uplifting community education and skills, and supporting local development. In the future, we will develop social investment programs with the aim of enhancing the quality of life in these communities. We also develop tools to motivate our employees to engage in voluntary programs and contribute to the development of the Alarko Group to which they belong.

By prioritizing our people and cultural values, we will persist in our efforts to shape a sustainable future for our employees and the communities we serve.

We spearhead projects driving social and environmental sustainability, uplifting community education and skills, and supporting local development.

TALENT MANAGEMENT

In the fast-evolving business landscape, fostering a flexible and innovative work culture is paramount for companies to sustain their competitiveness amidst change. In today’s era, it poses a challenge to both secure a competitive edge and attract and retain talent that can make valuable contributions to the company. In this context, talent management can be defined as the comprehensive set of strategies required for identifying, assessing, and appropriately placing talents within the organization. A robust talent management strategy also fosters a favorable perception that the company highly regards talent and provides growth prospects, thereby enhancing its employer brand.

We acknowledge the pivotal role of talent management in realizing the organization’s objectives. Each step we take to hire, retain, develop, reward, and enhance the performance of our employees constitutes an integral part of talent management. Employees are an essential part of our strategic workforce planning.

Alarko Holding and Group companies utilize systems that empower all our employees to manage their work and time efficiently, enhance their knowledge and skills as per their requirements, and receive constructive and prompt feedback regarding their performance. We identify future leaders through effective talent management practices. Through the Employee Satisfaction Survey, we gather insights into our employees’ expectations regarding the company and its management, and we assess their suggestions for enhancing their work environment and conditions. Furthermore, we actively encourage and collect improvement suggestions through internal communication channels and informational meetings, with a strong commitment to implementing these

valuable ideas. Our lean management system, which has been successfully implemented throughout our organization, empowers our employees to propose and put into action their valuable suggestions for improvement. In the future, we will persist in enhancing employee engagement and loyalty by further bolstering employee involvement through a variety of internal communication initiatives. In this regard, our objective is to maintain an employee turnover rate within the range of 8-11%, minimizing undesirable turnover.

At Alarko Holding and across our Group companies, we undertake projects aimed at enhancing our human capital, boosting employee performance, and nurturing a culture of continuous learning and development. Our talent management strategy is built upon the foundation of tools such as the Performance Management System, training and development programs, career planning, and the design of processes and projects that facilitate employee participation. As part of our ongoing Talent Management strategy, we also maintain the “Achievement and Seniority Badges” program as a way to recognize and appreciate our employees.

OUR TRAININGS

In response to the global pandemic experienced over the past two years, training planning and organizations were initially limited. However, starting from 2022, we have successfully conducted a combination of online and in-person training programs, including “Raising My Awareness” and “Leaders of the New Era”, with the integration of advanced technological infrastructure.

TRAINING CATALOG GROUPS

In 2022, our total training hours reached 168,313 hours.

Alarko 101: These are mandatory training programs designed to familiarize every new employee joining the Alarko Group of Companies with the organization, instruct them on compliance with legal regulations, and raise awareness about the Group’s core values and principles.

Raising My Awareness: These training programs, developed by the Holding People and Organization Directorate, align with the vision and strategies of the Alarko Group of Companies. They emphasize the outcomes of the Performance Management System and are in sync with current business trends. Each of our companies plans trainings in-house according to their specific needs. Training plans are shared with the Holding’s People and Organization Directorate during the planning period to ensure that the process can be coordinated and monitored effectively.

Advancing in My Profession: This training program encompasses “vocational” training, which is identified through employee and manager interviews, driven by performance evaluation outcomes, or recognized as necessary by our managers for their teams.

Leaders of the New Era: These are Leadership Development Programs designed to nurture leaders who meet the demands of our era and elevate our existing leaders to a higher level. The participants for these programs, organized by the Holding’s People and Organization Directorate, are selected based on their suitability for the program by their respective managers and the HR departments of our companies.

Advancing Together: These are annual competency development programs organized by the Holding’s People and Organization Directorate, aiming to enhance both corporate and employee skills. These programs encompass all employees across the Group and are designed to address the specific development areas identified for the organization and its workforce.

In order to measure the return on investment (ROI) of the training, pre-test before the training, post-test after the training, post-training feedback interviews that support behavioral change regarding the targeted competency, post-training workshops with the participation of managers, and research and surveys are conducted at the end of the training period.

The goal is to enhance the training’s benefits for the upcoming period by measuring its impact.

TOTAL TRAININGS (2022)

168,313 SAAT

**AVERAGE TRAINING
PER EMPLOYEE**

58,10 HOURS

10 PEOPLE AND CULTURE

► Talent Management

Organizational Development

Community Investments

DIGITAL TRANSFORMATION AND
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BEST PRACTICES BY OUR GROUP COMPANIES

ALARKO HOLDING

ALL - MY WAY Internship Program (Group Companies)

The ALL - MY WAY Internship Program, established through collaboration with the Yenibirlider Association, is a four-week internship initiative designed to provide students with both technical and personal development opportunities. A comprehensive program has been developed, encompassing online training sessions, project assignments, knowledge sharing, seminars, simulations, inventory tasks, and feedback sessions. Due to the high level of interest in 2022, the program will admit students in two separate periods in 2023. Students who participated in the program in the previous semester received training on various subjects and also learned CV preparation techniques and gained interview simulation experience. During the last week of the program, the interns presented the projects assigned to them by their managers and noted that the feedback they received was valuable for their future careers.



Performance Management System (Group Companies)

The Performance Management System is a structured process designed to enhance the performance of the organization, teams, and individuals in alignment with the corporate strategies and goals. The system facilitates the transformation and control of strategic objectives into organizational objectives, and departmental objectives into individual goals for employees. Process Performance Card (SPP) and Project Performance Card (PPP) are utilized to measure objectives that are not easily quantifiable. In addition to numerical targets, competency assessments are conducted at both the individual and team levels across the company for all positions. The system is initiated in January, targets are reviewed in June, and the employee's achievement of these targets is assessed alongside the manager in December. This process includes the development of individual development plans based on the performance scores.

Career Architecture and New Title Structure (Alarko Holding, Alarko Carrier, ALSİM, ATTAŞ)

Alarko Holding has established a talent management strategy and a sustainable talent management structure, which have been identified as high-priority components of the sustainability project. In this context, a career architecture that aligns with the organization's strategic objectives for employees was developed, and the job title structure was subsequently updated based on the outcomes



of this initiative. Employees are encouraged to take charge of their own careers, opening up possibilities for flexible career trajectories. Additionally, employees' skills and responsibilities are clearly defined, and technical training is scheduled based on their specific needs. The project was further enhanced through feedback, and an internal talent pool underwent a 180-degree evaluation.

Grading Project (Alarko Holding and ALSİM)

The Grading Project aims to effectively manage human resources in a competitive, transparent, and equitable manner that aligns with company strategies, establishing a compensation policy rooted in measurable and well-balanced performance targets. A model grading structure was established by defining the organizational hierarchy and assigning each role within this structure on the company's organizational chart. Model grades corresponding to the roles within the organization are revised annually through a job evaluation and matching process conducted by the People and Organization teams. These revisions are finalized and approved following discussions with the Remuneration, Job Evaluation, and Promotion Committee. The implementation of this project resulted in an observed increase in employee satisfaction and motivation within the organization.

Alarko Future Club (A.İ.K.)

The Alarko Future Club, a pioneering initiative in Turkey, can be characterized as "a miniature Alarko within Alarko". Comprising individuals aged 21-33, it operates as a management simulation complete with its unique logo, board of directors, committee chairs, and budget. At the Alarko Future Club, Honorary Presidents, Community General Coordinator and "Supervisory Sisters and Brothers", composed of senior managers, offer guidance and mentorship to young individuals, leveraging their experience to make substantial contributions to their development. Club activities continue to be carried out in alignment with these objectives.

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ALARKO CARRIER

ACademi

The Alarko Carrier Academy (ACademi) offers a wide range of training modules tailored to diverse individual learning preferences and creates a substantial portion of its training materials internally. It serves as a comprehensive development platform with content and resources equivalent to those found in educational institutions specializing in its field.

