

VitrA


Villeroy & Boch
1748

engers

Eczacıbaşı Building Products - Tiles
Integrated Sustainability Report
2022

Building a Healthier Future, Together

Story of Our Ambition

ECZACIBAŞI
BUILDING PRODUCTS

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About the Report

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A PDF version of the Eczacıbaşı Building Products - Tiles Story of our Ambition, Facts about our Actions and all reports from previous periods can be accessed on the corporate website.

Purpose of our Integrated Sustainability Report

Here at Vitra Karo San. ve Tic. A.Ş. (Eczacıbaşı Building Products-Tiles), it has been our steadfast commitment to transforming our business help shape a better future for all. Our unwavering dedication to responsible corporate citizenship drives us to ensure that every decision we make considers the best interests of our planet, the living beings we share it with, and humanity. We are pleased to announce that our efforts in this regard have continued unabated in 2022. As we continue to work towards achieving greater sustainability in every aspect of our operations, we are delighted to publish our first Integrated Sustainability Report, and our second stand-alone sustainability report.

This year, we have prepared two comprehensive reports revealing our sustainability strategy, performance, goals, and progress toward achieving them.

- The **Story of Our Ambition** provides a detailed overview of our key sustainability initiatives and activities accompanied by case studies highlighting our achievements and impact.
- The **Facts about Our Actions** presents a data-driven approach to analyze our sustainability performance and provides detailed insights into our sustainability practices.

Scope of our Report

This report covers our operations and contains financial and non-financial data for **Vitra Tiles, Turkey, Vitra Tiles LLC, Russia, and V&B Fliesen GmbH, Germany**¹ for the full calendar year 2022 or reflects status on December 31, 2022. The demographic data of employees presented in the report pertains specifically to the operations conducted in Turkey unless otherwise stated.

Principles and Standards

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Standards. The report also takes into account the 'Stakeholder Capitalism Sustainable Value Creation Reporting Criteria' set forth by the World Economic Forum (WEF) and indicates our contribution to the UN Sustainable Development Goals (SDGs). In addition, we sought to align our reporting with the International Integrated Reporting Report Framework published by the International Integrated Reporting Council (IIRC).

Assurance

We have received independent assurance for the selected key performance indicators (KPIs), including data on energy, carbon emissions, water, waste, employee demographics and gender equality, occupational health and safety,

and production to support our transparency. This assurance engagement was performed in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) to provide limited assurance. The selected KPIs that have been subject to limited assurance by PricewaterhouseCoopers (PwC) are denoted by the check symbol as displayed here: ✓

Our **Reporting Principles** for non-financial KPIs document provides details and definitions of these selected KPIs and the Independent Assurance Report can be found at **Annexes**.

¹ V&B Fliesen GmbH, Germany production facility stopped production at the end of July 2022. Thus, financial and non-financial data regarding Germany operations only includes January 1, 2022 and July 31, 2022.



Message from the CEO

Dear Stakeholders,

I extend my gratitude, on behalf of Eczacıbaşı Building Products-Tiles, to our stakeholders, particularly our employees, whose dedication has played an instrumental role in driving progress towards our sustainability vision.

As the devastating earthquake that struck our nation and neighboring countries on February 6th remains fresh in our minds, I extend my deepest condolences to those who have lost their loved ones. We are committed to providing support to those who need the most during these challenging times, as we work together towards healing and emerging even stronger.

As the world attempted to emerge from the grasp of the COVID-19 pandemic, the hope for a “new normal” for the year 2022 was soon undermined by the outbreak of war in Ukraine, aggravating the existing effects of the pandemic while inflicting a new set of challenges. Consequently, the global agenda of 2022 was characterized by a new era of low economic growth and high inflation, coupled with ongoing disruptions in supply chains, energy shortages and difficulties in accessing raw materials.

Yet, as current economic uncertainties divert our attention and resources, the growing pressure of climate change remains one of the top existential global crises that requires urgent action. With 1.2°C of warming already in the system, floods, heatwaves, droughts, and other extreme weather events have become more severe and frequent. As the window for transitioning to a 1.5°C world rapidly narrows, sustainability continues to stand out as a critical notion that must remain at the forefront of global efforts.

Despite the uncertainty in the global landscape, our Company has demonstrated resilience in 2022, achieving significant growth both in terms of revenue and market position. With our total sales exceeding € 350 million, we continue to be ranked among the top 10 tile manufacturers in Europe, solidifying our leadership position in the mid to luxury segments within our main markets.

Aligned with our focus on advancing our strong position in the international arena, we have continued our strategic investments to bolster our production capabilities and inaugurated a new production line at our Bozüyük facility. By incorporating cutting-edge artificial intelligence algorithms, real-time data and Industry 4.0 applications, the newly launched production line not only enabled us to increase our production capacity, but also innovate and optimize our business processes, leading to greater sustainability in production.

At Eczacıbaşı Building Products-Tiles, we measure our success as much by the sustainable value we create as by our economic performance. This mindset is ingrained across our business, and we keep our relentless focus on how we design our products, how we manufacture them and the portfolio of solutions we offer. In this direction, we have taken significant strides in 2022 by assessing and enhancing our ESG governance mechanisms. We have also revised and refined our sustainability objectives and roadmap, further incorporating sustainability into our corporate culture and business strategies.

Hasan Pehlivan
CEO, VitrA Tiles

Looking ahead, we remain committed to advancing our strong position in global markets and fostering sustainable growth through innovation and customer-centricity. Our focus on delivering exceptional value and experiences to our customers will continue to drive our success in the coming years.

As a company that derives over three-quarters of its value globally, we maintain a close watch on the regulatory landscape in Europe, including key initiatives such as the EU Green Deal and the forthcoming Carbon Border Adjustment Mechanism (CBAM). Acknowledging our responsibility to act swiftly and effectively in the face of climate change, we have long been committed to climate action, energy efficiency and renewable energy investments and other issues. Throughout the year, we continued decarbonizing our direct operations, achieving a 9% reduction in energy intensity and a 33% reduction in carbon emission intensity compared to our 2020 baseline. To meet our pledge of sourcing more than half of our electricity consumption from our own renewable energy plants by 2025, and entire electricity by 2030, we have successfully installed a 3.5 MW rooftop solar power plant at our Bozüyük facility, and we have further planned the installation of a new land-mounted solar power plant of 30 MW capacity, scheduled to be operational by 2024. In line with our Group-wide commitment, all the electrical energy used in our Turkey operations is also procured from renewable sources. To reduce our dependence on fossil fuels, we investigate the production, storage and use of green hydrogen as an alternative fuel in manufacturing processes.

Acknowledging that sustainable production begins with design, we are committed to leveraging innovative thinking, digital technologies, and our technical expertise to create modern, durable, and high-quality products. Mindful of the environmental impact across the product life cycle, we have also made progress in advancing circular economy practices. By recycling both green and fired scrap and with alternative raw material usage, we have achieved products that incorporate up to 30% recycled materials. Through industrial symbiosis, we dispatch remaining fired scrap to cement factories, reuse industrial waste treatment sludge at the adjoining VitrA ceramic sanitary ware production facility and we have incorporated scraps from two ceramic tile manufacturers as alternative raw materials in our production procedures. Furthermore, we are undertaking product initiatives such as thin tiles in order to reduce raw material consumption, contribute to the conservation of natural resources and reduce our carbon footprint.

Recognizing the crucial role of innovation and digital technologies in achieving greater sustainability, our focus is on future-proofing our manufacturing processes and improving supply-chain resilience. This year, we continued to leverage the full potential of digitalization to transform our business. Our Tiles4Cast solution, which facilitates forecasting across the entire tile production value chain, received the second prize in the ‘Digital Infrastructure of the Future’ category at this year’s Digital Transformation Awards by International Data Corporation (IDC) Turkey. Designed to reduce the use of energy and water during manufacturing by removing human factor, our DigiOK project earned a second IDC Award in the ‘Best Digital Data Interpretation’ category.

Beyond our products and production processes, we acknowledge the pivotal role of the human factor in the pursuit of sustainability. At Eczacıbaşı Building Products-Tiles, we value the opinions of our colleagues in every decision taken, recognizing that sustainable institutions can only be achieved in an environment where every employee feels valued, respected, and heard. We place a strong emphasis on creating meaningful and fair employment opportunities for all while fostering a diverse and inclusive culture.

We are pleased to present our Integrated Sustainability Report, consisting of two comprehensive reports that are prepared in accordance with the GRI Sustainability Reporting Standards, Stakeholder Capitalism Sustainable Value Creation Reporting Criteria of the World Economic Forum and aligned with the International Integrated Reporting Framework issued by the International Integrated Reporting Council. The first report, “**Story of Our Ambition**,” details our key sustainability initiatives and activities, while the second report, “**Facts about Our Actions**,” discloses our sustainability performance.

As we embark on our global mission to disseminate the invaluable heritage of ceramic culture across international borders, we steadfastly uphold our commitment to prioritize the well-being of our planet and its inhabitants. Our unwavering dedication to sustainability permeates every aspect of our decision-making, and we take great pleasure in showcasing our endeavors in the **Integrated Sustainability Report 2022**, illustrating our collective efforts on an international scale.

Spanning a vast range of products encompassing various residential living spaces, Eczacıbaşı Building Products - Tiles continually enhances its proficiency in ceramic tiles by leveraging the strength of its renowned and top-tier brands, including Vitra, Villeroy & Boch, and engers.

Eczacıbaşı Building Products - Tiles is dedicated to responding the evolving demands of customers and business partners by providing sustainable and systematic solutions, achieved through a diverse range of products that are modern, durable, high-quality, and embody cutting-edge innovation and design.

1 Eczacıbaşı Building Products - Tiles at a Glance

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Overview of Eczacıbaşı Building Products - Tiles

GRI 2-1

Established in 1991, Eczacıbaşı Building Products – Tiles is a leading manufacturer of ceramic and porcelain tiles that offers sustainable and systematic solutions, responding to the ever-changing needs of customers and business partners. Spanning a vast range of styles developed for all types of indoor and outdoor areas from the kitchen and living room through to terraces and swimming pools, Eczacıbaşı Building Products – Tiles' products today extend well beyond the boundaries of the bathroom.

With a blend of cutting-edge innovation and well-established brands, including VitrA, Villeroy & Boch, and Engers, Eczacıbaşı Building Products – Tiles is transforming Turkey's ceramic production heritage into an ever-expanding product offering, admired by customers in over 75 countries around the world. The company operates three production facilities, located in Turkey, Germany¹, and Russia, with an annual production capacity of 27.2 million m².

As of 2022, Eczacıbaşı Building Products – Tiles is one of the ten largest European manufacturers and Turkey's number one exporter to the European Union, with over 30 years of experience, total net sales of €364.6 million and more than 2000 employees.

For additional details regarding the history of our organization, please refer to our website.

The Eczacıbaşı Group

Eczacıbaşı Group has been a pioneer of modern, high-quality, and healthy lifestyles for more than eight decades.

Established in 1942, Eczacıbaşı is a prominent industrial conglomerate in Turkey, comprising of a total of 50 companies, a workforce of more than 13,500 employees, and a cumulative net revenue of EUR 1.9 billion in 2022.

Eczacıbaşı's core sectors are centered around building products, consumer products and healthcare, further complemented by additional ventures in information technology, natural resources, and property development. In Turkey, the Group occupies a preeminent position in the majority of its sectors, leveraging its highly efficient distribution networks for building products, pharmaceuticals, and fast-moving consumer goods. On a global scale, Eczacıbaşı has positioned itself as a premier supplier of bathroom and tiling solutions, catering to the needs of both residential and commercial spaces. The Group is also a major exporter of a diverse range of products, including tissue paper, electronic smart cards, and industrial raw materials such as clay and feldspar.

GRI 2-1

Group Mission

The Eczacıbaşı Group's mission is to be a pioneer of modern, high quality and healthy lifestyles. Accordingly, the Group encourages each of its companies to surpass established standards and raise consumer benchmarks of product and service quality. Through sponsorship and responsible corporate practices, it also promotes social and economic development that nurtures cultural and scientific activity, protects the environment, and preserves scarce natural resources.

Group Values

As members of the Eczacıbaşı Group:

- We hold our **dignity and self-respect** above all else. Ethical business principles underpin our business activities.
- Our management style **respects the individual**. We believe that each of us has the right to learn about issues that affect us and to voice our opinions on these. We regard it our duty, as well as our right, to challenge our personal limits and develop our abilities.
- We believe that **quality is a way of life**. In all that we do, in every product and service we provide, we aim for the highest level of quality. Our customer is the focal point of this pursuit of quality.
- We are **open to the world and to change**; by nature, we are **pioneering and entrepreneurial**. The search to innovate in every area of activity is a fundamental aspect of our corporate tradition.
- We uphold the tradition of **servicing our community** because we esteem our society and respect our environment. We are proud of the contributions that we have made to culture and the arts, education, science, and sports.
- We recognize that **participatory management** gives each of us the responsibility of working forcefully towards the objectives and goals of our institution. We are careful to observe the rules of our work environment as we understand that this reflects our respect for our colleagues.

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Our Organization, Brands and Products

GRI 2-1

3

Brands



3²

Production Plants



+75

International Markets



+2,000

Overall Employment



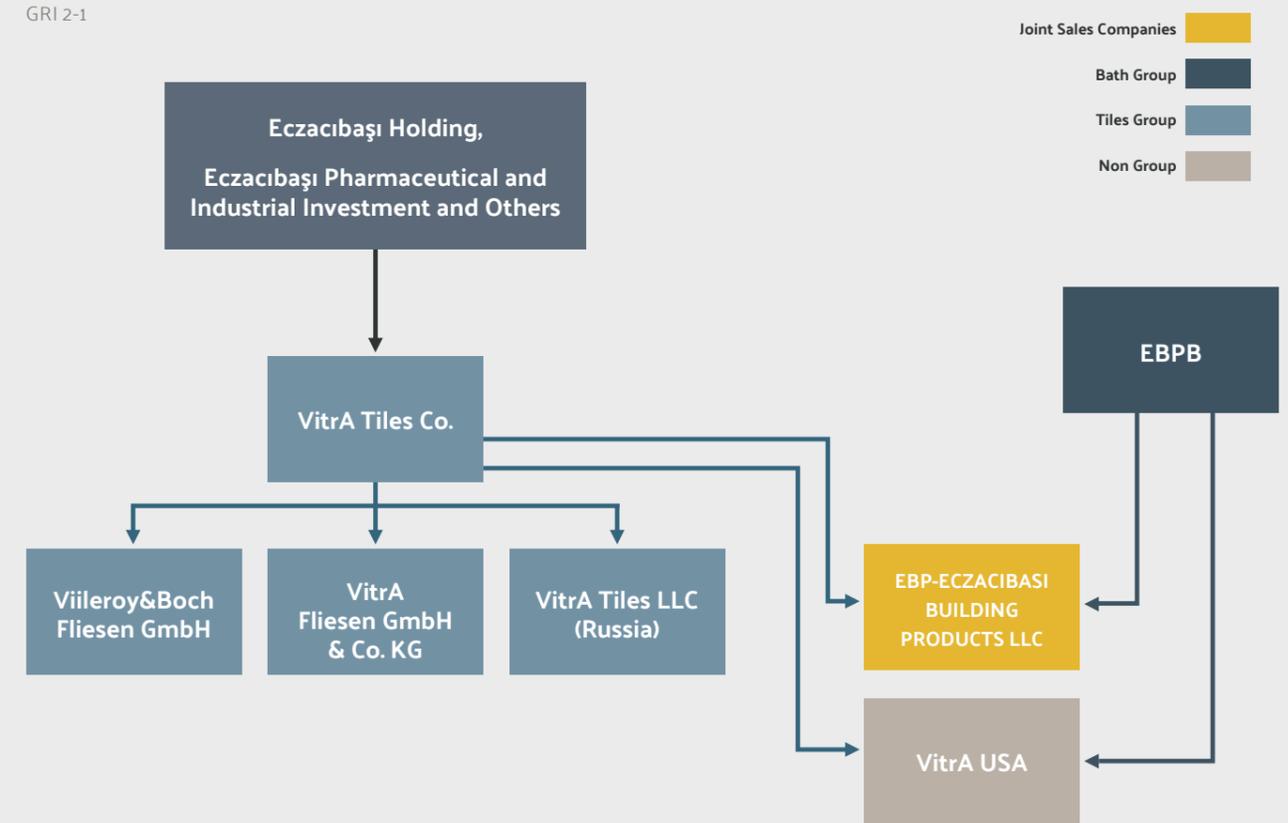
€ 364.6 Million

Net Sales



Eczacıbaşı Building Products – Tiles (“VitrA Tiles”) specializes in the manufacturing of ceramic and porcelain tiles for various living spaces, including bathrooms, indoor and outdoor pools, gardens, and building exteriors. These products have been offered under the VitrA brand in Turkey since 1991. Eczacıbaşı Holding is the ultimate beneficial owner of Eczacıbaşı Building Products – Tiles. The company holds the majority of shares in the Tile Division of Villeroy & Boch (Villeroy & Boch Fliesen GmbH), one of the world oldest and most renowned ceramics brand. V&B Fliesen operates one production plants, located in Germany, where high-quality porcelain tiles are manufactured for the Villeroy & Boch brand. In 2006, Eczacıbaşı Building Products – Tiles acquired Engers Keramik (both the brand and its production facilities), a well-established German tile brand with a history dating back to 1911. Currently, VitrA Fliesen, a subsidiary of VitrA Tiles, oversees the marketing, sales, and distribution of engers branded tile products. Adhering to its global brand strategy, the company has expanded its operations to Russia through its subsidiary, VitrA Tiles LLC. Eczacıbaşı Building Products – Tiles also conducts sales and marketing activities through its joint sales company, “Eczacıbaşı Building Products LLC,” and holds shares in VitrA USA, together with Eczacıbaşı Building Products - Bathroom (EBPB).

