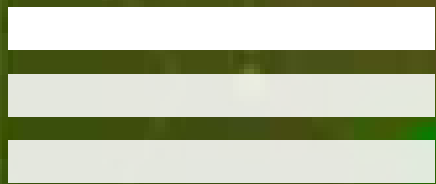


**SUSTAINABILITY
REPORT**

2021



We Are
Behind Life...





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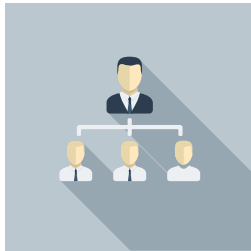
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COMBATING
CLIMATE CHANGE
AND OUR
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INVESTMENT
IN HUMAN
RESOURCES
AND SOCIAL
RESPONSIBILITY



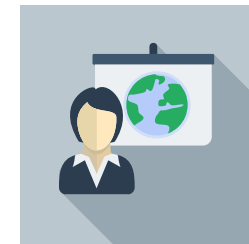
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Management Message



Hakan Kocaer
**Chairman of the Board
of Directors**

Dear Stakeholders,

First of all, I would like to note that we are happy and proud to share our first sustainability report for 2021 with you.

With more than 60 years of experience and knowledge, we have always been striving to create value and difference in our country's economy, society, environment and nature.

These elements have always been our focus points in all of our strategic plans and goals that we have developed over the long term.

Our industrial journey, which began with the production of steel profiles in the long product segment of the Iron and Steel sector in Denizli, continues today with our five factories in Izmir-Aliağa. With our three steel profile production factories with a capacity of 800,000 tons, we are one of the largest manufacturers in Türkiye and Europe.

We offer a wide product portfolio to our customers through more than 12,000 products of over 60 different qualities. We export about 77% of our production to 140 countries on 6 continents. In 2021, we carried out 17% of Türkiye's exports in our segment.

We have been the largest exporter of the Aegean Region for the last 4 years. We are constantly growing with our investments as a strong, reputable, integrated and preferred Turkish brand in the global arena. With our energy and environmentally friendly Galvanized factory with a capacity of 100,000 tons, which we commissioned at the beginning of 2022, we have added another important step that makes a difference to this integration. Additional 200 jobs were created with this investment with a valuable contribution to labor economy.

Our application for LEED certificate for our galvanizing plant is about to be completed.

We are proud to consistently deliver high value added new products to the market thanks to creative work of our R&D, Design and Strategic Marketing departments. We create continuous development opportunities for our experienced, competent human resources who aim at the difficult and achieve the impossible.

In order to offer our customers the best after-sales service possible and forge lasting business relationships, we have also implemented the Voice of the Customer (VOC) committee this year. Being a learning organization, one of our main focuses has always been on developing our suppliers as well as our employees, learning from them, and participating in joint projects.

There is no question that the Covid-19 pandemic has taken the lead and significantly impacted our country and the world when we consider the macro developments that have occurred in our world in recent years.

Our company has prioritized the health of all our employees by taking measures with the earliest and most effective solutions in this regard.

With our strategy and persistent follow-up in accordance with our mission and vision of the challenging economic fluctuations in the sector and the world of 2021, we have achieved our goals and reached a sales turnover of US \$473 million.





MANAGEMENT
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In order to create sustainable profitable growth and create value for all our stakeholders, we have adopted the "Kocaer Management and Excellence System -KYMS", which we have commissioned this year and which is entirely our own design, as a continuous improvement and development methodology.



COMBATING
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Protecting our environment and nature is our most important principle within the scope of a sustainable green world. Within the scope of the 2050 world zero carbon target, we have had our carbon footprint analyzed this year. In this three-dimensional analysis, we have revealed our product, water and corporate carbon footprints. We have determined the improvement actions that we will take for our Suppliers, Customers and our own processes.

By completing the SPP investment on the roofs of our three steel profile factories, service center and galvanized factory, we are now able to meet 33% of the electrical energy we consume from renewable energy sources as of the date of our sustainability report. The facilities, which produce 15 million kWh/year of electricity, are the largest roof SPP investment in the Aegean Region. The roof of the entire 85.00 m² closed area is equipped with GES, together with the SPPs we have placed on the roofs of our service center and Galvanized factory.

Since our total annual consumption is 45 million kWh, the remaining part will be completed with WPP and SPP investments to be planned in 2022-2023, and all of our electrical energy will be covered from 100% renewable energy sources and energy dependence will be eliminated. Following the completion of our renewable energy investments, 17,000 tons of carbon emissions will be saved annually, and the equivalent environmental benefit of planting 322,000 trees per year will also be created. With our zero waste certification and cutting-edge biological treatment systems in all of our facilities, we place a high priority on respecting the

environment.

In addition to the many values we offer to our employees within the scope of Respect for People, we have taken the first steps to implement our 7 social clubs this year. In the upcoming years, we intend to increase the number of these clubs to 15, with the goal of fostering teamwork among our employees and injecting some fun into our productive work. With our Community Service club, many activities have been carried out that will contribute to our environment and region, and more are planned.

In order to create sustainable profitable growth and create value for all our stakeholders, we have adopted the "Kocaer Management and Excellence System-KYMS", which we have commissioned this year and which is entirely our own design, as a continuous improvement and development methodology. In this great model, which includes concepts such as strategy development, management with business plans, management by targets, lean manufacturing practices, digital transformation studies, management with processes, idea management system, project management system, recognition system and 35 loss management, we are trying to get one step closer to perfection with various committees, audits and trainings within Kocaer Academy.

One of our most important steps for a sustainable future and transferring the Kocaer Çelik brand to future generations by creating value and difference has been our public offering process, which we have implemented in 2022. In this context, the free float ratio of our company was determined as 20% and the process was successfully completed with 4% additional sales depending on the intensity of the incoming demand. Our public offering was registered as the largest public offering of the year with TL 1 billion 542 million. Our public offering distribution is realized 60% individual investors, 35% domestic institutional investors, and 5% foreign institutional investors. This income is anticipated to be invested in renewable energy projects and the technological modernization of our factories, giving us a competitive edge in value-added products. Our company was opened to the stock exchange on June 30, 2022 during the Gong ceremony held at Borsa Istanbul and our shares started to be traded.

I wish the best for our nation and would like to thank all of my colleagues and other stakeholders who helped to ensure that future generations will have a clean environment to enjoy.

Sincerely,

Hakan Kocaer

Chairman of the Board of Directors



About the Report

Kocaer, which has been working in the focus of sustainability since its establishment, publishes this report, which is the first sustainability report, with the aim of making its work more comprehensive.

This report covers Kocaer Çelik's economic, environmental, social, and managerial performance from January 1, 2021 to December 31, 2021. This performance consists of material issues determined by a broad internal and external stakeholder participation, and Stakeholder Capitalism Metrics developed by the World Economic Forum's (WEF) International Business Council (IBC) announced at the end of 2020 under the leadership of Sustainability Management, which is the sustainability structuring of Kocaer Çelik.

It is aimed that the sustainability efforts that will be carried out in the following periods will be shared annually through the Sustainability Report.

The performance indicators and notifications contained in the 2021 Sustainability Report have been prepared in accordance

with the "Core" option of the Global Reporting Initiative (GRI) Standards. In addition, the Report reveals the contribution of Kocaer Çelik to the Sustainable Development Goals.

- Shows its direct relationship with the UN SDG - United Nations Sustainable Development Goals
- United Nations Global Compact (UNGC).

Kocaer Çelik commits to improving its sustainability performance year after year in response to changing stakeholder expectations, and to supporting its results with better practices through its report.

The report has been prepared in consultation with SUCSR and the data shared in the report has not been subjected to external audit. The report has been prepared in two languages, Turkish and English.

You can use the following communication channels for all kinds of opinions, thoughts, suggestions, contributions and questions related to the report.



MANAGEMENT
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RESOURCES
AND SOCIAL
RESPONSIBILITY

Contact

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yolu üzeri 2.km No:31 Aliğa/İzmir



Vision

To be the sector's most innovative, strong, dependable, reputable, environmentally and socially responsible company, with superior product and service quality.

Mission

To increase our competitiveness with our sustainable product and service quality and innovative structure by considering our stakeholders as part of our organization with social responsibility and environmental awareness.



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Values



Being honest,
transparent,
ethical and
fair



To be
loving and
respectful
to people



Being
sensitive
to the
environment



Being
principled
and
sacrificing



Being
customer
oriented



Being
participatory
and sharing



Supporting
teamwork



Kocaer Çelik

Kocaer Çelik, which wants to strengthen its presence in global platforms with its wide product range and opportunities, by considering its strategic goals, it meticulously handles all activities related to high priority elements in its sustainability approach, including effective management of energy and natural resources, increasing efficiency, reducing greenhouse gas emissions, following international standards and best practices at all operating points at home and abroad, ensuring the safety of its employees and the satisfaction of its customers. At the same time, it also follows national and international standards and has ISO 9001 – ISO 14001 – ISO/IEC 27001 – ISO 50001 and ISO 45001 Management systems certificates.

Kocaer will continue its efforts that directly support its vision, by supporting its strong corporate governance structure with modern practices and systems, by carrying out its activities in the light of business ethics foundations, by adhering to legal requirements, company principles, values and principles, in the coming years.

Kocaer Çelik, which is in a leading position in the sector with its long steel profile products; is in the leading position in the sector with its nearly 60 different quality and more than 12 thousand product types. It offers its customers high-value-added products with its exports to 140 countries on 6 continents.

KOCAER Çelik Sanayi ve Ticaret A.Ş., as the first company of Kocaer Group, began its activities in the iron and steel sector in Denizli in the early 1960s. Its first factory in the Aliğa region of İzmir was established in 1996, the second factory in 2008 and the third factory in the same region in 2017. In 2015, it established its service center and adopted the strategy of increasing the share of value-added products in its product portfolio by establishing a service center and, depending on this strategy, and commissioned a galvanized plant that provides zinc plating service in early 2022.

Kocaer Çelik serves with its 3 steel profile factories with a capacity of 800,000 tons/year, a service center with a capacity of 120 thousand tons/year and a galvanization factory with a capacity of 100 thousand tons/year.

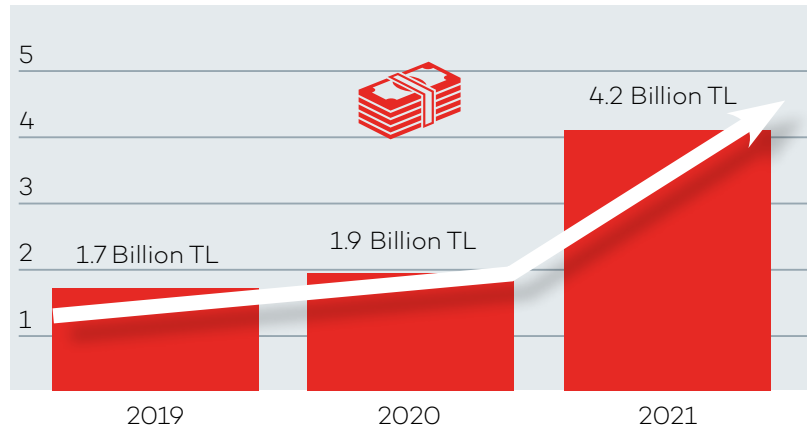
Kocaer has been creating added value for Türkiye since its inception, while also developing innovative products and services and furthering its corporate development. As of the end of 2021, its total assets are USD 3,460,850,875. As a global player, its overseas sales amount to a total of 2,923,256,813 Turkish Liras.

In its factories with an annual production capacity of 800,000 tons, Kocaer Çelik manufactures energy transmission lines, solar energy infrastructure, transportation, mining, tunnel, shipbuilding, agricultural and structural steel, defense industry, machinery manufacturing sectors, all desired special grades, different sizes, and special lengths.

Some of the product range of Kocaer Çelik, which is constantly improving its success with a wide range of high-quality products, is given in the Economic Performance Indicators.

Kocaer Çelik, produces products with the the know-how, experience gained in the energy sector and with quality diversity and standardized processes such as EN 100252 (Europe), DIN 17100 (Germany), ASTM (America), CSA G40.20 (Canada), JIS G3103 (Japan), AS NZSD 3679.1 (Australia), IRAMIAS U 500503 (Argentina), PHN84042 (Poland), CSN EN 10025 + A1 (Bosnia and Herzegovina), EN 1090-1:2019+A1.

Kocaer Çelik Annual Turnover (Billion TL)



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Kocaer Çelik in Numbers




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800.000+
Tons capacity


3 Production
facilities


Export to **140**
countries

Aegean Region
**Iron and Steel
Export**
(2018-2019-
2020-2021)


15 million kWh/year
SPP Electricity
Generation




COMBATING
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900+
employees


One of **60** companies
with Foreign
Trade status



R&D
The first center
of the sector



Quality Management
SAP in
All Processes

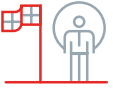

473 million
dollars turnover
for 2021




INVESTMENT
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Production in a
total area of
280 thousand m²
85 thousand
m² of which is
covered


Türkiye's **96**th
largest industrial
enterprise and
62nd. exporter


77% of
production and
more export to
140 countries
in 6 continents

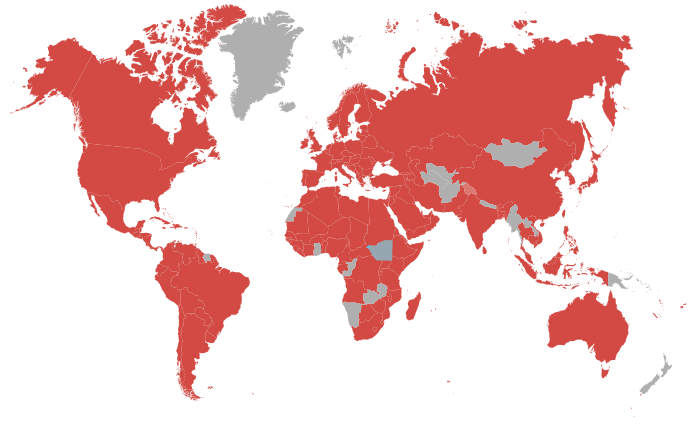

Over **12.000**
different products
in **60** different
qualities


The first company
in its sector to
be included in
Turquality



Kocaer Çelik's Export Countries

Operating in the steel section segment of the iron-steel industry, Kocaer Çelik provides the production of high-strength and special-quality, products to its customers operating in the energy transmission line, solar energy infrastructure, structural steel, transportation, mining, tunnel, shipbuilding, agriculture, machinery manufacturing, defense industry sectors and carries out the production of steel profiles in different sizes, special lengths and sections and the sales of these products through export, foreign and domestic distribution channels. **According to the 2018, 2019, 2020 and 2021 data in the Aegean Ferrous and Nonferrous Metals Exporters' Association (EDDMIB) Report, Kocaer Çelik is the highest steel profile exporter according to the data of 2018, 2020 and 2021.** The Company has 3 steel profile manufacturing plants, 1 Galvanized Factory and 1 Service Center in İzmir, Aliğa,as well as branches in İzmir, İstanbul and Denizli. In addition, the Company manages its UK operations through its subsidiary, which is based and operates in the United Kingdom.



(Kocaer Çelik's Export Countries**Exported countries are shown in red.)



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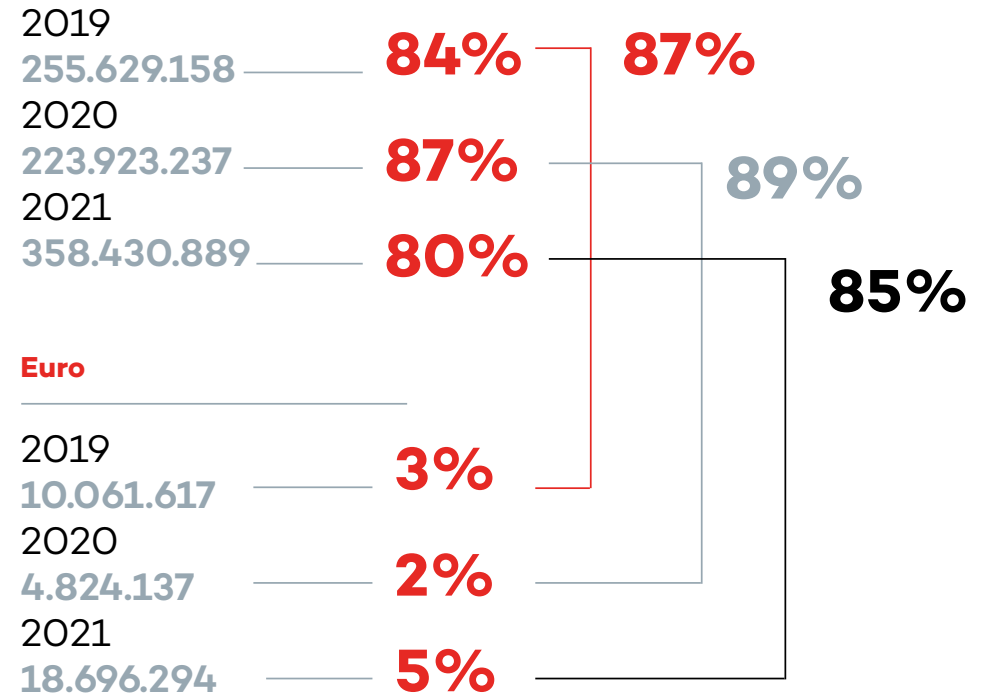
COMBATING CLIMATE CHANGE AND OUR ENVIRONMENTAL RESPONSIBILITIES



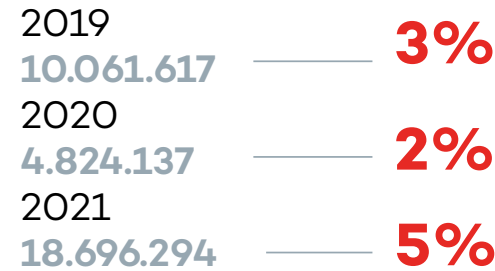
INVESTMENT IN HUMAN RESOURCES AND SOCIAL RESPONSIBILITY



Share in Total Sales Revenue US Dollar



Euro





Investments

Galvanized Factory

The company has completed its investment in a Galvanized Factory with an immersion capacity of 100,000 tons/year in the A2 Factory site and commissioned it at the beginning of 2022. In a closed area of 6,000 m², the melting furnace with a length of 13 m, a depth of 3.5 m and a width of 1.6 m, with a capacity of 500 tons of zinc, operates under full automation control. It has started to provide galvanized coating services that increase the resistance of steel products to atmospheric corrosion conditions by hot-dip galvanized coating method. With the capacity increase of the Galvanizing Factory and Service Center, it is expected that close to 200 people will be employed.

The company carries out the coating process by transferring the steel profile products it produces and the steel profile products processed at the Service Center directly to the Galvanizing Factory. Thus, it is aimed to reduce logistics costs and increase the share of value-added products in sales in hot-dip galvanizing operations starting from January 2022.

The company started green building certification processes by applying energy and environmentally friendly designs in the Galvanizing Factory building, and applied for the LEED (Leadership in Energy and Environmental Design) certification system in August 2021 to be rated by USDGBC (U.S. Green Building Council). At the same time, a contract has been signed for the roofs of the Galvanizing Plant and the Service Center for the second stage of the on-roof GES project, which was completed at the first stage of the A1 Factory, A2 Factory and A3 Factory roofs, and it is aimed to start generating electricity in June 2022.