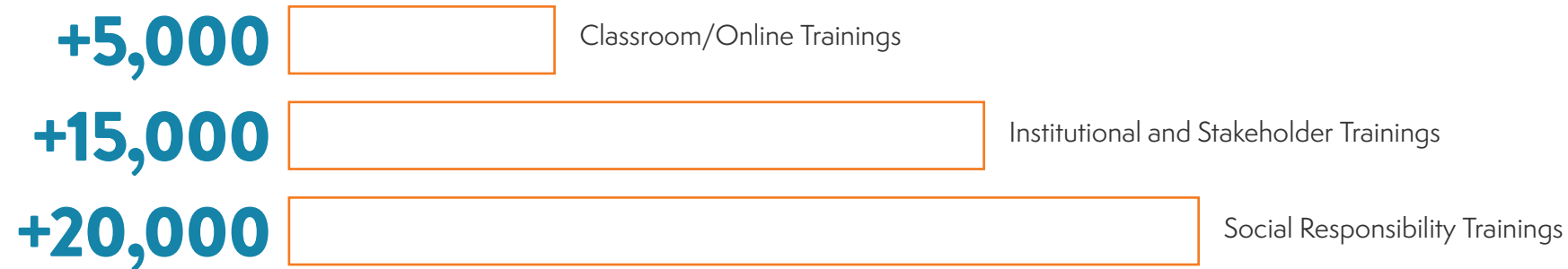
ACademi is dedicated to fostering individual, professional, and institutional growth through precise needs assessment, ensuring that the sector benefits from well-educated and skilled human resources. ACademi serves as the organization's knowledge hub, acting as a gateway to disseminate information throughout the entire sector.

The platform plays a pivotal role in shaping the future of the air conditioning industry.

ACADEMI IN FIGURES



ANNUAL TRAININGS (person-hours)



*Sektörle ilgili eğitim kurumlarındaki öğrenciler ve dernek üyeleri

ATTAŞ

Internship Program

ATTAŞ has successfully acquired highly skilled human resources through collaborative projects with universities and high schools, formal agreements with tourism vocational high schools, and career day visits. The progress of interns are closely monitored, and every effort is made to ensure they have a valuable and enriching internship experience. The internship program implemented over the past five years has evolved into a valuable and sustainable source of human resources for the expanding ATTAŞ.



Internal Manager Training Policy

Under this policy, rather than relying on external hires, the organization has strategically promoted individuals who have undergone internal training and development, resulting in both horizontal and vertical career advancements over the past five years. These individuals are provided with coaching, training, and R&D opportunities to help them realize their full potential and sustain success in their new roles.

Shining Hillside

The Shining Hillside practice identifies employees who contribute value to their work based on manager evaluations, guest feedback, and comments from employee satisfaction surveys. Through the Shining Hillside practice, ATTAŞ assists individuals in creating a customized career path aligned with their career aspirations and capabilities. The outputs of this practice have been utilized in the decision-making process for promotions, professional development programs, personal growth initiatives, and role assignments across the company.

ORGANIZATIONAL DEVELOPMENT

In today's world, it's crucial to establish an appropriate organizational structure to effectively tackle far-reaching and significant challenges like sustainability.

Corporate culture and organizational models form the foundation for addressing environmental, social, and governance-related issues. At Alarko, we consider this perspective when shaping our People and Organization vision as we work toward achieving our sustainability goals. We are dedicated to our goal of becoming the preferred company by fostering a shared culture and implementing innovative People and Organization practices that demonstrate our commitment to valuing our employees, potential recruits, and all stakeholders.

At Alarko Holding, we adhere to a set of principles aimed at creating a meaningful employee experience. Some of these principles are:

- ▶ Provide new employees with an "Orientation Program" to help them quickly adapt to their roles and become familiar with the culture of Alarko Holding A.Ş. and Group companies,
- ▶ Through the Performance System and a focus on high organizational competencies and shared corporate objectives, align individual and corporate performance management with the corporate vision and strategy, achieve sustained and successful business results,
- ▶ Ensure employees' development systematically through on-the-job training, job rotations, promotions, and job enrichment methods based on the Performance Management System and in alignment with their career plans,
- ▶ Assist employees in formulating their career plans by identifying the job requirements and presenting various career paths for each position,

- ▶ Implement well-being practices that focus on the physical and mental health of employees,
- ▶ Implement a Hybrid Working Arrangement, which offers a more flexible and efficient working environment that positively contributes to the work-life balance of employees,
- ▶ Consider the impact of each business process on corporate goals within Alarko Holding and Group Companies, and recognize the value of every process and employee involved in these processes.

Our core principle is respect for individuals. In alignment with this principle, we assume responsibility for the growth, welfare, and health of our staff. Our key objective in this regard is to enhance the employee engagement score by 20% by the year 2030. At present, the Holding's employee engagement scores have surged by 10 points compared to the 2020 level, reaching 67. Our primary objective is not only to elevate this score but also to ensure improvement across all Group companies. Based on the outcomes of the Employee Engagement Surveys carried out at the onset of 2021 for each of our subsidiaries, we formulated action plans for 2022 and commenced their execution.

We embedded the material topics related to our key sustainability initiatives, identified as part of our sustainability strategy, into the 2023 performance scorecards. As a result, the sustainability goals for each of our companies have been integrated into the performance system as key performance indicators. We view these performance criteria, which will initially be implemented at the management level and then spread throughout the organization in the coming years, as a means to drive performance improvements in our material topics. We aim to achieve lasting improvements through the annual performance monitoring implemented by all our companies, which will also contribute to our long-term goals.

BEST PRACTICES BY OUR JOINT VENTURES

CENAL

Open Forum

CENAL has established an Open Forum platform to enable employees to directly communicate their requests, suggestions, projects, or complaints to senior management. The project was launched with the aim of enhancing transparency and fostering communication between employees and senior management.

**“PEOPLE ARE THE MOST
CRUCIAL ELEMENT IN AN
ORGANIZATION.”**

DR. ÜZEYİR GARİH

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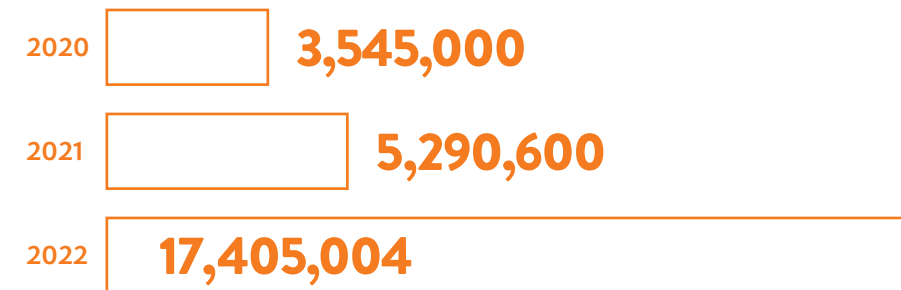
SOCIAL INVESTMENTS

At Alarko Holding, we recognize the significance of contributing to the society in which we operate. In this context, our approach to social investment is founded on the promotion of positive social changes and the creation of shared values with the communities we serve. We aim to generate impacts that align with our sustainability goals by allocating our resources to initiatives that deliver social benefits in our operating regions. We position ourselves as stakeholders who contribute to the improvement of society by comprehending the challenges and opportunities of the communities in which we operate. We create and execute social investment projects that leverage strategic partnerships and collaborations with local stakeholders, driven by our commitment to diversity and inclusion. These initiatives address critical needs, tap into the expertise of our workforce, and promote sustainable development in the communities we serve. With this approach, our goal is to move beyond mere philanthropy and establish enduring, mutually advantageous relationships with community members and ensure that our investments yield lasting and meaningful impacts.

As part of our social investment philosophy, we also emphasize a holistic perspective that recognizes the interconnectedness of social, economic, and environmental factors. We take into account both nature and society in all our endeavors. We promote equal educational opportunities through non-refundable scholarships. We are also actively working to enhance women’s participation in business life as part of our commitment to gender equality. We collaborate with local communities to gain insights into the various dynamics, objectives, and challenges of the societies in which we operate. Our social investments encompass more than just financial contributions; they actively support knowledge transfer, capacity building, and skill development initiatives.

We collaborate closely with non-governmental organizations and other stakeholders, prioritizing cooperation and collective innovation in our social investments. Through these efforts, our goal is to contribute to positive social transformation. With all these approaches, we increase the budget allocated to our social investments each year. In 2022, our expenditures for corporate social responsibility projects alone surpassed TL 17 million. Our long-term goal is to triple our expenditures on social investments.

CORPORATE SOCIAL RESPONSIBILITY EXPENDITURES (TL)



In 2023, we will formulate our social investment strategy by taking a strategic perspective on all our social projects. Therefore, we will concentrate on areas where our expertise, resources, and influence can have the most significant impact.