GRI 2-1



² V&B Fliesen GmbH, Germany production facility stopped production at the end of July 2022. Thus, financial and non-financial data regarding Germany operations only includes January 1, 2022 and July 31, 2022.

Brands

GRI 2-1

VitrA

As the flagship brand of Eczacıbaşı, VitrA develops extensive range of tiles for a world where needs and tastes are growing ever closer, and ever more singular at the same time, and an unshakable commitment to sustainability.

Spanning a vast range of styles developed for all types of indoor and outdoor areas from the kitchen and living room through to terraces and swimming pools, VitrA tiles today extend well beyond the boundaries of the bathroom.



As one of the world's oldest and most renowned ceramics brand, Villeroy & Boch is a renowned brand in the ceramic tile industry that produces high-quality tiles with unique designs and advanced technology.

With over 260 years of experience, the brand draws inspiration from the latest interior design trends, offering collections that range from classic to contemporary styles.

engers

Engers offers high-quality, reliable, and award-winning tile series that go beyond traditional applications, catering to all types of indoor and outdoor areas, from kitchens and living rooms to terraces and swimming pools.

The brand's extensive collection of tiles includes a variety of colors, formats, and decorative designs, allowing customers to showcase their unique style and personalize their living spaces.

Germany³

V&B Fliesen GmbH (1)

Turkey

VitrA Tiles Co. (1)

Russia

VitrA Tiles LLC (1)

Eczacıbaşı Building Products - Tiles manufactures in Turkey, Russia, and Germany with one facilities in each location.



³ V&B Fliesen GmbH, Germany production facility stopped production at the end of July 2022.

Product Portfolio and Revenue Share

GRI 2-1



Porcelain Tiles

59%



Wall

25%



Technical Porcelain

6%



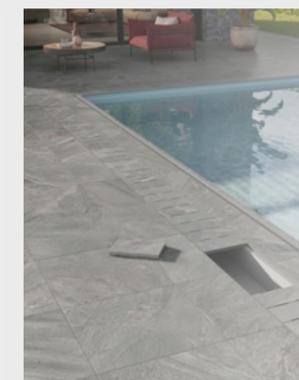
Floor

5%



Mosaics

3%



Others

2%

Our Operating Environment

As an international manufacturer operating within the building products industry, we need to remain vigilant in monitoring, anticipating, and responding to the challenges and opportunities that shape both the world and our industry. We acknowledge the significance of tracking global trends and their intersections with our strategic initiatives. This enables us to effectively engage with our external environment and strike a harmonious balance between short-term stability and long-term sustainability.

Global Trends	Impact on the Industry	Our Response	Capitals Impacted
<p>Climate and Nature Crisis</p> <p>As the planet undergoes a steady increase in temperature, the effects of the climate crisis are becoming more evident through prolonged periods of extreme heat and cold, which have far-reaching consequences for people, economies, and nature. Economic and population growth are leaving indelible marks on the environment, including deforestation, loss of biodiversity, water insecurity, and pollution, among other ecological degradation. This situation places mounting pressure on businesses, as investors, markets, and civil society demand a faster transition towards a sustainable economic model. Despite the urgency, reports and statements from various organizations focusing on the climate crisis, notably the IPCC, suggest that current efforts fall short of the required level to limit the rise in the global temperature to the 1.5oC threshold, thereby increasing the risk of climate action failure.</p>	<ul style="list-style-type: none"> Significant acceleration in legislative agendas pertaining to Environmental, Social, and Governance (ESG) matters, with the European Union (EU) leading the way. The European Green Deal includes various actions for companies, such as the Circular Economy Action Plan, Packaging Waste Directive, and the world's first Carbon Border Adjustment Mechanism (CBAM) with a provisional agreement. Implications for industrial companies in Turkey as a major trading partner with Europe: <ul style="list-style-type: none"> Carbon tax and stringent regulations on environmental impact throughout the product life cycle, including packaging and material use. Potential challenges in maintaining export levels and competitiveness due to increasing financial burden. 	<p>We acknowledge the multifaceted impact of the climate crisis on the economy, environment, and society. To tackle these challenges, we consistently work to reduce the carbon emissions generated by our manufacturing processes through investments in energy-efficient production technologies and processes, renewable energy generation and green electricity procurement.</p> <p>We place great emphasis on minimizing our material consumption and actively contribute to the circular economy. This commitment is reflected in our investments in innovative product design, waste recycling initiatives, and the utilization of environmentally friendly packaging materials. We incorporate waste from various sectors as alternative raw materials in our production, while also redirecting our process waste to other industries. Additionally, we actively explore potential waste materials that can serve as substitutes for traditional raw materials.</p>	

Global Trends	Impact on the Industry	Our Response	Capitals Impacted
<p>Technological Progress and Digital Age</p> <p>The rapid technological advancements witnessed in recent years have led to a transformative and revolutionary change in industries. Emerging technologies such as artificial intelligence (AI), robotics, and 3D printing are expected to be at the forefront of driving increased automation across different sectors. This will enable companies to improve their research and development (R&D) activities, foster product innovation and ultimately boost efficiency and productivity. Furthermore, as these technologies continue to gain prominence, data analysis will become an essential aspect of business operations for firms, financial institutions, and governments alike. In light of these advancements, it is crucial for organizations to maintain adaptability and stay abreast of technological progress to remain competitive in the digital age.</p>	<ul style="list-style-type: none"> Keeping up with the pace of technological transformation to enable prompt decision-making in company strategies Driven by rising energy and raw material costs, the impact of automation against the need for increased production efficiency. Cybersecurity risks in the supply chain and data privacy concerns Compliance to increasingly stringent data security and privacy regulations such as Personal Data Protection Authority (KVKK) in Turkey and General Data Protection Regulation (GDPR) in the EU Leveraging emerging technologies including the Internet of Things (IoT), Artificial Intelligence (AI), machine learning, and Industry 4.0 to maintain competitiveness 	<p>We recognize that staying ahead of the curve in the rapidly evolving digital landscape is critical to achieving our long-term goals and maintaining a competitive edge in the marketplace. By fostering innovation and embracing digital technologies, we aim to improve our operations and create sustainable value for all stakeholders.</p> <p>To this end, we have successfully implemented the S4Hana and Salesforce transformations, enabling a transition to a more adaptable enterprise resource system. Automation in our production processes has also been enhanced through projects like DigiTile, DigiOK, LCV, and TCV, optimizing raw material utilization.</p> <p>Remaining vigilant to emerging technological trends and seeking growth opportunities, our DigiTile project leverages data from over 1400 sources to provide analytical insights that impact our business processes. As part of our Industry 4.0 applications, we have conducted optimization projects in four different processes and plan to focus on optimizing drying and subsequent processes. Additionally, we have improved cyber security by establishing a protected Operational Technology (OT) network.</p>	

Global Trends	Impact on the Industry	Our Response	Capitals Impacted
<p>Economic Considerations and Resilience</p> <p>In recent years, the global economy has experienced a slowdown across various regions and countries. This trend has been further exacerbated by the COVID-19 pandemic, which has caused widespread economic disruptions and recessions worldwide. To counter the economic fallout from the pandemic, central banks worldwide have implemented expansionary monetary policies such as low interest rates and quantitative easing to boost economic growth. However, the rising costs of energy and commodities, supply chain disruptions, and labor shortages have resulted in inflation becoming a significant concern in several countries. Moreover, the ongoing shift towards digitalization and automation has been revolutionizing the labor market, posing new challenges for policymakers and workers alike.</p>	<ul style="list-style-type: none"> • Potential pressure on product prices resulting from consumer behavior against inflation and rising costs • Additional tax burden to ceramic manufacturers in Turkey on their exports to the EU arising from the Anti-Dumping investigation under the scope of WTO General Agreement on Tariffs and Trade • Risk of not achieving the desired sales results stemming from the economic slowdown in the European Union 	<p>As a company primarily engaged in exporting to Europe, we maintain a close watch on global economic developments, particularly the deceleration of the economy. We also assess alternative markets that can serve as potential substitutes for the European market. Our commitment to inclusive and resilient growth strategies prioritizes both short-term stability and long-term sustainability.</p> <p>To achieve these objectives, we consistently explore new investment opportunities and focus on enhancing cost controls. Furthermore, we implement customer-specific, dynamic pricing, and campaign strategies. By making strategic investments and adopting agile business strategies, we aim to cultivate a proactive approach that anticipates and adapts to the pressing economic challenges. Our goal is to build resilience and successfully navigate the complexities of the ever-changing economic landscape.</p>	 

Global Trends	Impact on the Industry	Our Response	Capitals Impacted
<p>Social Cohesion and Inequalities</p> <p>Globalization, rapid economic growth, and widespread improvements in livelihood have failed to bridge the deep divides within and across countries. In fact, these factors have exacerbated pre-existing inequalities and contributed to the erosion of social cohesion. Furthermore, the emergence of polarization trends in recent years has further intensified this phenomenon. Additionally, the COVID-19 pandemic has widened income disparities in societies even further. Uneven economic recoveries around the world have exacerbated income disparities, thereby fueling polarization. The growing inequalities in society have prompted civil society to become more attuned to and vocal about social injustices. Attention is now focused on the role that businesses can play in addressing social inequality and promoting human rights. To achieve these goals, businesses must intensify their efforts in diversity, equity, equality, and inclusion. These actions not only benefit society as a whole but also enhance the private sector's ability to attract and retain talent.</p>	<ul style="list-style-type: none"> • Compliance to due diligence and other supply chain regulatory developments, particularly in the EU • Employee expectations in fair employment practices, competitive compensation, and considerations for diversity and inclusion • Consumer focus in transparent businesses and demand for accountability, specifically emphasizing human rights and environmental footprint 	<p>Our utmost priority is to consistently demonstrate an unwavering commitment to treating all individuals with the utmost respect and dignity. We steadfastly adhere to the fundamental principles of human rights and unequivocally condemn any violations of these values in our operations. To prevent potential violations and ensure compliance with supply chain regulations such as the German Supply Chain Regulation, we have initiated a thorough review of our processes to determine the necessary actions to be taken.</p> <p>We are fully dedicated to providing meaningful and equitable employment opportunities for all individuals. We foster a welcoming and inclusive environment where diverse viewpoints are equally valued. In line with the principles of the Eczacıbaşı Group, we strictly prohibit child labor, forced labor, and any practices that violate human rights within our company. We respect the right of our employees to unionize, and as a result, all of our blue-collar employees are union members. Recognizing that diversity is an inherent source of strength and prosperity, we continuously strive to promote and celebrate it in all its forms.</p> <p>As part of our dedication to sustainability and transparency, we diligently complete Ecovadis ESG questionnaires for our international clients and openly share the results with them.</p>	 

Global Trends	Impact on the Industry	Our Response	Capitals Impacted
<p>Geopolitical Developments</p> <p>The surge in polarization, populism, and nationalism continues to shape geopolitics, with the COVID-19 pandemic accelerating the shift towards nationalist authoritarianism in several countries. This trend has weakened multilateralism and international institutions, with populist leaders ignoring the complexity of the modern world and prioritizing their own agendas. The disruptions brought about by social, environmental, and economic changes are leading to a more polarized world, with politics becoming more radical. While the ongoing conflict between Russia and Ukraine remains the focus of discussions on geopolitical tensions with far-reaching implications for the global economy, other sources of instability are anticipated to emerge in the global arena. As a result, there is growing apprehension regarding a future that may be characterized by even greater instability and conflict.</p>	<ul style="list-style-type: none"> Impact of the disruption of Ukrainian clay supply, a unique material for the ceramic industry, known for its properties such as high plasticity and strength Potential sanctions on natural gas imported from Russia, stemming from the EU's roadmap to decrease its dependence amidst the ongoing conflict between Russia and Ukraine 	<p>We actively adopt a proactive approach to mitigate risks associated with geopolitical developments, particularly by closely monitoring such developments and related sanctions. Our focus is on strengthening the resilience of our supply chain and minimizing operational disruptions. To address the risk associated with the supply of raw materials, we have undertaken R&D studies to develop new recipes and diversified our clay suppliers to reduce dependency on Ukrainian clay.</p> <p>We are committed to accelerating investments in research and development, product, and process optimizations to minimize the risk of material and energy shortages, as well as mitigating risks arising from regulatory developments in the EU. To reduce energy-related risks and lower greenhouse gas emissions, we invest in renewable energy sources, adopt energy-efficient equipment, and implement energy efficiency projects, thereby decreasing our natural gas and non-renewable energy consumption. Moreover, we engage in collaborative efforts to explore the potential use of green hydrogen as an alternative fuel in our production processes</p>	 

Global Trends	Impact on the Industry	Our Response	Capitals Impacted
<p>Lifestyle and Behavioral Changes</p> <p>In developed economies, especially among younger age groups, there is a noticeable inclination towards prioritizing experiences and accessibility over material possessions. This phenomenon signifies a more intentional and mindful approach to living, resulting in a surge in the need for comprehensive well-being beyond the confines of physical health. The quest for personal growth has also emerged as a prominent objective for many individuals, with a particular emphasis on learning and self-development.</p> <p>The pursuit of an elevated standard of living has also heightened global consciousness regarding the finite resources of the planet, compelling individuals to assume responsibility for their environmental impact. Millennials and Gen Z are at the forefront of a sustainable and mindful lifestyle movement, driving a growing demand for ethical and sustainable products. Consumers are willing to pay a premium for goods that reflect their environmental values, resulting in a significant shift in purchasing behavior.</p>	<ul style="list-style-type: none"> Evolving expectations of young people, particularly Generation Z, regarding employment and purchasing decisions Shift in consumer behavior, resulting in an increased demand for information content related to product carbon footprint, recycled material content, and the use of locally and ethically sourced materials Increasing importance of diverse environmental and social product certifications, necessitating effective communication with consumers to maintain competitiveness 	<p>We work to maintain a high level of sensitivity towards the evolution of contemporary lifestyles, recognizing that the needs and expectations of our employees are constantly evolving. As such, we are committed to crafting hybrid working conditions that are tailored to meet the diverse demands of our workforce. Our emphasis on health, safety and well-being is a central component of our strategy. We are dedicated to fostering a work environment that provides ample opportunities for development, while simultaneously safeguarding the physical, emotional, and mental health of our employees.</p> <p>Furthermore, we are focused on driving portfolio shifts that are informed by consumer-centric insights. Our products contribute to green building solutions and boast an array of diverse environmental labels and certifications, including Environmental Label issued by Turkish Ministry of Environment, Urbanization, and Climate Change, Underwriters Laboratories' Green Guard and Green Guard Gold certificates, Environmental Product Declaration (EPD). By remaining attuned to the changing needs and preferences of our customers, we position ourselves better to maintain competitiveness and responsiveness to their demands.</p>	  

Year in Review

Here are the key performances achieved by Eczacıbaşı Building Products - Tiles in 2022.