Service Center

The Service Center is located within the A2 Factory site and integrated into the Galvanizing Factory. In the Service Center, which provides service in a closed area of 4,000 m², for the final use of steel profile products, by creating added value with cut-to-length, welded manufacturing, machining, bending-press line (cold forming), sandblasting-painting and heat treatment operations, products ready for end-use are offered to customers. Secondary manufacturing of steel profiles and connection equipment is carried out at the plant according to the project-based demands of customers.




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Kocaer Çelik Milestones



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1984

► Production started with the first factory established on an area of **3,000 m²** in Denizli.



1996

► Aliğa -1 (A1) Factory, a thick section steel profile manufacturing plant with a capacity of **300,000 tons/year**, was established in İzmir Aliğa in a total area of **32,500 m², 21,000 m²** of which is a closed area, with a capacity of 300,000 tons/year.



2008

► Aliğa-2 (A2) Factory, a medium section steel profile production factory with a capacity of **300,000 tons/year**, was established in a total area of **186,000 m²**, of which **34,000 m²** is closed area, in İzmir, Aliğa.



2015

- The company MyMetal LTD was established, which distributes iron and steel products with its warehouses located in the United Kingdom.
- The first R&D Center of the sector was established with the approval of the Ministry of Industry and Technology.
- Service Center started its activities.



2016

► Was included in Turquality, the world's first and only state-supported branding program, by the TR Ministry of Commerce.



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2017

- ▶ Aliağa-2 (A3) Factory, a medium section steel profile production factory with a capacity of **200,000 tons/year**, was established in a total area of **41,000 m²**, of which 18,000 m² is closed area, in İzmir, Aliağa.
- ▶ It took first place in Türkiye in the R&D category at the Ministry of Industry and Technology's "**Productivity Project Awards**."
- ▶ The SAP S4/HANA project won the first prize in the innovation category of the **2017 SAP Quality Awards**.
- ▶ The MES (Manufacturing Execution System) project won the second prize in the **2017 IDC Industry 4.0 Smart Manufacturing** (Manufacturing) category.



2018

- ▶ In 2018, 2019, 2020 and 2021, the Aegean Exporters' Association "Shining Stars of Export" awards were given the **LARGEST EXPORTER OF THE AEGEAN IN ITS SECTOR** 4 years in a row.
- ▶ At the R&D Centers Summit of the Ministry of Industry and Technology, the awards were won for the second place in Türkiye in the "**Project Capacity**" category and the third place in Türkiye in the "**Class A R&D Centers**" category.



2021

- ▶ As a result of the assessment conducted by the credit rating agency JCR (Japan Credit Rating), the credit rating was determined to be A.
- ▶ In order to reduce the carbon footprint, solar energy systems have been installed to meet approximately **30%** of energy consumption from renewable and clean sources



2022

- ▶ The establishment of the Hot Dip Galvanizing Factory in İzmir Aliağa with a capacity of **100,000 tons/year** in a **10,000 m²** closed area has been completed and the necessary investment to increase the capacity of the Service Center to **120,000 tons/year**.



Awards

Kocaer Çelik has won the first prize in the Productivity Project Awards of the Ministry of Science, Industry and Technology in the category of large-scale enterprises, surpassing the projects of important companies of Türkiye. Within the scope of the project, the system, the design, automation and engineering of which belong to the Company, was patented by the Turkish Patent Institute with the number TR2016/15129 B.

According to the data of the Aegean Region Exporters' Associations (EIB), Kocaer is one of the leading exporters of the Aegean Region in the ferrous and non-ferrous metals sector. The rankings of the EIB's Shining Stars of Export for the last 5 years, Ferrous and Non-Ferrous Metals Sector are given in the table below. Kocaer, which was awarded the second prize in the 2021 awards with the inclusion of a company from the Copper sector in the Ferrous and Non-Ferrous Metals Sector, has again maintained the title of export first in its segment.

The ERP/SAP (Enterprise Resource Planning) system, a global solution that has proven its leadership all over the world, has been put into use. All processes within the company work in an integrated manner with SAP systems. The company crowned its success with the successful commission of SAP S4 Hana project by winning the Golden Award in the SAP Quality Awards' innovation category.

It has the ability to collect machine data effectively, which has been one of the most important requirements of Industry 4.0 since 2008. It has increased production efficiency significantly as a result of IT projects carried out in its manufacturing facilities using its own internal resources. One of these projects, the MES system, won second place in the IDC Industry 4.0 Smart Manufacturing category. In this context, the Company, which broke new ground in the sector, is continuing its efforts in this direction, aiming to lead the sector with its iron and steel sector developments.

It was recognized in two categories at the Ministry of Industry and Technology's R&D Centers Summit in 2019. It was ranked second in Türkiye in the Project Capacity category and third in the Class A R&D Centers category.

It has become the only company from our country to receive an award in this competition, receiving the third prize in the "Best Operational Improvements" category in 2020, within the scope of the "Global Steel Excellence Awards," which is organized every year by Fastmarkets, one of the most reputable companies on a global scale, and where participants from all over the world compete.



Kocaer Çelik, the export
champion of the
last 4 years

**in the iron
and steel**





Sustainability at Kocaeli Çelik

Communication with Stakeholders



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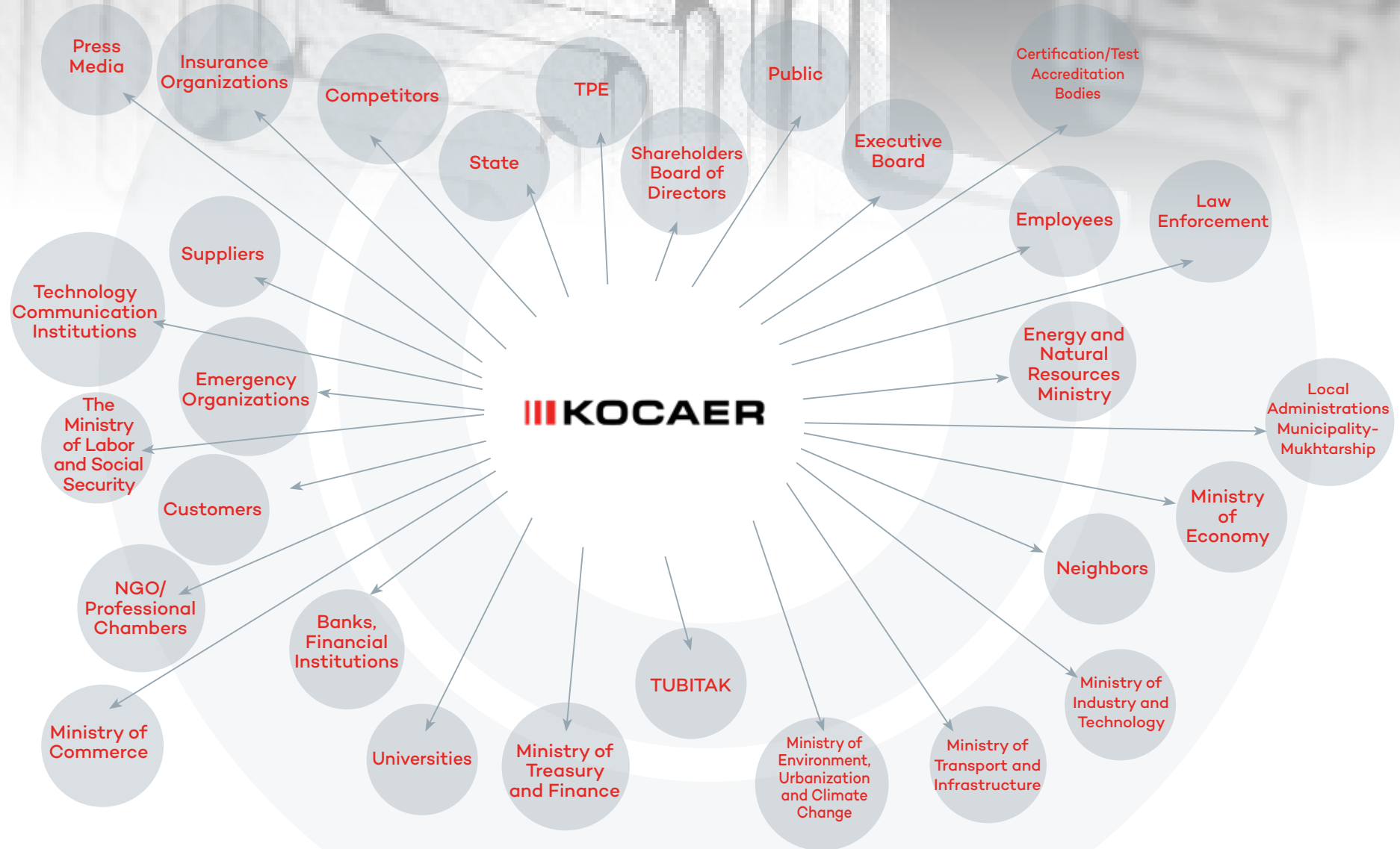
INVESTMENT
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The concept of stakeholder capitalism came to the fore again in the Davos Manifesto signed at the 50th meeting of the World Economic Forum (WEF) in January 2020. This concept, which expresses that companies take a stakeholder-oriented model that creates value for everyone as a priority, and that supporting sustainability in the entire value chain contributes to the protection of the ecosystem, considers a growth and profitability-oriented approach as a secondary priority. In this context, Kocaeli Çelik, which determines the people and institutions that are affected by activities today and in the future and also affects financial performance with their behaviors and decisions, as stakeholders, and adopts the philosophy of investing in the future in its relations with all its stakeholders, acts with the philosophy of investing in the future in its relations with all its stakeholders. Kocaeli Çelik maintains continuous communication by establishing two-way communication with all stakeholders and using various channels. Stakeholders are informed about all activities on various platforms, primarily on the website

 www.kocaelisteel.com Key stakeholders were identified and stakeholder maps were created for various functions at the 2021 sustainability strategy workshop.






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Stakeholders from both inside and outside of the institution serve as ambassadors for it. Stakeholders believe the message the brand conveys to be true, so both the brand's positive and negative attributes have an impact on them.

The objective of spreading the sustainability culture and having a positive overall impact on all stakeholders is at the core of Kocaer Çelik's sustainability approach. Kocaer Çelik sets sustainability goals for the year 2030 and keeps working within the framework of sustainable development principles, taking a method that takes into account global developments to meet these goals.



Collaborations and Memberships

In order to develop new products, Kocaer Çelik systematically assesses the suggestions and viewpoints. Then, it develops the appropriate proposals for which it has determined the viability. It collaborates with sustainability-focused initiatives in Türkiye and all over the world within the framework of its sustainability approach.

In order to develop strategic cooperation, take advantage of its knowledge in a variety of fields and share its own knowledge, follow and guide sectoral developments at the national and international levels, Kocaer Çelik continues its relationships with organizations like unions, associations, and chambers at the national level.



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KOCAER Membership List

Scientific and Technological Research Council of Türkiye (**TÜBİTAK**)

Business World and Sustainable Development Association (**SKD Türkiye**)

Turkish Corporate Treasury Managers Association

Public Disclosure Platform

Central Registry Agency

Steel Foreign Trade Association

Aegean Exporters' Associations

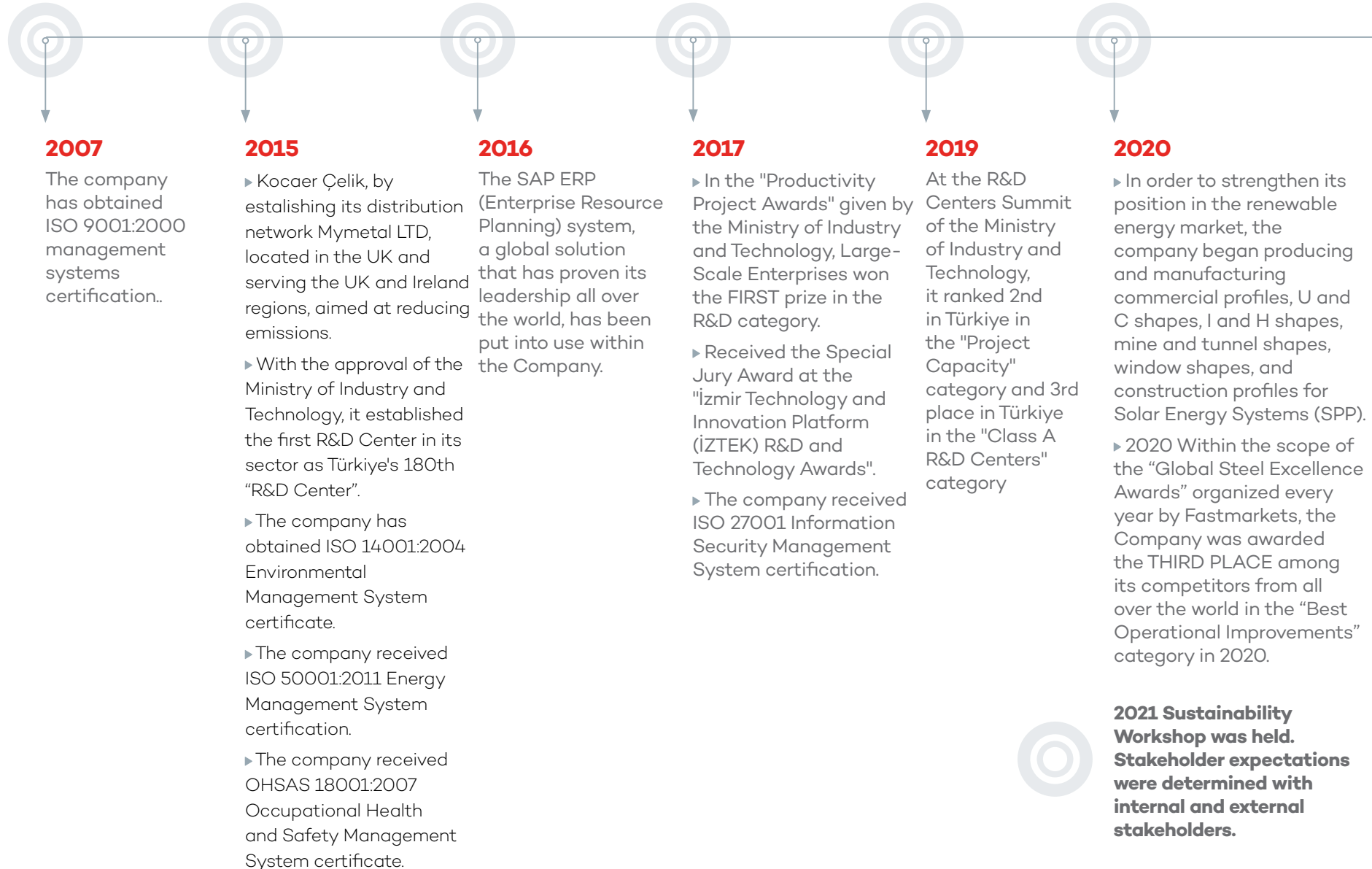
Izmir Chamber of Industry

TÜYİD - Investor Relations Association (tuyid.org)

TKYD - Corporate Governance Association of Türkiye



Sustainability Journey at Kocaeli Çelik




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Priority Sustainability Issues at Kocaer Çelik

Kocaer Çelik conducted an analysis to identify the top concerns on which to focus attention when considering sustainability issues and upon which to build its long-term strategy. A multilayered priority subject matrix has been created with this analysis, which is carried out in accordance with the AA1000 Stakeholder Engagement Standard. The social and environmental impacts created by Akkim; the risks and opportunities created by the related sustainability issues; and the reflection of the issues on the company's long-term performance were among the elements taken into consideration.

The Board of Directors and senior executives of Kocaer Çelik held a prioritization workshop using this matrix of sustainability issues. 21 topics were determined to be prioritized for Kocaer based on

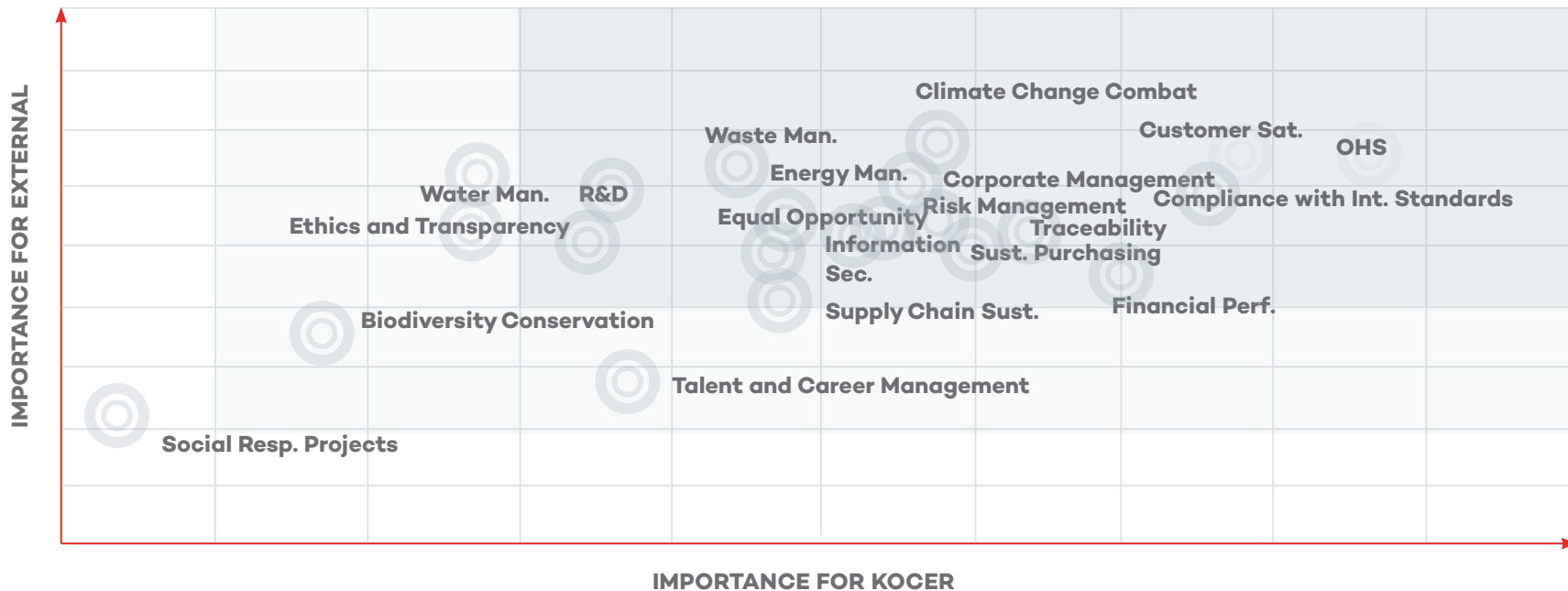
the workshop's findings. A list of the most important stakeholder groups was created during this workshop, which also examined the effects of various stakeholder groups on sustainability performance.

Within the framework of the identified sustainability issues, an online impact assessment survey was conducted with both internal and external stakeholders to understand which issues affect sustainability performance – today and in the future – the most and should therefore have the highest priority.

Through an online survey, opinions from employees who were considered internal stakeholders as well as business partners, non governmental organizations, customers, financial institutions, and suppliers were gathered.

The matrix of sustainability priorities was completed by taking into account global and sectoral trends and evaluating risks and opportunities with the meetings held under the leadership of Kocaer Çelik Sustainability Management.

Sustainability Priorities Matrix



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Accordingly, the list and scope of priority sustainability issues for Kocaer Çelik are presented in the table below.