In 2022, our social investment projects engaged 468 volunteers, contributing a total of 801 volunteering hours.

Each of our Group companies makes social investments based on the impact they create and the needs they address in society. In this regard, various initiatives are undertaken in numerous areas, with a particular emphasis on education and youth.

TARGET TOPICS AND AUDIENCES OF CORPORATE RESPONSIBILITY PROJECTS BY YEAR

Company	2020	2021	2022
Alarko Holding	Training	Training	Training, gender equality
ALTEK	Scholarships and donations	Scholarships and donations	Scholarships and donations
CENAL	Training, health	Education, health, town services	Education, health, town services
MEDAŞ	Stray animals, environment, children and youth, training, sports	Stray animals, environment, children and youth, training, sports	Stray animals, environment, children and youth, training, sports

GRUP ŞİRKETLERİMİZİN İYİ UYGULAMALARI

ALARKO HOLDING

Alarko Life Volunteers



The Alarko Life Volunteers Club, initiated to coordinate internal volunteering initiatives within the Group, exemplifies Alarko Holding's commitment to corporate social responsibility. Alarko Life Volunteers engage in diverse projects across various areas of need, striving to promote awareness of social issues and actively participating in initiatives that benefit society. In collaboration with the Village Schools Development Association, the club successfully executed the "A Library for Every School" Project. They distributed a total of 1,900 reading books, test books, and game sets to five primary-level village schools located in Nevşehir, Diyarbakır, İzmir, Konya, and Çanakkale.

ALARKO EDUCATION-CULTURE FOUNDATION (ALEV)

At Alarko Holding, we are committed to supporting the development and motivation of young individuals through non-refundable scholarships.

Our goal is to prepare young individuals for a bright future by extending financial and moral support, offering awards, and fostering collaborations. In this context, we provide a range of scholarship opportunities for both university and high school students.

Entrepreneurial Pioneers

Alarko Holding, in collaboration with the Habitat Association, is committed to fostering the digital marketing skills and design-thinking abilities of women aspiring to launch their own businesses through the Entrepreneurial Pioneers project. Furthermore, our goal is to bolster their ventures by enhancing their understanding and expertise in establishing cooperatives, empowering them to take charge of their entrepreneurial journey. The initial stage of the project is designed to benefit 360 women. The project's goal is to boost women's participation in the workforce and empower them to achieve economic independence.



Building Blocks of Science

Through the "Bilimin Çakıl Taşları" (Building Blocks of Science) project, Alarko Holding endeavors to nurture economically disadvantaged students in 5th to 8th grades, fostering their ambitions to shape the future with innovative perspectives.

For the 2022-2023 academic year, the Alarko Education-Culture Foundation, established in 1986, will award scholarships to a total of 43 students in their final years of engineering, construction, economics, finance, and business departments at various universities who are pursuing master's degrees, as well as 25 students from technical high schools and vocational high schools. Additionally, 52 scholarships were granted to successful students in need. As of now, a total of 3,500 students have been given valuable non-refundable scholarship opportunities, comprising almost 2,000 scholarships for higher education and nearly 1,500 scholarships for secondary education.

"To achieve this goal, the project offers coding training to students in two main branches selected from the fields of Science, Technology, Engineering, and Mathematics (STEM), as well as training on science, technology, engineering, mathematics, robotics with Python, game development, and Artificial Intelligence programs. Furthermore, students also receive training in critical thinking skills, memory techniques, and Philosophy for Children ("P4C") branch courses, with workshops designed to foster cognitive and social skill development, placing the student at the center of the learning process. The project's goal is to reach 600 children within one year.

Karabiga Primary School Renovation Work

CENAL took on the construction of Karabiga Primary School to address the educational needs arising from the demolition of unsafe primary and secondary school structures in the town of Karabiga. This initiative ensured the provision of a secure educational facility for the children in Karabiga town. During the renovation of the building, modern construction techniques were employed to enhance energy efficiency.

In our commitment to empowering the youth of the nation for the challenges of the 21st century information age, ALEV will persist in providing both financial and moral support to young individuals in the years ahead. Furthermore, the Foundation maintains its commitment to supporting a wide range of cultural and artistic events, partnering with prominent science and culture foundations in ongoing collaborations this year. Starting in 2024, the Alarko Education-Culture Foundation has a plan to extend its support beyond scholarships. It aims to offer mentoring and career planning assistance to female students who meet the scholarship criteria, based on their university entrance exam scores.

A large white number '11' is positioned on the left side of the image. The background is a vibrant orange with a perspective of a road or tunnel formed by many parallel lines that curve towards the center. The scene is filled with glowing binary code (0s and 1s) and light trails, creating a sense of digital motion and data flow.

11

DIGITAL — TRANSFORMATION — AND — INNOVATION —

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► Digital Transformation

Novel Products and Innovation

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DIGITAL TRANSFORMATION AND INNOVATION

In today's business world, effectively implementing digitalization and innovation management provides companies with a competitive edge. Organizations that adeptly handle digitalization and innovation management while addressing customer demands in this direction position themselves as industry leaders capable of future adaptation and sustainable solution generation. Technological advancements, evolving consumer behaviors, and global dynamics are some of the factors driving the demand for digital transformation. Moreover, the efficient utilization of digitalization also contributes to the implementation of sustainable practices.

At Alarko Holding, we regard digital transformation as one of the pivotal elements of our strategy for sustainable growth. We recognize the imperative of harnessing the potential of digitalization and aligning with the evolving technological landscape in an era characterized by unprecedented advancements and shifts in consumer behavior. In this context, we enhance operational efficiency, elevate customer experiences, and unearth novel business prospects by embracing emerging technologies like Artificial Intelligence and the Internet of Things. We establish a robust digital infrastructure, invest in data analytics capabilities, and harness actionable insights. Our steps in this direction enable us to make well-informed decisions.

Within the Holding, we have developed a comprehensive roadmap for digitalization. Thanks to our roadmap, we are concentrating on initiatives that enhance our capability to seamlessly incorporate digital technologies into our business operations. Furthermore, within our companies, we implement new applications to enhance process flexibility, improve supply chain management, and optimize resource allocation. Through digital solutions, our objective is to generate value not only for our organization but also for the communities we engage with. We are committed to supporting social well-being in addition to economic growth through innovative R&D approaches that prioritize sustainability.



DIGITAL TRANSFORMATION

Investing in innovation and emerging technologies, with a strong emphasis on digital transformation, stands as one of the paramount priorities for both Alarko Holding and our Group companies. We are committed to creating intelligent infrastructures, flexible processes, real-time data availability, and digital ecosystems. Our approach is proactive and collaborative, aiming to provide innovative, reliable, sustainable, and people-centric technology strategies.

We leverage the full potential of digital transformation opportunities and employ technologies and business intelligence applications that benefit the entire Alarko Group of Companies. Simplified business processes and data-driven decision-making strategies contribute to increased employee productivity and foster the growth of our brands.

Digital Transformation is a crucial component of our Group companies' strategies. We conduct research and implement the best solutions worldwide, tailored to the sectors in which our Group companies operate. We reinforce our digital transformation vision through projects focused on data analytics, automation tools, mobile technologies, augmented reality, Artificial Intelligence, Internet of Things, robotic processes, multi-experiences, and other Industry 4.0 applications.

Furthermore, our goal is to establish measurable processes and pioneer business lines that offer a competitive edge. We achieve this by developing comprehensive end-to-end business processes and traceability methods through agile structuring. Advanced data collection and analysis methods provided by technology contribute to ongoing productivity increases in our companies. Furthermore, we can perform customer and competitor analyses more effectively.

We aim to generate innovative solutions during the digitalization phase, which forms the foundation of our organization's digital transformation journey. Some of these innovative solutions can be listed as follows:

- ▶ Develop environmentally-focused innovation domains,
- ▶ Enhance digital competencies,
- ▶ Embed the digital value proposition within our corporate culture and foster an innovative environment through the Intrapreneurship Program and Digital Studios,
- ▶ Leverage advanced technologies to create sustainable value,
- ▶ Centralize data and bolster decision-making systems through the establishment of dynamic digital data platform infrastructures.

The advent of digital transformation has ushered in new technologies into our daily lives, leading to a rapid expansion of the data pool. Therefore, the significance of the information security ecosystem is growing steadily, and we are intensifying our investments in this area.

