Sustainability Governance Scorecard 2023 Türkiye Report

Gizem Argüden Oskay & Melis Türker

A sustainable global economy combines long-term profitability with ethical behavior, social justice, and environmental sensitivity. Given the current state of the world – climate change, polluted water resources, plastic waste, income inequality, gender inequality, corruption – it is clear that institutions need to take responsibility for sustainable development and take action accordingly.

To address the global issues we face, our perspective on the role of companies in today's society needs to be more holistic, stakeholder-centered, and focused on long-term impact. Solutions to sustainability issues by institutions not only affect these institutions and their competitiveness but also the very existence of our planet and all the living beings. For companies to take on this leadership role, they need to embark on a broad transformation journey, adopt ecosystem-level thinking, and incorporate environmental, social, and governance (ESG) issues into their value creation models.

The publication of the IFRS Sustainability Standards in 2023 marked a significant step towards adopting a common framework for different sustainability reporting standards at the international level. With the prioritization of the double materiality concept, especially in European companies, companies began reporting not only the sustainability impacts of their activities but also the sustainability impacts on material issues by their stakeholders. Sustainability is a key focus for the boards, and the number of board members with sustainability expertise is steadily increasing. However, achieving the 2030 Sustainable Development Goals still seems out of reach. **Key to creating sustainable companies lies in prioritizing sustainability governance.**

As the number of companies publishing sustainability reports increases each year, the quality of these reports is also improving. Sustainability reporting standards, which are beginning to converge and integrate on a common basis, are becoming more useful for various stakeholders' decision-making processes.

Sustainability Governance Scorecard©

Responsible Boards

Skills Matrix	Executive Compensation
Guidance	Oversight

Sustainability Performance

KPIs	Targets	Results	Results Evaluation
Scope of Implementation		Link to SDGs	

Sustainability Journey

Purpose & Value Creation Model · Materiality & Stakeholder Engagement · Supply Chain Sustainability · Learning & Development

Nevertheless, the progress made is still insufficient to overcome the collective challenges facing our world today. Every year, 30,000 square kilometers of forest, an area the size of Switzerland, is lost. More than 1,000 animal species become extinct each year, and by the end of the century, 1 million species are expected to be at risk of extinction. Climate change-induced droughts, fires, and floods are becoming more severe, negatively affecting essential needs and health worldwide, leading to forced relocations. According to the United Nations High Commissioner for Refugees (UNHCR), approximately 120 million people will be forced to relocate and migrate in 2023. Due to unsustainable development, the capacity to sustain human well-being for current and future generations is rapidly diminishing. We are in a critical decade for addressing environmental and social challenges globally.

We need to look at the state of the world with full clarity and compassion and take action to solve urgent issues related to climate change, ecological destruction, increasing inequality, and corruption. We need a collective awakening to recognize our mutual interconnectedness and collective actions to reverse the impacts of human-caused damage on the environment and society. All stakeholders must be a part of this solution to create a regenerative and revitalizing culture where all forms of life are valued and respected.
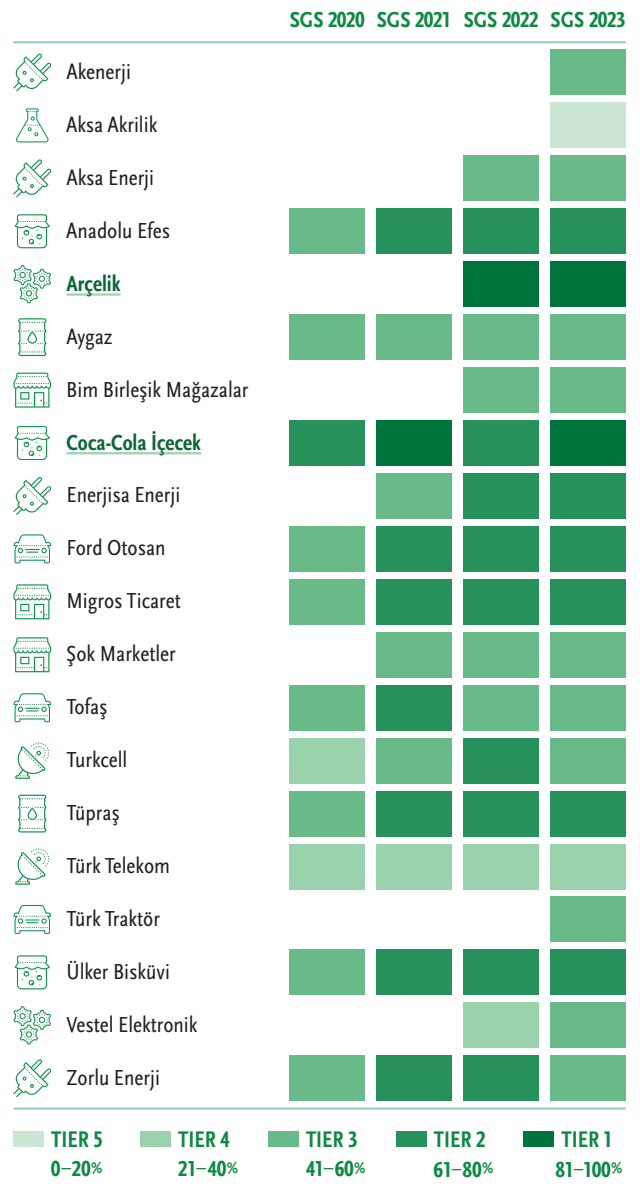
To make a real contribution to a sustainable future, we need to broaden our perspective on sustainability. Sustainability requires decision-making processes that avoid being narrow-minded and self-centered, incorporating both positive and negative externalities affecting all potential impacts of a company.

We are completing the 5th year of the Sustainability Governance Scorecard, which examines 200 Sustainability Leaders from 7 countries and 10 sectors. Since 2019, we have been analyzing the sustainability governance approaches of the world's leading companies, aiming to create a fundamental reference point for these approaches and highlight good examples to support companies in learning from each other. The sustainability governance approaches in sustainability efforts provide important perspectives for everyone, despite the differences in sustainability performance across different sectors and geographies.

In this report, you will find data tracking the progress of Turkish companies over the years and good examples of sustainability governance and reporting from Türkiye. You can access the previous years' research results and comprehensive examples of Global Sustainability Leaders for each section on our website..

We hope the Sustainability Governance Scorecard will contribute to creating a better world by accelerating the business world's learning from Global Sustainability Leaders.

SGS Türkiye General Assessment

	SGS 2020	SGS 2021	SGS 2022	SGS 2023
Akenerji				Tier 3
Aksa Akrilik				Tier 5
Aksa Enerji			Tier 3	Tier 3
Anadolu Efes	Tier 3	Tier 2	Tier 2	Tier 2
Arçelik			Tier 1	Tier 1
Aygaz	Tier 3	Tier 3	Tier 3	Tier 3
Bim Birleşik Mağazalar			Tier 3	Tier 3
Coca-Cola İçecek	Tier 2	Tier 1	Tier 2	Tier 1
Enerjisa Enerji		Tier 3	Tier 2	Tier 2
Ford Otosan	Tier 3	Tier 2	Tier 2	Tier 2
Migros Ticaret	Tier 3	Tier 2	Tier 2	Tier 2
Şok Marketler			Tier 3	Tier 3
Tofaş	Tier 3	Tier 2	Tier 2	Tier 3
Turkcell	Tier 4	Tier 3	Tier 2	Tier 3
Tüpraş	Tier 3	Tier 3	Tier 2	Tier 2
Türk Telekom	Tier 4	Tier 3	Tier 4	Tier 3
Türk Traktör				Tier 3
Ülker Bisküvi	Tier 3	Tier 2	Tier 2	Tier 2
Vestel Elektronik			Tier 4	Tier 3
Zorlu Enerji	Tier 3	Tier 2	Tier 2	Tier 3

TIER 5	TIER 4	TIER 3	TIER 2	TIER 1
0–20%	21–40%	41–60%	61–80%	81–100%

▶ When we look at the overall assessment of SGS Türkiye, we see that company scores have shown a positive trend over the years.

▶ According to our SGS 2023 research results, Arçelik and Coca-Cola İçecek stand out as the top two companies in Tier 1.

▶ These companies are followed by Anadolu Efes, Enerjisa Enerji, Ford Otosan, Migros Ticaret, Tüpraş, and Ülker in Tier 2.

▶ When we compare SGS 2020 with 2023, we see that Coca-Cola İçecek has advanced from Tier 2 to Tier 1, and Anadolu Efes, Enerjisa Enerji, Ford Otosan, Migros Ticaret, Tüpraş, and Ülker Bisküvi have all moved up from Tier 3 to Tier 2. It is also noteworthy that Vestel Elektronik, which was in Tier 4 in SGS 2022, has progressed to Tier 3 in SGS 2023, partly due to its adoption of integrated reporting.

Türkiye Report General Assessment

Responsible Boards

Establishing responsible boards and effective governance mechanisms for sustainability: Boards determine the company's focus. Therefore, leadership in boards is crucial in guiding the company and ensuring the creation of sustainable value for both the company and the ecosystem in the long term. Boards have begun to take action to assume sustainability responsibilities, but some practices that are rapidly advancing in other countries have not been adopted even among leading companies in Türkiye. For boards to fulfill their sustainability responsibilities:

1. The board should consist of members with the expertise, experience, and diversity required by company priorities and fields of activity. By publishing a board skills matrix and including sustainability-related dimensions and diversity criteria (such as gender, age, race, experience), the right skills are ensured to be represented on the board, enhancing the quality of sustainability processes.

▶ The ratio of companies with board members having sustainability experience increased from 50% in SGS 2020 to 86% in SGS 2023.

▶ Only one company in Türkiye (Coca-Cola İçecek) publishes a Board Skills Matrix. Among Global Sustainability Leaders, the ratio of companies publishing a skills matrix increased from 26% in SGS 2019 to 60% in SGS 2022, with 48% listing sustainability as a skill in their matrices.

2. Boards can ensure that executives focus on sustainability by linking executive compensation and bonuses to strategic sustainability indicators.

▶ Only one company (Ülker Bisküvi) links executive compensation and bonuses to sustainability goals in Türkiye. No company in Türkiye reports which sustainability indicators are linked to executive compensation and bonuses. The proportion of companies distributing executive compensation and bonuses related to Sustainability Key Performance Indicators (KPIs) advanced from 29% in SGS 2020 to 48% in SGS 2022.

3. Board guidance and oversight processes and structures should be designed to include sustainability priorities.

▶ The ratio of boards with a sustainability committee increased from 25% to 70% over four years.