€ 364.6 million
Total net sales

29% Decrease in water intensity compared to base year (2020)

76% Share of international sales

39% Total share of women professionals⁶ ✓

3.55 MW Renewable energy installed capacity⁴

56.3% Women among new recruits⁶ ✓

88.8 GWh Green electricity procurement

19.2% Women in management positions⁶ ✓

81.9% Electricity use from renewable sources⁵

30 Training hours per talent⁷ ✓

9% Decrease in energy intensity compared to base year (2020)

24 Training hours per employee⁸ ✓

33% Decrease in carbon emission intensity in our production plants (Scope 1+2) compared to 2020

1.80 Accident frequency rate ✓

⁴ Installation has been completed as of 2022, the solar panels will be commissioned in 2023.
⁵ Includes green electricity procurement for Turkey operations and self-generated renewable electricity
⁶ White-collar employees in Turkey with a full-time, indefinite term contract
⁷ Employees in leadership programs in Turkey
⁸ Employees in Turkey



2

Our Approach to Sustainability

Sustainability is a dynamic, evolving principle that needs to be integrated into every aspect of business to build a better and healthier future for all. This conviction lies at the core of our business approach, driving us to foster sustainable growth through strategic investments, to create inspiring designs that underpin our strong brands and to prioritize sustainability in every decision we make for the well-being of our planet, its inhabitants, and humanity at large.

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Our Value-Creating Business Model

Building a Healthier Future, Together

Our value creation describes what we do, how we conduct our business to deliver on our purpose and how we allocate our resources –financial, human, natural, intellectual and social capitals- to create long-term value for all our stakeholders.

Our five capitals

- 

Our **financial capital** is allocated to contribute to our sustainable growth and profitability in line with our long-term goals and strategies.
- 

Our **human capital** consists of a uniquely talented workforce, which is an essential element of our success, and we reinforce our support for our employees by cultivating a corporate culture that respects, values, and encourages each individual to thrive.
- 

Our **natural capital** comprises of valuable resources that fuels our operations. We seek to source these resources responsibly and sustainably and use them efficiently to ensure a habitable and healthy planet for both present and future generations.
- 

Our **intellectual capital**, which includes our technical expertise, institutional knowledge, drives us to transform our products and business processes with a vision to innovate and create value.
- 

Our **social capital** is established through our relationships with societies and stakeholders, characterized by mutual respect, understanding, and trust, and we foster these connections through our stakeholder engagement approach, which promotes collaborations and partnerships to generate shared value aligned with our common goals.

What we do

Our Group mission

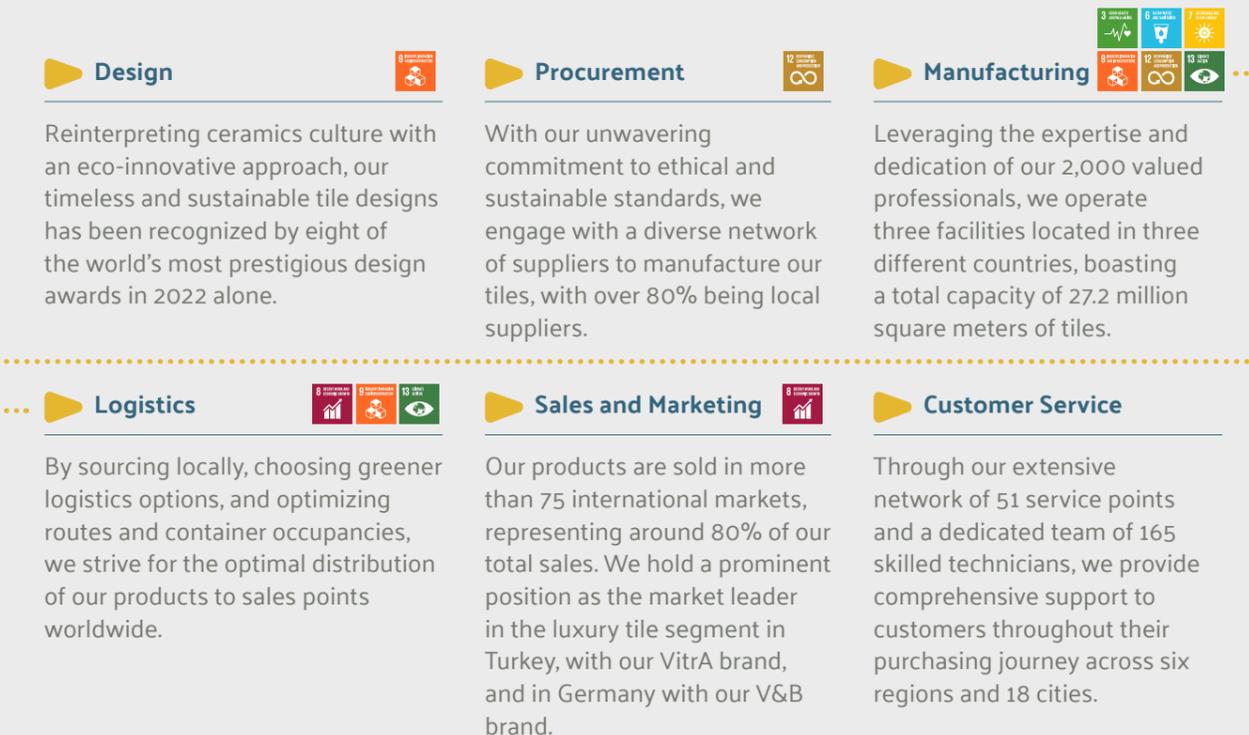
“To be a pioneer of modern lifestyles that are healthy, high quality and sustainable.”

How we do it

Aligned with our commitment to being responsible corporate citizens, we measure our success as much by the sustainable value we create as by our economic performance. Sustainability is embedded in our purpose, culture, and strategy, serving as the catalyst driving our operations. With our sustainable value creation approach, we adopt an integrated perspective in conducting business, taking into account external drivers, what is most material to our stakeholders and our ability to generate value.



Our Value Chain



Our inputs in five capitals

€ 364.6 million Total net sales

3 Brands

3 Production Facilities

+2,000 Employees

39% Total share of women in professionals¹ ✓

56.3% Women among new recruits¹ ✓

19.2% Women in management² ✓

€ 237,204 OHS investments

859,772 MWh Total energy consumption ✓

458,476 m³ Total water withdrawal ✓

€ 2.1 million Environmental investments and expenditures

8 Design applications/ registration

+75 International Markets

Key outputs

Around 80% Share of International Sales

€ 17.9 million Paid to capital providers

€ 48.5 million paid to employees in wages and benefits

24 Training hours per employee ✓

30 Training hours per talent³ ✓

1.80 Accident Frequency Rate ✓

3.55 MW Renewable energy installed capacity

88.8 GWh Renewable energy procurement

9% Energy intensity reduction⁴

33% CO₂ emissions intensity reduction in our production plants (scope 1+2)⁴

29% Water intensity reduction⁴

21% Waste reduction amount⁵

8 Design awards under Vitra and V&B brands

€ 97,921 Total social contribution

The value we create for our stakeholders



Environment

- We work towards decarbonizing our operations by investing in infrastructure, adopting resource-efficient technologies, and deploying renewable energy solutions.
- By adopting a circular economy business model, we safeguard our natural resources. We carefully use raw materials, minimize waste in our manufacturing processes and strive for maximum efficiency in resource utilization.
- We harness the power of innovation and digital transformation in our product design to develop innovative surfaces that require less water and less chemicals to keep clean, reducing the environmental impact throughout the lifecycle of our products.



Employees

- We recognize the vital role of our employees in the pursuit of sustainability and prioritize creating meaningful and fair employment opportunities while cultivating a diverse and inclusive business culture where every employee feels valued, respected, and heard.
- We assist our employees in navigating their career paths by employing a dual approach that emphasizes continuous personal and professional learning, enabling them to develop themselves and their careers simultaneously.



Civil Society

- We actively participate in the development of responsibly manufactured products, aligned with the increasing societal demand for goods and services produced through sustainable business models.



Supply Chain

- We work together with all stakeholders within our supply chain ecosystem to foster resilience through innovation, digital technologies, and collaborative efforts.
- We maintain close partnerships with our suppliers to protect human rights, prevent child labor, and mitigate the environmental impact of our shared value chain.



Customers

- Our relentless focus is on leveraging innovative thinking, digital technologies, and our technical expertise to create modern, durable, and high-quality products that not only meet but surpass customers' expectations, creating delightful living spaces.



Finance Community

- At the core of our operations lies a strong foundation built on business integrity, ethics, and high-quality standards. Our strong values allow us to build trust and preserve our reputation as an international business partner.
- Aligned with our long-term goals and strategy, we tailor our investments to bolster our production capabilities and generate sustainable value.

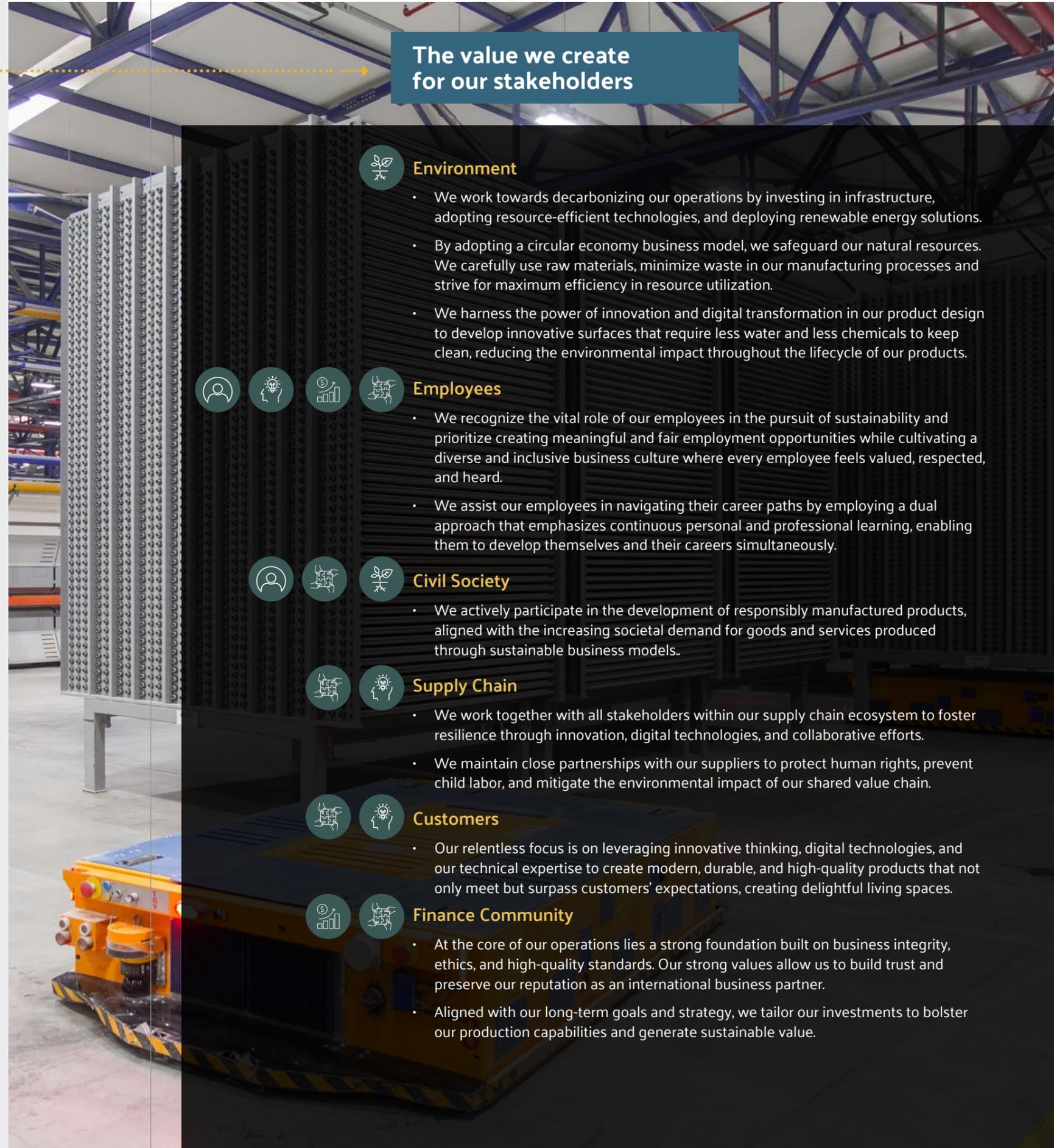
¹ White-collar employees in Turkey with a full-time, indefinite term contract

² Includes managers and higher management positions in Turkey, Board members are excluded

³ Employees in leadership programs in Turkey

⁴ Compared to base year (2020).

⁵ Compared to previous year



Sustainability at Eczacıbaşı Building Products - Tiles

At Eczacıbaşı Building Products – Tiles, sustainability is deeply ingrained in the core of our purpose, culture, and strategy. It serves as the driving force behind our operations, and we measure our success not only by our economic performance but also by the sustainable value we create for our stakeholders.

As we move forward on our sustainability journey, we keep our relentless focus on sustainability in design, manufacturing, and our product portfolio, with every endeavor we undertake reflecting our profound environmental consciousness and care for future generations.

This year, we have revised and refined our sustainability approach in line with Eczacıbaşı Group’s refreshed sustainability strategy. Drawing on our commitment to **building a healthier future**,

our sustainability approach extends to how we govern our operations, and invest our resources in the planet, people, and future, fulfilling our role as a responsible corporate citizen.

Our approach centers around four pillars that underpin our business approach and guide our work in generating sustainable value. The nine focus areas under these pillars enable us to manage opportunities and risks across our value chain and steer our strategic direction.



Investing in Planet	Investing in People	Investing in Future	Corporate Governance
<p>The need to take swift, meaningful action to combat the climate change drives us to devise holistic and sustainable approaches in designing our products, manufacturing processes, and solution portfolio to lessen our impact on the environment and safeguard our planet’s resources.</p> <p>To ensure a habitable and healthy planet for both present and future generations, we seek to reduce our carbon emissions, increase the use of renewable energy resources, source our materials responsibly and sustainably, and use them efficiently.</p>	<p>Our people are central to our business success. For us, doing the right thing for our people means ensuring their safety, promoting their health, and fostering an inclusive and diverse workplace that provides everyone with equal opportunities to reach their full potential.</p> <p>Extending beyond our operations, we are committed to improving the lives of people we interact with and contributing to the development of resilient communities.</p>	<p>We are committed to continuously innovating our products, production processes and operations to improve people’s lives and reduce our environmental impact.</p> <p>From production to customer services, we harness the power of digitalization and technological integration to enhance and future-proof our business, ensuring we remain at the forefront and retain a competitive advantage in an ever-changing digital landscape.</p>	<p>We are dedicated to upholding rigorous corporate governance and ethical standards that are in line with the principles of sustainable development, ensuring long-term viability and sustainable growth of our company. We are vigilant in monitoring, anticipating, and addressing risks and opportunities to maintain our company’s resilience and deliver value for our stakeholders.</p>

Eczacıbaşı Building Products - Tiles' Materiality

GRI 3-1, GRI 3-2, GRI 3-3

Ensuring business success along with improving social welfare and safeguarding a habitable planet for all is our fundamental responsibility to our stakeholders. We are committed to fulfilling this responsibility through materiality assessments, which enable us to understand the dynamics of a changing world, assess their impact on operations and enhance our ability to create value for our stakeholders.

Last year, the reporting on our sustainability performance was based on a comprehensive study conducted under the umbrella of our parent company, Eczacıbaşı Holding. The study aimed to identify economic, environmental, and social issues affecting our industry and determine the areas that are material both for our business and our stakeholders. During the study, we engaged with executives and external stakeholders, collaborating with the Group to explore sustainability trends, assess the needs and expectations of our stakeholders, and evaluate our impact on sustainable development. The resulting material topics provided valuable insights into where we should focus our efforts to maximize the value we create.