Our goal is to establish a robust and enduring cybersecurity culture throughout the organization. In this context, comprehensive asset assessments were conducted across the Group in 2022, resulting in risk assessments and cybersecurity insights for these assets. In 2022, we organized an Information Security Webinar with the goal of increasing awareness throughout the community, where we provided insights on information security initiatives.

We are forging strategic partnerships to enhance cross-departmental digital service delivery.

DIGITAL TRANSFORMATION ROADMAP

To address the evolving customer needs driven by the surge in information technologies, we have developed our Digital Strategy Roadmap. This roadmap aims to enhance the efficiency of our digital transformation and innovation efforts across our business processes, models, customer relations, corporate operations, and structure. Our Digital Strategy Roadmap is the result of a comprehensive evaluation report, encompassing an assessment of our current digital maturity level and identified areas for development. This roadmap outlines the objectives and actions required to advance towards our desired digital competency level.

Our goal is to implement all digital innovations with a strong focus on customer needs, integrate our digital strategy into our corporate strategy and deliver new services and solutions through digital channels at the highest possible rate.

As part of the project, we have identified short, medium, and long-term initiatives that extend until 2030 and outlined priority project themes. To achieve the highest level of digital maturity within our organization, we have identified five main development areas: Culture and People, Governance and Leadership, Competence, Innovation, and Technology.

Throughout the project process, a Digital Transformation Committee was established, which included all senior executives. Furthermore, a Transformation Team composed of relevant functional units was assembled, led by the Digital Transformation and Innovation Directorate, to execute the objectives across 14 areas through an agile organizational approach. In this context, our objectives are:

- ▶ Design new organizational functions within Alarko Holding,
- ▶ Design functions to align with Alarko Holding's goals,
- ▶ Implement Alarko Holding Human and Organization improvements,
- ▶ Transform Alarko Holding's business practices,
- ▶ Design Alarko Holding's IT strategy and operating model,

- ▶ Identify the Alarko Holding IT application roadmap,
- ▶ Increase technical competence within the Alarko Group of Companies,
- ▶ Integrate a culture of innovation into Alarko Holding,
- ▶ Implement transformation management and communication activities at Alarko Holding,
- ▶ Achieve brand transformation at Alarko Holding,
- ▶ Establish a Project Management Office,
- ▶ Simplify Alarko Holding's operational processes,
- ▶ Establish the IT operating model,
- ▶ Promote the model for developing data-oriented business models, enhance data-based decision making, increase productivity, and conduct more effective customer and competitor analysis throughout the Group.

To raise awareness and facilitate the adoption of digital transformation across the Alarko Group of Companies, tailored training programs are conducted to address the specific needs of employees. Following the endorsement of digital transformation by senior management, concerted efforts are undertaken to embed it throughout the organization. Various activities including training sessions, seminars, and workshops are conducted for this purpose. In 2022, we organized a series of training programs such as "Creativity and Innovation", "Digital Literacy", "Future Talks", and "Understanding and Adapting to Change", which empowered all our employees to gain perspectives into the digital transformation process.

To raise awareness and facilitate the adoption of digital transformation across all Alarko Group of Companies, tailored training programs are conducted to address the specific needs of employees.

GRUP ŞİRKETLERİMİZİN İYİ UYGULAMALARI

ALARKO HOLDING

Robotic Process Optimization

As part of the project, we aim to streamline and optimize our operational efficiency by identifying, standardizing, and simplifying the process flows within our functional units. Additionally, we will leverage Robotic Process Automation (RPA) technology to expedite time-consuming, repetitive, and routine tasks, while minimizing errors. Consequently, this approach will minimize the occurrence of human-induced errors and elevate our operational excellence.

The project aims to execute tasks without errors, scale operations, maintain security against potential cyber risks, and manage tasks efficiently and effectively. Specifically, the project aims to save 850 person*hours of time, which will lead to the development and improvement of the primary tasks performed by the employees of the respective business unit. Through the digitization routine tasks, employees will have the opportunity and motivation to concentrate on more creative tasks.

The Big Data, Data Analytics, and Business Intelligence Project is a software development initiative aimed at leveraging data, a strategic asset in the digital era, to generate precise and valuable insights and establish efficient decision-making systems that confer a competitive edge. Through this project, data from all Group companies will be gathered and processed on a unified platform using ETL (Extract, Transform, Load) tools. Business units will have the capability to generate real-time analytical reports independently and analyze data effortlessly through visualized dashboard designs.

In the initial stage of the project, the Management Cockpit reporting tool, currently utilized by Alarko Holding Senior Management, will undergo an upgrade incorporating

advanced data analytics and business intelligence technology. As a result, the transformation of data gathered from various sources into meaningful information will expedite the decision-making procedures. The dynamic report infrastructure will also save time for employees in functional units when preparing reports.

Document Management System

The Document Management System has allowed us to digitize processes that previously relied on printed documents and wet signature approval procedures. In this way, we were able to expedite document processes, resulting in a 75% reduction in time spent. Managing processes through a single channel not only simplified reporting and tracking but also boosted productivity. Furthermore, it contributed to environmental sustainability by saving 4,125 pieces of paper per month.

Data Loss Prevention Project

The Data Loss Prevention Project is a continuation of the DLP technology investment initiated in 2020 as part of our Information Security efforts and aims to prevent data loss on user devices.

The aim of the project is to minimize legal risks and mitigate the potential damage to the organization's reputation by utilizing technology to monitor and prevent unauthorized access to critical data or information, whether from within or outside the organization, in violation of the organization's policies. As part of the project, we conducted awareness trainings on data protection for key stakeholders and managers in all relevant units. To analyze the processes of 69 functional units across all Group companies, we conducted 40 data analysis studies, each lasting an average of 1.5 hours.

The data and rules required for protection were configured within the Data Loss Prevention software, which is available separately in all companies. These rules were monitored and enforced for a period ranging from 3 to 6 months, depending on their nature. At the conclusion of the process, and with the consent of data owners, certain rules were deactivated, while others remained in monitoring mode, and some rules were enforced in prevention mode, effectively restricting unauthorized data sharing. The project has not only improved the sustainability of cybersecurity but also enhanced data protection by mitigating risks that could arise from user actions.