▶ The ratio of independent audits covering sustainability issues increased from 42% in SGS 2020 to 50% in SGS 2023. (Among Global Sustainability Leaders, this ratio was approximately 80% in SGS 2022.)

▶ The ratio of independent audits covering the supply chain increased from 8% to 50% over four years. (This ratio increased from 23% in SGS 2019 to 58% in SGS 2022.)

Sustainability Performance

What gets measured, gets improved. Therefore, measuring sustainability performance and integrating key environmental, social, and governance issues into strategy and activities is critical. Reporting should cover key environmental, social, and governance areas; provide evidence of targets, results, and result evaluations; and create a learning cycle (trends and benchmarking). A holistic approach to reporting, focusing on the whole rather than parts (short and long-term all relevant environmental, social, and governance issues, supply chain, and ecosystem, individual and global goals), should be developed. The scope of reporting should be designed to include all employees, geographies, supply chain, and the ecosystem. In this regard, setting more careful targets, receiving regular feedback from investors for decision-making and standardizing reporting frameworks at the sector level, and measuring important issues is essential.

1. Key performance indicators should be defined for important environmental, social, and governance issues, and companies should report progress and evaluate results.

▶ The ratio of companies sharing environmental targets increased from 50% to 80%, social targets from 33% to 75%, and governance targets from 17% to 40% over the last four years. Almost all companies in Türkiye have established sustainability policies and report performance results.

2. Sustainability targets and results should be evaluated within the value chain, including the supply chain, product life cycle, all stakeholder groups, all levels of the company organization, and all geographies.

▶ 35% of companies in Türkiye set sustainability targets for the supply chain, while 40% share supply chain sustainability results.

3. For long-term success, companies should take responsibility not only for their activities but also for protecting and developing the ecosystem they operate in. Aligning the company's ecosystem strategy, goals, and performance with the Sustainable Development Goals contributes to harmonizing with the global goals set for 2030 and enhancing collaboration opportunities for common goals.

▶ 95% of sustainability leaders in Türkiye align their strategies with the SDGs, 75% share performance results, and 50% align sustainability targets with the SDGs.

Sustainability Journey

Creating a purpose-driven, stakeholder-centered model for sustainability management and adopting a continuous learning mindset throughout the sustainability journey is necessary. In today's world, gaining social trust requires responsible leadership. Companies actively managing sustainability efforts benefit both themselves and the society. When designing sustainability approaches, companies should adopt a more stakeholder-centered approach and broaden their perspectives to include ecosystems and long-term impacts.

1. Companies should visualize their value creation model, set sustainability goals that encompass all stakeholders, and build a strong culture around this purpose. Integrated reporting can be used as a holistic tool that provides a method for companies to explain their value creation journey for today and the future, while also offering a solid framework to communicate the company's sustainability approach to various stakeholders.

▶ 40% of sustainability leaders in Türkiye visualize their value creation models, and 35% adopt integrated reporting.

2. A long-term and holistic perspective on stakeholder engagement should be adopted, with inclusive and active stakeholder engagement efforts, identifying important sustainability issues for the company and its stakeholders.

▶ All sustainability leaders in Türkiye report their stakeholder map, 74% share future goals related to stakeholders. The proportion of companies sharing a materiality matrix increased from 58% in SGS 2020 to 95% in SGS 2023.

3. Sustainability in the supply chain should include guiding sustainability priorities with policies and targets, assessing them through audit processes, and enhancing them through training and improvement efforts.

▶ 70% of sustainability leaders in Türkiye take action towards implementing sustainability standards in the supply chain through certification, and 50% through independent audits.

4. Sustainability requires continuous learning and development to adapt to changing conditions in the short and long term. For long-term sustainable progress, companies should create a learning environment that fosters continuous improvement and measurable indicators (comparative evaluation, trends).

▶ All companies in Türkiye organize training on social issues and share their criteria. However, this rate drops to 55% for environmental issues and 35% for governance issues.

Initiatives Adopted by Turkish Companies

		SGS 2020	SGS 2021	SGS 2022	SGS 2023
GRI	Global Reporting Initiative	83%	86%	95%	100%
IR	Integrated Reporting	0%	0%	11%	35%
UN GLOBAL COMPACT	UN Global Compact	42%	43%	68%	75%
SASB	SASB Standards	8%	29%	58%	60%

▶ The standards used in the reporting of Turkish companies show a noticeable upwards trend from SGS 2020 to SGS 2023. We observe that Turkish Sustainability Leaders increasingly adopt international reporting standards.

▶ The ratio of Turkish companies adopting GRI standards increased from 83% in SGS 2020 to 86% in SGS 2021. This ratio reached 95% in SGS 2022, and we see that all Turkish companies use GRI standards in SGS 2023.

▶ The ratio of Turkish companies publishing integrated reports tripled from SGS 2022 to SGS 2023. Coca-Cola İçecek and Turkcell started integrated reporting in SGS 2022 for the first time. In SGS 2023, Akenerji, Aksa Akrilik, Migros Ticaret, Vestel Elektronik, and Zorlu Enerji followed these two companies by publishing integrated reports. Learning from each other and adopting integrated reporting has been among the main recommendations of our research since SGS 2019.

▶ The ratio of Turkish companies signing the UN Global Compact has increased steadily since SGS 2020, reaching 75% in SGS 2023. We can say that the UN Global Compact Türkiye Network has shown a successful performance in this regard and is increasingly adopted by Turkish companies.

▶ SASB is a reporting standard that enables more transparent communication between companies and investors to understand and evaluate the potential impacts of ESG factors on financial performance. We see that the adoption of SASB standards, which we encountered at a very low rate in SGS 2020, has increased significantly each year, reaching a record high of 60% in SGS 2023. This indicates the importance Turkish companies place on this issue.
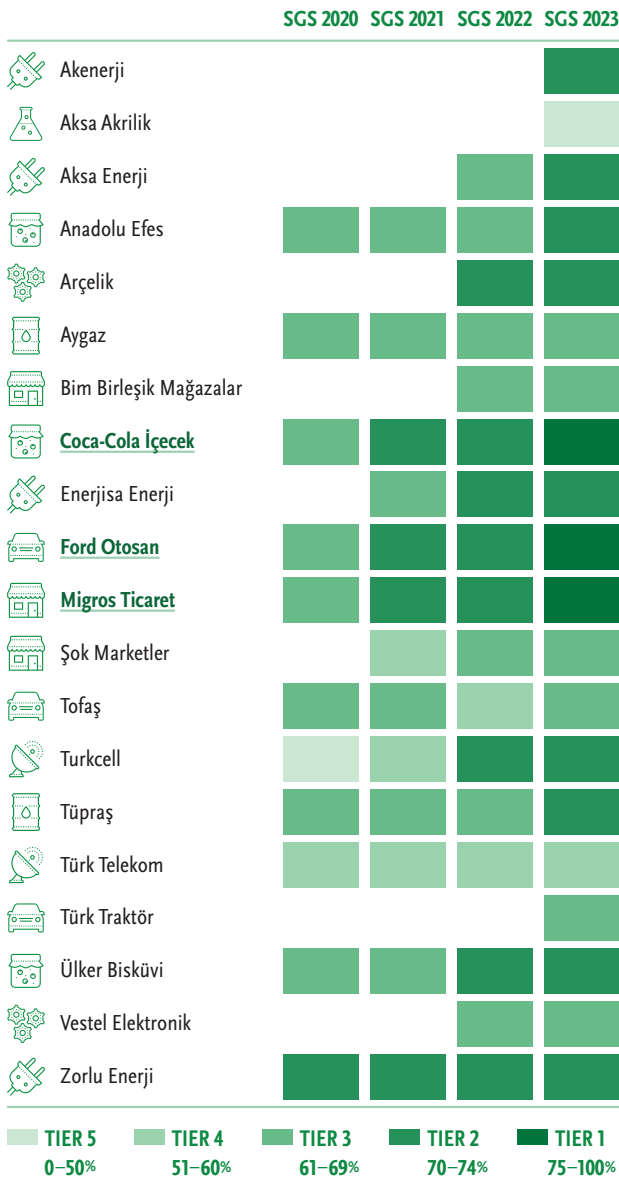
1 Responsible Boards

Boards determine the direction of the company. Boards taking responsibility for sustainability requires integrating long-term value creation for both the company and the ecosystem into company strategies, policies, and processes. For boards to fulfill their sustainability responsibilities:

1. They should consist of members with the **right skills**, **experience**, and **diversity** required by company priorities and fields of activity: The board should have the necessary skills to understand the decision-making processes of key stakeholders, include members who follow evolving sustainability standards and practices, and have sufficient diversity to effectively assess various dimensions, perspectives, and risks related to sustainability. Publishing a board skills matrix that includes sustainability dimensions and diversity criteria (such as gender, age, race, experience) ensures the right skills are represented on the board, enhancing the quality of sustainability processes.

2. Linking upper management incentive mechanisms to sustainability goals to include long-term impacts in the management scope: Boards can ensure that executives focus on sustainability by linking executive compensation and bonuses to strategic sustainability indicators.

3. Designing board **guidance and oversight** processes and structures to include **sustainability priorities**: In the guidance scope, boards should ensure the integration of sustainability priorities into company strategies, goals, policies, and practices and establish a committee infrastructure to evaluate sustainability performance. The oversight role of the board includes monitoring sustainability practices with an effective internal control and independent audit mechanism, covering all geographies where the company operates and the supply chain exists, and evaluating sustainability performance.

Skills Matrix	**Executive Compensation**
Guidance	**Oversight**

Below is the assessment of Responsible Boards in Turkish companies based on our SGS 2020–2023 research:

Responsible Boards Türkiye Assessment

	SGS 2020	SGS 2021	SGS 2022	SGS 2023
Akenerji				■
Aksa Akrilik				■
Aksa Enerji			■	■
Anadolu Efes	■	■	■	■
Arçelik			■	■
Aygaz	■	■		■
Bim Birleşik Mağazalar			■	■
Coca-Cola İçecek	■	■	■	■
Enerjisa Enerji		■	■	■
Ford Otosan	■	■	■	■
Migros Ticaret	■	■	■	■
Şok Marketler		■	■	■
Tofaş	■	■	■	■
Turkcell	■	■	■	■
Tüpraş	■	■	■	■
Türk Telekom	■	■	■	■
Türk Traktör				■
Ülker Bisküvi	■	■	■	■
Vestel Elektronik			■	■
Zorlu Enerji	■	■	■	■

TIER 5	TIER 4	TIER 3	TIER 2	TIER 1
0–50%	51–60%	61–69%	70–74%	75–100%

▶ When we evaluate the responsible governance practices of Turkish boards from SGS 2020 to SGS 2023, we observe an upward trend.