High Priority Sustainability Issues	Scope
Occupational Health and Safety	Kocaer Çelik and All Stake-holders
Customer Satisfaction	Customers
Compliance with International Standards	Kocaer Çelik and All Stake-holders
Risk Management	Kocaer Çelik and All Stake-holders
Traceability	Kocaer Çelik and All Stake-holders
Combating Climate Change	Kocaer Çelik and All Stake-holders
Sustainable Procurement	Kocaer Çelik and All Stake-holders
Financial Performance	Kocaer Çelik and All Stake-holders
Energy Management	Kocaer Çelik and All Stake-holders
Information Security	Kocaer Çelik and All Stake-holders
Equal Opportunity	Kocaer Çelik and All Stake-holders
Employee Engagement	Kocaer Steel
Sustainability in the Supply Chain	Kocaer Çelik and All Stake-holders
Waste Management	Kocaer Çelik and All Stake-holders
Talent and Career Management	Kocaer Steel
R&D	Kocaer Çelik and All Stake-holders
Contribution to Local Economy	Kocaer Çelik and All Stake-holders
Water Management	Kocaer Çelik and All Stake-holders
Ethics and Transparency	Kocaer Çelik and All Stake-holders
Conservation of biodiversity	Kocaer Çelik and All Stake-holders
Social Responsibility Projects	Kocaer Çelik and All Stake-holders





Priority Issues According to the Sustainability Approach

Kocaer Management and Excellence System (KYMS)



MANAGEMENT RESPONSIBILITY AND CONTINUOUS IMPROVEMENT

- ▶ Customer Satisfaction
- ▶ Compliance with International Standards
- ▶ Corporate Management Approach
- ▶ Risk and Opportunity Management
- ▶ Ethics and Transparency
- ▶ Supply Chain Management



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- ▶ Energy Management
- ▶ Emissions Management
- ▶ Traceability
- ▶ Waste Management
- ▶ Water Management



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- ▶ Occupational Health and Safety
- ▶ Equal Opportunity
- ▶ Employee Engagement
- ▶ Talent and Career Management
- ▶ Social Responsibility Projects

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Sustainability Approach

Kocaer Çelik has determined the issues that it should manage as a priority in its sustainability journey by considering all of its needs and analyzing the expectations of its stakeholders in order to protect and develop its global competitiveness within the framework of sustainable development objectives.

These priority issues, which affect the sustainability vision and strategy, have formed the basis of Kocaer Çelik's performance on sustainability issues. With its conscious and inclusive perspective, Kocaer Çelik has dealt with sustainability issues within its scope of responsibility. Within this framework, has presented their studies in the topics of economic, environmental, social and managerial responsibility.



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Management Responsibility and Continuous Improvement

Kocaer Çelik sees it as the responsibility of a good governance approach to continuously improve its product and service quality, to establish ethical and transparent cooperation with all its stakeholders, to ensure customer satisfaction, to comply with international standards, and to integrate risk and opportunity analyses into all processes, in order to ensure business continuity.

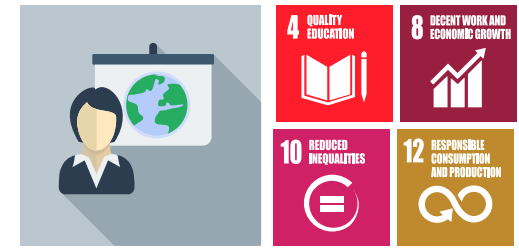


COMBATING CLIMATE CHANGE AND OUR ENVIRONMENTAL RESPONSIBILITIES



Combating Climate Change and Our Environmental Responsibilities

According to the United Nations, Climate Change is among the biggest global problems. Around the world, people are suffering from the catastrophic effects of the climate crisis, which have an immediate impact on social, environmental, and economic activities. The climate crisis is regarded as one of the most pressing issues in the interaction of global business life and countries, and it should be prioritized. Kocaer Çelik carries out all its activities with a production approach that respects the environment and natural resources today and in the future, being aware of its environmental responsibilities.



Investing in Human Resources and Social Responsibilities

At Kocaer Çelik, the most important and primary stakeholder of sustainability is employees. Human responsibilities begin with providing employees with a safe, healthy, and motivating work environment. Kocaer Çelik lays the groundwork for the development of new talents and the structure that keeps people at the center of its operations, and it continues to work to accelerate and increase sustainability in this direction. Kocaer Çelik aspires to be one of the leading companies in social and economic development through the jobs it creates, corporate quality standards, and service understanding, as well as contributions to the local economy in the regions where it operates.



Kocaer Çelik Sustainability Goals



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Kocaer Çelik Sust. Approach

Target Description


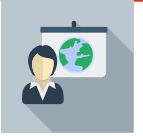
Description

MANAGEMENT RESPONSIBILITY AND CONTINUOUS DEVELOPMENT	Target Description	Description
	Customer Satisfaction	Conducting regular Customer Satisfaction surveys with customers and Customer Satisfaction Score 90%
	Transfer of Kocaer Çelik Business Ethics Guidelines to all stakeholders	2022
	Ensuring organizational structuring by making sustainability management one of the main processes of the company	Full implementation of Kocaer Management and Excellence System (KYMS) by 2024.
	Revision of Supplier Evaluation Procedures within the scope of Sustainability Indicators	2024
	Supplier Trainings	Ensuring the development of our suppliers on sustainability issues. (2024)
	Supplier Audits	Auditing suppliers and monitoring their performance is an important indicator. Until 2024 "Every year %..of suppliers will be inspected on site"
	Budget Allocated for Sustainability Studies	1.5% of the total Budget will be allocated to sustainability studies.
	Using sustainable finance resources in New Projects	
	Budget allocated to R&D	Share of R&D in Total Budget 1.2%
	R&D	Number of newly developed products



Kocaer Çelik Sust. Approach Target Description

Description

 <p>COMBATING CLIMATE CHANGE AND OUR ENVIRONMENTAL RESPONSIBILITIES</p>	Zero Waste	5 pcs/Year
	Reducing Greenhouse Gas Emissions within the Scope of Combating Climate Change	To initiate Carbon Emission measurement studies for 2022 and to verify them within the Scope of 14064 (2023)
	EU Green Deal Compliance	Ensure 100% Compliance with the EU Green Deal with in the framework of local legislation by 2026
	Reducing carbon footprint	ISO 14064 Certification
	Energy Efficiency	To obtain an IREC certificate and meet 100% of the electrical energy used in pro-duction from renewable sources by 2026
	Reducing Water Consumption and conserving water	The water footprint target within the scope of ISO 14046 is to reduce the water footprint by 5% in 2023.
 <p>INVESTMENT IN HUMAN RESOURCES AND SOCIAL RESPONSIBILITY</p>	Female Employment Rate	To increase the rate of white collar female employees by 15% in 2022
	Annual Training Time per Employee	6,000 person*hour training in 2022.
	Ensuring that employees receive training on environmental issues every year	1,000 person*hour training in 2022.
	Employee Satisfaction	The target is 80% .
	Employees have goals in their performance reports under the heading of sustainability	The Individual Performance System, a process for determining targets with an inclusive approach, and an effective career planning program will be implemented in 2022.
SOCIAL COHESION	Local employment rate	90%


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Its product and service quality, to establish ethical and transparent cooperation with all its stakeholders, to ensure customer satisfaction, to comply with international standards, and to integrate risk and opportunity analyses into all processes, in order to ensure business continuity.





Corporate Management

As a global service provider, one of Kocaer Çelik's most important responsibilities is to ensure its operational continuity and to pass it on to future generations in a profitable and sustainable structure.

Kocaer Çelik aims to increase its capacity and competence in adapting to global, macroeconomic, environmental, and social trends that may emerge in parallel with the world's sustainability agenda, as well as changes in related legal regulations. Depending on the situation, it strives to continue its activities in the long term by combining economic, environmental, and social factors with corporate governance principles, and to make its success and brand value in the sector sustainable.

Due to its dynamic management structure that is aware of the requirements of following the outside world, ESG factors, risks and opportunities, actions taken, and targets set are all monitored at the level of the Board of Directors. The board of directors is formed in accordance with the Corporate Governance Principles; by maintaining the appropriate balance of risk, growth, and return, it primarily looks after the company's long-term interests, and manages and represents the company with these principles. Top management and employee performance indicators are not limited to financial results; company targets in environmental and social topics are also established.

Kocaer Çelik strives to create a sustainable working environment and to incorporate sustainable development goals into its activities and strategy.



Kocaer Çelik Board of Directors

Name Surname	Position
Hakan KOCAER	Chairman of the Board - Shareholder
İbrahim KOCAER	Board Member
Orhan TİMURHAN	Board Member
Ferda BESLİ	Board Member
Recep Yılmaz ARGÜDEN	Board Member
İbrahim KUMSAL	Independent Board Member



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Kocaer Çelik, which prioritizes female employee support and ensures that women are represented at all levels of management, values women's equal participation in life as men. **In 2021, the number of women in management and senior management increased by 14.28 percent over 2020.**



Management and Senior Management by Gender

Number of managers

	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
30-50 years	7	31	7	28	8	26
over 50 years	0	6	0	7	0	10

Corporate governance practices are supported by management system practices at Kocaer Çelik, and risk management processes and practices are effectively managed. Management policy, strategy, and values define the sustainability approach.

All operations are carried out in accordance with strategy and values, and stakeholder expectations are assessed and incorporated into decision-making processes. As a result, the political, economic, social, technological, legal, and environmental sustainability of all activities are constantly monitored, and efforts are made to improve performance.



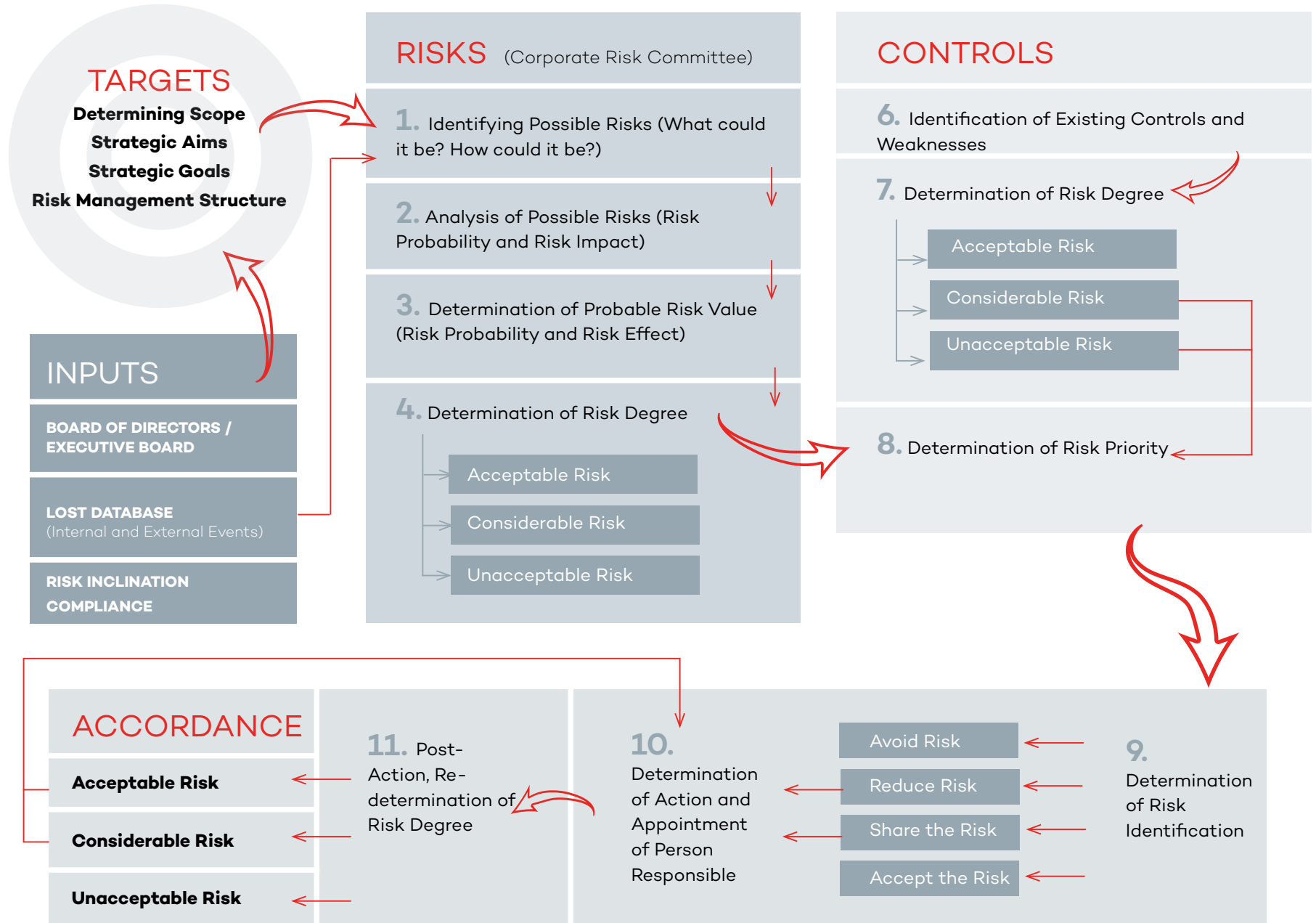
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Corporate Risk Committee

Risk and opportunity management activities are structured within Kocaer Çelik. The results of regular and scheduled meetings are reported to the Board of Directors in accordance with the standard requirements. Meeting agendas in this context include, at a minimum, "early detection and management of internal and external risks that may endanger the company's operations, as well as reviewing risk management systems."

Kocaer Çelik aims to be prepared for situations that may disrupt operations; among the main priorities are minimizing losses to customers, employees, suppliers, and other stakeholders, as well as protecting their material and moral values, reputation, and the environment. Policies and procedures developed in accordance with the aforementioned principles and aimed at ensuring the continuity of business processes in the face of situations that may disrupt operations have been made public to the entire company.

Kocaer Çelik will continue at full speed with the goal of achieving operational excellence and strengthening its position in the sector through the most efficient use of its knowledge and resources, carrying out its work with a corporate approach and within a strategic plan.

Global economic and financial crises, as well as geopolitical risks, may cause fluctuations in Türkiye's financial markets. There is an Institutional Risk Committee in order to evaluate the impact of these risks and to take the necessary precautions.



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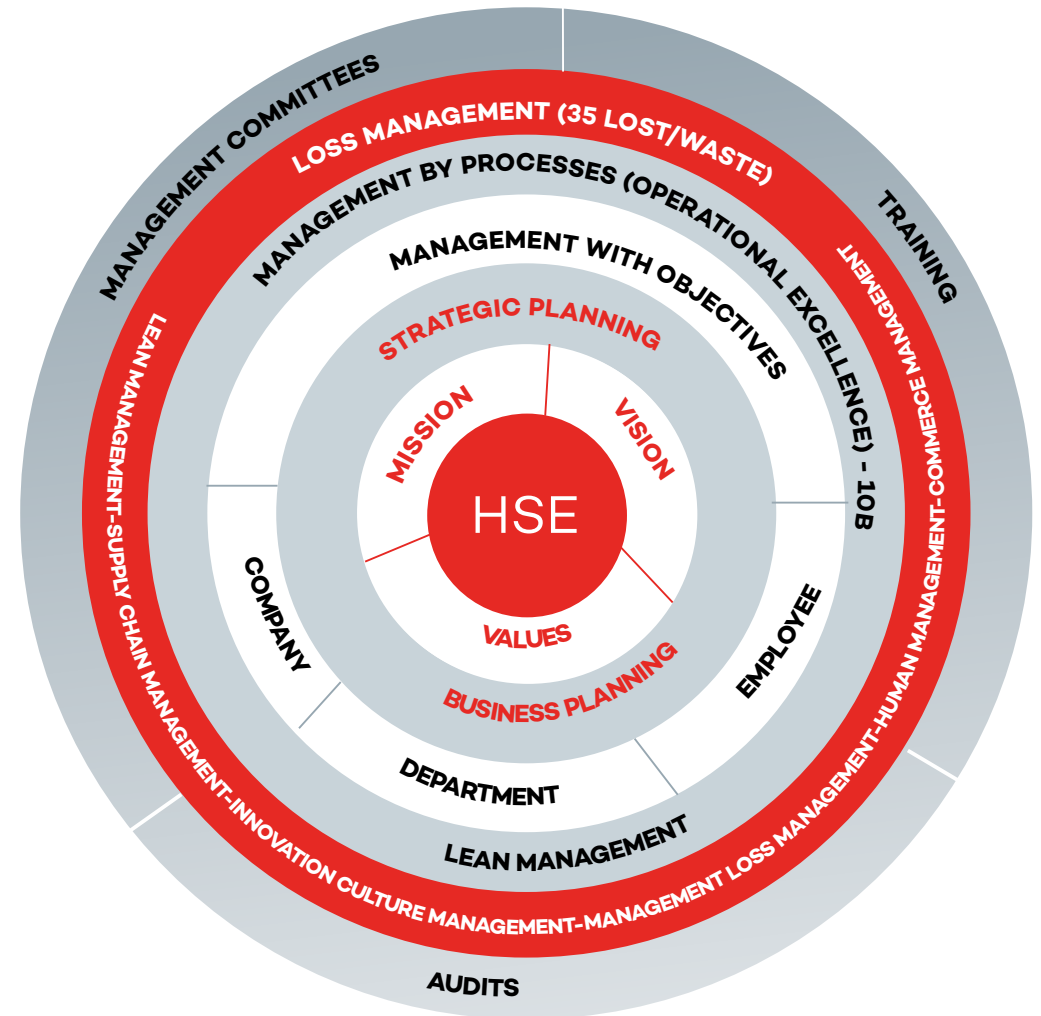
Strategic Management Model at Kocael Çelik

Kocael Management and Excellence System (KYMS)

There are applications for TPM (Total Productive Management), WCM (World Class Manufacturing) or applications developed by companies themselves and mainly aimed at production in Türkiye's leading high-tech, advanced management and production systems in sectors such as automotive, automotive sub-industry, chemistry, defense, electronics, white goods industries. Kocael Çelik has designed and implemented an operational excellence and management system that emphasizes "the effectiveness of human and business management" in accordance with its own internal dynamics and management philosophy, as well as best practice examples on a global scale, with a focus on "Management Responsibility and Continuous Development."

KYMS is built around the main goal of advancing the institutional level at Kocael Çelik: operational excellence in business processes, becoming an employee brand, increasing customer loyalty and satisfaction, and sustainability (Environment, Society, and Financial Results).

It has begun efforts for the registration of the KYMS brand and processes, which were designed by Kocael Çelik. KYMS is regarded as a critical methodology that will enable the Company's long-term profitability to advance to a much higher level. KYMS conducts all of its activities with a focus on the elements of Health, Safety, and Environment (HSE), as well as the importance it places on people and nature. Every year, the Company reviews its vision, mission, and values in light of global dynamics, competitive conditions in markets, and the ecosystem. KYMS is built on these elements, which are determined by the contributions of all employees.