This year, we conducted a thorough review of our material issues in line with the Eczacıbaşı Group's revised sustainability strategy. We aimed to gain a better understanding of the changes in our risk and opportunity landscape and the sustainability trends that are shaping our industry, enabling us to respond

effectively to the rapid transformations taking place in our business environment. We started with assessing the impact of our sustainability initiatives, objectives, and progress from a business standpoint. We evaluated material issues advised by GRI Standards, SASB and S&P specific to our industry and compared the results with those of our national and international industry peers. These efforts provided us with a comprehensive insight into industry-specific areas to focus our efforts and steer our future strategic direction. We have also carried out an extensive analysis of the external environment by examining reports on global risk and sustainability trends published by renowned international institutions, including the World Economic Forum's Global Risks Report, the OECD's Economic Outlook, and the World Business Council for Sustainable Development's Macrotrends and Disruptions Shaping 2020-2030 Report. By combining the results of both studies, we have identified 14 material topics across nine focus areas, as seen below.

GRI 3-1, GRI 3-2, GRI 3-3

Sustainability Pillars	Strategic Focus Areas	Material Topics	SDGs	Capitals
Investing in Planet	Climate and Environment	Energy Management and Carbon Emissions	    	  
		Water Management		
	Circular Economy	Resource Management and Responsible Procurement		
		Product Responsibility		
Investing in People	Equal Opportunity	Equal, Diverse and Inclusive Workplace	    	  
		Attracting, Developing and Retaining Talent		
	Health and Safety	Health, Safety and Wellbeing		
	Community and Social Vitality	Social Investment		
Investing in Future	Innovation	Innovation	   	  
	Digital Transformation	Digital Transformation		
Corporate Governance	Ethics and Compliance	Business Ethics and Legal Compliance	 	  
		Supply Chain Management		
	Economic Sustainability	Financial and Economic Performance		

Sustainability Objectives

At Eczacıbaşı Building Products – Tiles, we set clear, specific, and time-bound objectives that are aligned with our sustainability commitments to measure our success. We employ specific key performance indicators (KPIs) for each objective, enabling us to internally monitor our advancement and concentrate our efforts to ensure that all our teams are actively working towards realizing our sustainability vision. Through our sustainability reports, we openly disclose our historical performance against these KPIs, thereby transparently informing our stakeholders of our progress.

The following table outlines our sustainability objectives as to our selected material topics, provides an overview of our performance in 2022, and outlines our future objectives.

Material Topics	Goals	Key Performance Indicator	Performance			Status
			2020	2021	2022	
Energy Management and Carbon Emissions	By the end of 2025, we will reduce our energy consumption per ton of product by 14% from 2020 levels	Energy intensity (MWh/ton)	1.89	1.80	1.71 ✓ 9% decrease compared to base year	In progress
	By the end of 2030, we will provide our entire electricity consumption from self-produced renewable energy	Renewable energy installed capacity (MW)	0.00	0.05	3.55	In progress
	By the end of 2025, we will reduce Scope 1 and Scope 2 emissions intensity by 40% from 2020 levels	Carbon Intensity (CO ₂ /ton)	0.43	0.40	0.29 ✓ 33% decrease compared to base year	In progress
Water Management	At the end of 2025, we will reduce our water consumption per ton of product by 39% from 2020 levels	Water intensity (m ³ /ton)	1.28	1.00	0.91 ✓ 29% decrease compared to base year	In progress
Equal, Diverse and Inclusive Workplace	By the end of 2025, we will increase the share of women in employment 45% ⁶	Total share of women professionals (%)	34%	38.0%	39.19% ✓	In progress
	By the end of 2025, we will increase the share of women among new recruits to 58% ⁶	Share of women among new recruits (%)	42%	55.2%	56.32% ✓	In progress
	By the end of 2025, we will increase the share of women in management positions to 35% ⁶	Women in management positions (%)	24%	21.7%	19.23% ✓	Room for improvement
Health, Safety and Wellbeing	By the end of 2025, we will gradually reduce the accident frequency rate below 1 for every 200 thousand working hours	Accident frequency rate	2.57	1.96	1.80 ✓	Room for improvement

⁶ The scope of the goals above are limited to Turkey operations



Contributing to the UN 2030 Agenda

We believe that the United Nation's (UN) 2030 Agenda for Sustainable Development and the 17 UN Sustainable Development Goals (SDGs) form the basis for a sustainable future. Therefore, we consider it a crucial responsibility of businesses to help deliver these 17 SDGs. To this end, we have identified ten SDGs that align with our business and stakeholders, and the following index provides an overview of our contributions to them.

Good Health and Well-Being

- We prioritize the planning, implementation, development, and continuous improvement of measures aimed at ensuring a healthy and safe working environment across our entire value chain.
- We provide comprehensive training programs that empower our employees to protect themselves against accidents, injuries, and illnesses. We also ensure their proficient use of personal protective equipment.
- Our products, designed with innovative surface technologies, offer advanced hygiene, and contribute to the creation of healthy living spaces with their anti-slip properties, easy-to-clean features, and hygienic qualities.

Quality Education

- We are committed to providing unwavering support to our employees in navigating their careers and fostering their individual growth and development throughout their entire career journey and beyond.
- We strive to enhance the professional expertise and technical skills of our employees. In parallel, we offer leadership and management training programs specifically designed for our executive staff.

Gender Equality

- We are committed to ensuring equal opportunities in both recruitment and the work environment.
- We are actively working towards enabling women to have greater involvement in management positions, increasing the overall representation of women within our company, and creating a workplace environment where women can pursue their careers without encountering glass ceilings.
- We implement various initiatives that prioritize the viewpoints of female employees. Our aim is to proactively identify and address any potential discriminatory concerns, thereby fostering an inclusive work environment that embraces the unique challenges and perspectives of all employees.

Clean Water and Sanitation

- We set objectives to decrease our water intensity, and we are committed to implementing measures that conserve water, enhance water efficiency, and minimize water withdrawal within our facilities.
- We recycle 100% of our industrial wastewater and reuse it in our production processes.
- Using easy-to-clean and self-cleaning tile solutions, we decrease water consumption in the product lifecycle and eliminate the need for chemical cleaning agents that pollute water resources.

Affordable and Clean Energy

- We are increasing the availability of green energy resources in our operations through increased investments in renewable energy, procurement of green electricity, and exploration of green hydrogen as an alternative fuel for combustion. To enhance energy efficiency in our production processes, we are renewing or modifying equipment, implementing automation systems, and optimizing processes using digital technologies.

Decent Work and Economic Growth

- We generate economic value through our total net sales of over €364.6 million, while exporting our products to 75 countries, thereby contributing to Turkey's economic growth.
- We provide a fair, safe, diverse, and inclusive workplace for around 2,000 employees who benefit from good working conditions, skills development, a focus on physical and mental wellbeing, and meaningful employment.
- As we maintain over 80% of our suppliers from the local community, we actively contribute to local economic growth and development, and we collaborate with our stakeholder ecosystem to build resilient communities.

Industry, Innovation and Infrastructure

- We leverage innovation and digital technologies to drive the development of innovative solutions in both product design and production processes.
- We continuously invest in our digital infrastructure to optimize resource efficiency, minimize waste, and enhance product quality.

Responsible Consumption and Production

- We invest in innovative product design to minimize the environmental footprint throughout the lifecycle of our products. Our products contribute to green building solutions and carry a range of diverse environmental labels and certifications.
- We strive to increase the content of recycled materials in our products and reduce waste generation in our manufacturing process through prevention, reduction, recycling, and reuse.
- Through industrial symbiosis practices, we incorporate waste materials from various sectors as alternative raw materials in our production, while also redirecting our process waste to other industries.

Climate Action

- We are improving the resilience of our operations to adapt to a changing climate by setting targets and taking prompt action across our value chain to facilitate the transition towards a low-carbon economy.
- We are actively working towards reducing our carbon emissions through various measures, including enhancing energy efficiency, improving logistic operations, and minimizing environmental impact throughout the lifecycle of our products.

Partnership for the Goals

- We actively engage with our stakeholders and implement initiatives addressing our material issues to contribute to a healthier future for all and support the achievement of the United Nations' Sustainable Development Goals (SDGs).
- Aligned with the vision and objectives of Eczacıbaşı Group, we participate in various multi-stakeholder partnerships, including the Business Plastics Initiative, UN Global Compact, WEF Stakeholder Capitalism, and Women Empowerment Principles (WEPs).

Stakeholder Relations

At Eczacıbaşı Building Products – Tiles, we are dedicated to continuously developing our sustainability strategy and maximizing our impact in a manner that serves the needs and expectations of all our stakeholders. We acknowledge that regular and two-way communication with our stakeholders plays a pivotal role in our sustainability journey, enabling us to drive progress on shared purposes and generate solutions to the urgent challenges of our era.

Our stakeholder ecosystem encompasses a diverse range of individuals and groups, including employees, customers, supply chain partners, research and development ecosystem, the finance community and civil society. We place a strong emphasis on proactively communicating and collaborating with our stakeholders and prioritize transparent and timely communication to involve them in our sustainability initiatives and keep them informed of our progress. By deepening our insights into their needs and expectations and integrating them into our processes, we effectively manage risks and opportunities and improve our product offering to maximize the value we create.

The following table summarizes who our key stakeholders are, how we engage and hold regular dialogue with diverse groups through various platforms.

Stakeholder Groups	Stakeholders	Communication Methods
Finance Community 	Shareholders and Investors	Sustainability Reports (Annual), Annual Reports (Annual/Quarterly), Financial Reports (Quarterly), Corporate Website (Continuous), General Assembly Meetings (Annual)
	Financial Institutions	Sustainability Reports (Annual), Annual Reports (Annual), social media (Continuous), Corporate Website (Continuous)
Employees 	Company Managers	Sustainability Reports (Annual), Annual Reports (Annual), social media (Continuous), Corporate Website (Continuous), Intra-Group Meetings (Continuous/Periodic), Disclosures (Instant), Cash Flow Reports (Monthly), Group Financial Results (Monthly), Group Year-End Profit-And-Loss Forecast Reports (Quarterly)
	Employees	Sustainability Reports (Annual), Annual Reports (Annual), social media (Continuous), Corporate Website (Continuous), Intra-Group Meetings, and Publications (Continuous/Periodic/Instant), Newsletters/Announcements (Continuous/Instant), Employee Engagement Surveys (annual), Training (Continuous), Social Responsibility Projects (Continuous), Employee Handbook (Continuous)
Customers 	Clients	Sustainability Reports (Annual), social media (Continuous), Corporate Website (Continuous), Controls (Instant/ Periodic), Disclosures (Instant), Trade Shows (Instant/Periodic), Customer Meetings (Instant/ Periodic), Customer Satisfaction Surveys (Annual)
	Consumers and end-users	Sustainability Reports (Annual), social media (Continuous), Corporate Website (Continuous), On-line Surveys (Instant/Annual)
Supply Chain 	Business Partners	Sustainability Reports (Annual), Annual Reports (Annual), social media (Continuous), Corporate Website (Continuous)
	Suppliers	Sustainability Reports (Annual), social media (Continuous), Corporate Website (Continuous), Audits (Instant/Periodic)
	Contractors	Sustainability Reports (Annual), social media (Continuous), Corporate Website (Continuous)
Government and Regulators 	Public Organizations	Sustainability Reports (Annual), social media (Continuous), Corporate Website (Continuous), Projects (Project-Based), Audits (Instant/Periodic), IRL Visits (Instant)
	Local Authorities	Sustainability Reports (Annual), Annual Reports (Annual), social media (Continuous), Corporate Website (Continuous), IRL Visits (Instant)
Civil Society 	International Organizations	Sustainability Reports (Annual), Annual Reports (Annual), social media (Continuous), Corporate Website (Continuous)
	Sectoral Organizations	Sustainability Reports (Annual), social media (Continuous), Corporate Website (Continuous), Projects (Project-Based), Trade Shows (Instant/Periodic), Sectoral Conferences (Instant/Periodic)
	Trade unions	Sustainability Reports (Annual), Annual Reports (Annual), social media (Continuous), Corporate Website (Continuous)
	Non-Governmental Organizations (NGOs)	Sustainability Reports (Annual), social media (Continuous), Corporate Website (Continuous), Customer Research (Continuous), Projects (Project-Based), Memberships (Continuous)
	Universities and Research Institutions	Sustainability Reports (Annual), social media (Continuous), Corporate Website (Continuous), Career Days (Annual/Periodic), Projects (Project-Based), Internship Programs (Periodic/Project-Based), University Events (Instant), Student Field Visits (Instant)
	Society	Sustainability Reports (Annual), Annual Reports (Annual), social media (Continuous), Corporate Website (Continuous)
	Local Community	Sustainability Reports (Annual), Projects (Project-Based), social media (Continuous), Corporate Website (Continuous), Social Responsibility Projects (Project-Based)
Media	Sustainability Reports (Annual), social media (Continuous), Corporate Website (Continuous), Press Releases (Instant)	

3

Corporate Governance



At Eczacıbaşı Building Products - Tiles, we view acting morally and ethically in the business sphere as an essential and fundamental aspect of our commitment to all our stakeholders. We are dedicated to adhering to legal and regulatory requirements, as well as maintaining stringent corporate governance and ethical principles. Our vigilance in monitoring, foreseeing, and addressing risks and opportunities allows us to sustain our company's resilience and consistently deliver value to our stakeholders.

Ethics and Compliance	54
Business Ethics and Legal Compliance	55
Supply Chain Management	57
Economic Sustainability	58
Economic and Financial Performance	59

Governance Approach

Developing robust governance mechanisms is essential for fostering a culture of accountability and transparency, safeguarding the long-term success and generating sustainable value for all stakeholders.

As a subsidiary of the Eczacıbaşı Group, an industrial conglomerate consisting of Eczacıbaşı Holding and its subsidiaries, our organization operates in harmony with the Group's comprehensive business strategy, encompassing short, medium, and long-term objectives. It is paramount for us to meticulously execute our operations to ensure seamless integration with the overarching vision and direction of the Eczacıbaşı Group.

Our Board of Directors and Executive Management work closely together, employing strategic planning, risk management, and decision-making processes to align the company's objectives with the evolving dynamics of the market and the expectations of stakeholders.

Board of Directors

The Eczacıbaşı Building Products – Tiles Board of Directors holds a critical position in executing strategic decisions of our company, with a focus on adhering to internal regulations and policies. Aligned with corporate governance principles, the Board assumes responsibility for managing and representing the company, considering key factors such as risk management, growth prospects, financial returns, and long-term interests. Their primary objective is to ensure the sustained success of the organization. By overseeing the implementation of effective governance practices, the Board contributes to the organization's resilience and long-term viability.

Eczacıbaşı Building Products – Tiles Board of Directors consists of seven members, led by the Group CEO of Eczacıbaşı Holding as the Chairperson of the Board.



Atalay M. Gümrah
Chairperson of the Board



Bülent Kozlu
Vice Chairperson of the Board



Hasan Pehlivan
Board Member, CEO of VitrA Tiles



Esra Eczacıbaşı Coşkun
Board Member



Seyfettin Sarıçam
Board Member



Mustafa Özgen Özkan
Board Member



Rafael Jose Benavent
Independent Board Member

Board Committees

The Board of Directors carries out its duties through sub-committees formed in the fields of Investment, Audit, Risk and Governance, Talent and Remuneration, and Marketing.

Board Committees	Investment Committee	Audit, Risk and Governance Committee
Responsibility	<ul style="list-style-type: none"> Ensuring the investment policies and practices align with the long-term financial and strategic objectives of the company in line with the Group's strategy. 	<ul style="list-style-type: none"> Implementing all essential actions to guarantee that all internal or external audits are conducted accurately and transparently. Undertaking oversight responsibility behalf of Board of Directors to ensure reasonable assurance is provided for the interests of all stakeholders. <p>For more information, please refer to the Risk Management section.</p>
Board Committees	Talent And Remuneration Committee	Marketing Committee
Responsibility	<ul style="list-style-type: none"> Including providing guidance and making decisions regarding human resources management, reviewing the performance of executive managers, monitoring the development of executives in the most critical top positions, and creating a succession plan in line with the Group's human resources strategy. 	<ul style="list-style-type: none"> Setting overall marketing strategy and direction and top-down marketing targets for the Business Unit.



Executive Management¹

Our Executive Management team assumes a pivotal role in providing strategic guidance and direction to the organization, with an unwavering commitment to delivering reliable, transparent, and high-quality services to all stakeholders.