▶ In this four-year period, the most significant progress was seen in Turkcell, which advanced from Tier 5 to Tier 2, and Coca-Cola İçecek, Ford Otosan, and Migros Ticaret, which advanced from Tier 3 to Tier 1.

▶ In the SGS 2023 assessment of responsible boards, Coca-Cola İçecek, Ford Otosan, and Migros Ticaret were the most successful companies.

▶ These data show that Turkish boards have made significant progress in responsible governance practices.

Skills Matrix

It is important for boards to take responsibility for environmental, social, and governance issues in the company and for board members to reflect sustainability experience in their decisions. Including experienced individuals in these practices and processes facilitates the integration of sustainability into the decision-making processes.

Board Skills Matrix

	SGS 2020	SGS 2021	SGS 2022	SGS 2023
At Least One Board Member Has Sustainability Skill	50%	64%	84%	80%
Publishes Skills Matrix	0%	0%	0%	5%
Skills Matrix Includes Sustainability	0%	0%	0%	5%

▶ Among Türkiye's Global Sustainability Leaders, the ratio of companies with at least one board member having sustainability experience increased from 50% in SGS 2020 to 80% in SGS 2023.

▶ Coca-Cola İçecek was the first in Türkiye to publish a board skills matrix, listing sustainability as a skill.

▶ The ratio of companies publishing a skills matrix among Global Sustainability Leaders increased from 26% in SGS 2019 to 60% in SGS 2022. 48% of companies list sustainability as a skill in their matrices.

There is significant room for improvement for Turkish companies in publishing a skills matrix and including sustainability as a skill.

Executive Compensation

Boards should link executive performance metrics to the company's environmental and social goals and index compensation to these goals to encourage executives to focus on sustainability. This approach will help integrate sustainability practices into daily business decisions.

Executive Compensation Linked to Sustainability KPIs

	SGS 2020	SGS 2021	SGS 2022	SGS 2023
Shares Executive Compensation	58%	50%	84%	100%
Aligns with Financial KPIs	58%	50%	47%	60%
Aligns with Sustainability KPIs	0%	0%	5%	5%

▶ The ratio of Turkish companies disclosing executive compensation and bonuses increased from 58% in SGS 2020 to 100% in SGS 2023. Turkish companies have made significant progress in this area since SGS 2020.

▶ However, the ratio of linking executive compensation and bonuses to financial goals has not increased at the same level.

▶ Linking executive compensation and bonuses to sustainability goals is almost never considered in Turkish companies. There is a significant room for improvement for Turkish companies in linking executive compensation and bonuses to Sustainability KPIs covering Environmental, Social, and Governance issues.

Board Guidance

The board should ensure the continuous monitoring of ethical values and business practices by establishing internal control, independent audit, and transparent reporting processes. Effective sustainability oversight requires monitoring performance and communication with the board. Establishing structures such as Corporate Governance or Sustainability Committees clarifies management responsibilities and evaluates sustainability risks and opportunities with a comprehensive assurance system covering internal and external audits.

Board Committees

	SGS 2020	SGS 2021	SGS 2022	SGS 2023
Audit Committee	100%	100%	100%	100%
Risk Committee	100%	100%	100%	100%
Governance Committee	100%	100%	100%	100%
Sustainability Committee	25%	14%	63%	70%

▶ Since SGS 2020, all Turkish companies have audit, risk, and governance committees. Legal regulations require companies listed on the Sustainability Exchange to establish these committees.

▶ The ratio of Turkish companies with a sustainability committee increased significantly from 25% in SGS 2020 to 70% in SGS 2023.

Board Oversight

The oversight role of the board requires establishing an effective internal control mechanism, ensuring the independence and strict compliance of audit bodies, monitoring ethical values and business attitudes within the company and in the value chain, and ensuring transparency in external reporting and public disclosure processes. To improve sustainability oversight, effective monitoring of sustainability performance and communication with the board are essential.

Board's Oversight Responsibilities

	SGS 2020	SGS 2021	SGS 2022	SGS 2023
Business Strategy	100%	100%	100%	95%
Risk Management	100%	100%	100%	95%
Regulatory Compliance	100%	93%	100%	%95
Business Ethics	83%	93%	100%	95%
Anti-Corruption	83%	93%	100%	95%
Environmental Issues	83%	79%	95%	95%
Customer / Community Issues	58%	79%	89%	95%
Human Rights	100%	93%	95%	90%
Related Party Transactions	67%	79%	100%	90%
Labor Practices	75%	71%	95%	90%
Setting Materiality Thresholds	42%	64%	84%	90%
Executive Compensation	100%	86%	95%	85%
Donations (especially Political)	83%	93%	100%	85%
Supplier Code of Conduct	67%	86%	89%	80%
Succession Planning	58%	79%	95%	70%

▶ We see that many issues under the scope of board oversight are reported by more than 90% of Turkish companies.

▶ The most significant increase from SGS 2020 to SGS 2023 was observed in setting materiality thresholds, a critical step for effective sustainability oversight (from 42% in SGS 2020 to 90% in SGS 2023). Customer / community issues and related party transactions also saw significant progress.

Independent Audit Coverage

	SGS 2020	SGS 2021	SGS 2022	SGS 2023
Financial Issues	100%	100%	100%	100%
Sustainability Issues	42%	50%	53%	50%
Environmental Issues	42%	50%	53%	45%
Social Issues	25%	29%	32%	35%
Governance Issues	17%	29%	21%	30%
Supply Chain	8%	29%	32%	53%

▶ All companies in our sample have independent audits covering financial issues.

▶ The ratio of companies with independent audits covering sustainability issues increased from 42% in SGS 2020 to 50% in SGS 2023.

▶ Independent audits cover environmental issues in 45%, social issues in 35%, and governance issues in 53% of all companies. There has been a fluctuating rise in ESG issues from SGS 2020 to SGS 2023.

▶ The ratio of independent audits covering the supply chain increased from 8% in SGS 2020 to a record high of 53% in SGS 2023. We see that Turkish companies have made significant progress in this area in recent years.

Good Practice Examples

Board Skills Matrix

Food Processors

NUMBER OF BOARD MEMBERS WITH HIGH LEVEL EXPERTISE IN PRIORITY SKILL AREAS

Skill Area	Number
SUSTAINABILITY	3
GEOGRAPHICAL EXPERIENCE	3
STAKEHOLDER RELATIONS	4
INVESTOR PERSPECTIVE	4
TALENT & LEADERSHIP DEVELOPMENT	5
EXECUTIVE PERFORMANCE EVALUATIONS & HR	5
RISK MANAGEMENT	5
FINANCIAL CONTROL AND AUDIT	5
SALES	6
INDUSTRY EXPERIENCE	6
LEADERSHIP	6
GOVERNANCE	7
FINANCE	7
STRATEGIC PLANNING	10

▶ Coca-Cola İçecek stands out as a good example for all Turkish companies by sharing its Board Skills Matrix.

▶ For the first time in Türkiye, skills such as sustainability, geographical experience, talent & leadership development for each board member are classified and displayed collectively.

▶ The report shares the biographies of board members, providing deeper insights into each member. Key talents for the company are highlighted, validating and evidencing the value created for the company and stakeholders through board skills.

Coca-Cola İçecek 2021 Integrated Annual Report, page 144
https://www.cci.com.tr/Portals/3/CCI_Integrated_Report_2021.pdf

Good Practice Examples

Board Committees

ZORLUENERJİ

Utilities

GRI - 102-18 102-42, 102-43, 102-44, 103-1, 103-2, 103-3, 203-2, 406-1
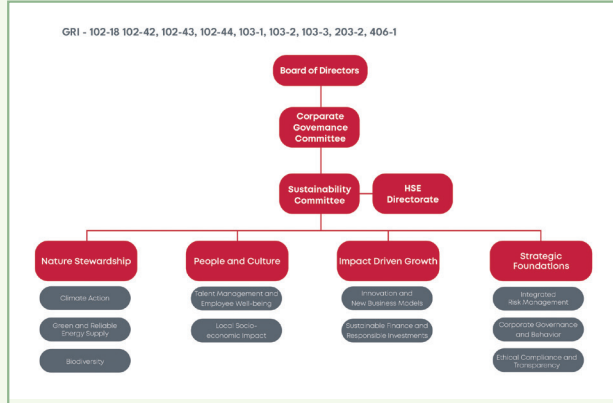
- ▶ Zorlu Enerji has risk, corporate governance, sustainability, and audit committees, each with its own charter and independent chairs. This setup provides a suitable infrastructure for the board's oversight and guidance.

- ▶ Zorlu Enerji approaches sustainability with a holistic governance model based on participation.

- ▶ To achieve long-term sustainability goals, Zorlu Enerji established a Sustainability Board and a Corporate Governance Committee.

- ▶ The company defines its activities transparently to achieve its material issues and strategic sustainability goals, making it a good example in sustainability governance.

- ▶ Thus, Zorlu Enerji serves as a good example of sustainability governance within the framework of a holistic and participatory governance model established from management to units.

Zorlu Enerji 2021 Integrated Annual Report, page 64

https://www.zorluenerji.com.tr/uploads/pdf/pdflist/integrated-annual-report-2021.pdf

Board Oversight

arçelik

Machine & Equipment
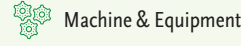
Building a Sustainable Supply Chain

Potential Human Rights/OHS/environment Issues on Supplier Audit Findings

- ▶ Arçelik provides detailed findings and improvement processes based on independent audits conducted in its supply chain in the field of sustainability. Issues identified in supplier audits are presented in detailed tables with numerical data under headings such as human rights, child labor, ethical business behavior, and the environment.

- ▶ Her bir bulgu için alınan düzeltici aksiyonlar sütunu, şirketin mevcut sorunları nasıl ele aldığını ve hangi adımları attığını açıklıyor. Örneğin çalışan hakları, adil ücretlendirme, çalışma saatleri ve çevre koruma gibi alanlarda alınan düzeltici önlemler, şirketin sürdürülebilir tedarik zinciri oluşturma konusunda aktif ve sorumlu bir yaklaşım benimsediğini gösteriyor.

- ▶ This reporting method shows that the company not only makes commitments in sustainability but also takes concrete steps and progresses through continuous improvement.

This type of transparent and detailed reporting proves Arçelik's seriousness and leadership in sustainability to its stakeholders and the industry.