SIEM / SOC Log Management and Security Operations Project

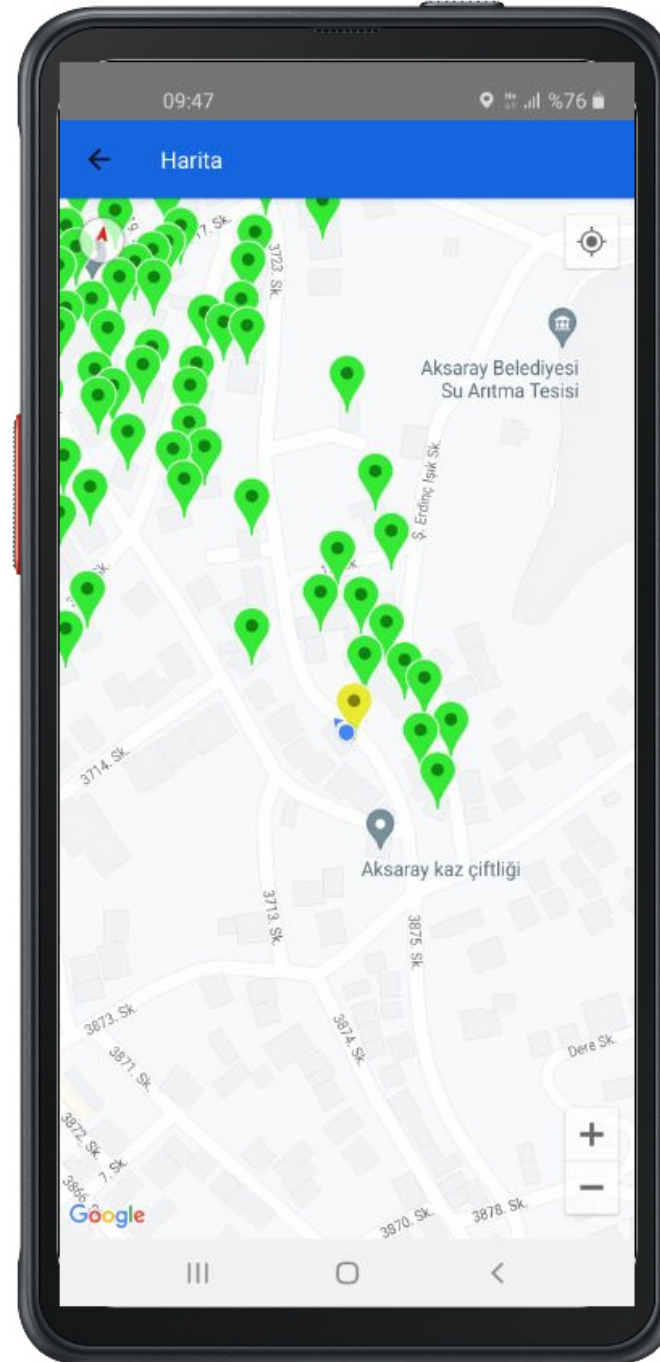
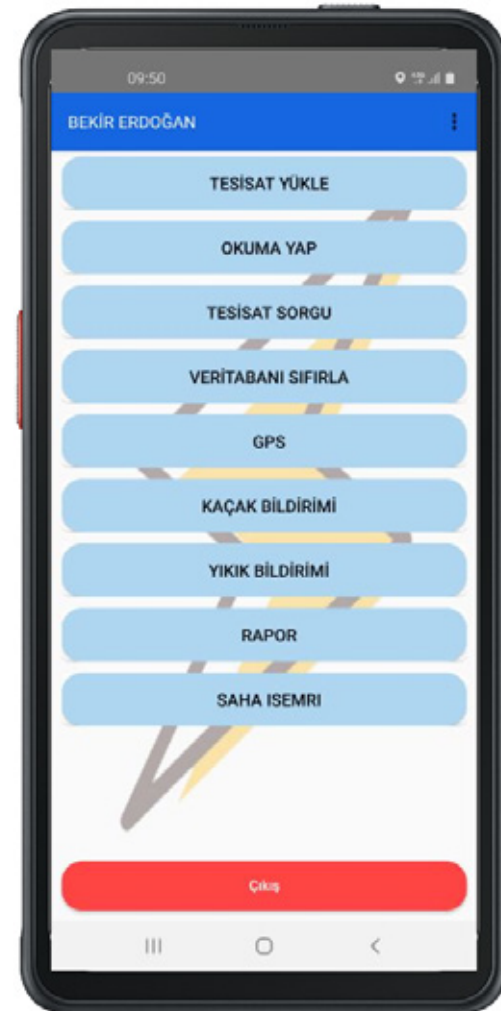
The project encompasses SIEM technology, allowing the tracking of activities on all devices and the preemptive mitigation of potential threats, along with the SOC service, which offers continuous 24/7 monitoring of these systems, across Alarko Holding, and Alarko Carrier, ALSİM, and ATTAŞ Group companies. As part of the project, the security architecture was thoroughly examined, assets were identified, resources were integrated, rules were defined, correlated, and tested. Additionally, various report formats were established to ensure compliance, and a 24/7 monitoring system was put in place for all systems.

The project successfully managed the risk of cyber threats to systems and information assets, thereby ensuring business continuity. The central collection and monitoring of data, along with data activity analysis, has enabled the prevention of potential cyber threats by allowing for the analysis of such threats.

MEDAŞ

Android-Based Meter Reading Project

The transition from handheld terminals to the Android-based system was successfully completed, enhancing the accuracy and efficiency of meter reading processes and aligning with our digitalization efforts. To facilitate this transition, we developed continuous algorithms, optimized resource utilization, and enhanced periodic reporting capabilities. We have implemented real-time warning and notification mechanisms in the system, minimizing the likelihood of employee errors. The reading rate, which stood at 94.2% in 2021, saw a slight improvement to 94.5% in the first 10 months of 2022. In August 2022, the highest reading rate of all time was achieved, reaching 95.6%.



Domestic Smart Meter Systems Project

The project aims to establish standardized specifications and regulations for smart meter systems as part of the smart grid transformation. These regulations will ensure uniform implementation across the country and promote the widespread adoption of smart meter systems. The project encompasses various steps, including the development of a comprehensive Domestic Smart Meter System with all its components. This involves creating meters tailored to different user groups and establishing communication protocols. Additionally, pilot applications with prototypes adhering to these criteria will be implemented as part of the project. The project involves defining all components of the smart meter system and includes the development of a comprehensive mobile application that consumers can use to interact with and participate in the system. This way, the project will comprehensively cover all industry components from end to end.

Distribution Companies R&D Platform Design and Development Project

Distribution companies submit the R&D projects they intend to implement as part of their Research and Development efforts to the Energy Market Regulatory Authority (EMRA) through the EBİS system in January and July of each year. These projects are then assessed by the EMRA R&D Commission. To manage and execute these projects, a project management, implementation, and follow-up process is put in place. The objective is to create an indigenous electronic platform that allows for comprehensive management of R&D project activities, akin to the holistic approach seen in examples such as OFGEM, European Union Horizon 2020, TÜBİTAK, and others, using domestic resources. This initiative, involving Turkish distribution companies, will facilitate the professional evaluation and management of projects on an electronic platform. The goal is to implement the EMRA R&D Platform, which will enable systematic monitoring and reporting by both EMRA and distribution companies, as part of the "Distribution Companies R&D Platform Design and Development Project Phase-2".

ALSİM

Development of PIM (Project Information Management) Software

ALSİM has developed software that encompasses all the functions required for project planning and execution. This software is an ERP system that integrates with Primavera, which is used for project management, and Alvima, which is used for accounting. The most notable feature of this software is that it is the first and longest-developed ERP software in the industry to achieve such a high level of integration. This software is designed to facilitate the planning and execution of projects, utilizing all available resources. Its primary goal is to address information and reporting requirements comprehensively and at various organizational levels, down to the finest detail.

PIM-LTP Integration Project

The PIM-LTP Integration has incorporated all phases of the procurement process, including planning, demand analysis, market research, bid solicitation and assessment, procurement, and dispatch. It has introduced a module within the Project Information Management (PIM) system that allows for the integrated management of all these stages. The goal is to facilitate procurement activities transferred from the central office to construction sites by integrating a module into the PIM software used in the projects, aligning with changes in the company's business processes.

ALARKO CARRIER

Project for the Adaptation of Circulators to the Building Management System

The objective of this project is to establish connectivity between the circulation pumps and the building management system using Modbus and BACnet protocols, enabling remote control of the pumps. To accomplish this, we have designed two additional cards: the Analog Control Module (ACM) and the Communication Module. These cards are intended to be installed on the main boards of Optima circulation pumps. Engineering services were obtained from the Dutch company AME for both the hardware and software aspects of this project. Prototype tests were conducted in the Alarko Carrier R&D laboratory. Thanks to these cards, the pump can be remotely controlled using 0-10V and PWM signals in addition to the Modbus BACnet protocols. As a result of the communication between the building management system and these additional cards, the pump or pumps can be remotely managed, and data such as cycles, pressure, and temperature can be monitored remotely.

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NOVEL PRODUCTS AND INNOVATION

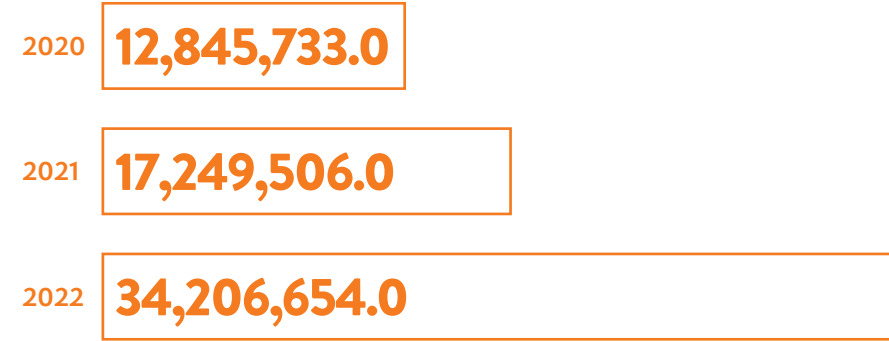
Rapid technological advancements, global competition, and evolving consumer demands continue to underscore the importance of innovation and product development. Companies that invest in R&D enhance their operational efficiency by creating cutting-edge products and processes, ultimately gaining a competitive edge. Furthermore, R&D plays a crucial role in creating new solutions and applications to address sustainability challenges.