Our Executive Management team is dedicated to attaining sustainable excellence and leadership in alignment with the company's strategies and mission. They foster a culture of innovation, collaboration, and accountability, leveraging their collective expertise to drive long-term growth and success.

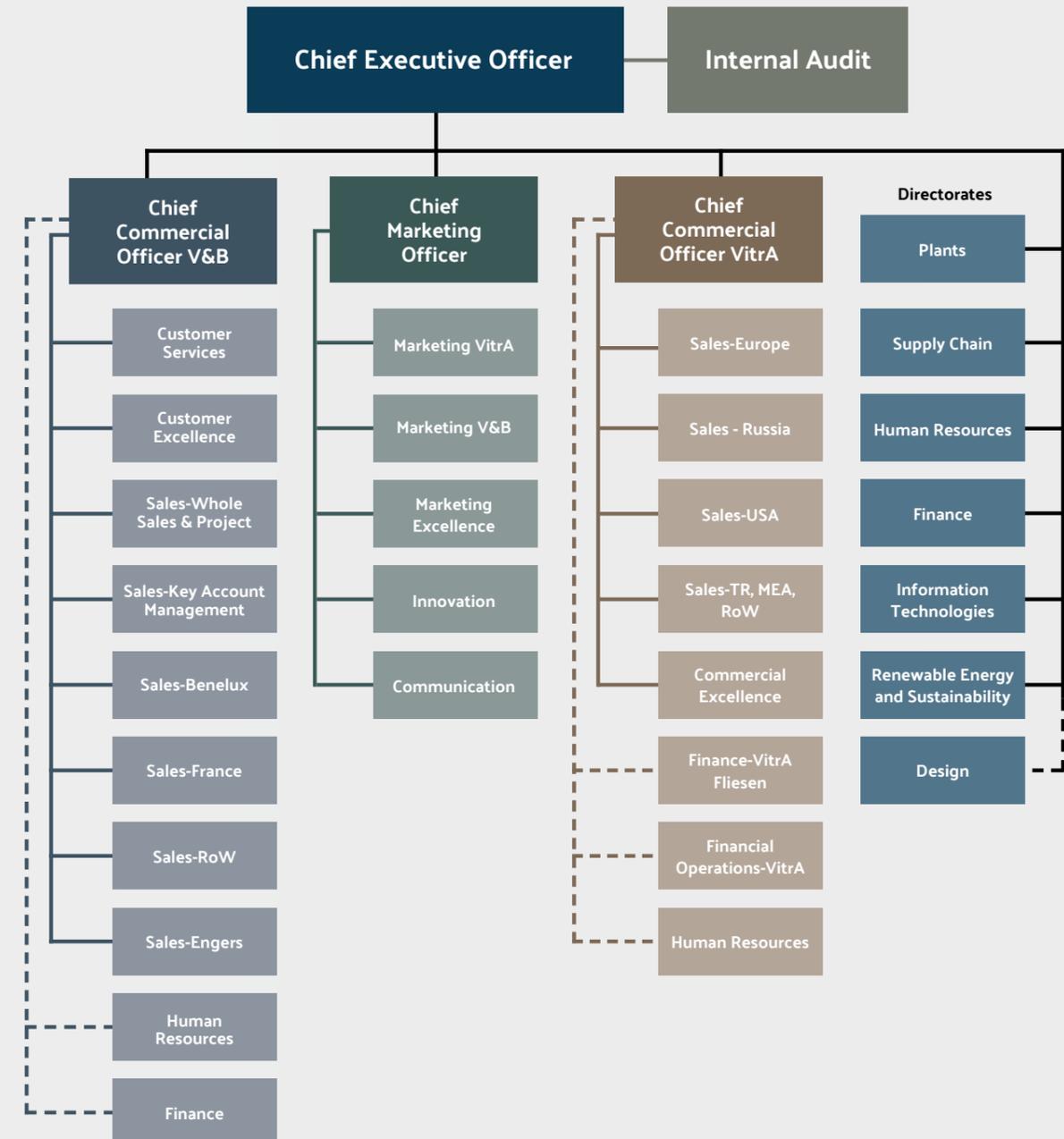
With their astute leadership and domain knowledge, the Executive Management team plays a critical role in steering company performance and shaping strategic priorities, ensuring the organization remains adaptable and responsive to the evolving needs of stakeholders. Upholding the highest standards of corporate governance, they are steadfast in their pursuit of sustainable excellence across all facets of their work.

Name	Gender	Position
Hasan Pehlivan	Man	Chief Executive Officer, Vitra Tiles
Joerg Schwall	Man	Chief Commercial Officer, V&B
Işıl Nergiz	Woman	Chief Marketing Officer
Mert Karasu	Man	Chief Commercial Officer, Vitra
Musa Yılmaz	Man	Plants Director
Ali Yoncacılar	Man	Supply Chain Director
İrfan Topal	Man	Finance Director
Murat Gölcü	Man	IT Director
Serdar Şahan	Man	Human Resources Director
Tolga Güneri	Man	Renewable Energy and Sustainability Director
Erdem Akan	Man	Design Director

¹ The list illustrates our Executive Management Team as of 2023.

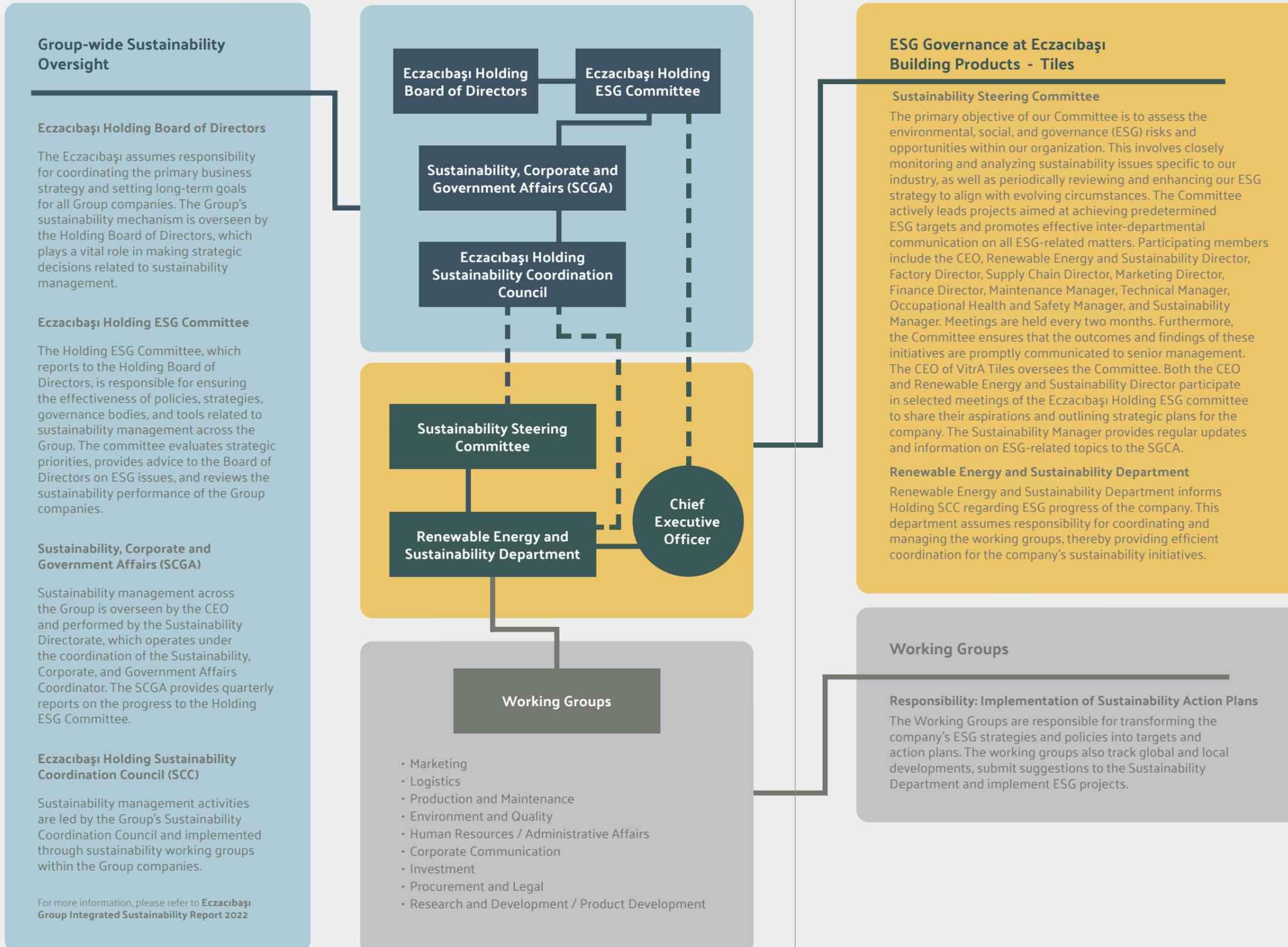
Our Organizational Structure²

Our organizational structure has been intricately crafted to foster smooth cooperation and harmonious coordination among the units overseen by senior executives and directorates under the leadership of our CEO. Each unit plays a crucial part in propelling the company's strategic goals forward, safeguarding sustainable excellence, and upholding our industry leadership in accordance with our mission. This cohesive structure empowers us to effectively execute short-term, medium-term, and long-term strategic objectives, thereby fostering enduring quality and realizing our organizational vision¹.



² The chart illustrates our organizational structure as of 2023.

Sustainability Governance

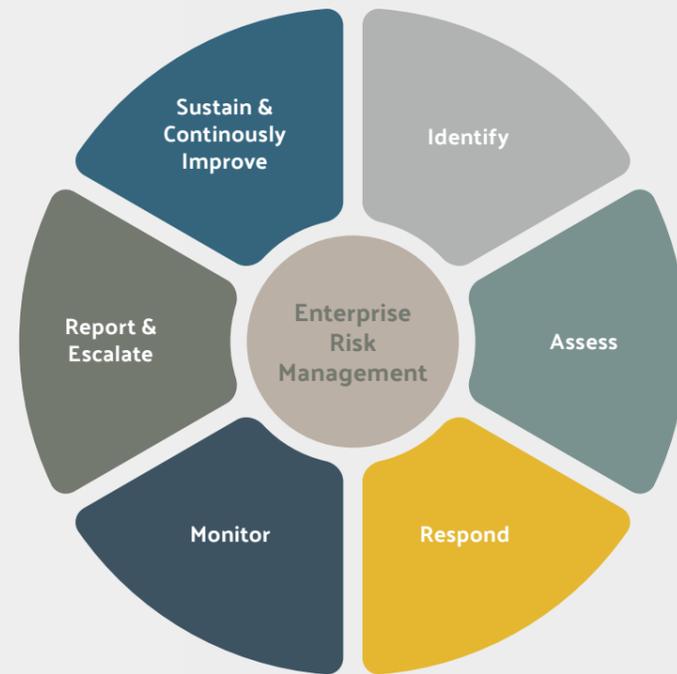


Risk Management

At Eczacıbaşı Building Products – Tiles, risk management is considered as a multifaceted discipline, and we work towards integrating it into our business operations to cultivate a risk-centric approach throughout the entire organization. Our primary objective is to proactively anticipate any incidents that could significantly hinder the achievement of our immediate and long-term goals, jeopardize our growth opportunities, and disrupt our sustainability efforts.

Towards this end, we strive to establish our risk management function in accordance with international frameworks and standards, aiming to enhance risk awareness and promote data-driven decision-making. Our risk management methodology begins with the identification of risks, actively seeking contributions from all business units responsible for risk management. Subsequently, an assessment is conducted to evaluate the potential impact and likelihood of occurrence, allowing for the differentiation of risk levels. Risk responses are determined based on the risk appetite set by the Board of Directors, with the goal of mitigating identified risks. At the Board of Directors level, Audit, Risk and Governance Committee diligently oversees and reports on all significant risks.

We have established an operational system that prioritizes risk awareness, aiming to protect and continuously improve risk management activities throughout our value chain and organization. By adopting this approach, we can proactively handle and mitigate risks, optimize the allocation of time and resources to relevant activities, and ultimately foster sustainable growth by reducing financial losses and minimizing resource waste.

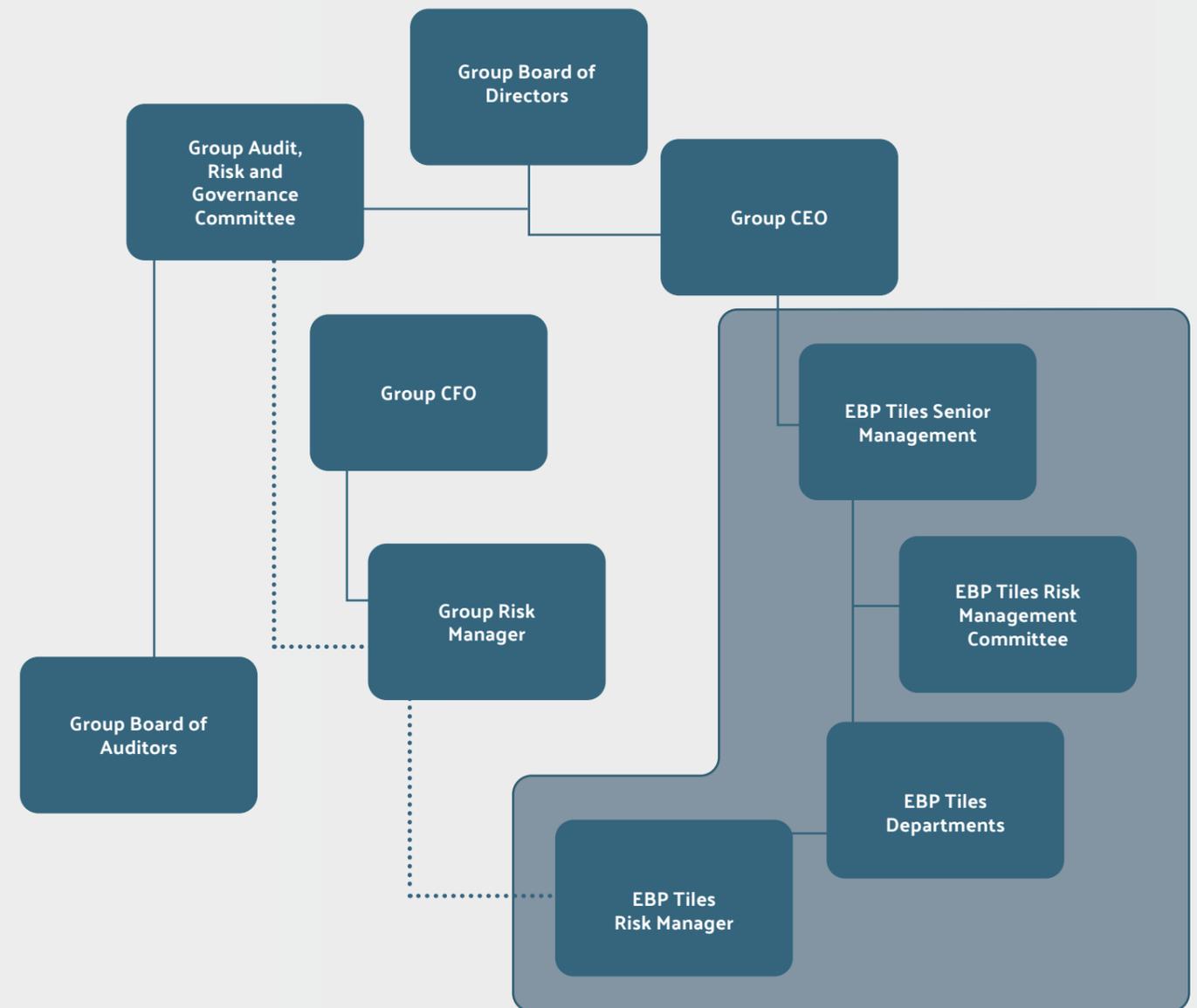


Eczacıbaşı Group's Risk Management Approach

Risk management activities within Eczacıbaşı Building Products - Tiles are overseen by the Enterprise Risk Management Department, led by the CEO of Eczacıbaşı Building Products - Tiles, in coordination with the Enterprise Risk Management Department of the Eczacıbaşı Holding. This department reports directly to the Eczacıbaşı Holding Chief Financial Officer. Our enterprise risk management activities are regularly reported to both Eczacıbaşı Building Products – Tiles Audit, Risk and Governance Committee and the Group Audit, Risk and Governance Committee, which includes the Chief Internal Auditor and independent board members with necessary background and expertise. These committees undertake the oversight function of risk management activities across the company and receive periodic reports on these activities.