Arçelik 2021 Sustainability Report, page 146

https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf

2 Sustainability Performance

Improvement and continuous development for measuring and evaluating performance is critically important. What gets measured, gets improved. Sharing key performance results related to environmental, social, and governance issues shows the steps a company is taking toward its sustainability goals, increasing stakeholder confidence in the company's ability to create sustainable value. Additionally, sharing results offers the opportunity for comparative assessment with other companies, further accelerating learning.

To improve performance management in sustainability, companies, investors, regulators, and standard-setting organizations must collaborate to increase the reliability, consistency, and comparability of reporting metrics on significant environmental, social, and governance issues. Companies should aim to improve sustainability performance continuously and mobilize all stakeholders towards common goals by:

1. Defining **key performance indicators** for significant **environmental**, **social**, and **governance** issues: reporting the **progress made**, and **evaluating the results**. Sectoral collaborations are necessary to define what is important for each sector. Regular feedback from investors on the value and usefulness of decision-making metrics makes sustainability management and development processes more effective.

2. Sustainability targets and results should be evaluated within the value chain, including **the supply chain, product life cycle, all stakeholder groups, all levels of the company organization, and all geographies**. Transparency regarding targets and results forms the basis for communication and collaboration among relevant stakeholder groups.

3. Companies must take responsibility not only for their activities but also for **protecting and developing the ecosystems in which they operate** to achieve long-term success. To do this effectively, companies should set targets and share results for partnerships related to environmental ecosystems, social development, and global goals. Aligning the company's ecosystem strategy, goals, and performance with the **Sustainable Development Goals** contributes to harmonizing with global targets set for 2030 and enhancing collaboration opportunities for common goals.

KPIs	Targets	Results	Results Evaluation
Scope of Implementation		Link to SDGs	

Below is the assessment of Sustainability Performance in Turkish companies based on our SGS 2020–2023 research:

Sustainability Performance Türkiye Assessment

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Akenerji				
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Arçelik				
Aygaz				
Bim Birleşik Mağazalar				
Coca-Cola İçecek				
Enerjisa Enerji				
Ford Otosan				
Migros Ticaret				
Şok Marketler				
Tofaş				
Turkcell				
Tüpraş				
Türk Telekom				
Türk Traktör				
Ülker Bisküvi				
Vestel Elektronik				
Zorlu Enerji				

TIER 5	TIER 4	TIER 3	TIER 2	TIER 1
0–20%	21–40%	41–60%	61–80%	81–100%
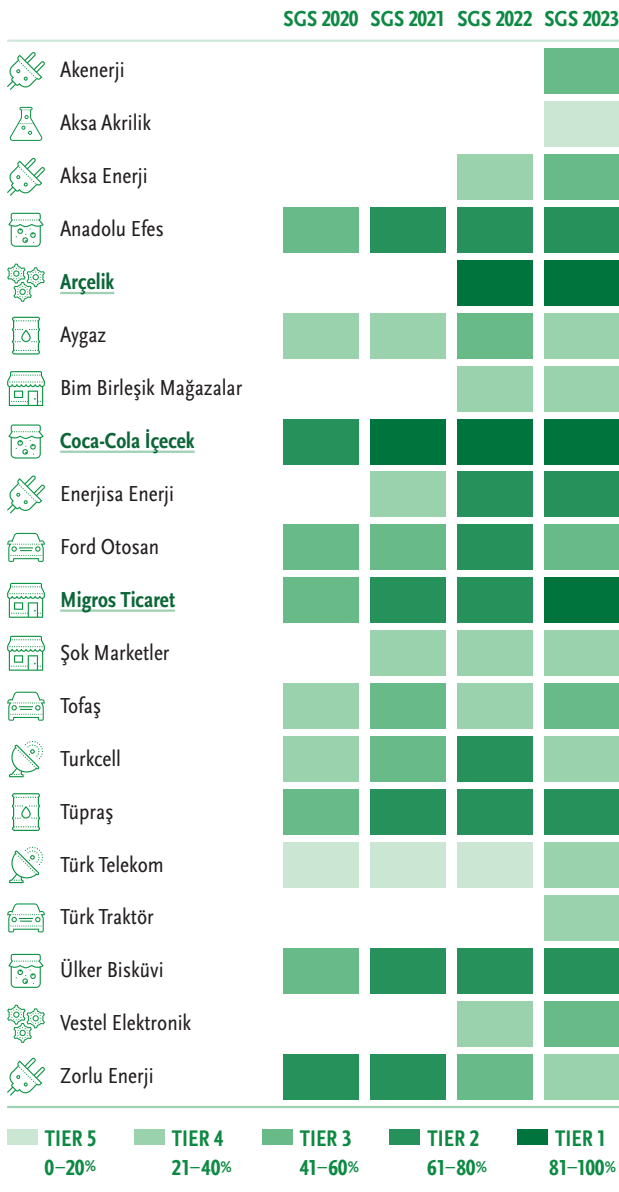
► Most companies show an upward trend or maintain stability in their sustainability performance between SGS 2020–2023. However, not all companies show the same level of improvement, with some exhibiting more significant increases, while others show less change or even declines.

► The most significant improvement in sustainability performance was shown by Enerjisa Enerji, which moved from Tier 4 to Tier 2 over three years. Migros Ticaret, which was in Tier 3 in SGS 2019, advanced to Tier 1 in SGS 2023. We also see that Anadolu Efes, Coca-Cola İçecek, Tüpraş, and Ülker Bisküvi have shown progress in their sustainability performance.

► These increases indicate that the companies in question have made significant progress in sustainability performance and have made efforts in this direction.

Sustainability Targets and Results

Sharing key performance results related to environmental, social, and governance issues shows the steps a company is taking toward its sustainability targets, increasing stakeholder trust in the company's ability to create sustainable value. Additionally, sharing results offers the opportunity for comparative assessment with other companies, further accelerating learning.

Sustainability Targets

	SGS 2020	SGS 2021	SGS 2022	SGS 2023
Environmental Targets	50%	64%	68%	80%
Social Targets	33%	43%	58%	75%
Governance Targets	17%	50%	42%	40%

► There has been significant improvement in reporting sustainability goals among Turkish Sustainability Leaders.

► Over the past four years, the ratio of companies reporting environmental goals increased from 50% to 80%, the ratio of reporting social goals increased from 33% to 75%, and the ratio of reporting governance goals increased from 17% to 40%.

Overall, performance increases in each of these three areas can be seen as a general reflection of the steps taken and efforts made by Turkish companies in sustainability.

Environmental Topics Performance

	SGS 2020	SGS 2021	SGS 2022	SGS 2023
Policy Making	100%	100%	100%	100%
Target Setting	50%	64%	68%	80%
Results Measurement	100%	100%	100%	100%
Results Evaluation	92%	93%	95%	100%

► All Turkish companies in our sample develop policies on environmental issues and measure the results. It is encouraging to see that the ratio of evaluating environmental results, which was above 90% in our previous research, reached 100% in SGS 2023.

► In SGS 2020, half of the Turkish companies were setting environmental goals, this ratio increased significantly to 80% in SGS 2023. This indicates that Turkish companies have increasingly prioritized environmental goals over time and have enhanced their commitments in this area.

Social Topics Performance

	SGS 2020	SGS 2021	SGS 2022	SGS 2023
Policy Making	100%	100%	100%	100%
Target Setting	33%	43%	58%	75%
Results Measurement	100%	100%	100%	95%
Results Evaluation	83%	86%	74%	95%

▶ Since SGS 2020, all Turkish companies in our sample have established social policies, demonstrating a consistent approach in this regard.

▶ The ratio of Turkish companies setting social targets increased from 33% in SGS 2020 to 75% in SGS 2023. This increase indicates that companies have started to set more social goals.

▶ In SGS 2023, the ratio of measuring results related to social issues among Turkish companies decreased to 95%. This decrease is due to a newly included company in the sample not conducting measurements on social issues.

▶ The ratio of evaluating social results among Turkish companies increased from 83% in SGS 2020 to 95% in SGS 2023. This increase indicates an improvement in the evaluation of social performance.

Governance Topics Performance

	SGS 2020	SGS 2021	SGS 2022	SGS 2023
Policy Making	100%	100%	100%	100%
Target Setting	29%	71%	42%	40%
Results Measurement	86%	100%	100%	85%
Results Evaluation	21%	57%	100%	80%

▶ Since SGS 2020, all Turkish companies have established governance policies, demonstrating a firm stance on governance policies.

▶ The ratio of companies evaluating governance results increased from 21% in SGS 2020 to 80% in SGS 2023. This increase indicates that governance performance is being examined and evaluated in more detail.

Targets and Results in the Supply Chain

Sustainability management requires companies to manage the impacts of all their activities throughout their supply chains and product life cycles, including their entire product portfolios. Therefore, boards should focus on minimizing negative impacts not only from their own activities but also throughout the value chain and the product portfolio's life cycle.

Impact of Sustainability & Scope of Reporting

Board
Executives
Employees
All Geographies
Supply Chain
Ecosystem
(Nature, Society, SDGs)
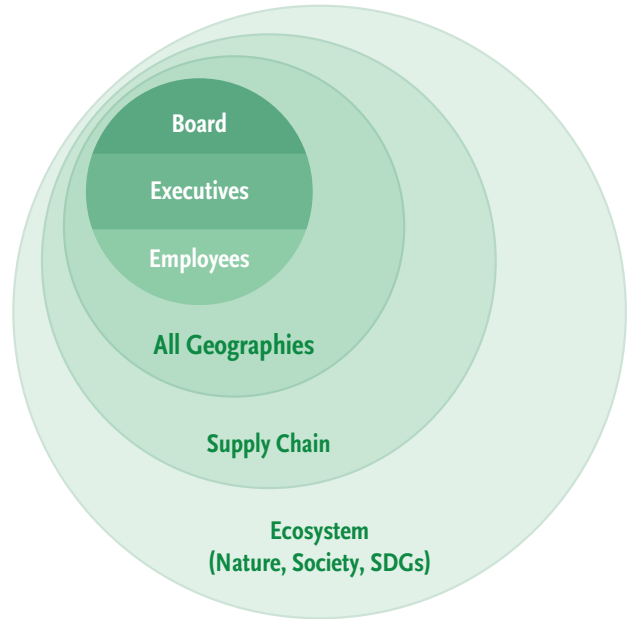
Supply Chain Targets & Results

	SGS 2023
Sets Sustainability Targets	35%
Environmental	25%
Social	25%
Governance	10%
Shares Sustainability Results	40%
Environmental	35%
Social	30%
Governance	15%

▶ 35% of Turkish Sustainability Leaders set sustainability targets for the supply chain, and 40% share sustainability results for the supply chain.