As Alarko Holding, our innovation capacity is a fundamental element of our corporate culture and a reflection of our dedication to the future. We are continuously striving to create novel products that enable us to align with evolving consumer expectations, maintain our leadership in our industries, and consistently provide sustainable solutions. Through the integration of our R&D and design capabilities, we manufacture novel products that not only diminish environmental footprints but also enhance energy efficiency and elevate user experiences. As an example, Alarko Carrier has introduced its solar-powered submersible pump product and is concurrently conducting research and development endeavors related to heat pump and hydrogen combi-boiler products.

To maintain a competitive edge, it is crucial to prioritize R&D, innovation, and technological advancements that drive productivity improvements. Our Group-wide digital transformation efforts involve the integration of numerous cutting-edge technologies into our R&D processes. Our R&D endeavors are geared towards enhancing customer service through the development of novel business methods, services, products, and innovative approaches to better cater to our customers' needs. In 2022, a budget of TL 80 million has been earmarked for R&D activities across the entire Group. Over the last two years, we have increased the resources allocated to our R&D activities by 50%.

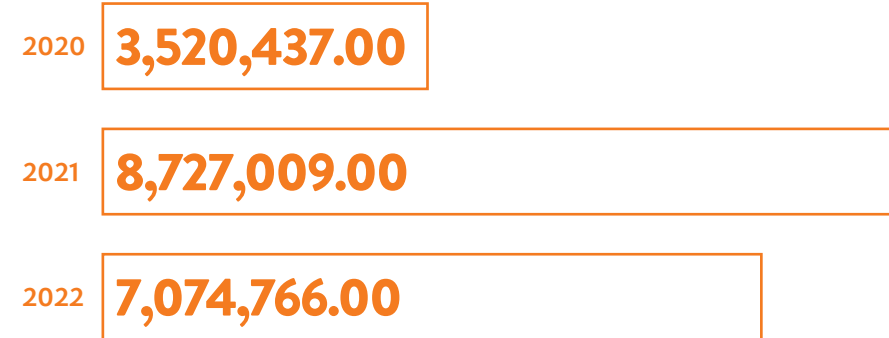
In the last two years, we have increased the resources allocated to R&D and innovation by 50%.

BUDGET ALLOCATED TO R&D AND INNOVATION (TL)



As of 2022, 30% of our total R&D budget is dedicated to sustainability-oriented investments. In 2023, we are committed to maintaining our sustainability-focused and low-carbon-focused R&D and innovation investments at full pace without slowing down. Furthermore, we have a goal to incrementally raise this rate each year.

SUSTAINABILITY-FOCUSED R&D AND INNOVATION INVESTMENTS (TL)



We allocate 30% of our overall R&D budget to sustainable-oriented R&D and innovation investments.

IN 2022, WE ALLOCATED A BUDGET OF TL 80 MILLION FOR R&D ACTIVITIES ACROSS THE GROUP.

We collaborate with various institutions to foster innovation and contribute to solving shared challenges within the ecosystem. We aspire to lead in our respective industries, focusing on creating sustainable value while delivering high-quality products and services. In this regard, we are committed to shaping a forward-looking world through our vision of continuously advancing innovative projects and cutting-edge technologies.

Every year, our Group companies enhance their innovation capabilities through increased investments in novel products, elevating in-house knowledge and expertise, expanding their portfolio of patents and utility models, and collaborating with various fields of expertise. For instance, MEDAŞ is currently engaged in 4 distinct R&D projects related to chemical energy storage, distribution ancillary services, and insulation material production, while Alarko Carrier is actively involved in 11 diverse R&D projects focused on air conditioning, heating, and water group products.

BEST PRACTICES BY OUR GROUP COMPANIES

ALARKO CARRIER

Alarko Carrier ensures the traceability of all product processes from design to after-sales through its PLM software. Novel products developed by a 55-person R&D team are exported to 65 countries. The company has allocated approximately 2% of its turnover to R&D investments this year. In order to ensure the continuous development of products, joint studies and tests are carried out with TÜBİTAK and universities in the R&D facilities. In addition, technology transfers from the company provide significant improvements in our products.

Product Tracking System Project

The ongoing Notification Management Project aims to efficiently collect customer notifications, including malfunctions and commissioning requests, through specialized software, directing them to relevant services, monitoring and managing the process, measuring performance, and implementing improvements as needed to enhance customer service. To further enhance the project, efforts have begun on the Product Tracking System Project. The Product Tracking System Project aims to facilitate tracking a product throughout its entire life cycle, from manufacturing to disposal. In 2022, the Product Tracking System was expanded to include split air conditioners, multi-split air conditioners, heat pumps, and combi-boilers.

In 2023, the Product Tracking System will encompass condensing boilers, Optima pumps, and hydrophores, allowing for the digital management of after-sales service processes for all dealership unit products.

Digital Marketing Project

In response to the profound impact of digitalization on business processes, we have initiated the Digital Marketing Project, which involves updating our corporate website and e-commerce platform, to embrace this transformation and stay current. We have commenced accepting orders for our products through our existing e-commerce platform as well as other third-party e-commerce platforms. Besides our sales offices and authorized dealers, we are effectively engaging, retaining, and expanding our customer base in the e-commerce sphere with a mobile-friendly interface. The Digital Marketing Project encompasses all aspects, from online purchases to authorized service assignment, integrating seamlessly with the Alvima Accounting System and After-Sales Services Notification Management System, extending to assembly completion and service satisfaction measurement, with ongoing development efforts. The Document Management System Application aims to digitize internal processes and archive documents in a virtual environment by 2023.

GROUP

Human Resources Software-Cloudoffix

Cloudoffix is a human resources software equipped with advanced technology features to efficiently manage existing human and organizational processes. Cloudoffix was used to design and execute personnel and HR processes, performance management, permits, and survey processes, resulting in improved efficiency in managing our human resources operations. The digitization of our human resources processes resulted in an average monthly paper savings of 13,000 sheets.

INTERNAL INNOVATION CULTURE

Alarko Holding is motivated by transformation and development, and one of our primary objectives is to institutionalize the innovative perspective within the Holding, ensuring that it becomes an integral part of our corporate culture. This approach aims to foster the creation of future technologies, methods, and solutions that may be required in the ever-changing landscape. We aim to foster an innovative and productive environment where employees are encouraged to adopt an approach that contributes to areas beyond their job descriptions. This support for an innovation culture is intended to empower individuals to make a difference, continuously improve, and create value within the organization.

To enhance our internal R&D culture, we actively assess the ideas proposed by our employees, and those solutions deemed suitable by the committee are transformed into actual products or initiatives.

The development of new products and active employee involvement in these processes are strongly encouraged across the Holding and Alarko Group of Companies. To foster an innovative culture, we host idea competitions and idea development marathons. Additionally, we are establishing the Digital Studio and Experience Center projects to bolster internal entrepreneurship.

NEW IDEAS COMPETITION

Since 1995, we have been organizing an invention award competition among our employees to encourage the development and evaluation of new ideas and suggestions related to savings, quality improvement, new product development, innovative business methods, and creativity. As part of our digitalization efforts, employees can submit their suggestions and requests through the Information Technologies Demand Management System.

IDEA DEVELOPMENT MARATHONS

In the near future, we plan to organize innovative and solution-oriented idea workshops that will be open to participation by all Group employees.

DIGITAL STUDIO AND EXPERIENCE CENTER

Work is underway to establish a Digital Studio and implement the Intrapreneurship Program. As part of our Digital Transformation efforts, Experience Centers will be established in our industry, trade, and energy distribution companies to harness innovative ideas inspired by advanced technologies for the benefit of our employees. These centers will offer employees from related companies and other Group companies the opportunity to access advanced technology training and participate in workshops. Furthermore, these centers will provide an environment where employees can immerse themselves in advanced technology fields like dynamic data platform infrastructures, Internet of Things, artificial intelligence, and augmented reality based on data. Here, creative business ideas will be incubated and transformed into new digital business models and products.