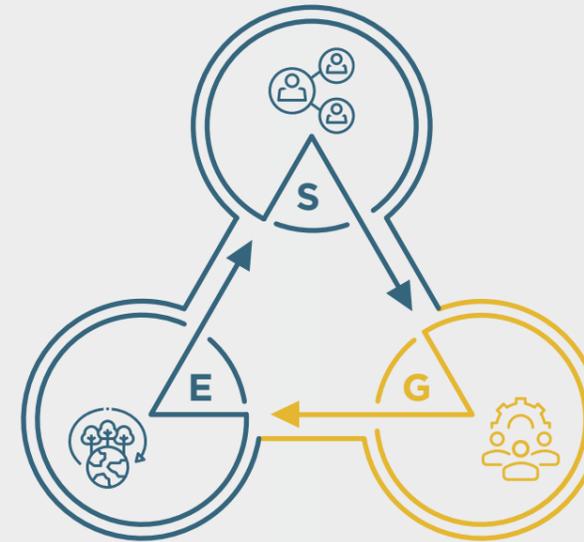
Eczacıbaşı Group Risk Management Structure

Risks are categorized through a common risk universe of Eczacıbaşı Group consisting of strategic, operational, financial, compliance, and sustainability main categories. The following table indicates how Eczacıbaşı Building Products – Tiles categorizes risk and includes examples of risk titles in related categories.



Strategic	Operational	Financial	Compliance	Sustainability
Economic / Macroeconomic	Disaster / Hazard / Security (Earthquake, fire, accident, theft, etc.)	Foreign Exchange / Parity	Legislation / Regulation	Natural Disasters / Extreme Weather
Political / Geopolitical / Country	Health and Safety & Environmental	Liquidity / Cash Flow / Debt Ratio	Ethics / Code of Conducts	Climate Change
Market / Competition	Supply Chain / Procurement (Quality, logistics, subcontractor, etc.)	Interest Rate	Fraud / Errors and Omissions	Resource Management (Energy, water, etc.)
Business Model / Value Chain	Productivity / Resource Usage	Counterparty / Credit	Contract Management	Biodiversity, Ecosystem
Portfolio Management (Customer, channel, region, etc.)	Project Management	Collection / Collateral	Compliance with Standards (ISO, etc.)	Occupational Health and Safety
Investments (Expanding, mergers and acquisitions, etc.)	Asset Management	Capital / Fund Management	Corporate Governance Principles	Employee Rights & Equal Opportunity
Governance (Organizational structure, sources-capacity usage, strategic planning, etc.)	Infrastructure / System (Energy, water, natural gas, communication, etc.)	Financial Instruments	License / Permission / Intensives	Sustainability Communication
Reputation / Image / Brand Value (Communication, social impact, etc.)	Human Resources / Employee	Commodity / Price	Legal Risks (taxation, customs, etc.)	Stakeholder Relations
Stakeholder Relations (Shareholders, business partners, customers, suppliers, etc.)	Information Technologies / Information Securities	Financial & Official Reporting	Legal Compliance with Foreign	Economic Impacts
Innovation / Digitalization (Technological improvement, R&D, business and product development, etc.)	Process Management	Managerial Reporting	Industrial Relations	Responsible Procurement

Deeper Look at Management of Sustainability Risks



At Eczacıbaşı Building Products – Tiles, we recognize the significance of adopting a comprehensive approach to sustainable development, and as a result, we consistently evaluate the effectiveness and relevance of our environmental, social, and economic initiatives. This commitment is reinforced by the annual risk report from the World Economic Forum, which affirms the continued prominence of ESG within the realm of risk management.

To this end, we are implementing effective management efforts to address sustainability risks on environmental and social dimensions. These encompass considerations such as natural disasters, extreme weather events, climate change, biodiversity preservation, efficient utilization of natural resources, recycling and circular economy practices, employee rights and equal opportunities, stakeholder engagement, and sustainable economic growth. Additionally, governance risks, including occupational health and safety, product and service liability, societal innovation, business ethics, legal compliance, anti-bribery, and corruption, are addressed within the context of sustainability risk management, given their impact on strategic, operational, and compliance risks.

All categories of risks are evaluated to ensure business continuity and enhance operational resilience, considering their potential economic, social, and environmental impacts. We are fully committed to continuing our contribution to the sustainability goals of the Eczacıbaşı Group, which are coordinated by the Group's Sustainability, Corporate, and Government Affairs. Our aim is to take concrete risk-mitigating actions, seize relevant opportunities, and collectively **build a healthier future.**



Ethics and Compliance

In alignment with our corporate values, unwavering compliance with business ethics principles and legal regulations is an essential requirement for all our operations. The Eczacıbaşı Group has cultivated a vibrant corporate culture that revolves around strong business ethics, underpinned by the values of respecting individuals and the environment, striving for continuous improvement and progress, and actively contributing to the overall well-being of society. These guiding principles are deeply ingrained in the Group's founder, Dr. Nejat F. Eczacıbaşı, and his unwavering commitment to community service, which profoundly influenced both his personal life and business ventures. The Group attaches significant importance to ensuring that all employees and subsidiaries thoroughly comprehend and embrace these values, integrating them into their daily pursuits.

Business Ethics and Legal Compliance

As a part of the Eczacıbaşı Group, which is a signatory to the UN Global Compact, we steadfastly uphold the principles of integrity, honesty, and transparency throughout all facets of our business activities, while diligently adhering to relevant laws and regulations. Our dedication to impartiality and ethical behavior extends to our interactions with colleagues, customers, and suppliers, fostering a professional environment.

As part of the Eczacıbaşı Group adheres to stringent standards of business ethics and legal compliance, serving as the foundation for our activities. Oversight of ethical practices, internal audits, and legal compliance is entrusted to the Audit Group, CHRO (Chief Human Resources Officer), Legal Department, and Compliance Committee across the Group.

Our Code of Conduct serves as a guide to ensure ethical business conduct and outlines our expectations for both employees and third-party partners. The Code is easily accessible on the Group's website, promoting transparency and accountability for all stakeholders, including our employees.



In alignment with the corporate sustainability management system of the Eczacıbaşı Group, which adheres to global business standards, we exhibit an unwavering dedication to fostering stakeholder confidence and maintaining the quality of all our initiatives. Please find below a list of our Group's sustainability-related policies, which encompass all companies within the Group.

ESG (Environmental, Social, Governance) Policy

Gender Equality Policy

Human Rights Policy

Environment and Climate Change Policy

OHS (Occupational, Health and Safety) Policy

Employee Communication and Training

We are dedicated to ensuring that all employees understand the standards and regulations that are relevant for their roles. We provide comprehensive training and open lines of communication to clarify how these rules apply in day-to-day work. While we expect our current employees to have already completed this training, we ensure that all newly hired employees receive the training within their first month of employment. As of 2022, our employees have collectively received an average of 0.5 hours of Code of Conduct training and 2 hours of Anti-Corruption and Bribery training.

We wholeheartedly adhere to the principle of zero tolerance towards discrimination, bribery, and corruption, aligned with the Group's commitment. Our utmost priority is to foster a workplace that is equitable and fair for all employees, where their human rights are respected, and where business practices remain free from any form of violation. We have a strict policy in place that prohibits activities such as child labor and forced labor, ensuring that every aspect of the recruitment process and subsequent procedures are conducted without any discriminatory practices based on gender, language, belief, or ethnic origin.

Moreover, we demonstrate unwavering commitment to protecting the rights of our employees to form and join unions, aiming to cultivate positive and productive relationships with trade unions. Our Group Human Resources Handbook serves as an extensive guide for our employees, providing comprehensive information on human rights, practices related to freedom of association, as well as our esteemed values and codes of conduct.

If any employee suspects a violation of the code of conduct, particularly related to bribery, corruption, rights infringement, or conflicts of interest, it is their responsibility to report the information to the Compliance Committee using the designated confidential channels. All reports are thoroughly reviewed and assessed by the Compliance Committee, ensuring strict adherence to the principle of confidentiality.

Supply Chain Management

Our company actively utilizes its vast resources and expertise to drive positive change and advocate for sustainable and responsible production practices that extend beyond the boundaries of our own facilities. Through our steadfast dedication to ethical and sustainable standards, we ensure that every facet of our supply chain adheres to global norms and complies with all relevant laws and regulations.

Ensuring exceptional standards in our supply chain operations, we undertake comprehensive evaluations of our suppliers, scrutinizing their sustainability practices and purchasing standards. As an Eczacıbaşı Group company, we adhere to the Group's policies on supply chain management, which encompass various aspects such as child labor, forced and compulsory labor, human rights, and ethical considerations, ensuring their implementation throughout all stages of our supply chain operations. Our objective is to enhance our connections with suppliers, working together to establish a system that upholds sustainability across the entire value chain. In pursuit of this goal, we intend to further expand our policies and procedures for selecting suppliers based on sustainability criteria and closely monitoring the entire supply chain from ethical, social, and environmental standpoints. We consider fair pricing, contractual terms, and supplier adherence to ethical standards in our selection processes. The Supplier General Agreements serve as channels to inform suppliers about the requirements for Quality certification, Health, Safety, and Environmental (HSE) expectations, social compliance (BSCI) requirements, as well as the procedures for monitoring suppliers. By integrating economic, social, and environmental factors into our sustainable purchasing practices, we prioritize nurturing mutually beneficial partnerships and strengthening our relationships with suppliers.



Economic Sustainability

At Eczacıbaşı Building Products - Tiles, we conduct all our operations, from investment strategies to product offerings, with the belief that there is a fundamental connection between ethical business practices and long-term, sustainable development. Our absolute dedication lies in promoting a holistic sustainability framework that includes economic, environmental, and social aspects. By actively pursuing growth through exports and seamlessly incorporating sustainable practices into our operations, we firmly believe that we can achieve lasting success while also making significant contributions towards a better future for everyone involved.

Our remarkable ability to swiftly adapt to challenging circumstances shielded us from significant disruptions during the Covid-19 pandemic. Contrary to initial expectations, our industry witnessed a period of remarkable activity fueled by the growing demand for home renovations as people started spending more time in their homes. Consequently, the ceramic coating industry has become a crucial sector within our country. The Turkish ceramics industry has gained international recognition, standing alongside esteemed brands from Spain and Italy.



Financial and Economic Performance

In the current year, Eczacıbaşı Group commemorated its 80th anniversary, characterized by resilient growth and expansion despite challenges posed by energy and food security concerns, post-Covid inflationary pressures, and the Ukraine conflict. The Tiles segment played a pivotal role in driving top and bottom-line growth, demonstrating a substantial market share in European exports and outperforming competitors through increased export values. Notably, around 80 percent of this segment's revenue stems from international sales, and VitrA Tiles achieved the prestigious distinction of being named an Export Champion for the fourth consecutive year.

Our products have successfully penetrated more than 75 countries, with a primary focus on the Turkish and German markets. Exports account for over 80 percent

of our sales, further establishing our strong presence. Moreover, we are responsible for 40 percent of the total ceramic tile exports from our country to Europe and 18 percent of global exports. Our tile products claim the leading position in EU country exports, solidifying our status as one of Europe's top 10 tile manufacturers. This achievement can be attributed to the strength of our distinguished brands, namely VitrA, Villeroy & Boch, and engers.

In line with our commitment to achieving robust growth through strategic investments, we have inaugurated a new production line at our Bozüyük facility. This expansion has allowed us to augment our tile production capacity by an additional 3.5 million square meters, reaching a total capacity of approximately 27.2 million square meters, while also generating new employment opportunities. The advanced production line incorporates state-of-the-art artificial intelligence algorithms and real-time data analysis, resulting in a waste reduction and decrease in energy consumption, setting a new industry standard. By leveraging Industry 4.0 applications and artificial intelligence technologies, we have successfully innovated and streamlined our business processes. Additionally, our investment has significantly improved our proficiency in manufacturing oversized tiles, which represents one of the rapidly expanding segments in the European tile market.

Zero-Based Budgeting

Zero-based budgeting (ZBB) is a budgeting approach that requires a justification for all expenses in each new period. It involves analyzing the needs and costs of every function within an organization, starting from a "zero base."

At Eczacıbaşı Building Products - Tiles, we have been implementing ZBB since 2020 and utilizing its outcomes to guide our projects. In 2022, we allocated 6.3 million euros from our budget to sustainability-focused projects within the ZBB framework, reflecting a 102% increase compared to the previous year. We also executed 105 sustainability-focused projects, marking a 55% rise in the number of projects within the ZB framework compared to the previous year. Going forward, our aim is to increase this ratio annually, diversify our project processes, and contribute to our overall sustainability at a higher rate.

4 Investing in Planet



The simultaneous transition towards a low-carbon economy and circular economy is crucial for achieving global sustainability and promoting long-term sustainable economic growth. Shifting away from reliance on high-carbon fossil fuels and embracing renewable energy sources is of paramount importance in addressing climate change and transitioning to a low-carbon economy. Similarly, embracing a circular economy approach is vital for minimizing resource extraction, enhancing resource efficiency, and reducing adverse environmental impacts.

At Eczacıbaşı Building Products - Tiles, we are unwavering in our commitment to addressing climate change and unsustainable use of natural resources. We prioritize energy efficiency, investments in renewable energy, and implementing circular economy initiatives throughout our entire value chain, from the manufacturing process to the end-of-life management of our products.

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Climate and Environment

The effects of the climate crisis are becoming more evident, with impacts on ecosystems and human well-being becoming increasingly apparent. The World Economic Forum's Global Risks Report highlights that climate and environmental risks are at the forefront of global concerns for the next decade¹. As a response to this urgent challenge, there is a widespread commitment to limit the increase in global temperature to 1.5°C, in alignment with the goals outlined in the Paris Agreement.

At Eczacıbaşı Building Products – Tiles, we recognize that the construction and building materials sector within which we operate is one of the most energy and emission-intensive sectors. Therefore, it is imperative that we transform how we do our business across the entire value chain, from material sourcing to manufacturing and beyond, to have a positive impact on the environment and effectively address climate change.

Our commitment to creating value for all stakeholders extends to our environmental efforts, with a strong emphasis on minimizing our ecological footprint. We strive to align our actions with the broader framework for transitioning to a low-carbon economy by not only complying with increasingly stringent regulations and standards but also surpassing them. Through continuous improvement of our processes, we aim to ensure responsible consumption of energy, water, and materials.

By embracing sustainable practices and incorporating innovative technologies, we aim to reduce emissions, optimize resource use, and enhance overall efficiency. In pursuit of our environmental goals, we maintain regular monitoring of our overall environmental performance and conduct thorough assessments of the risks and opportunities associated with climate change. Our goal is to contribute to the creation of a more sustainable future by actively participating in global efforts to combat climate change and promoting responsible environmental stewardship.

Most of our factories operate in accordance with the ISO 14001 Environmental Management System and the ISO 50001 Energy Management System. These frameworks provide us with a systematic approach to effectively manage our operations, enhance environmental performance, and drive continuous improvement. Furthermore, our **Environment Policy** serves as a guiding document to optimize the performance of our operations.

Our commitment to environmental responsibility is deeply embedded in our organizational culture, driving us to constantly strive for excellence in environmental management and resource efficiency. Our dedicated Working Groups play a crucial role in conducting studies and implementing initiatives aimed at reducing our environmental impact and carbon emissions. These Groups work closely with the Eczacıbaşı Group Energy Management Working Group to ensure effective coordination and maximize the impact of our efforts. To enhance energy management at the factory level, we have established specific targets and action plans. Working Groups are diligently appointed to monitor the progress towards these objectives. Additionally, we conduct comprehensive reviews of our target plans at least twice a year to ensure they remain aligned with current circumstances.

Energy Management and Carbon Emissions

At Eczacıbaşı Building Products – Tiles, we recognize our part to play to reduce our environmental impact as a key international player in an energy-intensive industry. We place a strong emphasis on reducing our environmental impact and we consistently seek out opportunities to enhance efficiency and innovate with pioneering initiatives that reduce our energy consumption and carbon emissions.