▶ 25% of the companies share environmental and social targets for the supply chain, but only 10% share governance targets.

▶ 35% of the companies share environmental results, 30% share social results, and 15% share governance results for the supply chain.

Linking with Sustainable Development Goals (SDGs)

The Sustainable Development Goals (SDGs) are 17 global goals set by the United Nations aimed at achieving social, governance, economic, and environmental sustainability targets by 2030. Considering the SDGs when setting strategies, targets, and sharing results shows that companies have adopted a globally recognized and understood sustainability framework. Companies that integrate the SDGs into their strategies can initiate dialogue with their stakeholders by responding to the sustainability demands of investors, customers, and governments. The SDGs aim to balance economic growth with environmental protection and social justice. By adopting these goals, companies invest in a long-term sustainable future. Integrating the SDGs into company strategies is not only an ethical responsibility but also crucial for the effectiveness and success of business strategies.

▶ Turkish companies continue to align their policies with the SDGs. The ratio of Turkish companies aligning their strategies with the SDGs increased from 92% in SGS 2020 to 95% in SGS 2023. While the Turkish companies included in our research change over the years, this is reflected in the ratios.

▶ The ratio of Turkish companies sharing SDG results increased from 67% in SGS 2020 to 75% in SGS 2023. The declines in the intervening years are due to differences in the company sample and the companies trying to establish a system for sharing results. In SGS 2023, the goals with over 50% result-sharing ratios are SDG 4: Quality Education, SDG 5: Gender Equality, SDG 7: Affordable and Clean Energy, SDG 8: Decent Work and Economic Growth, SDG 9: Industry, Innovation, and Infrastructure, SDG 10: Reduced Inequalities, SDG 12: Responsible Consumption and Production, SDG 13: Climate Action, and SDG 17: Partnerships for the Goals.

▶ The ratio of Turkish companies setting goals for the SDGs increased from 36% in SGS 2020 to 50% in SGS 2023. 50% of Turkish companies set goals for SDG 5: Gender Equality and SDG 13: Climate Action.

SDG Alignment of Strategy, Results, and Targets

	SGS 2020	SGS 2021	SGS 2022	SGS 2023
Aligning Strategy	92%	93%	89%	95%
Sharing Results	67%	57%	53%	75%
Setting Targets		36%	42%	50%
SDG 13 Climate Action	67%	71%	79%	85%
	67%	57%	47%	70%
		29%	37%	50%
SDG 8 Decent Work and Economic Growth	74%	79%	84%	85%
	67%	57%	53%	70%
		29%	37%	45%
SDG 12 Resp. Consumption and Production	83%	79%	84%	85%
	67%	57%	53%	65%
		36%	42%	45%
SDG 7 Affordable and Clean Energy	50%	71%	74%	80%
	33%	57%	47%	65%
		29%	37%	40%
SDG 9 Industry, Innovation and Infrastructure	67%	64%	68%	75%
	58%	50%	47%	65%
		21%	37%	45%
SDG 5 Gender Equality	67%	50%	68%	75%
	58%	50%	42%	60%
		21%	37%	50%
SDG 17 Partnerships for the Goals	75%	71%	74%	70%
	67%	57%	53%	60%
		29%	37%	40%
SDG 10 Reduced Inequalities	58%	57%	63%	65%
	58%	50%	42%	55%
		14%	37%	45%
SDG 4 Quality Education	42%	64%	58%	65%
	42%	43%	37%	55%
		21%	32%	35%
SDG 15 Life on Land	50%	57%	58%	50%
	42%	36%	37%	45%
		21%	26%	30%
SDG 3 Good Health and Well-Being	50%	50%	47%	45%
	50%	43%	37%	40%
		29%	26%	30%
SDG 14 Life Below Water	33%	36%	32%	40%
	33%	29%	16%	35%
		7%	11%	20%
SDG 6 Clean Water and Sanitation	42%	36%	26%	35%
	33%	21%	11%	30%
		7%	11%	30%
SDG 16 Peace, Justice and Strong Institutions	25%	43%	58%	35%
	17%	21%	32%	20%
		14%	26%	10%
SDG 11 Sustainable Cities and Communities	42%	50%	47%	30%
	42%	43%	32%	25%
		14%	26%	15%
SDG 2 Zero Hunger	25%	21%	32%	25%
	25%	21%	16%	15%
		7%	16%	15%
SDG 1 No Poverty	33%	29%	37%	20%
	33%	21%	16%	10%
		7%	11%	10%

Good Practice Examples

Ecosystem & ESG Targets

arçelik

⚙ Machine & Equipment

▶ Arçelik presents its sustainability targets with a holistic approach, relating them to numerical data.

▶ Arçelik sets sustainability target under these headings: "In Touch with the Planet", "In Touch with Human Needs", "In Touch with Business" and "Sector Leadership".

▶ For each target, the target year, progress in 2021, and related material issues are clearly presented, establishing a relationship with the identified material issues.

▶ Arçelik details how its targets contribute to the United Nations Sustainable Development Goals (SDGs) by linking them to the relevant SDGs. This contributes to the report being user-friendly and comprehensible.

▶ By including targets for the ecosystem, Arçelik prioritizes sustainability for society, which very few companies address.

▶ It details the ecosystem targets by target year, progress in 2021, and related material issues. Sharing detailed targets, despite the few companies addressing them, sets an example for others.

▶ The relationship between the targets and the SDGs is shown through icons, clearly demonstrating the alignment with global sustainability efforts.

> *This type of reporting showcases the company's seriousness and commitments to sustainability.*

Arçelik 2021 Sustainability Report, pages 19, 24

Geography Based Results

CCI

🥫 Food Processors

▶ Coca-Cola İçecek sets its environmental targets based on geography and shares the results for the relevant year.

▶ It sets targets considering geographical regions where it operates, in areas such as energy and water usage, local production rates and packaging, and monitors the achievement of these targets by sharing annual results.

▶ Coca-Cola İçecek compares the water usage performance of countries based on water usage targets set for 2021 for the countries where it operates. It also sets country-based targets for the following year and monitors these annually, allowing for the comparison of water management across different geographical production areas.

▶ Geography-based data tracking offers opportunities for improvement in specific areas of the value chain.

Coca-Cola İçecek 2021 Integrated Annual Report, pages 102, 109

Good Practice Examples

Supply Chain Sustainability

ÜLKER

Food Processors

► Ülker provides valuable information on its transparency in supply chain management, commitment to local economies, handling of environmental and social responsibilities, and the steps taken to achieve sustainability goals.

► Ülker states that it worked with a total of 1,797 suppliers in 2021, with approximately 75% of payments made to local suppliers. This data shows the company's contribution to the local economy and its focus on local resources to reduce global supply chain risks.

► The company conducts supply chain audits to monitor environmental impacts, ensure food safety, and deliver high-quality products. By conducting 98 warehouse audits and more than 40 supplier social and environmental performance surveys, Ülker demonstrates its commitment to these issues.

► The report details supply chain policies and audits, the standards the company adopts, and how it implements these standards. For example, in 2021, pilot audits were conducted for high-risk suppliers, and sustainability training was initiated for food packaging procurement.

Ülker 2021 Sustainability Report, page 30
https://www.ulker.com.tr/documents/ulker_surdurulebilirlik_raporu_2021_eng_01.pdf

SDG Journey

CCI

Food Processors

► Coca-Cola İçecek took its first steps in sustainability by aligning SDGs with its strategies and stakeholders in SGS 2019.

► With the 12 SDGs it identified, the company aligned its stakeholders. This was a significant step in showing which of the 17 SDGs the company prioritized and which stakeholders were related to which SDGs.

► Adopting the SDGs accepted in 2015 and aligning its focus areas with the SDGs in the 2017 Sustainability Report shows that Coca-Cola İçecek closely follows the global sustainability agenda.


► In SGS 2020, Coca-Cola İçecek continued to report on sustainability by aligning SDGs with its strategies and stakeholders in the same detail.

Coca-Cola İçecek 2017 Sustainability Report, page 17
https://ccicomtrcdn.cci.com.tr/global/documents/sustainability-report/download-report-01-01-2017.pdf

Coca-Cola İçecek 2018 Sustainability Report, page 30
https://ccicomtrcdn.cci.com.tr/global/documents/surdurulebilirlik-raporlari/2022/CCI_SustainabilityReport_2018.pdf

Good Practice Examples
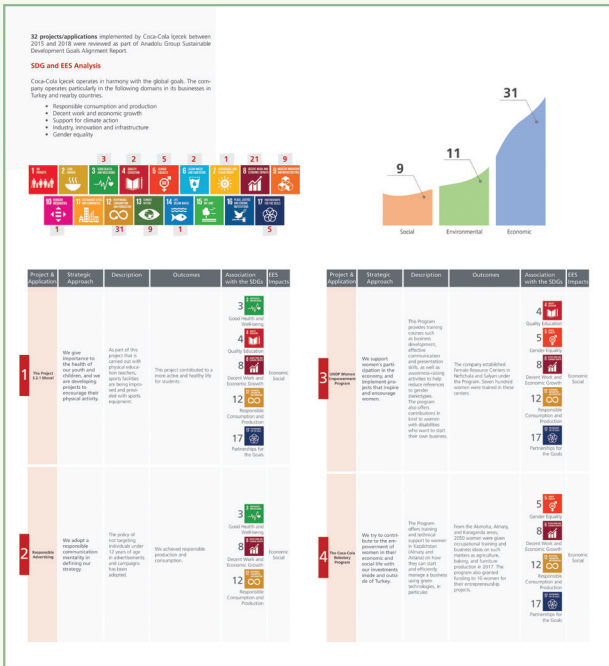
▶ Anadolu Group shared Coca-Cola İçecek's basic activities, company strategies, and results aligned with the SDGs in the "From Anatolia to the Future: Anadolu Group Sustainability Development Goals Alignment Report 2015-2018."

▶ In this report, besides the focus areas, aligning the sustainability approach and its results with the SDGs was an important step.

▶ Coca-Cola İçecek continues to align its strategies and stakeholders with the SDGs.

▶ In this report, Coca-Cola İçecek started to align issues important to its stakeholders with the SDGs for the first time. Additionally, the company shared its activities and results for SDG 5: Gender Equality and SDG 6: Clean Water and Sanitation.

"From Anadolu to the Future", pages 42-43, 180-181
https://www.anadolugrubu.com.tr/document/pdf/From-Anadolu-to-the-Future.pdf

Coca-Cola İçecek 2019 Sustainability Report, page 51
https://ccicomtrcdn.cci.com.tr/global/documents/sustainability-report/download-report-01-01-2019.pdf

▶ Coca-Cola İçecek started aligning the SDGs with its value creation model for the first time, making the contribution of the value it created to the global sustainability vision visible.