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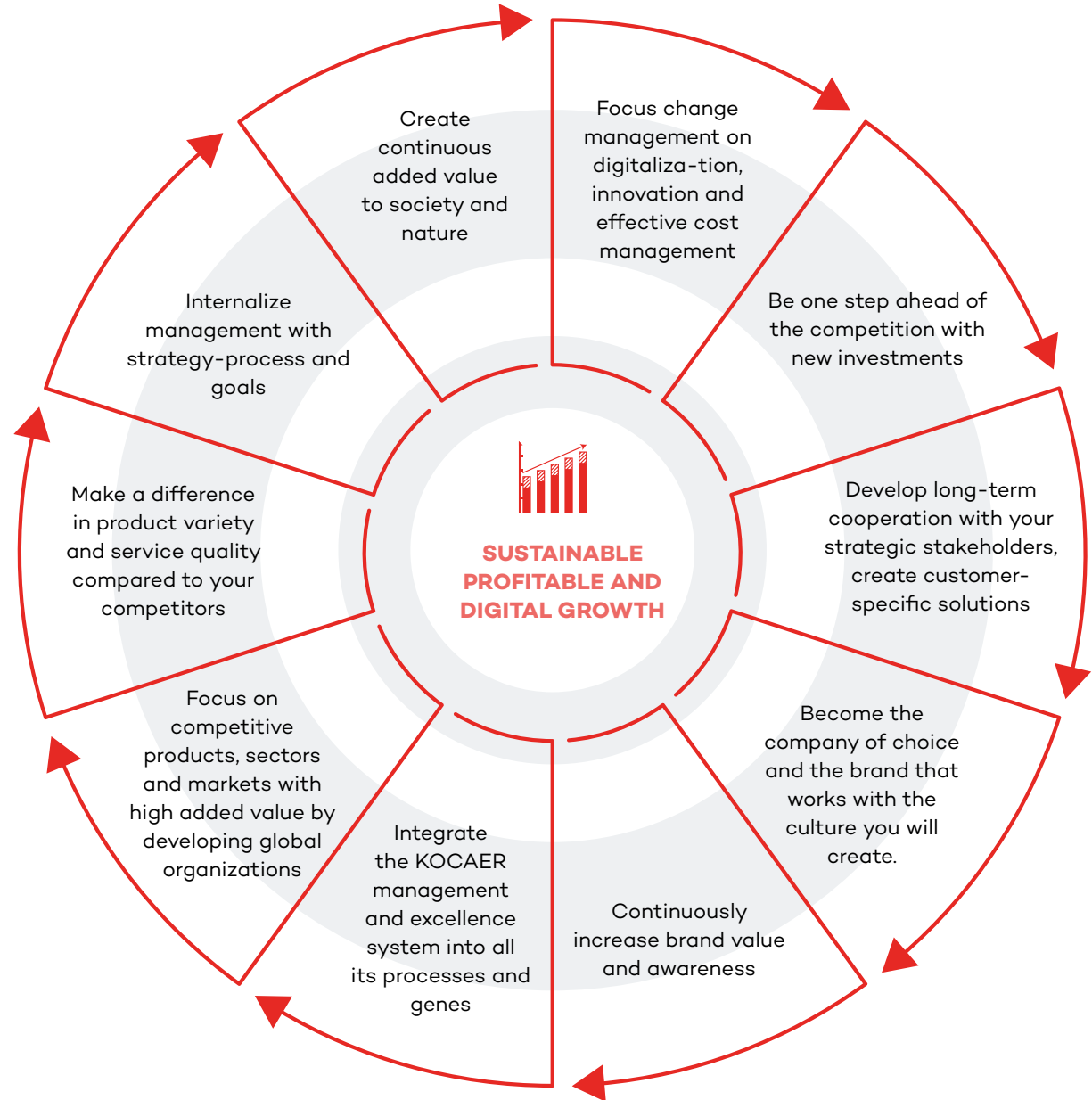

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Kocaer Çelik is managed with long-term strategic goals and business plans that span five years. Thus, the aim of “Sustainable Profitable and Digital Growth” forms the basis of the strategy. The following are the ten main orientations identified to support this foundation.

In order to support these main orientations, all departments create their strategic goals and annual business plans within the framework of the Balanced Scorecard discipline. All of the Company's strategic goals and business plan studies are managed according to the four domains of BSC (Finance, Customer, Process, and Learning/Development). Strategic performance indicators are monitored at the management level of the company using digital and visual tools.



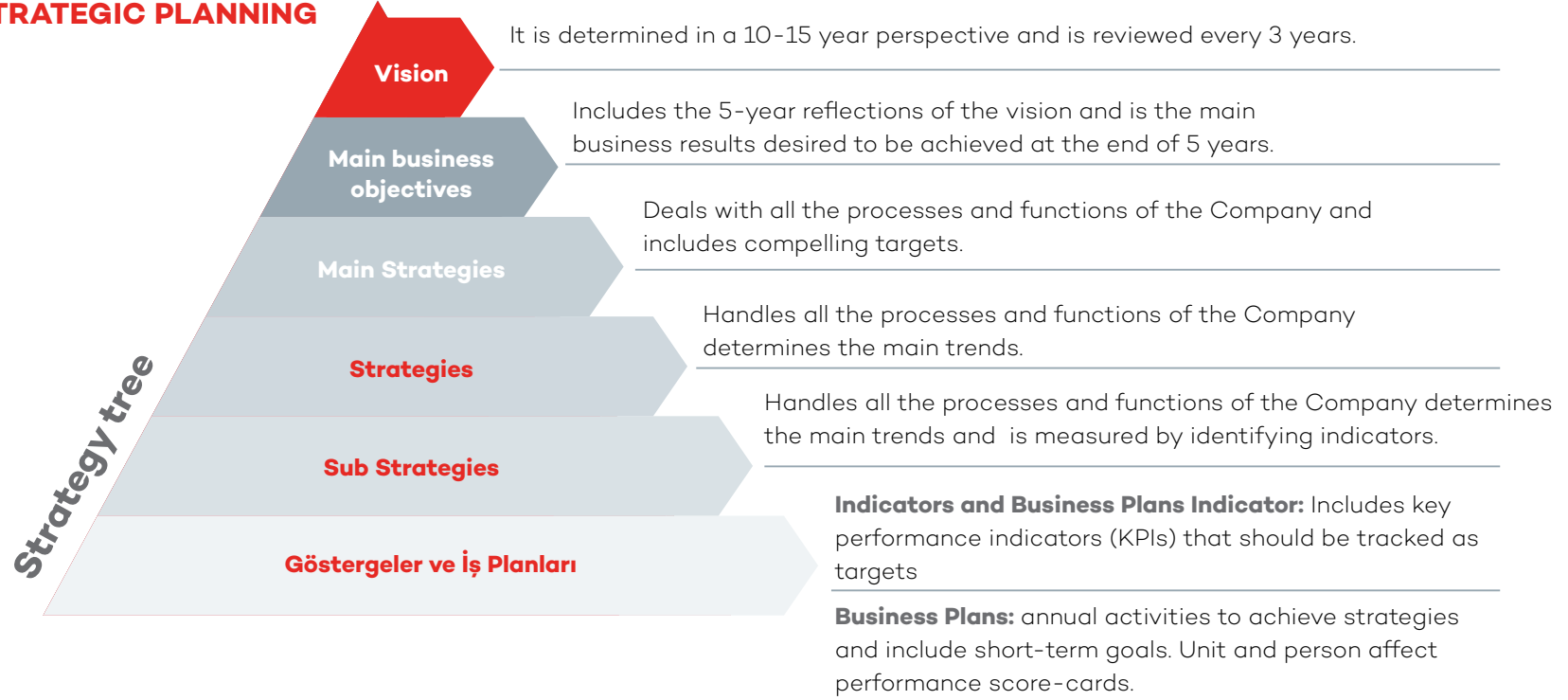

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STRATEGIC PLANNING



At Kocaer Çelik, the Company's processes is managed with an integrated target structure from strategies to individual performance scorecards:

Annual business plans developed in accordance with 5-year strategic goals initiate corporate goals, whereas corporate goals initiate annual company goals. Annual department targets are managed within a system that, from this perspective, is reduced to individual targets.

The strategy committee evaluates all targets quarterly, ensures their dissemination within the company, and takes corrective actions. Strategic annual business plans are unquestionably included as targets in department managers' individual performance scorecards, and these targets are reviewed at quarterly interim meetings.

The Company's designed and developed "Management by Processes" model is used to bring all business processes closer to operational excellence. The "10 Dimensional Excellence" approach ensures operational development and process improvement.

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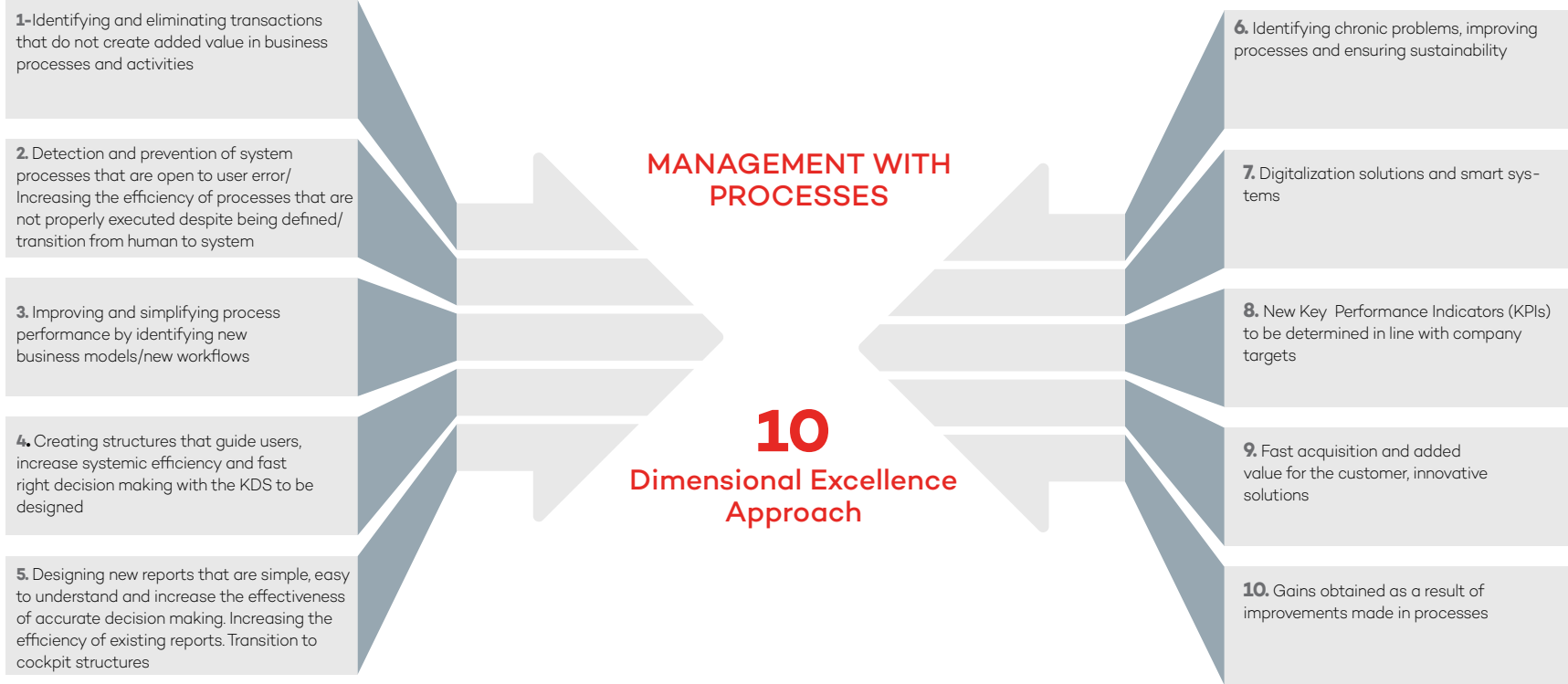
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Kocaer Çelik established the first Lean Office in its segment in the iron and steel industry, carrying out studies and projects that minimize losses in order to perfect all operations within the framework of lean production and process management. Various lean manufacturing techniques are used in all operational areas, particularly in production processes, to achieve this goal.

Kocaer Steel Lean Manufacturing Techniques

VSM (Value Stream Map), SMED (Single Minute Exchange Die), Kaizen (Continuous Improvement), 5S (Separation, Organizing, Cleaning, Standardization, Discipline), Kobetsu-Kaizen (Focused Project Management=10 Step Project Management System), OEE (Overall Equipment Effectiveness), TND (Single Point Course), ASAKAI (Effective Production Management Meetings Systematics), Root cause analysis (5N1K, Ishikawa, why-why analysis), Makigami.



Sustainability Management at Kocaer Çelik

Senior management at Kocaer Çelik is primarily responsible for the implementation and maintenance of corporate sustainability practices.

Furthermore, the Sustainability Committee was established in 2021 under the supervision of its senior management in order to improve its ability and competence in adapting to global, macroeconomic, environmental, and social trends that may arise from Kocaer Çelik's sustainability and changes in related legal regulations.

The committee is in charge of developing and submitting to management approval sustainability strategies and policies

in the economic, managerial, social, and environmental fields, as well as measuring sustainability performance and developing projects to improve it. The committee is also in charge of spreading the sustainability culture and incorporating Kocaer Çelik values into company culture.

The Working Group is in charge of carrying out the Committee's decisions. This group includes managers/employees with sufficient experience and knowledge of sustainability to support the implementation of the Sustainability Committee's decisions; it is in charge of ensuring the implementation and monitoring of all sustainability studies based on Committee decisions, making necessary revisions, and reporting these activities to the Committee Chairman and the Committee.

Sustainability Management Organization



The Sustainability Committee meets at least twice a year as needed. While the agenda of the meeting is determined by the Chairman of the Committee under the leadership of senior management, a new item can be added to the agenda if one of the members requests it. The meeting is held with at least half of the Committee members present. Decisions in the committee

are made by a simple majority of votes. In the event of a tie, the Chairman of the Committee's vote counts as two votes. When necessary, the Committee seeks the advice of experts.

The Chairman of the Committee informs the Board of Directors of the decisions made, and the decisions of the Committee that require Board approval (decisions that will direct the company's sustainability strategy) are submitted to the Board of Directors for approval.


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Duties of Sustainability Committee at Kocaer Çelik:

- ▶ Conducting studies and developing projects in order to integrate sustainability into the Company structure,
- ▶ To keep up with developments in sustainability at home and abroad,
- ▶ Developing the organization's sustainability strategy, objectives, roadmaps, and policies,
- ▶ To determine the most important sustainability related issues, and to develop a sustainability strategy, short, medium, and long-term goals, roadmaps, and policies.
- ▶ In order to combat climate change, supporting the creation of projects that reduce carbon emissions from business operations and seeing to their execution,
- ▶ Following the company's roadmap and developments regarding sustainability, setting goals, determining performance standards in this area, monitoring performance in relation to the goals, and ensuring active participation from all pertinent company units,
- ▶ Authorizing and managing the Working Group established within the Company in accordance with the studies,
- ▶ Reorganizing, carrying out, monitoring, and auditing the sustainability policy, objectives, practices, working principles, and management systems on a regular basis before submitting them for the Board of Directors' approval,
- ▶ To ensure that all employees of the company are aware of its sustainability policy and goals, as well as to work toward internalizing these policies,
- ▶ Ensuring stakeholder participation for all parties regarding the business' sustainability strategy, policy, and practices,
- ▶ To choose affiliations and partnerships at the local, national, and international levels that will help the business achieve its sustainability goals.



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Kocaer Çelik, Basic Management Policy



Considering the Vision, Mission, Principles and values,



In all our products and services we offer to our customers,



Adhering to international and national laws and ethical values,



By ensuring the development and business continuity of our company,



To be the leading company preferred by our stakeholders in its sector.

While implementing this basic policy, with the participation of all our employees, we commit;

- ▶ To be a company that creates value in Quality, Environment, OHS and Energy practices; has continuity, preferred, communicable, transparent company for all our stakeholders, including Employees, Customers, Suppliers, Neighbors, Society and our State,
- ▶ By using a creative strategy, we can satisfy our customers' needs and unique requests while also maintaining a consistent level of customer satisfaction through high-quality productions.
- ▶ To ensure ongoing development and improvement, we must engage our stakeholders in projects that improve efficiency, cut costs, and boost productivity, to be customer-focused and practice effective internal communication,
- ▶ To provide trainings and career plans to help our qualified human resources develop personally,
- ▶ To ensure workplace health and safety in our operations, to create and put into place systems to prevent workplace accidents,
- ▶ To improve the health and quality of life of our employees, we must make the workplace safer, ensure access to resources and information, and guarantee job security, to guarantee data security,
- ▶ Using technologies that, according to technical and economic assessments, leave the least amount of waste in the environment in order to benefit our people and society,
- ▶ Creating and putting into practice systems to cut down on waste and the use of natural resources,
- ▶ Using energy responsibly, buying eco-friendly, secure, and energy-efficient goods and services, and supporting and putting into practice design initiatives that will enhance our performance in these areas,
- ▶ To adhere to applicable legal and other requirements regarding the use, consumption, and efficiency of energy,
- ▶ To ensure our sustainability, we must efficiently manage risks, organize ourselves to deal with emergencies,





Ethics and Transparency

Kocaer Çelik manages all its activities with transparency in line with business ethics. In this context, a Business Ethics Guidelines has been prepared. The Kocaer Çelik Business Ethics Guidelines details the standards of business ethics that must be upheld, the duties of employees in this regard, and what should be done in situations where the code of business ethics is broken.

No matter their position or title, all Kocaer Çelik employees are required to abide by these rules. The business operates transparently, in accordance with the law and standards of business ethics, and respects the social, political, and cultural values of every region in which it is

present. It places a high value on integrity, open communication, and equitable management.

The Ethics Committee oversees this procedure when circumstances arise that are inconsistent with business ethics. The Executive Board elects the President, Secretary General, and one representative from each of the Company's Assistant General Manager and Manager positions, for a total of five members on the Ethics Committee. The Ethics Committee's duties include giving instructions to ensure that company employees follow the Business Ethics Guidelines and conducting investigations and reaching decisions when complaints and notifications of rule violations are received.

The Ethics Committee holds its regular meetings once every 3 months. In emergencies, it convenes upon the call of the Secretary General, without waiting for the regular meetings.



Kocaer Çelik Business Ethics Guidelines have been prepared in line with;

	Providing a safe work environment,		Ensuring effective and efficient use of company resources,		Adopting accuracy and confidentiality,
	Not allow discrimination,		Acting in accordance with competition law,		Does not damage the corporate reputation and
	Respecting human rights,		Respecting and benefiting the environment and society,		not violating the rules of society
	Avoiding conflict of interest,		Giving importance to customer satisfaction,		

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Risk and Opportunity

The primary advantages of enterprise risk management, including opportunities and risks identification;



-  Ensuring sustainable profitability and growth,
-  Minimizing income fluctuations,
-  Continuity of corporate governance quality
-  Fast compliance with laws and regulations
-  Increasing competitiveness

Risk management activities are carried out by the Risk Committee. The risk committee works to identify risks that could jeopardize the company's development, survival, and existence early on, to put the necessary safeguards in place to address those risks, and to manage those risks.

Institutional risks in Kocaer Çelik are also assessed process-by-process, dealt with by "Process Inventories," listed on the "Corporate Risks and Opportunities Table," followed by management review meetings and meetings of the corporate risk committee, and updated as required. Activities for the identified risks are implemented as improvement activities. The results of the risk assessment are kept in the 'Kocaer Corporate Risks and Opportunities Table'. The output of the risk assessment is used as a guide in areas with the highest risk and for the purpose of conducting appropriate risk improvement studies.



Risk Issues at Kocaer Çelik



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Supply Management and Logistics Risks

Global and regional production capacity as well as variations in steel imports and exports, which are influenced by customs duties, customer inventories, and stockpile periods, have a significant impact on the iron and steel industry.

Suppliers may experience financial issues due to unfavorable local and international economic conditions. The company may also have trouble supplying goods and maintaining this supply in the event of political and economic issues with the global supply, changes in customs legislation, and other potential barriers to trade in goods. The occasional issues with material supply, logistics and customs practices that have arisen during the pandemic process have been helpful in experiencing this process. Localization studies should be expanded in our nation and the use of alternative suppliers should be increased, particularly for the continuity of production.