Throughout the year, our primary focus was on process optimization and the implementation of heat recovery systems, resulting in a significant reduction in our energy consumption. Through a series of initiatives, we successfully conserved 12,403 MWh of energy in 2022, which is equivalent to approximately 2,434 tons of CO₂ emissions. As a result, our energy intensity decreased 9% from 1.89 MWh/ton to 1.71 MWh/ton ✓ compared to 2020.

While our production volume has increased by 17% in 2022 compared to 2020, we observed only a 6% increase in our total Scope 1 emissions, amounting to 133,774 tons of CO₂. On the other hand, our Scope 2 emissions decreased significantly by 81% compared to 2020, through our renewable electricity procurement efforts, resulting in emissions of 11,015 tons of CO₂. Overall, we accomplished a remarkable reduction in our total carbon emissions, corresponding to 144,788 tons of CO₂ ✓. This reduction contributed to a 33% decrease in our carbon intensity, from 0.43 tons CO₂/ton to 0.29 CO₂/ton ✓, compared to base year.



¹ World Economic Forum, The Global Risk Report 2023

Process Optimization

Improving the efficiency of our manufacturing processes is a key approach to reducing excessive energy consumption. Recognizing the substantial impact of process optimizations, we have implemented various initiatives to ensure the efficient use of energy, resulting in the savings of 440 MWh of energy and the prevention of 247 tons of CO₂ emissions.

Through the implementation of innovative technology, we have replaced the conventional manual dampers used for fan control in our spray dryers with cutting-edge inverters. This automated control system, combined with optimized flow rates, has resulted in electricity saving of 182 MWh. Additionally, we have accelerated the speed of the kilns in our Plitka factory, allowing us to achieve the same output within a reduced timeframe. This modification has led to a 5% reduction in fuel consumption per square meter of tile production, thanks to the shorter operating duration of the kilns.

Natural Gas

Our production processes mainly rely on natural gas as a primary fuel source. This year, we have implemented various initiatives to reduce fuel consumption, particularly through the development of a low-density sludge recipe. The development of our low-density sludge has been a two-stage project. Initially, we revised the nozzles of our spray dryers to accommodate high-density sludge. In the subsequent stage, we focused on investigating the rheological properties of the high-density sludge and successfully developed a recipe for low viscosity sludge. This innovative approach has provided us with significant advantages, including efficient utilization of natural resources and optimization of costs. Thanks to this initiative,

we have achieved remarkable results. Annually, we are now saving 480,000 cubic meters of natural gas, which is equivalent to 5,107 megawatt-hours of energy and a reduction of 904 tons of CO₂ emissions.

Heat Recovery and Insulation

Waste heat recovery offers numerous compelling advantages and serves as a crucial solution for optimizing energy systems. By capturing and utilizing thermal energy that would otherwise go to waste, waste heat recovery enhances energy efficiency, resulting in reduced fuel consumption and lower emissions.

Within our manufacturing process, heat is utilized for firing and drying purposes, presenting a significant opportunity to save energy by recovering and transferring waste heat between equipment. Our waste heat recovery system effectively captures the excess heat generated by the kilns and redirects it for use in spray dryers, press dryers, and pre-kiln drying. This system enabled us to save 3,745 MWh of energy in 2022 and prevent 663 tons of CO₂.

Insulation also plays a noteworthy role in improving energy efficiency by minimizing the need for constant heating or cooling. This not only reduces our environmental impact but also leads to substantial cost savings. During our routine maintenance, we identified damage to the internal metal sheet of the spray dryer, as well as corrosion on both the inner and outer insulation materials. By promptly replacing these damaged components, we prevent potential heat losses and maintain the efficiency of our manufacturing process, resulting in the savings of 2,929 MWh of energy and the prevention of 518 tons of CO₂ emissions. Furthermore, this proactive approach reduces the risk of future maintenance issues and ensures the longevity of our equipment.



Renewable Energy

Recognizing the urgency of addressing climate change and the environmental consequences associated with traditional energy sources, the adoption of renewable energy has become imperative for a sustainable future. Embracing renewable energy offers many advantages, foremost among them being reducing our ecological footprint, thereby contributing significantly to global efforts to mitigate climate change.

At Eczacıbaşı Building Products - Tiles, we are fully committed to promoting and increasing the utilization of renewable energy sources. As part of our ongoing initiatives, we conduct regular feasibility assessments to explore the feasibility of meeting our energy needs through renewable sources. We allocate investments strategically to support the production of low-carbon energy and leverage proven renewable energy technologies. Additionally, we engage in strategic energy purchases that align with our commitment to expanding and advancing our business while minimizing our environmental impact.

Generating Our Own Electricity from Renewables

Our steadfast commitment to renewable energy not only demonstrates our unwavering dedication to sustainable value creation but also highlights the importance we place on generating our own electricity from renewable sources. With this in mind, we are actively pursuing the implementation of renewable energy technologies to enhance our self-generated renewable energy capacity.

2022, we made significant progress in our utilization of renewable energy sources. Throughout the year, we produced 59,98 MWh of renewable electricity with our pilot solar power plant. At our Bozüyük facility, we have completed the installation of a rooftop solar plant with a capacity of 3.5 MW, which is set to commence operation in 2023. Additionally, we have planned the installation of a new land-mounted solar power plant with a total capacity of 30 MW, scheduled to be operational by 2024.

Looking ahead, we remain committed to exploring further opportunities to expand our renewable energy usage in the years to come. To reduce our dependence on fossil fuels, we investigate the production, storage and use of green hydrogen as an alternative fuel in manufacturing processes. By decreasing our reliance on fossil fuels and minimizing our carbon footprint, our aim is to generate over half of our electricity consumption from our own renewable energy plants by 2025, all while maintaining the high quality and efficiency of our operations.

Green Electricity Procurement

Aligned with the strategic direction of the Eczacıbaşı Group, we purchased I-REC certificates for all the electricity used in our Turkey operations. As a direct outcome of this effort, an impressive 81.9% of our global electricity consumption in 2022 was derived from renewable sources.



Water Management

As the global population continues to grow and the impact of climate change becomes more apparent, effective water management has become increasingly crucial. The accurate monitoring and efficient utilization of water resources are paramount in safeguarding and restoring our natural environment.

At Eczacıbaşı Building Products – Tiles, we collaborate closely with the Eczacıbaşı Group to implement comprehensive water management initiatives. The Group’s “Water Management Working Group” establishes specific targets and action plans for all companies within the Group. We provide monthly reports on our water consumption and the volume of water used per product to ensure transparency and accountability.

Recognizing that water is a vital component in our tile production process, The Eczacıbaşı Group sets targets for reducing water usage in its subsidiaries and develops actionable plans to achieve them. We closely monitor water consumption from the grid and groundwater sources and the water consumption per ton of product. These data points are regularly reported to senior management and Eczacıbaşı Holding on a monthly basis.

In our production facilities, we prioritize efforts to minimize water consumption, promote efficient water usage, and maximize wastewater recovery. We are proud to announce that we recycle 100% of our industrial wastewater, recovering and reusing it in production across all our facilities. To achieve water savings, we have implemented various initiatives, including the reuse of wastewater from spray pumps, the replacement of manual-controlled faucets with photocell-controlled faucets, and several process optimizations. By developing a low-density sludge recipe that reduces the water

rate in the sludge mixture, we have saved 8,297m³ of water, which accounts for 2% of our freshwater usage at our Bozüyük facility, effectively recycled.

As a result of our efforts throughout the year, we have achieved a notable reduction in total water consumption. Our total water withdrawal has decreased by 17% compared to 2020, resulting in a total volume of 458,476 m³ ✓. This reduction has led to a substantial decrease in our water intensity, declining by 29% from the base year of 1.28 m³/ton to 0.91 m³/ton ✓.

Moving forward, we will continue to explore innovative solutions to ensure the efficient use of water resources, minimize our environmental impact, and contribute to a more sustainable future. In line with this commitment, we are working on a project that focuses on optimizing water utilization. Under this initiative, we plan to transport treated industrial wastewater from VitrA Santekhnika to our VitrA PlitkA facility, taking advantage of their proximity. After completing the production process at Santekhnika, any excess water will undergo treatment and be conveyed to our tile production operations through a pipeline system. Following successful testing, we aim to implement this project in 2023.

Circular Economy

The continuous escalation in material extraction and utilization has resulted in irreversible harm to the environment, surpassing five out of the nine vital planetary boundaries essential for the well-being of our planet. This excessive consumption of materials is responsible for more than 90% of the worldwide biodiversity loss and water stress that we are currently experiencing. It is evident that as a global community, our consumption and wastage have reached unsustainable levels. Therefore, it is imperative that we undergo a profound transformation in our approach to materials to restore balance and sustainability to our relationship with our planet.

The Circular Economy embodies a holistic framework aimed at designing and operating businesses in a manner that minimizes waste and maximizes the utilization of resources, presenting a viable alternative to the traditional “take-make-waste” approach to production and consumption. The Circular Economy emphasizes the efficient and sustainable use of resources throughout a product’s life cycle.

At Eczacıbaşı Building Products - Tiles, we fully acknowledge the significance of embracing circular economy principles in our operations. Our core principles revolve around resource efficiency, resilient and contemporary design, and effective waste management. Our commitment to sustainability and preserving natural resources for future generations is guided by our environmental policy, resource management procedure, and waste management procedure. These guiding principles serve as a roadmap for us to achieve our sustainability objectives and minimize our ecological footprint.

In our product designs, we use strategies that minimize waste and maximize resource utilization, aligning with the core tenets of a circular economy. We are committed to reducing resource consumption and waste generation by opting for recycled or environmentally friendly materials whenever possible, and we actively seek opportunities for recycling and reusing materials throughout our value chain. These efforts are reinforced by our commitment to responsible and sustainable business practices, as well as robust collaboration with partners throughout our value chain.

To ensure the effective implementation of circular economy practices, we collaborate closely with the Eczacıbaşı Group’s “Circular Economy Working Group.” This working group comprises representatives from various companies within the group and is responsible for setting goals, developing action plans, and monitoring progress towards achieving circular economy objectives for all companies under the Eczacıbaşı Group.

Resource Management and Responsible Procurement

At Eczacıbaşı Building Products - Tiles, responsible resource management is at the forefront of our priorities. Our processes begin with the careful selection and acquisition of resources that have minimal environmental impact, forming the initial phase of our resource management process. We ensure that the materials we use in manufacturing our products are utilized efficiently, minimizing waste, and maximizing resource utilization.

In addition to efficient resource utilization, we have taken significant steps to explore recycling alternatives, which form an integral part of our resource management strategy. By promoting the circular economy principles, we actively seek out projects and initiatives that support the recycling and reuse of materials, reducing our reliance on virgin resources and minimizing the environmental impact of our operations.

Incorporating alternative raw materials into our production process offers several advantages, including cost-effectiveness and efficient resource utilization. One of our key priorities is the integration of waste materials as alternative raw materials in our manufacturing operations. As part of our ongoing initiatives, we incorporated industrial wastewater treatment plant sludge and green and fired tile scraps as raw materials. By leveraging our proximity to VitrA Ceramic Sanitary ware, we have established a collaboration where we integrate their industrial treatment sludge as a raw material at our Bozüyük factory. Through this initiative, we have successfully incorporated a total of 10,369 tons industrial treated sludge from VitrA Ceramic Sanitary ware into our production process in 2022. By utilizing their waste as a valuable resource, we not only minimize

the amount of waste sent to landfills but also contribute to the circular economy by giving these materials a new life and purpose. Furthermore, we have recently entered into an agreement with two ceramic tile manufacturers, wherein we incorporate their waste materials into our production process. By doing so, we effectively utilize 2,000 tons of green and fired tile scraps tiles as an alternative raw material in our operations.

We have also implemented a comprehensive recycling strategy to effectively manage the green and fired tile scraps generated within our production facility. Also, we have redirected the remaining part of about 9,000 tons of fired tile scraps to cement factories for complete recycling. By embracing these initiatives, we ensure that the waste materials are repurposed and transformed into valuable resources.

Packaging

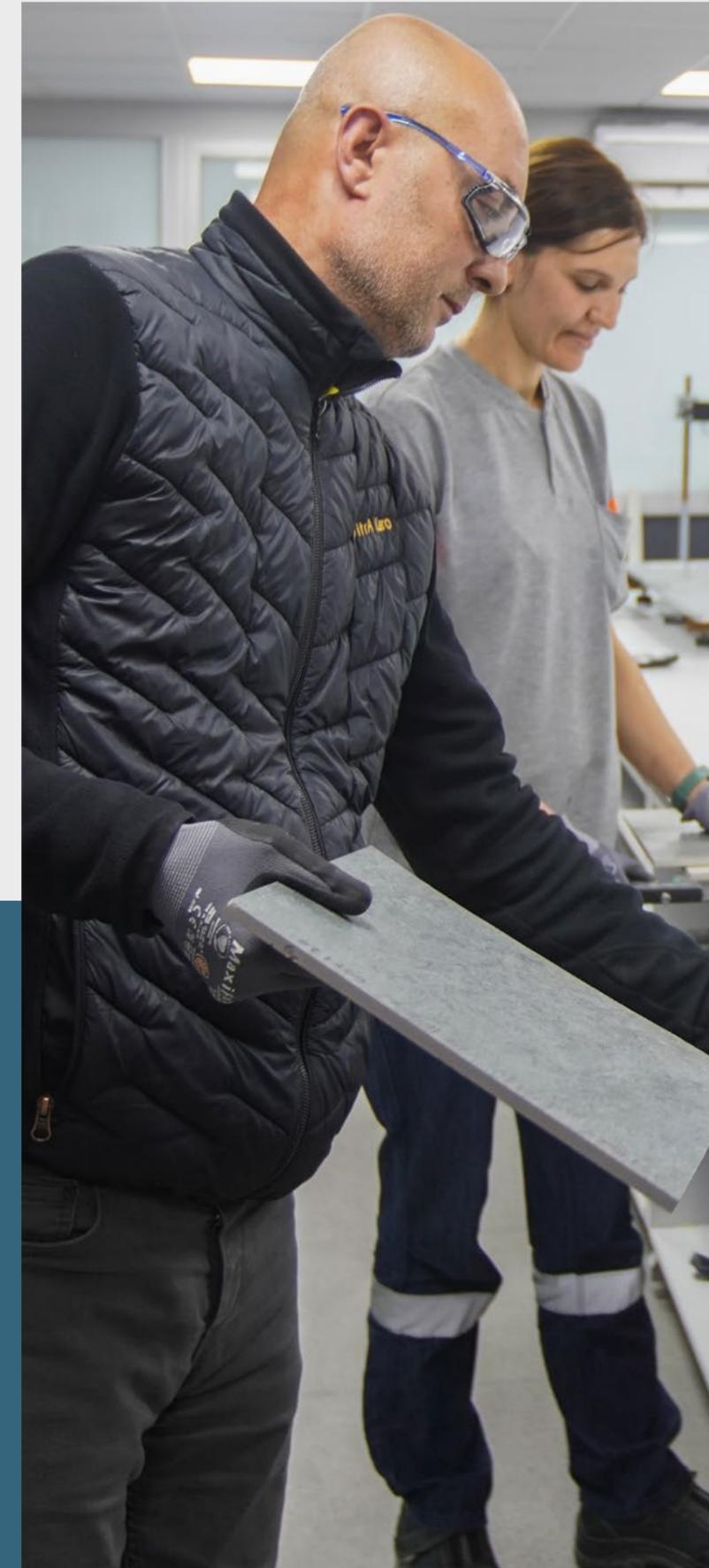
At Eczacıbaşı Building Products - Tiles, we understand the significance of embracing circular economy practices in our packaging processes, and we place a strong emphasis on using environmentally friendly materials. One of our key initiatives involves implementing green purchasing practices, which prioritize the selection of shrink-packaging materials with high recyclability standards for our pallets. Through our pallet optimization studies, we actively work to minimize the amount of packaging materials utilized in our products. Additionally, we utilize corrugated cardboard that is made entirely from recycled materials and is fully recyclable, further reducing our environmental impact.