▶ The company shared its capitals, inputs, activities, outputs, and the value created for itself and its stakeholders by aligning them to the SDGs.
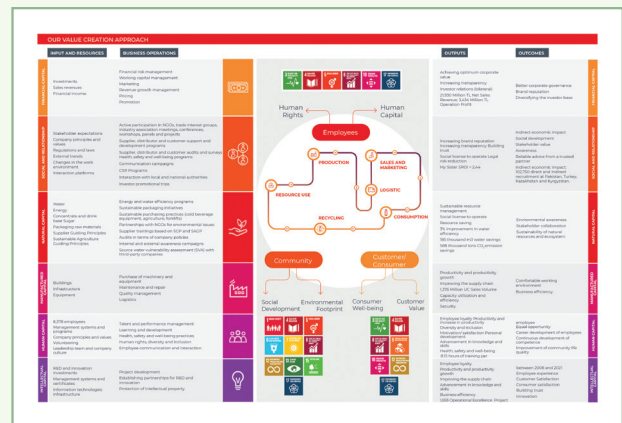
▶ In SGS 2023, Coca-Cola İçecek shared its value creation model by detailing the SDG relationship of its strategy, goals, and results focused on society, employees, and customers.

We have seen Coca-Cola İçecek's 5-year SDG Journey. Being the first company to adopt the SDGs in Türkiye and presenting this by aligning focus areas and the value creation model sets an example for other companies.

Coca-Cola İçecek 2020 Integrated Annual Report, page 386
https://ccicomtrcdn.cci.com.tr/global/documents/sustainability-report/cci-integrated-report-2020-01-01-2020.pdf

Coca-Cola İçecek 2021 Integrated Annual Report, page 53
https://ccicomtrcdn.cci.com.tr/global/documents/sustainability-report/cci-integrated-report-2021-01-01-2021.pdf

3 Sustainability Journey

Sustainability is a journey that requires continuous improvement and adaptation to changing conditions. The foundation stones of the sustainability journey discussed in this section aim to provide tools for continuously developing sustainability governance and a roadmap for companies to create long-term value by adopting a more comprehensive view of sustainability approaches.

1. Companies should set **sustainability goals** to encompass all stakeholders and build a strong culture around this purpose by **visualizing their value creation model**. A clearly articulated inclusive and long-term corporate purpose brings together and forms the basis for collaboration among the Board of Directors, company management, investors, supply chain, customers, society, the ecosystem, and other stakeholders in line with the company's priorities for meaningful impact. Companies can use **Integrated Reporting as a transformative tool** for continuous improvement in sustainability management and stakeholder engagement. Integrated thinking approach enables companies to establish connections and manage risks arising from complex environmental, social, and governance issues. Adopting integrated thinking transforms the mindset related to company activities into a stakeholder-centered and value-based perspective.

2. A long-term and holistic perspective towards stakeholders should be adopted, with inclusive and active stakeholder engagement efforts to identify **significant sustainability issues** for both the company and its stakeholders. Materiality assessment enables companies to make meaningful progress in this identification process and focus on priority areas to create long-term value for the company and its stakeholders. Publishing a **materiality matrix** that evaluates importance for both the company and stakeholders serves as an effective prioritization and communication tool for aligning managers, investors, and other stakeholders on what is important in the short and long term.
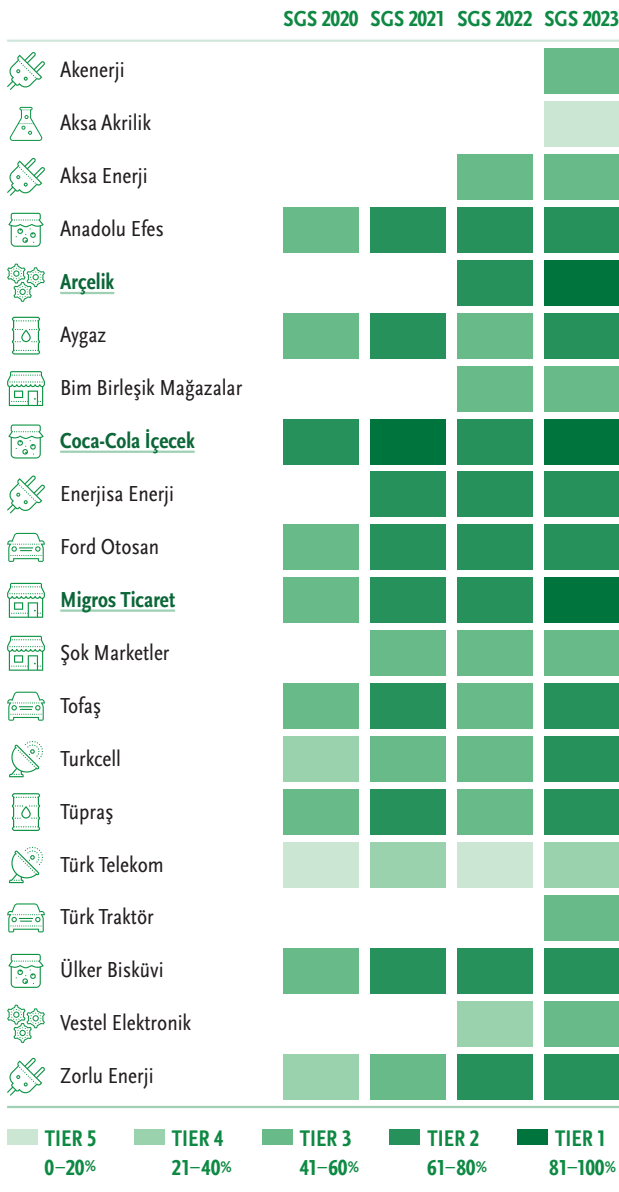
3. Sustainability in the Supply Chain should encompass guiding sustainability priorities through **policy and target setting**, evaluating them through **audit processes**, and developing them through **training and improvement efforts**. The greatest risks and opportunities related to sustainability for companies are found in the supply chain. Therefore, companies should invest in the development of their supply chains, set standards, and manage risks to make significant progress on sustainability impact. These processes can include using purchasing power to engage with suppliers on fundamental sustainability issues through encouragement, audits, collaboration, comparative evaluation, and learning opportunities.

4. Sustainability requires **continuous learning and development** to adapt to changing conditions in the short and long term. For long-term sustainable progress, companies should create a learning environment that fosters continuous improvement and measurable indicators (comparative evaluation, trends). Lessons learned from processes and results should be used to improve decision-making processes, close competency gaps, and achieve necessary mindset changes. These changes should be integrated into the company's processes through training and sustainability practices. To mobilize all stakeholders towards sustainability goals, skills-based training and opportunities should cover employees in all geographies, the supply chain, and the communities in which they operate.

Purpose & Value Creation Model — Materiality & Stakeholder Engagement — Supply Chain Sustainability — Learning & Development

Below is the assessment of Sustainability Journey in Turkish companies based on our SGS 2020–2023 research:

Sustainability Journey Türkiye Assessment

	SGS 2020	SGS 2021	SGS 2022	SGS 2023
Akenerji				Tier 4
Aksa Akrilik				Tier 5
Aksa Enerji			Tier 4	Tier 4
Anadolu Efes	Tier 4	Tier 3	Tier 2	Tier 2
Arçelik			Tier 2	Tier 1
Aygaz	Tier 4	Tier 3	Tier 2	Tier 2
Bim Birleşik Mağazalar			Tier 4	Tier 4
Coca-Cola İçecek	Tier 2	Tier 1	Tier 2	Tier 1
Enerjisa Enerji		Tier 2	Tier 2	Tier 2
Ford Otosan	Tier 4	Tier 2	Tier 2	Tier 2
Migros Ticaret	Tier 3	Tier 3	Tier 2	Tier 1
Şok Marketler			Tier 4	Tier 4
Tofaş	Tier 4	Tier 2	Tier 3	Tier 2
Turkcell	Tier 4	Tier 4	Tier 3	Tier 2
Tüpraş	Tier 4	Tier 2	Tier 3	Tier 2
Türk Telekom	Tier 5	Tier 4	Tier 5	Tier 5
Türk Traktör				Tier 4
Ülker Bisküvi	Tier 3	Tier 2	Tier 2	Tier 2
Vestel Elektronik			Tier 4	Tier 4
Zorlu Enerji	Tier 4	Tier 3	Tier 2	Tier 2

TIER 5	TIER 4	TIER 3	TIER 2	TIER 1
0–20%	21–40%	41–60%	61–80%	81–100%

▶ Overall, many companies show improvement in their sustainability journey performance between SGS 2020–2023.

▶ The most significant improvement is shown by Migros Ticaret, which advanced from Tier 3 in SGS 2020 to Tier 1 in SGS 2023. Turkcell and Zorlu Enerji also stood out, advancing from Tier 4 to Tier 2 within these four years.

▶ In general, Turkish companies have made significant progress in sustainability and taken important steps towards their goals. However, some companies show less improvement compared to others, and some even show declines.

▶ These data indicate that Turkish companies have made overall progress in sustainability, but their performance can fluctuate and requires continuous improvement.

Value Creation Model

An important step in ensuring sustainability governance within the company is designing the Value Creation Model. This model defines the company's objectives and forms the basis for long-term value creation. When designing the value creation model, the company's input capitals are explained in detail, and the outputs resulting from company activities are presented in terms of capital. Accurately defining the corporate purpose aligns management levels and investors. This alignment facilitates investment decisions that are consistent with the company's strategy. Creating the value creation model aligned with the Sustainable Development Goals (SDGs) systematizes the company's sustainability journey within the framework of capitals.

Companies Visualizing Value Creation Model in SGS 2023

Akenerji	Coca Cola İçecek	Vestel
Aksa Akrilik	Migros	Zorlu Enerji
Arçelik	Turkcell	

▶ In SGS 2023, 40% of companies visualize their value creation processes. These visualizations include environmental, social, and governance issues.

▶ Zorlu Enerji started Integrated Reporting for the first time in 2021. This marked its first value creation model in SGS 2023 Türkiye data.

▶ Turkcell transitioned to Integrated Reporting in 2020. It updated its value creation model in the SGS 2023 Türkiye data compared to the previous period.

▶ Coca-Cola İçecek has been sharing its value creation model since SGS 2020, defining its purpose as long-term and value-focused and updating the model annually.

▶ Migros created its value creation model for the first time in the 2020 Migros Sustainability Report in SGS 2022. It published its first integrated report in 2021. In our SGS 2023 research, Migros updated its value creation model for the first time.