In order to lessen the negative effects on the environment and society that result from the supply chain, Kocaer Çelik works with its suppliers within the framework of generally accepted principles and regulations.



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Environmental Risks

According to many reports such as IPCC reports, "adaptation to climate change" is seen as the most important adaptation process. Institutions that are unable to adapt quickly to climate change developments will find it difficult to deal with its effects in the decades to come. The most crucial processes to take into account in this context are SKDM and Emissions Trading System (ETS), which also addresses the steel industry. The sector is in close contact with Europe through export and import processes. Because of this, the sector will be exposed to carbon costs as a result of the inclusion of SKDM and ETS regulations on the agenda and the implementation of the process.

Approaching the sector's rapid change and transformation with agility, Kocaer Çelik has already put infrastructure studies, decarbonization targets, transition from linear economy models to circular economy, stakeholder relations management, and improvement of supply and value chain studies in place to keep up with global developments in economic, environmental, social, and managerial terms.



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The Risks of Providing a Skilled Workforce

We face needs and processes such as technological transformation, quality process improvement, differentiation of customer expectations, increased efficiency and savings, more inclusion of creative thinking in the system, the need for agile organizations, and compelling competition conditions, depending on global developments and sectoral transformation. To ensure compliance with these needs and processes, as well as to keep up with global and sectoral trends, a qualified workforce is required.

Kocaer Çelik, believing that the supply of qualified workforce can be achieved through the awareness of qualified education, orients its employees in the focus of sustainability from the first day they start working, and shares their adventures with an agile organizational approach.

Covid-19 Risks

Since the first day of the pandemic, Kocaer Çelik has prioritized people and labor in all of its actions. However, in order to inform and raise awareness, the Covid-19 Hygiene, Infection Prevention and Control Emergency Plan, which includes hygiene practices and control recommendations for protection has been prepared. This plan serves as a guide for production in accordance with the "reliable, unaffected by the pandemic, and hygienic production" standards, which is a requirement of the post-pandemic period.

Employees working at the facilities contribute to the healthy life of the society, as do all employees in such a difficult time. It has worked to protect its teams while minimizing disruptions to customers and the supply chain.

Kocaer Çelik continues its efforts to ensure the highest level of hygiene measures in all its facilities.



Information Security Risks

The value of information assets, the likelihood of threats, the ease of exploitation of identified threats by vulnerabilities, and existing or planned controls that can reduce risks are defined in light of the 'Corporate Risk and Opportunity Management Procedure,' according to Kocaer Çelik. While evaluating information security risks, the following conditions are met:

- ▶ Creating and maintaining information security risk criteria, such as risk acceptance criteria and criteria for assessing information security risk,
- ▶ Assuring that repeated assessments of information security risk produce consistent, valid, and comparable results
- ▶ Implementing the information security risk assessment process to identify risks related to the loss of confidentiality, integrity, and accessibility of information within the scope of the information security management system, as well as identifying risk owners,
- ▶ Analyzing information security risks, assessing potential consequences in the event of risk realization, assessing the possibility of risk realization and determining risk levels,
- ▶ Evaluation of information security risks, comparison of risk analysis results with established risk criteria and risk prioritization.



Following Trends/Mega Trends in Kocaer Çelik

Kocaer Çelik closely monitors emerging technology and digitalization trends in the field of information technologies (IT), operates in accordance with ISO 27001 standards, and keeps its technology up to date through large investments. In this context, technological risks were also assessed while monitoring the sector's change and transformation. Disruptive technologies have an impact on production and customer demand. In order to stay competitive, Akkim monitors technological advancements, builds out its infrastructure, and establishes short-, medium-, and long-term goals.

Cloud security and service services ensure the security of infrastructure and cyber security projects, as well as integrated structures in all business processes. Instant updates ensure the continuity, speed, and security of an IT architecture. In this context, an organizational structure has been established to eliminate internal and external cyber security risks, and work on the IEC

62443 Industrial Security management standard is ongoing.

As a global service provider, Kocaer Çelik aims to ensure the company's continuity with its stakeholders and to pass it on to future generations in a profitable and sustainable structure. In this context, Kocaer Çelik wishes to strengthen its capacity and competence to respond to global, macroeconomic, environmental, and social trends that may result from sustainability, as well as changes in legal regulations related to them.

Kocaer Çelik must continue its activities in the long term by combining economic, environmental, and social factors with corporate governance principles, in order to sustain its success and brand value in its sector.

During the stages of developing its strategic plans, Kocaer determines the necessary preparation program and budgets, taking into account the training, consulting, and data requirements. As a result of these preliminary studies, the following sources contribute to the completion of the stages involved in the plan's creation by employing analysis and research methods.

The main topics followed by the trends are:



Analyses and reports on these main topics (along with many resources defined in Kocaer Çelik) are prepared primarily using web-based methods such as one-on-one interviews, surveys, and meetings.



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Turkish Steel Market Overview



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Steel is an input material that has been in high demand by many industries for many years and thus has a high supply rate. In its factories with an annual production capacity of 800,000 tons, Kocaer Çelik manufactures energy transmission lines, solar energy infrastructure, transportation, mining, tunnel, shipbuilding, agricultural and structural steel, defense industry, machinery manufacturing sectors, all desired special grades, different sizes, and special lengths.

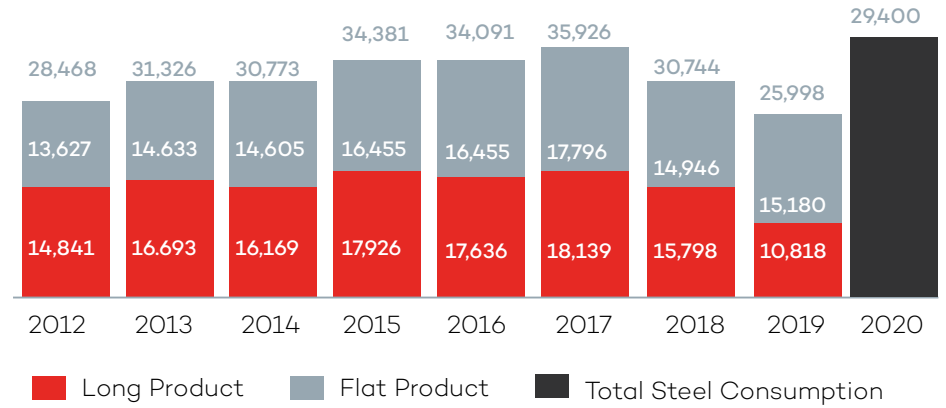


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The chart below summarizes the situation in Türkiye's steel consumption, and it includes long and flat steel consumption by years. Almost all long products are supplied domestically, while the majority of flat products are imported.



Turkish Steel Consumption¹ (Thousand tons)



Given the rate of change and transformation in the steel-intensive automotive and construction sectors, it is clear that steel will be one of the primary input materials required in the coming years, with steps to be taken in the areas of innovation, digital infrastructure, decarbonization, and localization to meet this demand.



¹ <https://assets.kpmg/content/dam/kpmg/tr/pdf/2021/07/kpmg-perspektifinden-demir-celik-sektorune-bakis-2021.pdf>



The European Green Deal and the Steel Industry

The European Green Deal Call, announced by the European Union Commission in December 2019, plans to reduce carbon emissions by 55 percent by 2030 and to reach the zero carbon emission target by 2050.

The European Green Deal is also closely related to our country. In particular, the (Carbon Border Adjustment Mechanism– CBAM), which is associated with the international trade system, is one of the most important approaches affecting our country. The EU Commission has made it clear that carbon must be priced into the economy as a whole in order to achieve climate targets. Within the scope of CBAM, priority sectors are seen as cement, aluminum, fertilizer and electrical energy production. This situation also affects the iron and steel industry.

In 2020, the average carbon emission weighted by ore and scrap production for the entire steel industry in Türkiye is 1.33 tons of carbon emissions per ton of steel. Thus, based on the sector's carbon emission average, the cost of carbon emissions from 6.6 million tons of steel exported is approximately 504 million dollars.

In this regard, Kocaer Çelik prioritized decarbonisation innovation, renewable energy use, digital infrastructure development, target collaboration, circular economy business models, and efficiency efforts.



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1 www.bloomberght.com/turk-celik-sektorunun-karbon-faturasi-400-milyon-dolari-asabilir-2285577



Customer Management



Kocaer Çelik employs a management model that prioritizes customers and strives to provide the best service and communication possible. As of 2021, more than 2000 customers are served. Knowing that customer relations management adds value to the company, Kocaer Çelik achieved a 12 percent growth from 2019 to 2020 and a 9.5 percent growth from 2020 to 2021. This evolution includes establishing good customer relationships, creating value, ensuring process differentiation, and aiming to maximize customer satisfaction. It establishes strategic goals in order to effectively and collectively meet changing customer demands in response to global developments, and it ensures their implementation in the short, medium, and long term.

Mymetal, a 90 percent subsidiary of Kocaer Çelik, manages Kocaer Çelik's overseas distribution network. Mymetal LTD. is a British company and has been carrying out sales, marketing and distribution activities since 2015. Mymetal provides a significant competitive advantage to the Company in the UK market. It is able to deliver its products to its customers in the relevant markets in stock and with short delivery times through the warehouses of Mymetal, a subsidiary of the company, in England and Ireland.

Total number of customers



2019	1,659
2020	1,884
2021	2,080



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R&D and Innovation

Kocaer Çelik places a high value on R&D studies and projects, and he invests in them. In the previous periods, engineering applications, machinery and equipment, process and new product designs with an in-house design office were realized, the use of numerical simulation applications began in 2011 and was approved by the Ministry of Industry and Technology in 2015, the first in its segment in the iron and steel sector, Türkiye's 180th. R&D Center was established.

The R&D Center is part of the R&D Directorate and includes project planning, project implementation, design, simulation, and project office, certificate, patent, and laboratory, and information technology units.

R&D Center strategic plans are grouped under three main headings.

1 Creating new high-value products and designing new products

Design and application activities for the production of micro-alloyed steel, special quality steel, special section steels, high-strength steels, and steels for various sectors and purposes are carried out in the R&D Center. With its R&D projects, it designs and develops new products for a variety of industries. Mining/tunnel profiles, connection clamps, and brushes developed in the R&D Center and sold as a package in mine sites are just a few examples.

2 Methods of production and the development of new technological methods

Within the scope of laboratory-scale research activities, studies were carried out on the recovery of scale, recycling of inert energy, production method changes and obtaining products with different properties, application projects, design and improvement of rolling equipment, commissioning of innovative calibrating processes, machine design, automation and system design projects were developed and implemented.

3 Improvement and development of processes

Activities were carried out in order to reduce production costs, increase productivity, establish information processing systems that will provide accurate and timely information flow, design work safety and environmentally friendly systems, develop robotic systems, and develop unique automation processes.

While the company has completed over 100 projects with its R&D Center, TÜBİTAK has supported 20 of these projects. Simultaneously, the international scale project, which involved 25 partner companies from five countries, was accepted by the local funder organization TÜBİTAK and the EU funding organization EUREKA, and its processes are still ongoing.

The R&D Center has produced over 25 publications, articles, papers, and poster presentations to spread ideas, projects, and R&D culture. Six patent and four design registration applications have been made within the scope of industrial rights, one patent and four design registration certificates have been awarded, and registration processes for five patent applications are still ongoing.

In order to develop new products, Kocaer Çelik systematically assesses the suggestions and viewpoints of the clients, partners, and members of the general public. Then, it develops the appropriate proposals for which it has determined the viability. As of the end of 2021, the R&D Center had collaborated with more than 35 national and international partners in order to contribute to industry-industry and university-industry cooperation. It organized the first 'National University-Industry Collaboration, R&D and Innovation Congress' in 2017 with Manisa Celal Bayar University, a first in Türkiye, as part of its university-industry cooperation.



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Number of employees in R&D, innovation and digitalization departments

	 FEMALE	 MALE
2019	2	22
2020	1	19
2021	2	19



With its pioneering projects in the sector, the R&D Center was recognized with the following awards:

- ▶ In the Efficiency Project Awards given by the Ministry of Industry and Technology in 2017, it won the first prize in the Large-Scale Enterprises R&D Category, leaving behind the third placing Vestel and the second placing Eczacıbaşı.
- ▶ In 2018, received the Special Jury Award at the "İzmir Technology and Innovation Platform (İZTEK) R&D and Technology Awards".
- ▶ In 2019 it was recognized in two categories at the Ministry of Industry and Technology's R&D Centers Summit in 2019. It was ranked second in Türkiye in the Project Capacity category and third in the Class A R&D Centers category.
- ▶ It has become the only company from our country to receive an award in this competition, receiving the third prize in the "Best Operational Improvements" category in 2020, within the scope of the "Global Steel Excellence Awards," which is organized every year by Fastmarkets, one of the most reputable companies on a global scale, and where participants from all over the world compete.
- ▶ According to the number of design registrations received at the 2020 R&D Center, it ranked 47th in the top 50 with 4 design registrations.
- ▶ In light of the sustainable business model that prioritizes climate, people, and innovation, more than 30 million TL was invested in R&D and innovation activities in 2019-2020-2021 to develop technologies that will pave the way for innovative, high-value-added, and competitive products and processes.



Supply Chain Management

Kocaer Çelik has a strong and diverse supplier network. The company operates with the understanding that it is critical to ensure compliance with legal regulations, to establish a supply chain that adheres to international standards established for sustainable business ethics and codes of conduct, and to develop these standards for the company's mission while achieving its goals. In this context, meeting the expectations and needs of its stakeholders, as well as ensuring the spread of Kocaer Çelik's supply chain management approach, is the most important goal of the Supply Chain Management Strategy, which works with its suppliers in a way that provides mutual benefits.

Kocaer Çelik has documented and implemented its processes and procedures to ensure that the products and services outsourced through the integrated management system meet the requirements. Audit and performance evaluation practices are carried out in accordance with the supply chain management strategy, which is based on continuous improvement, to strengthen cooperation with suppliers and act on the basis of mutual development.

Supplier selection and evaluation practices at Kocaer Çelik are based on social and environmental criteria in addition to financial criteria and suppliers are expected to take a management approach in the fields of environment, occupational health, safety and energy efficiency. Supplier policies and approaches, legal compliance, and quality certificates are being scrutinized, and they are expected to carry out operations in accordance with quality, OHS, environmental, and energy management system principles.

Supplier evaluation and audit activities ensure that existing suppliers' basic competency areas are identified and developed, as well as their annual performance. Evaluation results and improvement action plans are shared with suppliers in a transparent and regular manner, and mutual development is encouraged.

A management structure has been established and managed to ensure that subcontractors and contractors are audited and monitored on a regular basis. It is ensured that the personnel of the subcontractor companies work in a healthy, safe, and legal manner using the documents obtained from the companies working in coordination with the HR, Procurement, Administrative Affairs, and Management Systems units.

Purchasing operations at Kocaer Çelik, which has a large supplier pool, are divided into raw material and non-raw material purchasing.



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Raw Material Supply

Kocaer Çelik meets 80% of its raw material needs from local suppliers.

Kocaer supplies and uses steel billet (also known as billet iron in the industry) produced in steel mills in various alloys based on the end use, purpose, and desired standards of the profiles it manufactures. This raw material is produced in steel mills from iron ore or scrap. Because the number of ore-producing facilities is limited due to iron ore supply issues and the high initial investment cost of ore-producing facilities, raw materials are primarily obtained from electrical arc furnace facilities, and raw materials are supplied from basic oxygen furnace and blast furnace facilities.

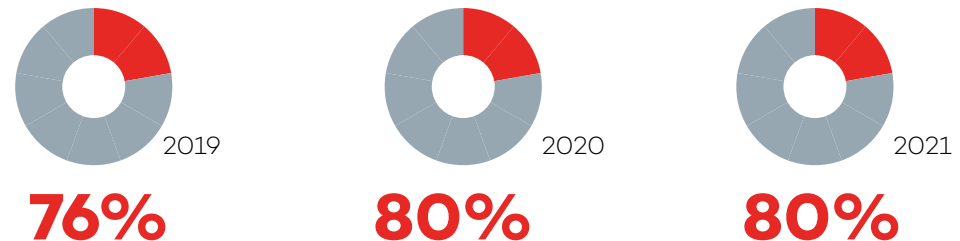
Prior to purchasing raw materials, the production planning unit presents the steel billet requirement details (section, alloy, delivery time, supplier) to management. Free billet stocks, customer delivery times, and priorities all play a role in raw material planning and need creation. Along with these criteria, raw material requirements are optimized by taking factory production efficiency and customer order deadlines into account. The management primarily conducts market research based on supply channels and selects suppliers based on their suitability in terms of delivery time, price, payment terms, and quality. Following the purchase, the production planning unit negotiates with suppliers, clarifies the supply plan, and forwards it to the logistics department. The raw materials transported through land and sea from suppliers are discharged to the stock areas determined by the logistics department in the

factories, and the entry quality control processes are carried out. The A1, A2, and A3 production facilities each have their own raw material and product warehouses, and in the open area of the A2 production facility, there is a common warehouse area serving all three production facilities. In the raw material and product warehouses, there is open and closed field equipment to perform the necessary handling and transportation movements. SAP S/4 HANA and the software developed by the company manage all of this workflow.

The company's needs are met from various parts of the world and Türkiye, primarily in the supply of raw materials. If the purchasing policy's quality/price balance is optimal, the domestic supply alternative takes precedence.

	2019	2020	2021
Total number of raw material suppliers	14	14	13
Total number of local suppliers	9	9	9
Total number of new suppliers	4	2	1

Rate of payments to local suppliers in total supplier payments:




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Non-Raw Material Supply

Apart from Steel Billet, the company purchases spare parts, consumables, fixed assets and services.

Kocaer Çelik has been using e-procurement (PRATIS.net) platforms for large-scale purchases since 2017. While the use of PRATIS reduces purchasing costs, a transparent purchasing policy fosters synergy among suppliers. The closed tender method is used in the PRATIS.net system. In the tenders to which they are invited via e-Mail and SMS, the suppliers cannot see the competitor companies, but can only see their rank according to the offer they have submitted. Depending on the competitive synergy that occurs during the tender, bids can be revised indefinitely. At the end of the tender period, the supplier with the highest bid wins the tender. The bid profit is the difference between the first lowest bid price given by all suppliers and the final bid price.

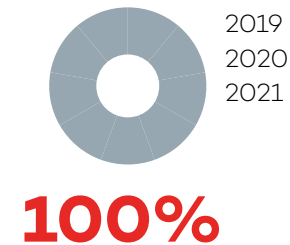
We work with 100 percent local suppliers to meet non-raw material needs, which is the most important indicator of deep-rooted contributions to the local economy. In addition to its contributions to the economy as a whole, its activities and products have a wide range of direct and indirect economic effects. The direct and indirect purchases of materials and services required for the activities generate significant value for the local economy.

Kocaer Çelik, provided training to 339 subcontractors in 2019, 416 in 2020 and 691 in 2021, including On the Job OHS Training, Post-Accident Awareness Training, Information Security Awareness Training, Covid-19 Epidemic Disease Training, Environment and Waste Management Training, Energy Awareness Training, Fire and Emergency Training, Management Systems and Policy, Working at Height Lifeline Usage Training.



	2019	2020	2021
Total number of non-raw material suppliers	678	635	687
Total number of local suppliers	676	633	685
Total number of new suppliers	161	129	129

Rate of payments to local suppliers in total supplier payments:





Logistics Management

Kocaer Çelik delivers more than 12,000 products of nearly 60 qualities to 140 countries on 6 continents by land, rail and sea. With the company's information technology infrastructure, warehouses, land and machinery, equipment park suitable for various loading types, and effective logistics organization, raw material supply, product shipment, production planning, and stock coordination are all possible.