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MEMBERSHIPS AND COLLABORATIONS

Companies	Memberships	Collaborations, Consulting and Projects
Alarko Holding	<p>DEİK - Foreign Economic Relations Board</p> <p>TABA - Turkish-American Businessmen Association</p> <p>TKYD - Corporate Governance Association of Turkey</p> <p>KİD - Association of Corporate Communicators</p> <p>TÜYİD - Turkish Investor Relations Association</p> <p>KOTEDER - Publicly-Traded Partnership Managers Association</p>	<p>HABİTAT - Habitat Association (Initiative Pioneers Project) ÇYDD - Association for Supporting Contemporary Life</p> <p>Bilimin Çakıl Taşları (Building Blocks of Science) STEM Education Support</p> <p>TED - Turkish Education Association</p>
	Üye Olunan Dernekler	
Alarko Carrier	<p>ÇEDBİK - Environmentally Friendly Green Buildings Association</p> <p>DOSİDER - Natural Gas Equipment Manufacturers and Businessmen Association</p> <p>İSKAV - Heating, Cooling, Air Conditioning Research and Education Foundation</p> <p>İSİB - Air Conditioning Industry Exporters Union</p> <p>TOBB/Air Conditioning Assembly - Union of Chambers and Commodity Exchanges of Turkey</p> <p>İSKİD - Air-Conditioning and Refrigeration Manufacturers' Association</p> <p>POMSAD - Turkish Pump and Valve Manufacturers Association</p> <p>SOSİAD - Cooling Industry Businesspeople Association</p> <p>TTMD - Turkish Society of Plumbing Engineers</p>	

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► Memberships and Collaborations

Social Performance Indicators

Environmental Performance Indicators

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Companies	Memberships	Collaborations, Consulting and Projects
Alarko Contracting Group	<p>İTO - İstanbul Chamber of Commerce</p> <p>TMB - Turkish Contractors' Association</p> <p>DEİK - Foreign Economic Relations Board</p> <p>İNTES - Turkish Employers' Association of Construction Industries</p>	
	Üye Olunan Dernekler	İş Birlikleri, Danışmanlık ve Projeler
Alarko Energy Group	<p>ELDER - Association of Electricity Distribution Services</p>	<p>Koza Project</p> <p>Konya Technical University</p> <p>Sectoral Consulting</p> <p>Karatay University</p> <p>Talentern Internship Program</p> <p>Necmettin Erbakan University</p> <p>Konya Technical University</p> <p>Karamanoğlu Mehmetbey University</p>
	Üye Olunan Dernekler	İş Birlikleri, Danışmanlık ve Projeler
Alarko Tourism Group	<p>Turkish Hoteliers Federation Tourism Investors Association</p> <p>Fethiye Hoteliers Association Bodrum Promotion Foundation</p> <p>Service Exporters Association Deniz Temiz Association</p>	<p>University collaborations: Çanakkale 18 Mart University, Bilkent University, Okan University, Mersin University, Bolu İzzet Baysal University, Yaşar University, Özyeğin University, Pamukkale University, Balıkesir University, Muğla Sıtkı Kocaman University, İstanbul Bilgi University, Middle East Technical University, Hacı Bayram Veli University, Yeditepe University, İzmir Kâtip Çelebi University</p> <p>High school collaborations: Şefika Pekin Vocational and Technical Anatolian High School for Girls, İzmir Newvar Salih High School</p>

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SOSYAL PERFORMANS GÖSTERGELERİ

Number of employees by gender	2020		2021		2022	
	Female	Male	Female	Male	Female	Male
Alarko Holding	36	43	36	47	41	53
Alarko Carrier	130	591	132	544	135	522
ALSİM	21	46	19	49	13	47
ALTEK	4	35	4	35	5	35
ATTAŞ	198	398	218	399	220	403
CENAL	26	471	27	471	30	474
MEDAŞ	92	630	93	644	100	649
MEPAŞ	81	83	83	88	78	92
Total	588	2,297	612	2,277	622	2,275

Number of employees by type of employment	2020		2021		2022	
	Full-time	Part-time	Full-time	Part-time	Full-time	Part-time
Alarko Holding	81	0	83	0	94	0
Alarko Carrier	661	0	627	0	611	0
ALSİM	66	1	67	1	59	1
ALTEK	39	0	39	0	40	0
ATTAŞ	599	0	617	0	623	0
CENAL	425	0	498	0	504	0
MEDAŞ	722	0	737	0	749	0
MEPAŞ	164	0	171	0	170	0
Total	2,829	1	2,839	1	2,850	1

Number of employees by category	2020		2021		2022	
	Blue-collar	White-collar	Blue-collar	White-collar	Blue-collar	White-collar
Alarko Holding	2	79	2	81	2	92
Alarko Carrier	298	363	262	365	237	374
ALSİM	1	66	1	67	1	59
ALTEK	27	12	27	12	27	13
ATTAŞ	533	66	559	58	557	66
CENAL	417	80	423	75	432	72
MEDAŞ	0	722	0	737	0	749
MEPAŞ	0	164	0	171	0	170
Total	1,278	1,552	1,274	1,566	1,256	1,595

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► Social Performance Indicators

Environmental Performance Indicators

Number of employees by age		2020		2021		2022	
		Female	Male	Female	Male	Female	Male
Alarko Holding	Under 30 years	6	1	7	2	12	4
	30 to 50 years	12	8	15	21	23	22
	50 years and above	7	15	7	23	7	28
Alarko Carrier	Under 30 years	11	54	8	37	10	28
	30 to 50 years	78	336	79	315	80	298
	50 years and above	20	162	23	165	25	170
ALSİM	Under 30 years	2	0	1	1	0	3
	30 to 50 years	15	33	13	32	9	31
	50 years and above	4	13	5	16	4	13
ALTEK	Under 30 years	4	1	4	1	4	1
	30 to 50 years	0	30	0	30	1	30
	50 years and above	0	4	0	4	0	4
ATTAŞ	Under 30 years	85	136	101	143	96	154
	30 to 50 years	113	223	122	211	116	215
	50 years and above	6	36	5	35	8	34
CENAL	Under 30 years	3	148	6	149	4	120
	30 to 50 years	21	273	19	277	19	306
	50 years and above	2	50	2	45	7	48
MEDAŞ	Under 30 years	38	174	36	161	39	170
	30 to 50 years	53	435	56	461	61	460
	50 years and above	1	21	1	22	0	19
MEPAŞ	Under 30 years	34	21	28	24	24	26
	30 to 50 years	47	60	55	62	54	63
	50 years and above	0	2	0	2	0	3
Total	Under 30 years	183	535	191	518	189	506
	30 to 50 years	339	1,398	359	1,409	363	1,425
	50 years and above	40	303	43	312	51	319

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Memberships and Collaborations

► Social Performance Indicators

Environmental Performance Indicators

Number of employees benefiting from parental leave	2020		2021		2022	
	Female	Male	Female	Male	Female	Male
Alarko Holding	0	0	0	0	0	0
Alarko Carrier	0	6	3	17	5	21
ALSİM	0	0	0	0	0	0
ALTEK	0	0	0	0	0	0
ATTAŞ	0	1	0	0	3	0
CENAL	0	0	0	0	2	0
MEDAŞ	7	40	3	31	5	49
MEPAŞ	2	0	4	3	7	5
Total	9	47	10	51	22	75

Employees (%)	2020	2021	2022
Share of female employees	20	21	21
Share of women in the Board of Directors	27	26	25
Employee engagement rate (Holding)	57	-	67
Employee turnover rate	11	17	15

Training hours	2020	2021	2022
Total training hours	119,878	155,959	168,313
Training hours per employee	41.55	53.98	58.10

Occupational Health and Safety (OHS) indicators*	2020	2021	2022
Number of accidents involving employees	94	130	125
Number of accidents involving subcontracted employees	55	71	77
Employee accident frequency rate	5.31	28.07	6.79
Subcontracted employee accident frequency rate	23.05	25.01	32.66
Lost day rate (Employees)	22.09	142.32	10.81
Lost day rate (Subcontracted employees)	430.85	333.56	285.84
Employee OHS trainings (hours)	17.28	20.38	23.33
Subcontracted employee OHS trainings (hours)	69.67	73.62	104.14

*The calculation of accident statistics is based on a factor of 1,000,000.