Stakeholder Engagement

For Sustainability Leaders, stakeholder engagement plays a pivotal role in the success of their sustainability efforts. Stakeholder engagement should be seen as evidence of the company considering its stakeholders' interests in the long term. Stakeholders include not only shareholders and company employees but also civil society organizations, media, the supply chain, the government, customers, and the community. Stakeholder engagement also ensures long-term commitment to sustainability targets. Without the support and engagement of stakeholders, sustainability initiatives may lose strength over time or become ineffective. Stakeholder engagement not only helps the company achieve its sustainability targets but also benefits the company in areas such as risk management, innovation, transparency, trust, and social responsibility.

Stakeholder Engagement: Stakeholder Map

	SGS 2020	SGS 2021	SGS 2022	SGS 2023
Shares Stekeholder Map	92%	93%	93%	100%
Shares Targets for Stakeholders	67%	64%	68%	74%
Shares Stakeholder Engagement Methods	83%	93%	89%	90%

▶ In SGS 2020, 92% of Turkish companies shared their stakeholder maps, while in SGS 2023, all Turkish companies shared their stakeholder maps.

▶ In SGS 2023, 74% of Turkish companies share their targets for their stakeholders.

▶ The ratio of Turkish companies sharing stakeholder engagement methods has increased since SGS 2020.

Sharing stakeholder engagement methods and related outcomes facilitates stakeholder participation.

Materiality

A materiality matrix is a tool for companies to identify risks and opportunities, prioritize important issues, and use resources most effectively. By creating a materiality matrix for both the company and its stakeholders, they contribute to a sustainable future. Companies that share this annually update the changing sustainability issues for both their company and stakeholders, allowing them to show development in sustainability in the short and long term.

Materiality

	SGS 2020	SGS 2021	SGS 2022	SGS 2023
Shares Process for Selecting Material Issues	67%	86%	79%	85%
Shares a List of Material Issues	75%	86%	74%	90%
Shares Materiality Matrix	58%	64%	74%	95%

▶ In SGS 2023, 85% of Turkish companies share the process of selecting material issues. There has been an increase in this among Turkish companies since SGS 2020.

▶ The ratio of Turkish companies sharing the list of material issues has also increased similarly. This ratio was 75% in SGS 2020 and reached 90% in SGS 2023.

▶ The number of companies sharing their materiality matrix increased from 58% in SGS 2021 to 95% in SGS 2023. The ratio of Turkish companies sharing their materiality matrix has significantly increased.

Materiality Matrix — SGS 2023

Issue	SGS 2023
Covers Environmental Issues	**95%**
Climate Change & Emissions	95%
Water	75%
Biodiversity	70%
Waste	70%
Energy	70%
Responsible Sourcing	35%
Chemicals & Hazardous Materials	30%
Covers Social Issues	**95%**
Occupational Health & Safety	90%
Talent Development & Employee Wellbeing	85%
Diversity & Inclusion	80%
Data Security & Customer Privacy	80%
Human Rights	75%
Product Design & Portfolio	70%
Social Responsibility & Local Communities	65%
Labor Rights	40%
Covers Governance Issues	**80%**
Ethics	55%
Anti-Corruption	35%
Compliance	15%
Supplier Code of Conduct	0%
Executive Compensation	0%
Board Diversity	0%
Covers Financial Issues	**95%**
Technology & Innovation	85%
Supply Chain Management	75%
Customer Experience & Satisfaction	65%
Profitability & Financial Performance	55%

▶ Climate change & emissions, one of the trending environmental topics in the last three years, were identified as a material issue by 95% of Turkish companies.

▶ Biodiversity showed a significant increase in SGS 2023, with 70% of Turkish companies including biodiversity as a material issue. Biodiversity, also with increasing importance internationally, contributes directly to the sustainability goals of companies as a fundamental element for the health and resilience of ecosystems.

► Water, energy, and waste were also considered important by 70% of Turkish companies in SGS 2023. The recent energy crises have played a role in prioritizing energy issues for Turkish companies.

► Social issues highlighted in materiality matrices include occupational health & safety (90%), talent development & employee wellbeing (85%), diversity & inclusion (80%), data security & customer privacy (80%), and human rights (75%).

► Governance issues were prioritized by 80% of Turkish companies in their materiality matrices, with significant development areas seen in supplier code of conduct, executive compensation, and board diversity.

► While 95% of Turkish companies prioritize economic issues, when looking at subtopics, 85% consider technology & innovation important, 75% prioritize supply chain management, 65% focus on customer experience & satisfaction, and 55% emphasize profitability & economic performance.

Supply Chain Sustainability

Supply chain sustainability refers to adopting environmentally, socially, and economically responsible practices throughout the process from sourcing products and services to delivering them to the consumer.

Supply Chain Sustainability	SGS 2023
Shares Supply Chain Assurance Process	90%
Certification	70%
Code of conduct compliance / self-declaration	65%
3rd Party verification / independent audit	50%
Shares Supply Chain Assurance Results	40%
Code of conduct compliance / self-declaration	35%
Certification	25%
3rd Party verification / independent audit	15%
Shares Sustainability Results	35%
Environmental issues	30%
Social issues	25%
Governance issues	15%

► While 90% of Turkish companies share their supply chain assurance process, supply chain sustainability remains an area of development for Turkish companies.

► Half of the Turkish companies share audit processes based on third-party verification or independent audits, indicating awareness of and trust in external audits, though external auditing has not yet become a widely accepted practice.

► The ratio of Turkish companies sharing sustainability results of supply chain assurance is 35%. 30% share environmental, 25% share social, and 15% share governance issues, indicating significant development opportunities for Turkish companies.

► Less than half of the companies share the results of supply chain assurance. The ratio of companies sharing certification processes is 25%, while those sharing third-party or independent audit results fall to 15%, indicating a significant development area for Turkish companies.

Continuous Learning & Development

Continuous learning and development in sustainability are critically important for companies for several reasons. Sustainability is a dynamic field that requires adapting to constantly changing environmental, social, and economic conditions and regulations. Global issues such as climate change, resource scarcity, and biodiversity loss are becoming increasingly important. Companies need up-to-date information and innovative solutions to effectively respond to and adapt to these changes. Continuous learning is key to achieving this adaptation. Through periodic training, sustainability becomes embedded in the corporate culture, and the cycle of continuous learning is completed by acquiring rapidly changing information.

Sustainability-related regulations and standards are also continuously updated. Rapid adaptation to these changes depends on continuous learning and development. Learning the new rules adopted by IFRS in February 2023 and by the Public Oversight Authority in Türkiye and transforming them into corporate culture has become critically important for companies.

Environmental, Social and Governance Training

	SGS 2020	SGS 2021	SGS 2022	SGS 2023
Reports Environmental Training	75%	64%	83%	70%
Reports Social Training	100%	100%	89%	100%
Reports Governance Training	67%	86%	68%	75%

► In SGS 2023, all Turkish companies reported social sustainability training, while 75% reported governance training, and 70% reported environmental sustainability training.

► The fluctuations between the years indicate that companies need to make a more systematic approach to sustainability training and reporting.

Companies need to expand their frameworks to cover all employee levels, all geographies, and the supply chain to ensure continuous development in important sustainability issues for both themselves and their stakeholders.

Learning & Development

Shares Metrics from Sustainability Training	Environmental	Social	Governance
Shares Metrics from Sustainability Training	55%	100%	35%
for Executives	0%	15%	10%
for Employees	50%	100%	35%
for Geographies	10%	15%	0%
for Supply Chain	30%	50%	20%
for Communities	20%	40%	0%

▶ 55% of Turkish companies share environmental metrics from sustainability training. While half of the companies provide sustainability training on environmental issues for their employees, no company provides sustainability training for executives, and only two companies provide sustainability training for geographies. This shows the need to develop training for different groups.

▶ All Turkish companies organize training on social issues and share their metrics, indicating that social sustainability issues are a major priority for companies and that they fully inform their employees about these issues.

▶ Only 35% of companies organizing governance training share information on their metrics. The ratio of Turkish companies providing governance training for the supply chain is 20%, and those providing it for executives is 10%. These low percentages indicate that Turkish companies need to provide governance training for executives, employees, geographies, supply chains, and communities.

Organizing governance training under a separate heading like continuous development is an area open for improvement in terms of awareness and can help embed this into the corporate culture.

Good Practice Examples

Value Creation Model

Machine & Equipment

▶ Arçelik presents all resources constituting its six capitals listed in the left column with numerical data while explaining its Value Creation Model.

▶ For its intellectual capital, Arçelik details the number of R&D centers, the number of employees in these centers, the total investment amount in these centers, and the prioritized technologies. This is done through parameters for each capital. The values provided are noted for being inclusive, clear, and as concrete as possible.

▶ In the middle column, Arçelik explains the purposes and priorities for which it uses the capitals listed in the first column. By prioritizing 12 of the 17 SDGs, it defines the vision's strategic priorities and strategic building blocks. It aims to become a trusted lifestyle solutions provider of the digital household. To achieve this, it sets strategic priorities such as transition to net zero, gender equality & diversity, and creating value in the supply chain. Finally, it lists the strategic pillars for the planet, human needs, and business requirements. For example, business requirements include topics like ethics and transparency, and corporate governance.

▶ In the right column, it lists the values obtained by mobilizing its six capitals to achieve these fundamental vision and strategic goals through qualitative and quantitative results, such as energy savings, patents obtained, platforms participated in, and awards won.

Arçelik 2021 Sustainability Report, page 18
https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf

Stakeholder Engagement

🫙 Food Processors

ANADOLU EFES

▶ In its long-term plans, Anadolu Efes demonstrates a holistic approach to its stakeholders, showing collaboration by sharing a detailed stakeholder map.

▶ Anadolu Efes not only shares its stakeholder map but also explains why each stakeholder is important and how it communicates with them.

▶ By defining the topics shared in the materiality matrix for each stakeholder separately, it highlights which issues are important for each stakeholder group.

▶ Anadolu Efes adopts almost all types of stakeholders (civil society organizations, media, supply chain, government, customers, society) used in our research.

▶ At the end of the table, Anadolu Efes shows how it shares its outcomes with stakeholders, listing the projects, social responsibility activities, and other initiatives carried out in the relevant year to inform its stakeholders.