Kocaer Çelik has made logistics management easier by locating its A1, A2, and A3 production facilities near ports and steelworks in the Aliğa region. A1, A2, and A3 production facilities each have their own raw material and product warehouses, as well as a common warehouse area in the open area of A2 production facility that serves all three production facilities. In the raw material and product warehouses, there is open and covered equipment to perform the necessary handling and transportation movements. Kocaer Çelik also benefits from warehouses in the UK through its subsidiary Mymetal. Kocaer Çelik aims to keep both raw material and product stock to a minimum. Because the majority of its production is made to order, it only keeps small quantities of free stock for critical products.

Kocaer Çelik uses its subsidiary Yağız Nakliyat for the transportation of raw materials from the port and steel mills to the production facilities and for the transportation activities between the production facilities. Support is received from various logistics companies in the Yağız Nakliyat organization for the shipping service to the customer.

All processes, from customer demand to raw material and production planning, management, and delivery to the customer, are monitored using software developed by the

To ensure operational excellence and business continuity, logistics management employs a 10-step project management system, before-after Kaizen, 5S systematics, problem-solving techniques to reduce waste, and numerous lean transformation methodologies.

company with its own know-how and the SAP S/4 HANA system, which works in conjunction with these developed software. The Barcode system is used by the company at all stages, from raw material acceptance to product loading for shipment. The entire process from the raw material arriving at Kocaer Çelik to the product shipped to the customer is fully documented and traceable. Raw material and product storage and logistics activities are recorded in the SAP integrated software developed by the company, by reading barcodes on hand terminals, and necessary operations in the system are carried out digitally. With the information carried on the barcode, the company continues its stock, planning, production, quality control, accounting, purchasing, customs, and logistics activities in this integrated process.



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According to the United Nations, Climate Change is among the biggest global problems. Around the world, people are suffering from the catastrophic effects of the climate crisis, which have an immediate impact on social, environmental, and economic activities. The climate crisis is regarded as one of the most pressing issues in the interaction of global business life and countries, and it should be prioritized.





Environmental Management Approach



While Kocaer Çelik works ardently to achieve its vision of creating high-value products and offering more effective customer service, directing change and raising its targets day by day; with the awareness of responsible production and consumption; it also makes firm progress towards its goal of "always seeking perfection" by minimizing its adverse effects on the environment.

With its capacity to implement the necessary measures for environmental sustainability, zero waste generation, carbon neutral practices, sustainable water management, and raw material supply, Kocaer Çelik assimilates efficiency and excellence in its operations. Every year, it increases the positive impact it has on the environment by putting projects into action to achieve the desired performance. It accepts that managing its environmental performance will depend on policy and global standards. **Additionally, it has obtained certificates for ISO 50001 Energy Management System and ISO 14001 Environmental Management System in this direction.**

In order to lessen the burden of environmental pollution on the planet as it moves toward decarbonization, Kocaer Çelik acts with the intention of serving as an inspiration in the field of interaction. Additionally, it offers direct and indirect contributions to the issues of reducing the effects of climate change, resource sustainability and protection, the move to a circular economy, pollution prevention and control, and biodiversity preservation and restoration within the purview

of EU Taxonomy. As a result, it has established priorities for the EU Green Deal, clean technologies, energy and resource efficiency and management, risk management, and adaptation to climate change and emission reduction strategies.

In 2019, the European Green Deal was announced as the growth strategy for the European Union to become a carbon neutral continent. The EU's strategy, which includes the main objectives of leaving no one and no region behind, decoupling economic growth from resource use, and achieving zero net greenhouse gas emissions by 2050, is the basis for the Green Deal, which seeks to improve quality of life while reducing emissions. Environmental models must be used to support new climate strategies that will emerge as a result of change and transformation in line with the EU Green Deal. Kocaer Çelik aims to create strategic plans in line with the EU Green Deal agreement and the regulations and legislation of public authorities in the coming years.




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Kocaer Çelik takes serious steps in accordance with the world's new agenda in order to be more sustainable, to be ready to steer environmental change, to achieve the goals of the Paris Agreement, and to adapt to a sustainable economy. Kocaer Çelik aims to achieve permanent values by making a meaningful environmental impact as part of its future environmental strategies.

Kocaer Çelik continues its environmental adventure by starting with the employment phase and integrating and disseminating the sustainability culture in the employee's own life, keeping its employees at the center of everything. In addition to the orientation program provided at recruitment, periodic environmental trainings are conducted, and continuous improvement against the requirements of the business environment with changing regulations is ensured within the scope of full compliance with the legislation. **In this context, a total of 725 hours of environmental training was provided to 725 employees in 2021.**

Kocaer Çelik is responsible for fulfilling the Environmental Law obligations. The Environmental Law contains general provisions regarding environmental obligations and the consequences of failing to meet these obligations, and it is mandatory for production companies to act in accordance with the Environmental Law and secondary regulations. In this context, full compliance with the legislation has been achieved. Full compliance with both national and international standards is also achieved. Simultaneously, policies have been established to improve environmental performance in accordance with

EMS requirements, and targets are being monitored.

There are no environmental inconsistencies or penalties as a result of the environmental management unit's actions and the process's long-term monitoring. To reduce the risk, an emergency risk assessment and response plan have been developed. Emergency response team training and drills are conducted on a regular basis to ensure business continuity in the event of an emergency, to ensure employee safety, and to protect the environment.

Environmental compliance and protection operational expenditures and investments totaled 703,822 TL in 2019, 422,807 TL in 2020, and 2,852,662 TL in 2021.



Expenditures for environmental investments (TL)

2019

703,822

2020

422,807

2021

2,852,662



Energy Management



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Globally, the energy sector is undergoing a great transformation and change. The footsteps of change and transformation that occurred as a result of the energy sector shifting away from fossil fuels can be heard in our country as well. Over the last decade, there has been an increase in demand for renewable resources such as solar, wind, and geothermal energy, which has been met with supportive government policies. Our country intends to continue promoting the use of renewable energy sources. The proportion of renewable resources in production is expected to rise in this direction.

Kocaer Çelik commissioned 13 million kWh at the end of 2021, and an additional 2 million kWh with the investment to made on the Galvanized and Service Center roofs as of the end of July 2022, in addition to a total of 15 million kWh electrical energy and 15 million kWh WPP and 15 million with the kWh land SPP in the years 2022 and 2023, Kocaer Çelik will meet 100% of the annual total consumption of 45 million kWh energy.

1.032 tons per year thanks to SPPs,
Thanks to the hybrid vehicles used in the
factories

8 tons per year carbon emission reduction has
been achieved.

In addition to electricity, solar energy and geothermal energy used for heating have also gained momentum. Our nation will undoubtedly maximize its potential as long as it keeps enhancing the standard of technology and infrastructure, given its geographic location and other circumstances. A thorough road map for technological advancement and policies to be followed in order to ensure sustainable energy management has also been made public by the International Renewable Energy Agency (IRENA) Report.

The steel industry is among the sectors that consume the most energy in the world. Steel industry constitutes 7.5% of the Türkiye's total energy consumption. The sector with the second largest saving potential is iron and steel with 1.4 million toe per year.

In addition to contributing to economic development, Kocaer Çelik has focused on renewable resources in order to achieve global energy and emission reduction goals. In this context, by investing in a Rooftop Solar Energy System, it reduces natural resource consumption and carbon emissions by meeting 30 percent or more of its consumption with renewable energy produced from natural resources. It is also planned to establish a land SPP and RES power plant. Therefore, by supporting the predictions that the share of renewable resources in production will increase even more, it has formed its strategic plans to meet all of the energy it produces from renewable resources. This will ensure that production continues uninterrupted in the face of energy cuts and high costs.



1 <https://documents1.worldbank.org/curated/pt/521081468318313907/pdf/522100EnergyOS0entialOEnergyOTurkey.pdf>



The company started green building certification processes by applying energy and environmentally friendly designs in the Galvanizing Factory building, and applied for the LEED (Leadership in Energy and Environmental Design) certification system to be rated by USDGBC (U.S. Green Building Council).

Kocaer Çelik, together with the solar energy system installed on the roofs of the production facility, the memorial forest in the facility areas owned by Kocaer, the LEED (Leadership in Energy and Environmental Design) certification applied for with its environmental and energy-friendly applications in the Galvanization Facility building, and the investments to be made in the future, will contribute to the significant reduction of carbon emissions, thus providing the necessary certifications for commodity trade that can be implemented in the future.

Internal Energy Consumption (MWh)

Fuel type	2019	2020	2021
Natural Gas	210.997	192.975	221.822
Electricity	38,694	38,684	32.923

GES*

2021

1.476

**The electricity produced by Kocaer SPP roof applications is used for factory needs and is not sold.*



Energy Density kWh/ton

2019

80.35903

2020

92.80856

2021

67.37873

In Kocaer Çelik, energy intensity decreased by 16% compared to 2019.

With the energy saving projects carried out in 2021, 58.66 MWh of energy was saved.

Through systematic measurements and monitoring, Kocaer Çelik conducts studies to implement technological innovations that increase energy efficiency and minimize energy losses. As a result of systematic studies on energy efficiency, it provides high energy savings.



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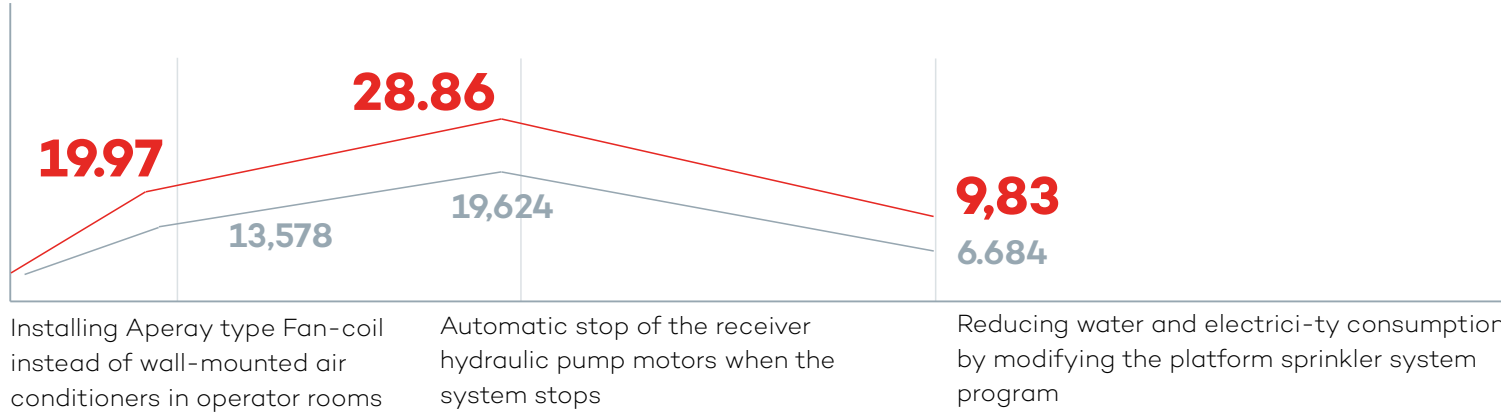
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TL

MWh

Project name and description



Installing Aperay type Fan-coil instead of wall-mounted air conditioners in operator rooms

Automatic stop of the receiver hydraulic pump motors when the system stops

Reducing water and electricity consumption by modifying the platform sprinkler system program

In accordance with the monitoring, reporting, and verification guidelines in effect in Türkiye, Kocaer Çelik keeps track of its emissions. With the energy saving projects carried out in 2021, 31.703 CO₂e of energy was saved.

SPP on roofs

Energy saving (MWh)
1,476

Financial savings achieved with the project (TL)
1.218,940

Emissions Savings(MWh)
1,032 tonS
CO₂e emissions were saved

Hybrid vehicle use

Energy saving (MWh)
27

Financial savings achieved with the project (TL)
42,780

Emissions Savings(MWh)
8 ton
CO₂e emissions were saved

Increasing energy efficiency - LED lighting change

Energy saving (MWh)
27

Financial savings achieved with the project (TL)
1,302

Emissions Savings(MWh)
30.663 ton
CO₂e emissions were saved

	2019	2020	2021	Unit
Annual total energy savings	61,338	58,660	2,805,000	kWh
Annual total greenhouse gas reduction	42	41	31,703	tons of CO ₂
Annual total energy savings	33,627	39,886	1,324,604	TL

This value is high as it is an investment in 2021.



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Emissions Management



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In its journey to combat climate change, Kocaer Çelik aims to increase its contributions in line with the goal of climate action and to fulfill emission reductions in order to achieve progress in science-based emission targets, develop strategies, and adapt to the transition to net zero.

In this context, Kocaer Çelik primarily monitors its emissions in accordance with legislation and continues its systematic studies and projects aimed at reducing greenhouse gas emissions. In 2021, approximately 31,703 tons of CO₂e emissions were avoided thanks to the renewable energy SPP Roof and emission reduction project, which plays an important role in mitigating the risks posed by the climate crisis.

It manages its processes with the goal of reducing the carbon footprint to the smallest possible level in the first place and ultimately meeting global targets. Kocaer Çelik has determined the base year as 2018 for Scope 1 greenhouse gas emissions calculations and 2021 for the base year for Scope 2 and 3 calculations.



Scope 1 greenhouse gas emissions

(Ton CO₂e)

2019

41,127

2020

37,417

2021

43,242

Scope 2 greenhouse gas emissions

(Ton CO₂e)

2019

27,058

2020

27,051

2021

23,023

Scope 3 emissions

(Ton CO₂e)

2019

-

2020

-

2021

31,104



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GHG DENSITY*

	2019	2020	2021	Birim
Total greenhouse gas emissions	68,185	64,464	66,265	ton CO ₂ e
Greenhouse Gas density (total emissions/total production)	0.141	0.154	0.135	Ton CO ₂ e/ton

The figure is high because scope 2 emissions are included in the total greenhouse gas emissions in 2021. Calculating scope 2 emissions for 2018 and 2019 yielded comparable data.

Air Emissions

Kocaer Çelik measures the air emissions arising from its operations every 2 years within the scope of the regulation obligation. There were no inappropriate emissions found in the outputs obtained, and it continues to operate within the legal limits. The next air emissions measurements will be carried out in 2022.

Emission Type (kg/hour)

NO_x

2018

4.08

2020

7.0069

SO_x

2018

0.0429

2020

0.3639





Carbon Footprint



The European Commission announced a zero-carbon target for the EU by 2050 in the scope of the European Green Deal, and this study indicates that decarbonization in steel production will have a significant impact on the carbon footprint in the product life cycle.

The low carbon economy is an economic model in which reducing greenhouse gas emissions is prioritized within the framework of legal regulations or volunteerism designed to mitigate the effects of climate change.

In accordance with these approaches, Kocaer Çelik has calculated its carbon footprint in order to reduce greenhouse gas emissions, identify risks and opportunities, measure its environmental impact throughout the supply and value chain, incorporate emission effects into decision mechanisms, achieve fair competition in the global market, and meet changing industry demands. The Carbon Footprint was calculated using the ISO 14064-1:2018 standard, taking into account direct and indirect emissions in six categories. The graphics for the relevant calculations are provided below on the basis of three facilities.

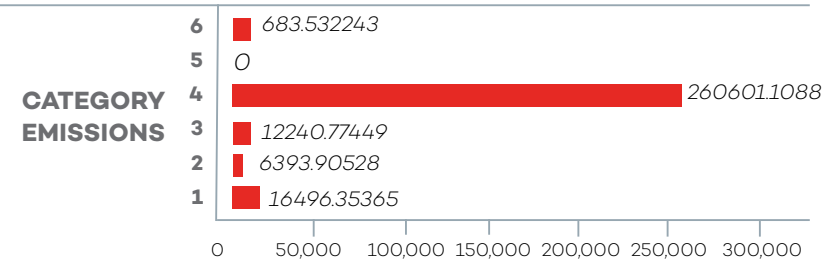
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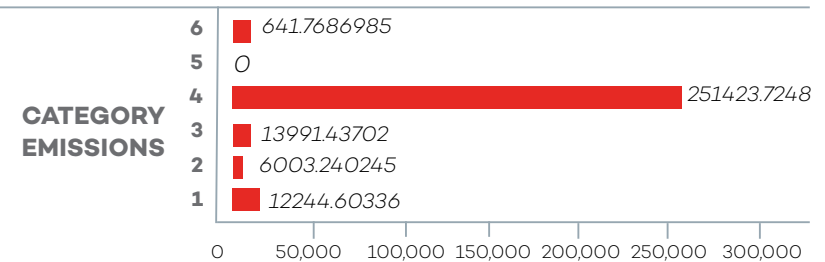
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Greenhouse gas emission distribution (tCO₂e)

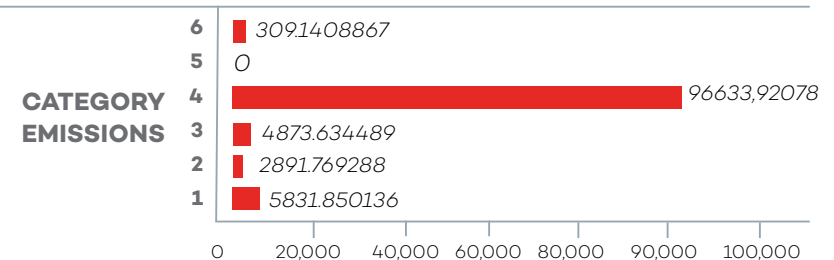
A1 FACILITY



A2 FACILITY



A3 FACILITY





According to the carbon footprint calculations, emissions from Category 4 raw materials have the greatest impact. Recognizing that energy is the most expensive input in steel production, Kocaer Çelik has implemented strategies such as increasing investments in renewable energy resources to reduce its carbon footprint.



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Along with the corporate carbon footprint, product carbon footprint calculations are also carried out in accordance with ISO 14067 standard at Kocaer Çelik.

Emission amount from
A1 factory product

0.1591
ton CO₂/ton,

Emission amount
from **A2** factory
product

0.1454
ton CO₂/ton,

Emission amount
from **A3** factory
product

0.1307
ton CO₂/ton.