Consolidated number of suppliers of companies	2020	2021	2022
Total	16,814	17,065	18,337

Supplier audits	2020	2021	2022
Audited suppliers	96	118	132
Suppliers audited according to environmental audit criteria	14	13	13
Suppliers audited according to social audit criteria	40	45	61

12 APPENDICES

ENVIRONMENTAL PERFORMANCE INDICATORS

Breakdown of greenhouse gas emissions by company (tons CO ₂)		2020	2021	2022
Alarko Holding	Scope 1	89	91	150
	Scope 2	-	-	-
	Scope 3	42	43	46
Alarko Carrier	Scope 1	1,998	2,013	837
	Scope 2	2,468	2,167	1,347
	Scope 3	838	823	794
ALSİM	Scope 1	18	18	12
	Scope 2	44	44	40
	Scope 3	86	112	119
ALTEK	Scope 1	19	19	28
	Scope 2	785	480	924
	Scope 3	38	43	47
ATTAŞ	Scope 1	536	705	886
	Scope 2	1,564	1,961	1,953
	Scope 3	242	347	367
CENAL	Scope 1	4,931,239	4,789,667	4,969,266
	Scope 2	0	0	0
	Scope 3	0	0	0
MEDAŞ	Scope 1	6,691	6,814	7,022
	Scope 2	836	821	817
	Scope 3	6	4	14
MEPAŞ	Scope 1	25	134	139
	Scope 2	0	79	77
	Scope 3	0	0	4
Total	Scope 1	4,940,616	4,799,460	4,978,340
	Scope 2	5,697	5,552	5,157
	Scope 3	1,252	1,372	1,391

Consolidated by company (m ³)	2020	2021	2022
Water withdrawn**	1,213,950,341	1,201,661,969	1,247,671,666
Water discharged	1,213,281,974	1,200,952,323	1,247,025,913

** The water withdrawn from the sea is returned to the marine receiving environment while adhering to the legal temperature limits.

Energy consumption by company (MWh)	2020	2021	2022
Alarko Holding	3	11	276
Alarko Carrier	15,245	14,880	7,238
ALSİM	158	158	129
ALTEK	5,006	3,090	3,976
ATTAŞ	6,812	6,911	7,653
CENAL	13,474,827	13,087,720	13,576,276
MEDAŞ	26,882	27,290	28,069
MEPAŞ	135	1,357	735
Total	13,529,067	13,141,417	13,624,353

Water consumption by company (m ³)	2020	2021	2022
Alarko Holding	-	1,000	-
Alarko Carrier	27,298	27,774	23,920
ALSİM	0	0	0
ALTEK	55	55	55
ATTAŞ	20,637	72,442	61,948
CENAL	607,256	595,488	545,882
MEDAŞ	13,121	12,887	13,947
MEPAŞ	0	0	0
Total	668,367	709,646	645,752

Waste by company (tons)	2020		2021		2022	
	Hazardous Waste	Non-Hazardous Waste	Hazardous waste	Non-hazardous waste	Hazardous waste	Non-hazardous waste
Alarko Holding	0	0	0	1	0	2
Alarko Carrier	45	703	36	693	15	445
ALSİM	1	2	1	1	0	1
ALTEK	0	0	0	0	0	0
ATTAŞ	21	689	18	1,592	13	1,920
CENAL	122	0	125	7,465	164	4,231
MEDAŞ	577	4,389	881	9,181	302	10,321
MEPAŞ	0	0	0	589	0	11,757
Total	766	5,783	1,061	19,522	494	28,677

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GRI

CONTENT

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GRI CONTENT INDEX

DISCLAIMER

The information and analyses presented in the 2022 Alarko Holding Sustainability Report are provided for informational purposes only. They are based on sources and information that were considered accurate and reliable at the time of preparing the report and should not be used as the sole basis for making investment decisions. The Company, its directors, employees, and all other individuals and institutions contributing to the Report cannot be held liable for any damages that may result from the use of the information contained in this Report. All rights of the Report belong to Alarko Holding.

Purpose of use	Alarko Holding has provided information in this report for the period covering January 1, 2022, to December 31, 2022, in accordance with GRI Standards.
GRI 1 kullanımı	GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURES	PAGE NUMBER, REFERENCE AND/OR DIRECT ANSWERS
GENERAL DISCLOSURES		
GRI 2: General Disclosures 2021	2-1 Organizational details	12 - 13
	2-2 Entities included in the organization's sustainability reporting	4
	2-3 Reporting period, frequency and contact point	4
	2-4 Restatements of information	This is Alarko Holding's first sustainability report.
	2-5 External assurance/Verification	No external audit has been received for the reporting period.
	2-6 Activities, value chain and other business relationships	12 - 19, 22
	2-7 Employees	46 - 50
	2-8 Employees of subcontractors	-

GRI STANDARD	DISCLOSURES	PAGE NUMBER, REFERENCE AND/OR DIRECT ANSWERS
GENERAL DISCLOSURES		
GRI 2: General Disclosures 2021	2-9 Governance structure	2022 Alarko Holding Annual Report
	2-10 Nomination and selection of the highest governance body	2022 Alarko Holding Annual Report
	2-11 Chair of the highest governance body	2022 Alarko Holding Annual Report
	2-12 Role of the highest governance body in overseeing the management of impacts	24
	2-13 Delegation of responsibility for managing impacts	2022 Alarko Holding Annual Report
	2-14 Role of the highest governance body in sustainability reporting	34
	2-15 Processes to prevent conflicts of interest	Alarko Holding Code of Ethical Conduct and Working Principles
	2-16 Process of communicating critical issues to the highest governance body	Alarko Holding Corporate Governance Committee Duties
	2-17 Collective knowledge of the highest governance body	Alarko Holding Corporate Governance Committee Duties
	2-18 Evaluation of the performance of the highest governance body	Alarko Holding Corporate Governance Committee Duties
	2-19 Remuneration policies	Alarko Holding Remuneration Policy
	2-20 Process to determine remuneration	Alarko Holding Remuneration Policy
	2-22 Statement on sustainable development strategy	32
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	2-25 Processes to remediate negative impacts	26
2-26 Mechanisms for seeking advice and raising concerns about issues related to ethical and legal behavior	26	

GRI STANDARD	DISCLOSURES	PAGE NUMBER, REFERENCE AND/OR DIRECT ANSWERS
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GRI 2: Genel Bildirimler 2021	2-27 Yasal mevzuata uyum	Alarko Holding Code of Ethical Conduct and Working Principles
	2-28 Kurumsal üyelikler	62 -63
	2-29 Paydaş katılımı	29, 36
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GRI 3: Öncelikli Konular 2021	3-3 Öncelikli konunun yönetimi	20, 54 - 60
GRI 201: Ekonomik Performans 2016	201-1 Üretilen ve dağıtılan ekonomik değer	20, 54 - 60
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GRI 205: Yolsuzlukla Mücadele 2016	205-1 Yolsuzlukla ilgili riskler bakımından değerlendirilen faaliyetler	Alarko Holding Code of Ethical Conduct and Working Principles
	205-3 Teyit edilen yolsuzluk olayları ve alınan önlemler	Alarko Holding Code of Ethical Conduct and Working Principles

GRI STANDARD	DISCLOSURES	PAGE NUMBER, REFERENCE AND/OR DIRECT ANSWERS
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GRI 3: Material Topics 2021	3-3 Management of material topics	41
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	302-4 Reduction of energy consumption	41
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	303-3 Water withdrawal	67
	303-4 Water discharge	67
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GRI 3: Material Topics 2021	3-3 Management of material topics	39
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GRI 3: Material Topics 2021	3-3 Management of material topics	46 - 50
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GRI STANDARD	DISCLOSURES	PAGE NUMBER, REFERENCE AND/OR DIRECT ANSWERS
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GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	47, 66
	404-2 Programs for upgrading employee skills and transition assistance programs	46-49
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GRI 3: Material Topics 2021	3-3 Management of material topics	24
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	24, 51, 52, 66
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GRI 3: Material Topics 2021	3-3 Management of material topics	51
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Our operations do not pose significant actual or potential negative impacts on local communities.

CREDITS

Trade Registry Information: 118376

Trade Name: ALARKO HOLDING A.Ş.

Borsa İstanbul Trading Code: ALARK

Head Office Address:

MUALLİM NACİ CADDESİ NO: 69 34347 ORTAKÖY/İSTANBUL

Central Registration System (Mersis) No.: 0480036101

CONTACT

Phone: +90 212 310 33 00

Fax: +90 212 260 35 04

Website: www.alarko.com.tr

E-mail: info@alarko.com.tr

Investor Relations: ALARKOInvestorRelations@alarko.com.tr

Sustainability Report and EMS:

Surdurulebilirlik.Komitesi@alarko.com.tr

Report Consulting:

S360 Sürdürülebilirlik ve İletişim Hizmetleri A.Ş.

Report Design and Implementation:

Myra Social Benefit Communication Agency

Disclaimer: The data, information, and analyses presented in the Alarko Holding Sustainability Report (the Report) have been provided for informational purposes only, based on sources and information that were considered accurate and reliable during the reporting period. The Report is not intended to serve as the basis for any investment decisions. The Company, its directors, employees, and all other individuals and institutions contributing to the Report cannot be held liable for any damages that may result from the use of the information contained in this Report. All rights of the Report belong to Alarko Holding.