Anadolu Efes 2021 Sustainability Report, pages 72, 73
https://www.anadoluefes.com/Upload/Docs/Anadolu%20Efes%202021%20Sustainability%20Report_EN.pdf

Materiality Matrix

🫙 Utilities

ENERJİSA
Türkiye'nin Enerjisi
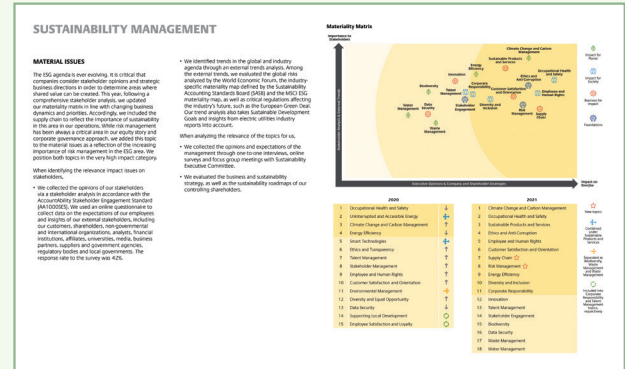
▶ The matrix covers various sustainability topics and evaluates them for stakeholders in four main categories: 'Environment', 'Management', 'Employees', and 'Society'. Each of these categories represents different aspects of the company's sustainability performance.

▶ Sustainability priorities are determined under four main headings through surveys and workshops, showing that stakeholders' views are integrated into the company's sustainability strategy and their priorities are considered.

▶ Each topic is evaluated for its importance to both the company and its stakeholders, showing a balanced approach in strategic planning by indicating the internal and external importance of each topic.

▶ Enerjisa's materiality matrix is used as a strategic tool to understand the risks and opportunities faced by the company in sustainability and to make strategic decisions based on this information.

▶ It also guides the company on which areas to focus on to improve its sustainability performance and strategy.

Enerjisa Enerji 2021 Sustainability Report, page 29
https://www.enerjisainvestorrelations.com/medium/ReportAndPresentation/File/927/enerjisasustainabilityreport2021.pdf

Good Practice Examples

Sustainability Training
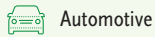
TOFAŞ
TÜRK OTOMOBİL FABRİKASI A.Ş.

🚗 Automotive

Environmental Indicators (continued)

	2017	2018	2019	2020	2021
Environment Training for Personnel - Participation (number of participants)	1,662	5,443	12,842	13,099	7,778
Company's Own Personnel	329	2,859	3,521	5,099	6,458
Contractor Personnel	1,333	13,885	9,321	8,000	1,320
Environment Training for Personnel - Total Hours (person x hours)	1,662	6,664	4,850	9,584	11,007
Company's Own Personnel	329	2,671	3,521	8,572	9,688
Contractor Personnel	1,333	3,993	1,329	2,012	1,319
Total Environmental Management Costs (TL)	1,309,448	1,340,123	1,176,024	1,320,000	1,300,249
Fines Associated with Violation of Regulations on Environment (number of fines, TL values)	-	-	-	-	-
Environmental Impact-related Complaints Received Through Formal Mechanisms (number of complaints)	-	-	-	-	-
Total Number of Suppliers Assessed Based on Environmental Criteria	14	14	13	12	16

Social Indicators

	2017	2018	2019	2020	2021
Personnel Training - Number of Participants	23,767	48,803	43,215	37,726	44,054
Tofaş Field Personnel	15,575	26,768	16,118	18,237	39,575
Tofaş Office Personnel	8,192	11,114	7,723	11,905	4,479
Dealer Personnel	-	10,006	18,101	7,290	4,014
Supplier Personnel	-	915	1,273	294	838
Female	1,962	7,325	5,534	5,662	8,677
Male	21,805	41,478	37,681	32,064	35,377
Personnel Training - Total Number of Hours (person x hour)	191,507	408,966	329,409	247,274	239,099
Tofaş Field Personnel	91,001	193,238	123,193	119,800	132,910
Tofaş Office Personnel	100,506	131,367	97,283	57,566	106,189
Dealer Personnel	-	73,465	96,340	68,122	48,569
Supplier Personnel	-	10,896	12,593	1,786	6,776
Female	24,988	64,936	50,894	39,262	32,954
Male	166,519	344,029	278,515	208,011	206,145
Average Hours of Training per Personnel (hours/person)	44.5	36.8	29.3	26.2	18.7
Tofaş Field Personnel	40.1	29.4	22.9	22.9	17.9
Tofaş Office Personnel	66.5	77.1	58.9	37.2	64.3
Dealer Personnel	-	13.4	19.2	20.3	12.1
Supplier Personnel	-	15.8	18.2	3.1	8.1
Female	41.4	31.9	24.2	22.7	15.4
Male	44.9	19.9	16.6	14.2	10.6
OHS Training for Personnel - Number of Participants	17,881	11,691	8,496	5,942	10,200
Company's Own Personnel	8,934	6,920	4,795	4,201	6,128
Contractor Personnel	8,947	4,771	3,701	1,741	4,072
OHS Training for Personnel - Total Number of Hours	73,016	91,556	36,168	36,490	77,199
Company's Own Personnel	66,306	87,978	34,575	35,184	74,512
Contractor Personnel	17,881	11,691	8,496	1,306	2,687

▶ Tofaş presents the participation numbers, total hours, and other relevant indicators for its training sessions in detail over five years.

▶ The company organizes training sessions not only for its employees but also for the employees and suppliers in its supply chain, showing its effort to spread sustainability awareness and create a positive impact throughout the supply chain.

▶ The numbers of male and female employees participating in the training sessions and the hours of training are stated separately, demonstrating the company's commitment to gender equality and inclusiveness in training.

▶ The increase in the number of personnel participating in sustainability training and the training hours over the years shows the company's commitment to continuous improvement and development.

▶ Presenting the workforce demographics over the years is important for understanding the company's employee structure and evaluating the effectiveness of the training provided to them.

Tofaş 2021 Sustainability Report, pages 54, 55
https://irsustainability.tofas.com.tr/2021/files/en-tofas.pdf

Supply Chain Training

arçelik

⚙ Machine & Equipment

▶ Arçelik organizes sustainability training sessions for its employees and employees of companies in its supply chain.

▶ It aims to provide Occupational Health and Safety (OHS) training to 5,000 supplier employees by 2030, supported by specific intermediate targets.

▶ It sets the target year for these training sessions as 2030, in line with the 2030 Agenda, and reports the progress annually.

▶ Following the developments, it aligns the relevant topics identified in the materiality matrix with the training it aims to provide.

▶ Additionally, it shares which Sustainable Development Goals these training sessions serve.

Arçelik 2021 Sustainability Report, page 27
https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf

Good Practice Examples

Geography & Diversity in Training

Food Processors

▶ In its integrated report, Coca-Cola İçecek details the hours of environmental training received by its employees over the years, broken down by geography.

▶ Coca-Cola İçecek sets a good example for other companies in reporting sustainability training by showing the diversity of the personnel.

Coca-Cola İçecek 2021 Integrated Annual Report, page 301
https://ccicomtrcdn.cci.com.tr/global/documents/sustainability-report/cci-integrated-report-2021-01-01-2021.pdf

Supply Chain Sustainability

Machine & Equipment

▶ Arçelik details the process of creating a sustainable supply chain and the audits conducted in this process. The compliance achieved in areas such as ethical practices, occupational safety standards, and environmental protection within the framework of its Global Responsible Purchasing Policy serves as a good example.

▶ The identification of specific critical suppliers, the results of the audits conducted, and the actions taken based on these results show the importance Arçelik places on transparency and accountability in supply chain management. Additionally, detailing how these processes are implemented and the data obtained from different locations worldwide reflect Arçelik's efforts to impact the supply chain from a global perspective in terms of sustainability.

This type of reporting provides a strong reference for other companies on how to integrate sustainability practices into supply chain management and report these processes transparently.

Arçelik 2021 Sustainability Report, page 145
https://www.arcelikglobal.com/media/6938/arcelik21_sustainability_report.pdf

SUSTAINABILITY GOVERNANCE SCORECARD

ARGÜDEN GOVERNANCE ACADEMY

Good Governance for Quality of Life
— 10 YEARS —

Sustainability Governance Scorecard© (SGS) is an impact-research conducted to help improve the state of the world by speeding up learning from peers. SGS does not aim to measure the companies' sustainability performance but seeks to identify how the best companies govern and conduct their sustainability efforts. It is intended to be utilized as an improvement tool for better governance of sustainability issues and presents best-practice examples of various sustainability governance steps to accelerate learning.

Within the scope of SGS, the public disclosures of 200 Global Sustainability Leaders (GSLs) that are part of Sustainability Stock Exchange Initiatives from 7 countries and 10 comparable sectors are analyzed from 2019 to 2023, under 3 categories: **Responsible Boards**, **Sustainability Performance**, and **Sustainability Journey**. Our research results and good practice examples are shared annually with change leaders on international and national platforms.

Sustainability Governance Scorecard was cited as a good example to G20 leaders in B20 Tokyo and also shared with sustainability leaders on international platforms such as the Integrated Reporting Conference and the IFRS Sustainability Conference.
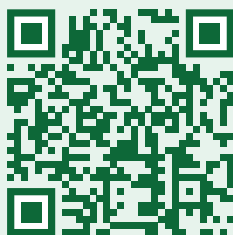
Argüden Governance Academy is a foundation dedicated to improve the quality of "governance" by increasing trust for the institutions to build a better quality of life and a sustainable future.

The Academy conducts research, training, and communication activities with the purpose of improving quality of life and sustainability of the future. With this mission and our vision of being 'a center of excellence' for development and widespread adoption of good governance culture; individuals from all age groups (including children and young leaders) and institutions from all sectors (public, civil society, private sector, and global actors) are our main partners and target audience.

The Academy is committed to play a pioneering role by adopting "Integrated Thinking" and "Good Governance Principles" to all its work and stakeholder relationships. The Academy aims to:

▶ Ensure that good governance is adopted as a culture,

▶ Raise the understanding of "the key role of good governance in improving quality of life and sustainability of the planet",

▶ Guide the institutions by developing methods to ease the implementation of good governance principles,

▶ Inspire future leaders by promoting "Best Practices" of good governance,

▶ Increase the next generation leaders' experience of good governance,

▶ Disseminate global knowledge and experience at all levels of the society with a holistic approach,

▶ Become "the right cooperation partner" for the leading institutions in the world by creating common solutions for global issues.

The Academy advocated "Integrated Thinking" during Türkiye's presidency of the G20 and adopts this culture in all its activities. Argüden Governance Academy became the first non-governmental institution in the world to report its work as an Integrated Report since its founding.

You can access the online version of this report on our website:

https://sgsscorecard2023turkiye.argudenacademy.org/

For more detailed information about the Academy, please visit our website:

https://argudenacademy.org/en