Life Cycle Analysis

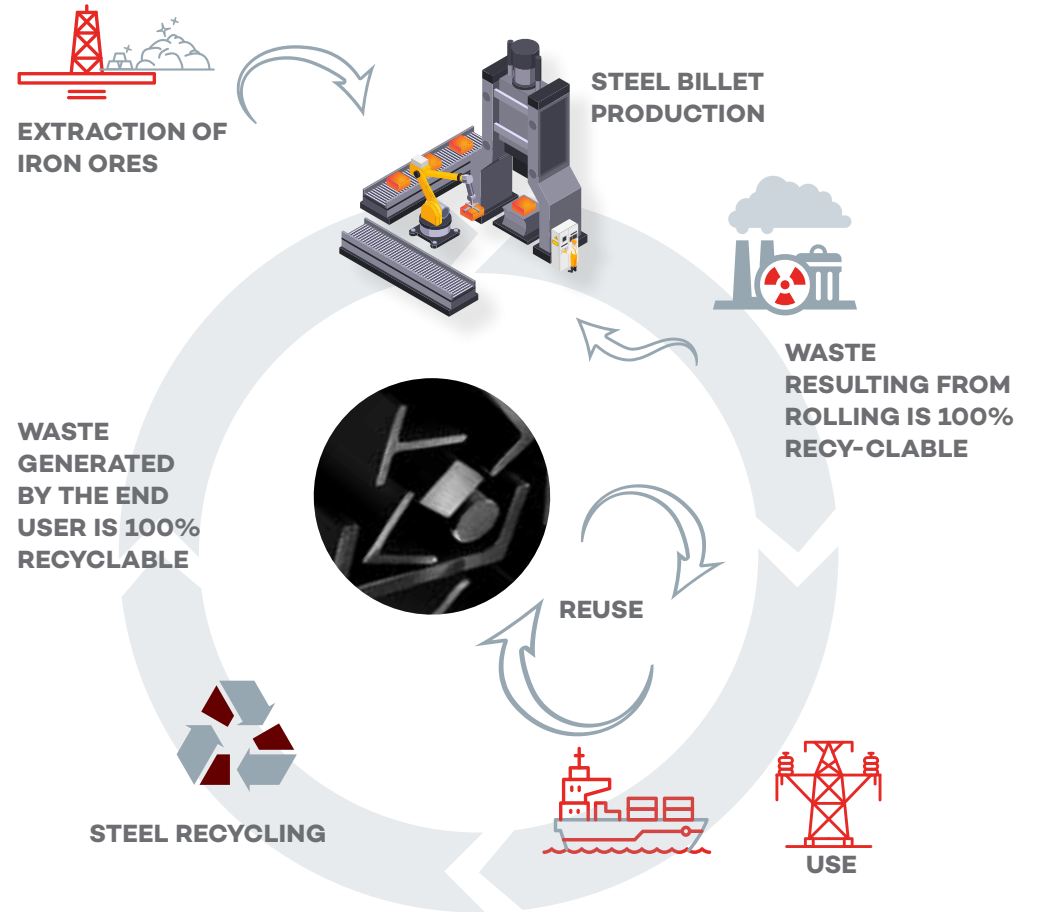


A life cycle analysis is a tool that assesses the environmental impacts of energy, raw materials, and the resulting waste and emissions for a product, process, or service, as well as the consumption of natural resources and opportunities for environmental improvement in this process. The environmental dimensions of its activities and products that it can control and influence; it evaluates changes in its activities and products using a life cycle approach, taking into account abnormal situations (including planned and/or new developments) and unforeseen emergencies.

Unlike studies with a more limited scope, the life-cycle approach typically provides a broader, inclusive, and holistic environmental perspective. Thus, it clearly reveals the effect of the process.

Commitments in management policy; includes investing in energy efficiency, utilizing natural resources and water more efficiently at all stages of the value chain, effective waste and wastewater management, and developing products with lower environmental impact based on life cycle analysis. It measures and reports its environmental performance against objectives and targets in this direction.

In life-cycle analysis, it analyzes the environmental impact of its products, from the production of raw materials to the manufacturer, within the scope of ISO 14040 and ISO 14044 standards, with a cradle-to-door approach. As a result, it determines which stages have the greatest environmental impact, designates it as a hot spot, and takes measures to mitigate these impacts.



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Steel is an alloy composed of the element iron and a small amount of carbon, which typically ranges between 0.2 and 2.1 percent. Steel production begins with the extraction of iron ore from nature, which is the main component of the alloy, via mining activities. Steel is produced by adding carbon and other elements to the melted iron ore in blast furnaces in integrated iron and steel plants. Another way to obtain steel is to reintroduce scrap steel that has reached the end of its life cycle into the recycling process.

The steels produced by both methods are used in a variety of applications, ranging from transportation vehicles to buildings, white goods to basic household appliances, depending on their properties. Kocaer Çelik structural steels are used in the construction of buildings, bridges, high voltage lines, mines, ships, and structures. Steel wastes generated during the formation of steel structures from produced steel are 100 percent recyclable wastes. Because some of the steels used in the buildings are reusable, they can be reused in different areas.

Scrap steels that are not available for reuse or are not evaluated for reuse by the user from steels that have been determined by the user to have reached the end of their service life are recovered at recycling plants and restarted their life cycle.

Kocaer Çelik considers the activities that it can control and influence within the scope of the Environmental Management System when evaluating the environmental impacts of its activities. Iron ore extraction is not one of the activities that Kocaer Çelik can influence or control.

Kocaer Çelik controls and plans its operations with the life cycle approach, taking into account the environmental dimensions, impacts, risks, and opportunities in the steel billets it supplies as well as the production, service, and logistics activities it performs. It has been determined that processes such as failing to conduct waste management and waste water controls, failing to take precautions against oil leaks, and failing to conduct emission measurements on time may pose risks and pollute the environment.

Environmental Product Declaration (EPD)



Environmental Product Declarations are independently verified documents that report environmental data and other related information uncovered during product life cycle analysis studies in accordance with ISO 14025 international standards. They are documents that quantitatively evaluate and declare raw material stages, energy use and efficiency, material and chemical substance content, emissions to water and soil, and waste generation all at the same time.

Kocaer Çelik evaluates its products' environmental performance and uses it as an environmental and sustainability criterion. It compares environmental performance to the EPD document and tracks environmental progress. It understands that such documents are useful in green building certification systems like LEED, BREEAM, and DGNB. It is actively used in processes such as in-house environmental management, product performance inspection and improvement, product performance communication with reliable information, environmental awareness communication, and meeting customer expectations, in addition to green buildings.

To obtain climate declarations, the EPD document prepared in accordance with ISO 14025 must be registered. By obtaining the EPD document, Kocaer has also taken the first step toward a Climate Statement.



Contribution to the Circular Economy



The European Commission has revealed that half of the global greenhouse gases originate from raw material extraction and production. They also stated unequivocally that the most fundamental and critical way to meet Europe's carbon neutral target is to transition to a circular economy. The transition from linear to circular economy models is critical to accelerating the axis of change and transformation envisaged by the European Green Deal. Kocaer Çelik continues its activities in line with this approach.

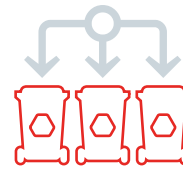
Waste Management

Steel wastes generated during the formation of steel structures from produced steel are 100 percent recyclable wastes. Because some of the steels used in the buildings are reusable, they can be reused in different areas.

When the products produced by Kocaer Çelik have completed their intended use, the appropriate ones can be reused by the user. Products that are not considered suitable for reuse are 100% recyclable and can be restored to the circular economy.

Kocaer Çelik complies with its legal obligations in the area of waste management and manages its wastes in accordance with the Waste Management Procedure. At the same time, it engages in a variety of activities in order to reduce waste output and maximize recovery. For example, recycled raw materials are used.

Kocaer Çelik was awarded a "Zero Waste Certificate" at the entry level for establishing a waste management system that includes reducing pollution, using resources more efficiently, preventing or minimizing waste generation by reviewing the causes of waste generation, and collecting and recycling waste separately at the source in the event of an occurrence.



87 tonnes

Amount of waste recovered

Kocaer Çelik carefully manages the water needs resulting from its activities and works to ensure that this critical resource is used as efficiently as possible. Kocaer Çelik does not use mains and surface waters for water supply, but uses ground water and rain water for its needs. Regardless of the source of the water used, all solutions require relevant permits, and the environmental impact is attempted to be minimized.

Amount of Waste Contributed to the Circular Economy by Kocaer Çelik in 2019-20 and 21

	2019	2020	2021
Hazardous Wastes (tonnes)			
Total hazardous waste	53	80	87
Recovered for energy purposes	53	80	87
Non-Hazardous Wastes (tonnes)			
Total non-hazardous waste	16,237	13,312	27,408
Going to landfill/solid waste site	240	227	195
Recycled	17	18	50

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Water and Waste Water Management



Kocaer Çelik carefully manages the water needs resulting from its activities and works to ensure that this critical resource is used as efficiently as possible.

Kocaer Çelik does not use mains and surface waters for water supply, but uses ground water and rain water for its needs. Regardless of the source of the water used, all solutions require relevant permits, and the environmental impact is attempted to be minimized.

In addition to ensuring compliance with the law, internal and external audits are performed to ensure the activities' long-term viability. Wastewater analyses are performed for performance monitoring and legal compliance, and no inappropriate situations exist. Projects to reduce water consumption are developed and implemented within Kocaer Çelik.

For example, by supplying a new generation nozzle to the cooling platform, a water consumption of 2,800 m³/month was saved, resulting in a four-fold reduction in water consumption while providing twice the cooling. Among the ongoing projects, the rolling pool water conversion project will save 5,000 m³/month of water and achieve a financial savings of 5,000 TL/month.



54,708 m³ of rain water was collected in the factories.

Water Usage m³

Groundwater (Well water)
2020

280,339

2021

262,707

Rain water
2021

54,708

Reused Water and Wastewater m³

Amount of water recovered/reused
2020

131,885

2021

131,885

Wastewater amount
2020

37,800

2021

37,800



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Water Footprint



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Drought is the biggest threat brought on by climate change. Drought affects the environment, society, and economy because of our reliance on water and water resources. Water shortages cause a decline in agricultural output, woodlands, and natural resources, which has a significant negative impact on society. Drought has a negative impact on the environment in a number of ways, including soil erosion from water and wind, deteriorating water quality, and decimation of natural habitats.

Water measurement has reached a very critical stage in light of the current state of rapid globalization, the rise in population density, and—most importantly—the effects of climate change. To ensure access to water resources in the future, it is clear that water is situated in a position that is environmentally, economically, and socially viable.

Looking at Türkiye's water footprint calculations, it shows that sustainable management of resources has a direct impact on our country's economic development.

Kocaer Çelik has a water footprint account. Within the parameters of the ISO 14046 standard, the water footprint is calculated as a door-to-door blue, green, and gray water footprint. The relevant calculation's objectives are to calculate water use, water source, and evaporation amounts, to establish a fully consistent, accurate, and transparent verification process in line with the activities to achieve the targets, to build the infrastructure for CDP declarations that can be made in the upcoming years, and to provide the necessary tools to measure the consumed water on a production basis.

According to Kocaer Çelik, the process—which began with measuring the effects of responsible production and consumption awareness—will be crucial to revealing the true impact on water resources and the processes of basin management plans. It is crucial to determine the water footprint and shed light on the sustainability of the sector in terms of water resources while taking into account direct and indirect water uses.



Kocaer Water Footprint (m³) **2021**

Blue Water Footprint

262,707

Green Water Footprint

54,708

Gray Water Footprint

87,878

Total Water Footprint

405,293



Biodiversity



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The destruction of species and genetic diversity brought on by global warming poses a serious threat to biodiversity. Generations in habitats have faced the risk of extinction as a result of the rise in carbon dioxide emissions, the change in climates, and the quality of climates. Numerous species are now seriously endangered as a result of the loss of wetlands in various climate zones, drought, rising temperatures, and deterioration of the ecological balance. When we consider how climate change is affecting biodiversity in our nation, we run into issues that are widespread.

While continuing its efforts to protect the current flora and fauna in the area of impact and to take action on potential impacts in all of its works for the protection of biodiversity, Kocaer Çelik carries out a variety of afforestation projects with the awareness that forests are the place that allows the absorption of greenhouse gases in order to minimize the environmental impacts.

The Memorial Forest, which was established thanks to the contributions of the employees, now includes 1,000 saplings and is home to a wide range of living things and cypress trees. With the help of the staff, the safety and routine upkeep of the forest, which contributes to the improvement of the local air quality, is also made possible.

Every aspect of biodiversity is assessed, and the required actions are taken with investments. The Environmental Impact Assessment (EIA) is conducted at the outset of these significant events, and its reporting, as well as the determination of the measures related to the flora and fauna within the impact area, are covered by these reports. Kocaer Çelik has no activities in the high biodiversity area and in the habitats included in the IUCN Red List.



With the Memorial Forest,
carbon emission reduction of
446 tons
tons per year is also achieved.



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INVESTMENT IN HUMAN RESOURCES AND SOCIAL RESPONSIBILITY

At Kocaer Çelik, the most important and primary stakeholder of sustainability is employees. Providing employees with a safe, healthy and motivating work environment is at the top of their human responsibilities. Kocaer Çelik's human-centered structure provides the ideal environment for the growth of new talents and keeps up its efforts to accelerate sustainability in this direction. With the jobs it provides, its commitment to corporate quality standards and customer understanding, and its involvement in the growth of the local economy in the areas where it operates, Kocaer Çelik aspires to be one of the leading businesses that pioneer social and economic development.

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



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Human Resources Policy

Kocaer Çelik has established a human resources policy to create the necessary social, psychological, and physical conditions for the planned operation of the processes, to guarantee product conformity, to supply them as needed, and to maintain them over time.

According to the relevant policy, it prevents all forms of discrimination, conducts human resources procedures based on diversity and equality of opportunity, and provides its employees with a physically suitable working environment where they will be more productive, competent, and happy. It also believes that social diversity creates value.

Kocaer Çelik respects the legal leave regulations and supports the professional and personal development of its employees within the scope of the aim of becoming a mother-friendly, self-improving, renewing and learning organization, provides educational and development opportunities, maintains a corporate culture

where appreciation is made within the community and feedback is made face-to-face, evaluates the ideas of its employees with the Suggestion and Reward System, creates a healthy and safe working environment for its employees, involves its employees in decision-making processes, implements a local employment policy, and has the responsibility of a remuneration model within the scope of decent work, and follows a remuneration and benefits strategy based on seniority and employee performance. Furthermore, the Kocaer Çelik process, which is based on management with targets, reduces strategic targets to individual performance targets.

Kocaer Çelik makes an effort to add color to the social lives of its employees by organizing social activities, keeping people in mind in addition to the pertinent policy items. In this context, Kocaer Orchestra was established. At the same time, 7 social clubs were established. (Angle Fishing, Nature and Travel, Cycling, Football, Camping, Community Service Clubs)



Social Clubs

Sports Activities



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KCR Sports Football Club: The company football club and represents the company in tournaments.

Steel Fishing Rod:

It is the fishing club of our company and free fishing is done.

Steel Pedal:

It is the bicycle club of our company and rides are carried out on the determined route.



Steel Feet:

Our team, which supports acting together and making decisions, carries out its activities on a designated track.

Camping:

Our team carries out activities to get away from business life and spend time with nature.

Social Activities

Community Service Club:

It entails planning campaigns to supply village schools in our area with inadequate facilities with all kinds of books, tools, etc., as well as assisting undergraduate, graduate, and doctoral students with project work, among other things. Events are planned that affect the lives of the elderly, those who require care, and the disabled, as well as those who reside in nursing homes and kindergartens, support stray animals and shelters, etc.



Social Activities

Music Club:

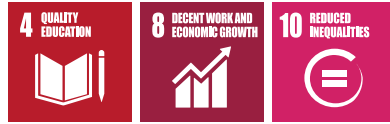
It is a club where our employees who are interested in music and musical instruments come together and work with the established choir, orchestra, etc.



Steel Fishing Rod: <https://www.youtube.com/watch?v=xBkFSY-z72Y&list=PLZR-YmpbCGRR4pskawVFUWzs1wy7BY9pa>



Employee Relations and Employee Value



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INVESTMENT IN HUMAN RESOURCES AND SOCIAL RESPONSIBILITY

The creation of a workplace where Kocaer Çelik's employees can work in safety, well-being, and a sense of value, as well as the use of positive management principles and tools, are among the company's top priorities. Through its 10 committees and boards, it has thus involved its employees in the decision-making processes. This resulted in improved employee engagement measurements.

Kocaer Çelik, a family-friendly business, keeps its returning and maternity leave employees at the center of value and offers the best support possible on their path to starting a family. Since 2020, 4 female employees of Kocaer Çelik, which provides maternity and paternity leave to its workers, have taken advantage of this benefit. In addition, there have been 59 male employees who have returned from paternity leave since 2020 and 2 female employees who have returned from maternity leave.

When hiring new employees, Kocaer Çelik bases its conduct on delegating tasks and responsibilities and creating job descriptions that are compatible with the candidates' competencies. In this context, the Human Resources Handbook is a guide. The job description documents include the responsibilities and duties of the employees as documented information. Individual performance scorecards and 360-degree individual competency evaluations both use the 4x4 competency model concurrently. Plans for the employees' motivation and development are made based on these findings. As a result, it aims to support employees as they advance in

their careers and reveal their potential through the development of their dazzling talents. Additionally, a compensation and fringe benefit system is on place for the employees.

Additionally, Kocaer Çelik has a procedure where workers can file grievances. The Ethics Committee, which was established in accordance with the "BUSINESS ETHICS GUIDELINES" assesses employee complaints.

4x4 competency model is applied in 360 degree individual competency evaluation and individual performance scorecards. Plans for the employees' motivation and development are made based on these findings.



Diversity and Inclusion

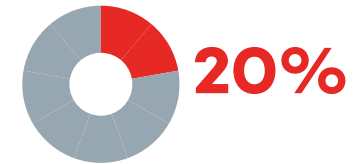


Kocaer Çelik respects each employee's ideas, encourages their professional and personal growth, and gives them the freedom to express their potential and creative side. It strives to prevent all forms of discrimination, to support diversity, to provide equality of opportunity and to be inclusive, while protecting human rights and working in all areas of its activity. It also carries out studies to increase this awareness among stakeholders and society.

Demographic indicators are shared in the tables below.



The rate of white-collar female employees at Kocaer Çelik is



	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
Total Number of Employees	32	703	31	643	35	683
Number of white collar employees	27	91	25	82	30	91
Number of blue collar employees	5	612	6	561	5	592

EMPLOYEE TURNOVER

	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
Total number of employees leaving the job	2	123	4	86	8	144
Number of employees under the age of 30 who quit their job	1	55	3	35	3	48
Number of employees aged 30-50 leaving employment (including 30 and 50 years old)		54	1	42	4	67
Number of employees over the age of 50 who quit their job	1	14		9	1	29
Share the employee turnover rate calculated by including employees who left voluntarily..	3%	6%	6%	6%	10%	6%
Number of positions filled with internal candidates		69		23	2	21
Number of all open positions		0		0		133



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Number of employees by age

	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
Under 30 years	10	157	6	116	9	139
30-50 years old	21	481	23	455	25	472
over 50 years	1	65	2	72	1	72



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Number of employees by year

	Female	Male	Female	Male	Female	Male
Number of employees for 0-5 years	19	418	15	317	20	360
Number of employees for 5-10 years	8	169	9	181	7	167
Number of employees for 10 years or more	5	116	7	145	8	156

	Female	Male	Female	Male	Female	Male
Number of disabled employees by gender	1	17	0	16	1	11



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Number of subcontracted employees by gender

Female	Male
2020	2020
10	10
2021	2021
10	17



Employee Loyalty and Satisfaction



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Kocaer Çelik has continued its efforts to increase sustainability in a linear fashion with an approach focused on human and talent development because it has always believed that the most significant value of the company is its human resources. It keeps up its efforts in an effort to attract and keep the creative, collaborative, and value-creating human capital necessary for long-term success. The loyalty score of 80% is a clear sign that the work has accomplished its goal, according to the findings of the employee engagement survey.

According to Kocaer Çelik, a collaborative workplace is essential for both employee happiness and business success. With the goal of raising the satisfaction rate to 80%, the first employee satisfaction survey, which is intended to be carried out every two years, was conducted in 2020. The ÇGA Action Committee was established with this goal in mind, and action plans are currently being implemented.

The results of the Employee Opinion Survey were analyzed on the basis of staff (white collar, blue collar,) factories / department and seniority breakdown.

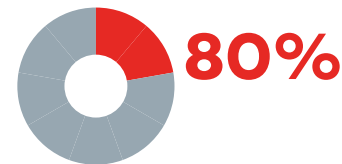
2021

Number of employees participating in the employee engagement survey

603

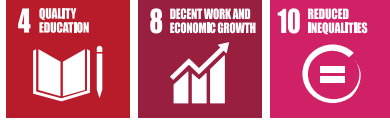


Employee engagement score





Talent Management and Career Development



The values, skills, and potentials of its employees are revealed as part of Kocaer Çelik's sustainable talent management approach. In today's competitive environment, Kocaer Çelik believes that human resources are the most essential component of competitive power. Employees who align with the company's values and their own personal values and who strive to meet these targets with their best performance are crucial to achieving the goals set forth in the strategic plans.

With the Talent Management (KYY), created with the "training your own manager" philosophy, Kocaer Çelik aims to ensure the sustainability of leadership transfer, protect/improve the knowledge and experience of the institution, anticipate the needs of the future period, and have the workforce ready to support critical employees and teams. In this regard, Kocaer Çelik annually assesses the situational leadership, coaching, and competencies of its managers using an internal tool called the Leadership Event audit.

At the same time, believing in the importance of keeping talents in the institution, Kocaer Çelik closely monitors its employees in order to meet their career expectations and development needs with KYY, and contributes to their development with an approach that is reliable, sensitive, systematic, analytical, value-creating, supportive, inclusive, sharing, able to use initiative, innovative and open to change.

Kocaer Çelik aims to meet expectations by having a premier human resource that outperforms and resists competition. This is accomplished through its human resources strategy, fair human resources policy, and practices decided in accordance with the principle of "placing the right people for the right job."

With the help of this program, a management methodology will be developed with a triple target structure: annual company targets, targets for the strategic business plan, and targets for process development. It will also be ensured that these targets are achieved through coordinated action.

In addition, employees have goals related to talent management. The objectives associated with a successful career system include achieving blue-collar and white-collar targets, a recognition system, rewarding, extending social rights, developing the leadership abilities of blue-collar executives, obtaining MYK certificates, increasing participation in social responsibility projects and clubs, digitalization, successfully implementing an individual performance system, and professional and individual development. Employees' potentials are supported by the principle of equal opportunity and a transparent career management system.

The Individual Performance System, a process for determining targets with an inclusive approach, and an effective career planning program will be implemented in 2022.



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Talent Management and Career Development



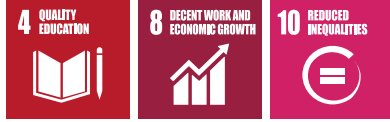
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Kocaer Çelik places a high value on training and development initiatives because it cares about the technical and personal growth of its employees.

The goal is to develop training programs that fall under the umbrella of employee performance reviews.

The "Kocaer Academy," established by the Company, conducts job trainings and other personal development trainings that fall under the purview of KYMS.

At Kocaer Çelik; vocational/technical trainings and compulsory trainings, orientation trainings and individual development trainings are provided. Despite the fact that training hours have decreased as a result of the pandemic conditions in 2020 and 2021, development studies are still planning trainings as individual and technical/vocational trainings, and they are making sure that the results of performance evaluations serve as the foundation for creating training programs.



**Kocael Academy and Trainings** (person *hour)

2019

8,227

2020

3,879

2021

4,650**Trainings held in Kocael Çelik in the last 3 years:**

Training	Total Hours	Number of participants
Turquality-Manager Development Program	448	2
Sustainability Mini MBA Training	26.5	1
Sustainability and Reporting Training	97.5	15
Kvkk Awareness Training	108	54
On-the-job-HR Orientation Training	296	271
On the Job - ISMS Awareness Training	381.5	381
On-the-job-Environment and Waste Management Training	394	394
On-the-job-Energy Awareness Training	394	394
On-the-job-Occupational Health and Safety Regulations and Disciplinary Regulations Training	394	394
Update- Environment and Waste Management Training	1265	1265
Update- Energy Awareness Training	1265	1265
Update- OHS Internal Regulation and Disciplinary Regulation Training	19	19
Update- ISMS Awareness Training	645	430
Finance Education for Non-Financiers	42	6
ISO Sustainability Days: Corporate Sustainability And Company Culture	3	3

Training	Total Hours	Number of participants
ISO 19443 Nuclear Energy Awareness, Nuclear Sector and Supply Chain Training	165	15
Kyms (Kocael Management and Excellence System) Training	33.5	67
Kaizen (Continuous Improvement) Training	178.5	313
5S Training	152	295
Problem Solving Techniques Phase-1 Training	65	13
Strategy Development and Management Training	109.5	73
Management Training with Processes	130.5	87
Project Management Training	150	75
Sustainability and Business World Web Training from Türkiye and EU Per-spective	5	2
International Trade and Contract Law	130	26
Renewable Energy Source Guarantee System (Yek-G)	5.5	3
Yys-Risks and Incident Management Training in Supply Chain	277.5	120
Yys- Customs Penalties and Smuggling Training	153	51
Yys- Customs and Foreign Trade Legislation Training	204	51

In addition to these trainings, a total of 449 hours have been given on "Ethical principles", a total of 1,457 hours on "combating bribery and corruption", and a total of 1,799 hours on "sustainability and environment" in the last 3 years.



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Occupational Health and Safety (OHS)



Kocaer Çelik believes that promoting the OHS corporate culture is just as important as creating safe working environments in the OHS industry. By adhering to statutory requirements and international standards, it places a high priority on ensuring complete compliance within the OHS domain. OHS specialists have been hired, and procedures like monthly OHS committee meetings, recording work accidents and near miss notifications, root cause analysis, taking action, performing health checks at the first job and on a regular basis, and risk analysis are all done within the framework of compliance with the laws and standards. OHS operations are controlled. In order to eliminate dangers and risks, 155 Corrective and Remedial actions have been determined. 300 decisions were defined in the OHS Committees. A digital platform is used for action tracking in order to boost the system's efficiency.

To promote the culture and ensure effective participation in the OHS Management System at all organizational levels and functions, the Occupational Health and Safety Committees Directives has been established. In addition, by adapting to the changing and transforming technology, the Ministry of Labor monitors its processes through the software provided with IBYS integration.

The legal regulations' specified controls are routinely implemented. Within the parameters of particular scenarios, emergency drills are conducted with emergency teams.

Kocaer Çelik aims to increase the OHS awareness of its

employees through training activities. Employees are provided with Tool Box OHS trainings at first job entry and periodically during OHS trainings and studies. Additionally, OHS audits and trainings are performed on subcontracted workers. For subcontractors who come to work frequently, an HSE ID card is designed.

Kocaer Çelik, which has many good practices within the scope of OHS, aims to ensure the sustainability of safe working environments, areas open to development, ensuring OHS, efficiency, involving employees in decisions, reinforcing the sense of belonging, adding value and dynamism to the corporate operation, and has a Suggestion and Award process, which is operated and provides material and moral contributions to the employees. All employees have received access to the internal occupational health and safety regulation, which includes written guidelines specific to field procedures.

The fact that the Kocaer Çelik safety index is 82% is one of the biggest indicators that the factors that threaten OHS are taken seriously.



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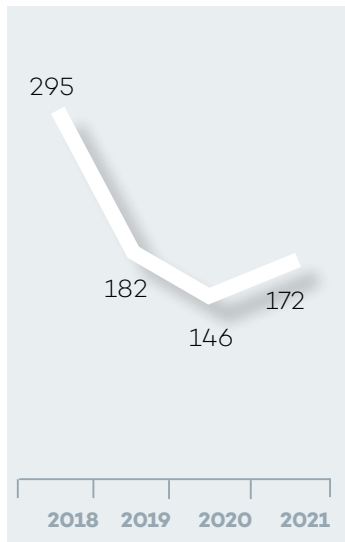


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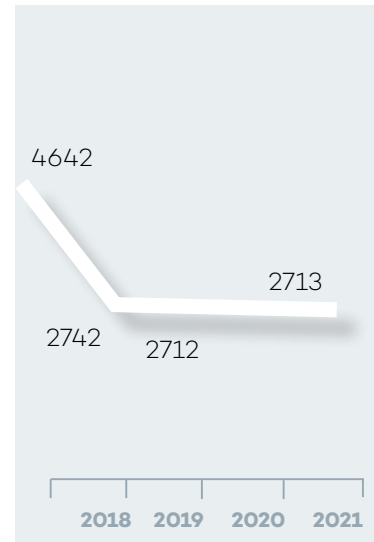
The Kocaer A, B, and C Class OHS Expertise Certification Program was created by the company under the "Kocaer Management and Excellence System" (KYMS) and is currently being used to achieve the "zero accident" target and protect against potential losses from occupational accidents. Labels were created to demonstrate the definition of the employees' qualifications as they relate to occupational safety.

Kocaer Çelik, who gives OHS the utmost attention, strives to increase this rate as much as possible and sets, monitors, communicates, and updates OHS targets in the pertinent functions and levels in order to guarantee the continuity of the OHS management system and OHS performance and to continually improve it.

Number of work accidents on a yearly basis



Number of lost days by year



Budget allocated for occupational health and safety (TL)



2019

1,569,936

2020

1,262,769

2021

1,900,000

At the same time, in order to measure and evaluate the perspective of the management teams on HSE processes and to create action plans, the managerial HSE audit, developed by the company, is carried out twice a year. The management teams' annual individual performance goals include these audits as well. However, the behavior-oriented safety management project, which was designed in 2021, aims to advance OHS standards by putting them into practice in 2022.



Social Contributions



761 people received informational trainings as part of the social responsibility project in 2019-2021.

Corporate Social Responsibility Policy and Approach



Corporate Responsibility; Companies fulfill their economic, environmental, and social obligations to their internal and external stakeholders in a sustainable and consistent manner by using an ethical, transparent, and accountable approach. Kocaer Çelik aspires to be one of the leading companies in social and economic development through the jobs it creates, corporate quality standards, and service understanding, as well as contributions to the local economy in the regions where it operates.

Kocaer Çelik aims to use its strengths in the field of Corporate Social Responsibility, to develop its activities for the benefit of society and the environment with a sense of responsibility, to act with an approach that protects society and the environment, to internalize social responsibility activities with all its stakeholders, especially employees, and to make it a way of behavior and life.

When creating a social responsibility project, Kocaer Çelik uses the umbrella approach, mobilizing the accumulation of primarily the needs and demands of the region in which the company operates to assess the region's future and then to create sensitivity and sensitivity for a wider circles as much as possible by spreading goals to fulfill its responsibility to its internal and external stakeholders.

Kocaer Çelik, bases the corporate social responsibility activities it will design on;

- ▶ Compatibility with social realities and needs,
- ▶ Compliance with corporate principles and values,
- ▶ Applicability,
- ▶ Sustainability:
- ▶ Consistency,
- ▶ Extensibility,
- ▶ Stakeholder engagement and
- ▶ Adhering to the principles of measurability, shapes them with the areas of environment and culture.

The goal of Kocaer Çelik is to continuously develop its social environment, society, and all of its stakeholders with whom it conducts business. Kocaer Çelik places a high value on transparently informing all of its stakeholders in order to be readily available in this situation.

Despite the fact that the stakeholders' opinions on Kocaer Çelik vary depending on their areas of interest, all significant stakeholders are kept informed about the activities or have opportunities to exchange ideas on various platforms.

In order to fulfill its future obligations to its internal and external stakeholders, Kocaer Çelik plans to create social responsibility activities through the staging of events. It also plans to divide the profits from these activities among its internal and external stakeholders (public institutions and organizations, NGOs, foundations, etc.).



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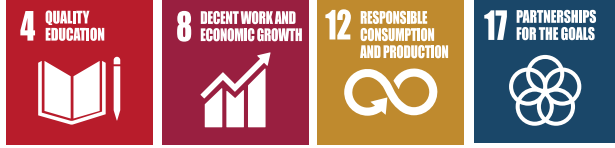
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Relations with the Local Community



Corporate Responsibility; Companies fulfill their economic, environmental, and social obligations to their internal and external stakeholders in a sustainable and consistent manner by using an ethical, transparent, and accountable approach. Kocaer Çelik aspires to be one of the leading companies in social and economic development through the jobs it creates, corporate quality standards, and service understanding, as well as contributions to the local economy in the regions where it operates.

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Realized Social Projects



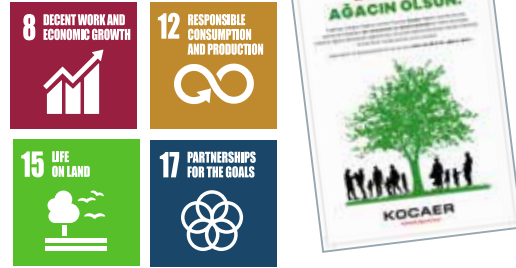
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Have a Planted Tree

The project is based on mobilizing the strengths of Kocaeli Çelik to contribute to the solution of the environmental pollution problem of the region in which it operates. By raising the environmental awareness of its employees and their families through its sustainable production approach, it helps to create a livable and sustainable environment.

With the principle of giving back to nature what it takes from nature, Kocaeli Çelik aims to fulfill its responsibilities towards nature and the environment, to leave a greener environment for future generations, and to spread the concept of social responsibility among customers, employees and suppliers; and as such a sapling was planted to represent each customer and employee in the designated areas in the appropriate areas of the production facilities. By providing the sapling names, nameplates have been sent to our staff members and clients.

Drip irrigation system has been established in order to provide the development environment of seedlings. 1100 Black Cypress saplings were planted with the help of a Planted Tree Planting project.



Protecting My Future

The most effective method of preventing environmental pollution is to ensure that its pollution does not occur. For this, it is necessary to increase public awareness and raise awareness.

Kocaeli Çelik considers it among its duties to instill nature and environmental awareness in children for a sustainable and livable environment, and to contribute to raising generations with high awareness about the protection and use of natural resources.

In order to protect the environment and natural resources in which they live, Kocaeli Çelik organized an award-winning painting, composition, poem, and cartoon competition with the theme "I Protect My Future" with the participation of its employees' children. With the project, it hopes to raise awareness about the protection and use of natural resources, instill a love of nature and the environment in the next generation, and contribute to raising up generations.



Other CSR Projects

With the aid gathered from the employees in the wake of the Izmir earthquake, in-kind assistance was given in the context of the Community Service Social Responsibility Club activities in accordance with the needs of the earthquake victims. The TEMA Foundation received support in order to reforest the areas that were burned during the forest fires that engulfed our nation in 2021. On the 700-decare factory site, reforestation activities were carried out in the appropriate locations. It supports the purchase of wheelchairs by sending the caps collected from their businesses to the Turkish Spinal Cord Paralysis Association.



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GRI Content Index



KOCAER

Sustainability Report 2021

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GRI 101: BASIC 2016			
GRI 102: GENERAL DISCLOSURES 2016			
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	102-2	Activities, brands, products, and services	Kocaer Çelik 7
	102-3	Location of headquarters	About the Report 5
	102-4	Location of operations	Kocaer Çelik 7-9
	102-5	Ownership and legal form	https://www.kocaersteel.com/en/company-information/trade-registry -
	102-6	Markets served	Kocaer Çelik 7-9
	102-7	Scale of the organization	Kocaer Çelik in Numbers 8
	102-8	Information on employees and other workers	Kocaer Çelik in Numbers, Diversity and Inclusion 8, 70-71
	102-9	Supply chain	Supply Chain Management 46-48
	102-10	Significant changes to the organization and its supply chain	None -
	102-11	Precautionary Principle or approach	Ethics and Transparency, Risk and Opportunity 36, 37
	102-12	External initiatives	Collaborations and Memberships 16
	102-13	Membership of associations	Collaborations and Memberships 16
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	102-14	Statement from senior decision-maker	Management Message 3-4
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	102-16	Values, principles, standards, and norms of behavior	Values, Ethics and Transparency 6, 36
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	102-18	Governance structure	Corporate Management 25



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	102-41	Collective bargaining agreements	Collective bargaining agreement is not implemented in our company.	-
	102-42	Identifying and selecting stakeholders	Communication with Stakeholders	14,15
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	102-44	Key topics and concerns raised	Priority Sustainability Issues at Kocaer Çelik	18
Reporting Practice				
	102-45	Entities included in the consolidated financial statements	About the Report	5
	102-46	Defining report content and topic Boundaries	About the Report, Priority Issues According to the Sustainability Approach	5, 20
	102-47	List of material topics	Priority Sustainability Issues at Kocaer Çelik	18, 20
	102-48	Restatements of information	It is the first report published.	-
	102-49	Changes in reporting	It is the first report published.	-
	102-50	Reporting period	About the Report	5
	102-51	Date of most recent report	It is the first report published.	-
	102-52	Reporting cycle	The report will be prepared in annually.	-
	102-53	Contact point for questions regarding the report	About the Report	5
	102-54	Claims of reporting in accordance with the GRI Standards	About the Report	5
	102-55	GRI content index	GRI Content Index	82
	102-56	External assurance	No external audit has been taken.	-

"The GRI Services Unit has assessed that within Materiality Disclosures Service, the GRI Content Index is clearly presented and disclosures 102-40 and 102-49 are included in the appropriate sections of the report. This service was performed on the Turkish version of the report."



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	103-3	Evaluation of the management approach	Kocaer Çelik	7
	201-1	Economic value produced and distributed	Kocaer Çelik	7
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GRI 103 MANAGEMENT APPROACH 2016	103-1	Explanation of priority issues and their limits	Priority Sustainability Issues at Kocaer Çelik	18, 20
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	103-3	Evaluation of the management approach	Human Resources Policy	67
	202-2	Senior executive ratio recruited from locals	Kocaer Çelik Sustainability Goals	23
GRI 203 Indirect Economic Impact 2016				
GRI 103 MANAGEMENT APPROACH 2016	103-1	Explanation of priority issues and their limits	Priority Sustainability Issues at Kocaer Çelik	18, 20
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	103-3	Evaluation of the management approach	Kocaer Çelik, Basic Management Policy	35
	203-1	Infrastructure investments and supported services	Investments	10
	203-2	Key indirect economic influences	Risk Issues at Kocaer Çelik	38,39
GRI 204 Procurement Practices 2016				
GRI 103 MANAGEMENT APPROACH 2016	103-1	Explanation of priority issues and their limits	Priority Sustainability Issues at Kocaer Çelik	18, 20
	103-2	Management approach and components	Sustainability Approach and Kocaer Çelik Sustainability Goals	21-23
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	204-1	Ratio of expenditures to local suppliers	Supply Chain Management	47-48



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GRI 103 MANAGEMENT APPROACH 2016	103-1	Explanation of priority issues and their limits	Priority Sustainability Issues at Kocaer Çelik	18, 20
	103-2	Management approach and components	Sustainability Approach and Kocaer Çelik Sustainability Goals	21-23
	103-3	Evaluation of the management approach	Ethics and Transparency	36
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	103-2	Management approach and components	Sustainability Approach and Kocaer Çelik Sustainability Goals	21-23
	103-3	Evaluation of the management approach	Environmental Management Approach, Energy Management	51, 53
	302-1	In-house energy consumption	Energy Management	54
	302-3	Energy intensity	Energy Management	54
	302-4	Reduction of energy consumption	Energy Management	54-55
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GRI 103 MANAGEMENT APPROACH 2018	103-1	Explanation of priority issues and their limits	Priority Sustainability Issues at Kocaer Çelik	18, 20
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	103-3	Evaluation of the management approach	Environmental Management Approach, Water and Waste Water Management	51, 63-64
	303-1	Water Policy and Management Approach of the Organization (Water Management)	Water and Waste Water Management	63,64
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GRI 103 MANAGEMENT APPROACH 2016	103-1	Explanation of priority issues and their limits	Priority Sustainability Issues at Kocaer Çelik	18, 20
	103-2	Management approach and components	Sustainability Approach and Kocaer Çelik Sustainability Goals	21-23
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