To ensure the safe and efficient logistics of our products, we utilize two different types of plastic strapping materials: green and white. While the white strapping is composed of polypropylene, the green strapping is made from PET and contains 98% recyclable plastic. We have successfully maintained an equal proportion (50-50) usage of these two materials. Through collaboration and negotiations with our green circle supplier, we have achieved the desired quality with green circles, and we have increased the usage rate of green circles to 65%. This shift has allowed us to avoid 10 tons of polypropylene usage. Additionally, our packaging processes optimizations have also resulted in the prevention of 58 tons of plastic.

Business Plastics Enterprise (IPG)

In 2019, the IPG initiative was jointly launched by the UN Global Compact, SKD Turkey, and TUSIAD with the aim of encouraging businesses to voluntarily commit to reducing plastic usage and taking tangible actions towards this goal. As part of our commitment to the IPG, we are dedicated to reducing plastic usage in both our workplaces and production processes.

To achieve this, we have focused on improving the performance of the Stretch Hood film used for pallets, resulting in a significant reduction in the amount of plastic used in our product packaging. Additionally, we have implemented measures such as optimizing pallet alignment and shortening the length of coverage material, while still ensuring the necessary level of product protection. These initiatives have contributed to a substantial reduction in our overall plastic consumption.



Product Responsibility

At Eczacıbaşı Building Products – Tiles, we are deeply committed to producing sustainable and environmentally responsible products. We believe in harnessing innovative thinking, digital technologies, and our technical expertise to create modern, durable, and high-quality tiles that consider the entire lifecycle, from production to consumer use.

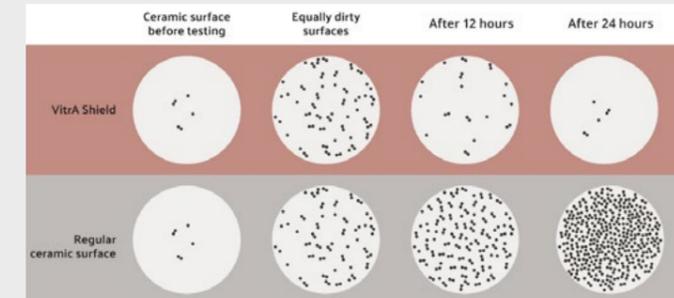
One of our key focuses in sustainability is product thinning. By implementing product thinning techniques, we achieve the same surface area while reducing the use of raw materials, energy, and water. This not only helps us maintain product quality but also contributes to minimizing our environmental impact. Moreover, product thinning allows us to transport more tiles within the same loading area, further reducing our environmental footprint in logistics. At the consumer stage, the thinned product generates less waste after its lifecycle, making it more environmentally friendly compared to our conventional products.

As a tile manufacturer, we prioritize the hygiene and safety of surfaces in all our products. We recognize that traditional surface cleaning products can have negative environmental consequences. To address this, we integrate innovative surface technologies into our tiles, ensuring advanced hygiene and the creation of healthy living spaces. Our products feature anti-slip properties, easy-to-clean surfaces, and hygienic qualities. Additionally, we display our commitment to sustainability by offering easy-to-clean and self-cleaning tile solutions. These solutions not only reduce water consumption throughout the product lifecycle but also eliminate the need for chemical cleaning agents that can pollute water resources.

By embracing these practices and technologies, we strive to provide environmentally responsible and sustainable tile solutions. We believe that through innovation and responsible manufacturing, we can contribute to a greener future while ensuring the highest quality and hygiene standards for our customers.

VitrA Shield

Our tile products possess self-cleaning properties, which are activated by light and humidity in the air. This innovative feature, known as photocatalysis, allows the tiles to effectively remove dust and other dirt particles from their surfaces. Indoors, the tiles can be cleaned simply by spraying water, while outdoors, they benefit from the natural cleansing action of rainwater. As a result, the use of VitrA Shield tiles minimizes the need for excessive water consumption, reduces energy consumption, and eliminates the requirement for chemical cleaning agents when maintaining both indoor and outdoor surfaces.



VitrA V-Safe

It is an advanced surface technology specifically designed to offer a range of beneficial features. This innovative solution provides slip-resistant surfaces, ensuring enhanced safety in both indoor and outdoor areas. Additionally, VitrA V-Safe surfaces are highly hygienic and easy to clean, making them ideal for spaces that require optimal cleanliness, such as nursery rooms, bathrooms, kitchens, swimming pools, SPAs, and industrial areas.

Moreover, VitrA V-Safe includes specialized variations like V-Safe Mini and V-Safe Wet Technologies, which offer the added advantage of soft touch surfaces. These features provide a comfortable and tactile experience, further enhancing the overall quality and usability of the surfaces.



V-Agent

It is an advanced smart surface technology specifically designed to effectively combat the presence of coronaviruses and bacteria on both floor and wall tiles. Through a unique technique implemented during the production phase, V-Agent reduces the presence of these harmful microorganisms by an impressive 99.99%. This significant reduction has been scientifically proven and validated by the esteemed TCNA (North American Ceramic Council). By incorporating this special technique into the tile surfaces, V-Agent ensures a cleaner and safer environment, providing enhanced protection against the spread of viruses and bacteria.



Products Certificates

With the evolving expectations of the younger generation and the changing behaviors of consumers, there is a growing demand for transparency regarding product carbon footprint, recycled material content, and the sourcing of locally and ethically produced materials. These factors now play a significant role in consumers' purchase decisions.

As a responsible manufacturer, we prioritize transparent communication about the environmental impact of our products and strive to enhance their sustainability credentials. Our products make a valuable contribution to sustainable building solutions and possess a wide range of environmental labels and certifications.

Our entire product range holds the esteemed Green Guard and Green Guard Gold certifications by Underwriters Laboratories (UL). These certifications confirm that our products do not contain volatile chemicals that pose health risks or compromise indoor air quality when used under typical room temperatures.

Furthermore, our wall tiles have the QB (Quality in Building) Wall PEC certificate whereas our porcelain and floor tiles have QB UPEC certificate, performed by the CSTB (Centre Scientifique et Technique du Bâtiment, Scientific and Technical Building Centre) in Paris. These classifications attest to the compliance of floor coverings with the technical requirements set out by the QB. Additionally, specific categories of our products have obtained the Environmental Label granted by the Turkish Ministry of Environment, Urbanization, and Climate Change. These labels further demonstrate our commitment to environmental responsibility.

In addition to these certifications, our products also have an Environmental Product Declaration (EPD), providing comprehensive information about their environmental performance throughout their life cycle. This declaration serves as further affirmation of the environmentally friendly attributes of our products.

By holding these certifications and labels, we ensure that our customers have access to accurate and trustworthy information about the environmental aspects of our products. We believe in the importance of transparency and sustainability, and through these certifications, we aim to meet the growing demand for eco-friendly and socially responsible products.

Product Certificates	
	TS EN 14411 Certificate of Turkish Standards Compliance
	TS EN 14411 Double Star Certificate
	CSTB - WALLPEC
	CSTB - UPEC
	EPD (Environmental Product Declaration)
	Greenguard Gold
	Saudi Arabia Export Certificate
	GOST certificate
	Fire Safety Certificate

Waste Management

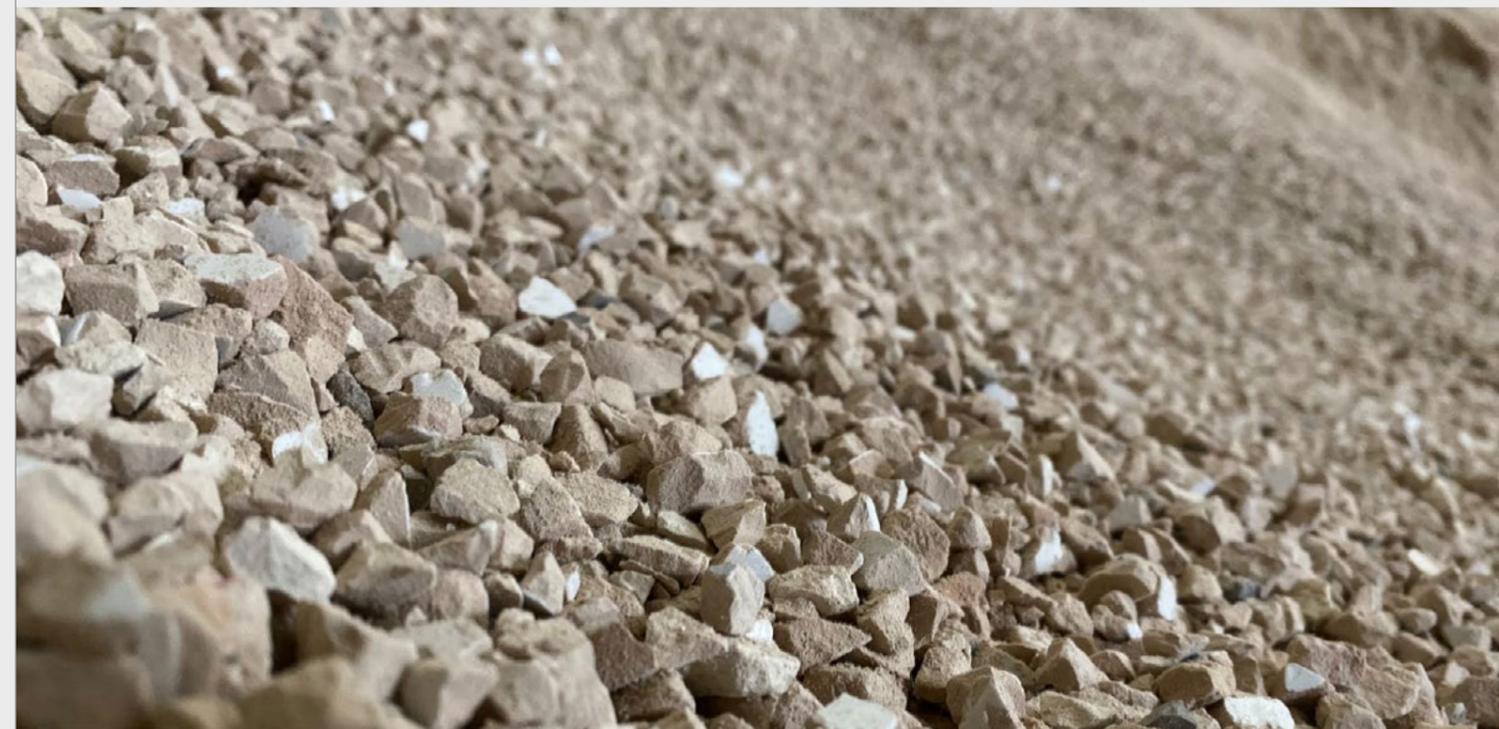
Proper waste management plays a crucial role in promoting environmental sustainability and safeguarding public health. Sound waste management practices are essential to keep our communities clean, free from pollution, and safe for current and future generations. Projections indicate that waste generation is expected to increase at a rate more than twice that of population growth³, underscoring the urgent need for action.

At Eczacıbaşı Building Products – Tiles, we have implemented a comprehensive waste management approach that encompasses various strategies to minimize waste generation and promote sustainable practices. Our primary focus is on waste prevention, where we strive to reduce the amount of waste produced during the manufacturing process of our products. Our efficient resource management practices play a significant role in our waste management strategy.

In instances where waste generation is unavoidable, we prioritize the reuse or recycling of materials. We have established robust systems to identify and segregate waste materials, ensuring that they are effectively managed according to relevant regulations and industry best practices. Our waste management practices comply with the appropriate regulations to ensure environmental protection and safety.

Aligned with the principles of the Eczacıbaşı Group, we are steadfast in our commitment to embracing a “zero waste” approach throughout our operations. As a testament to our commitment, our Bozüyük facility has been awarded the prestigious Zero Waste certificate issued by the Ministry of Environment, Urbanization and Climate Change. This certificate signifies our dedication to achieving zero waste to landfill, as we strive to divert waste materials from traditional disposal methods and instead focus on recycling, reusing, or repurposing them.

Our Waste Management Procedure serves as our guiding framework, allowing us to effectively minimize our environmental footprint and actively contribute to the advancement of a sustainable future. In 2022, our concerted efforts yielded remarkable results, as we achieved an impressive 21% reduction in our overall waste generation compared to the previous year.



5

Investing in People



At Eczacıbaşı Building Products - Tiles, we recognize the crucial significance of our employees in not only our dedication to sustainability but also in our broader business accomplishments. We place great importance on ensuring the health and well-being of our workforce with more than 2,000 employees, while also fostering an inclusive and diverse workplace that empowers everyone to excel and utilize their full potential. Our dedication goes beyond the confines of our operational scope, as we actively endeavor to improve the welfare of the individuals we interact with and actively contribute to the advancement and resilience of the communities we engage with.

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Equal Opportunity

At Eczacıbaşı Building Products - Tiles, we understand the vital importance of cultivating a sustainable organization that thrives in an inclusive work environment where every employee is valued, respected, and empowered. Our primary objective is to create meaningful and fair employment opportunities for individuals from diverse backgrounds, fostering a culture that embraces inclusivity at its core. We strongly emphasize the creation of an empowering atmosphere where all employees, regardless of their identity, feel a sense of belonging.

By prioritizing diversity, we tap into the collective power of unique perspectives and talents, driving organizational excellence and ensuring that everyone has the opportunity to flourish and contribute their full potential. As responsible employers, we are committed to providing equal opportunities and fair treatment to all individuals, both in the recruitment process and within the work environment.

Recognizing that achieving a sustainable future requires the equal participation of women in all aspects of life, we dedicate significant efforts to enhancing women's representation within our workforce. We implement various initiatives aimed at promoting women's involvement at all levels, elevating their overall presence within our company, and facilitating uninterrupted career progression.

The "ALLforALL" Equal Opportunities Committee, operating under the umbrella of the Eczacıbaşı Group, is responsible for our endeavors in execution of initiatives. This committee comprises representatives from all companies within the Group and is responsible for monitoring and evaluating our current processes for equal opportunities. It provides valuable insights on best practices observed both domestically and internationally. Recognizing that treating our employees with utmost respect and dignity is essential as responsible employers, we wholeheartedly commit ourselves to aligning our human resources strategies and practices with globally accepted standards. We have launched a range of educational programs focused on promoting gender equality, demonstrating our

support for the United Nations Women's Empowerment Principles (WEPs). Additionally, we actively participate in the Equality at Work Platform, a collaborative effort between the World Economic Forum and the Turkish Ministry of Family and Social Policies.

Furthermore, our Group's **Gender Equality and Equal Opportunities Policy** solidifies our unwavering commitment to fostering gender equality and ensuring equal opportunities for all. We align our efforts with the strategic framework set by the Group, while also ensuring that our suppliers and business partners adhere to the guidelines outlined in the Group's policies.



Equal, Diverse and Inclusive Workplace

At Eczacıbaşı Building Products - Tiles, we hold a strong belief that fostering an equal, diverse, and inclusive workplace is essential for successfully navigating complex challenges and seizing new opportunities. By creating a working environment that upholds principles of fairness and equality, we not only enhance the adaptability and resilience of our company, but also cultivate a diverse workforce that fuels innovation and creativity. This approach is not only aligned with our objectives, but also drives the growth of our company and drives sustainable value creation.

We are deeply committed to promoting gender equality and empowering women to establish a diverse and inclusive workplace. We recognize the strategic importance of increasing the representation of women at all levels, particularly in industries that have been traditionally male dominated. As a result, we have set ambitious goals to promote equal opportunities and ensure gender equality in both our recruitment processes and the work environment. These commitments are reflected in our Human Resources strategies and implemented through various initiatives.

Our objective is to achieve 58% share of women in new recruitment, 45% in employment, 38% in executive team, by 2025. As of 2022, we are delighted to announce that, we have raised the percentage of women among new recruits from 55.2% to 56.3% ✓, and total share of women professionals from 38% to 39.2% ✓. We understand that achieving these targets requires a comprehensive and proactive approach, encompassing recruitment practices, talent development programs, and creating a supportive workplace culture that values and empowers women.

“ALLforALL”

Launched on March 8, 2017, the Eczacıbaşı Group, “ALLforALL” platform encompasses a range of initiatives aimed at fostering inclusivity, including programs such as “liderizbiz” which provides leadership training for women, and “farkındayızbiz” which raises awareness about gender equality.

As part of our joint practice with the Eczacıbaşı Group, we have implemented a gender-neutral curriculum vitae as a standard procedure since 2017. During the recruitment process, candidate CVs are intentionally stripped of personal identifiers such as names, surnames, photographs, gender information, marital status, military service, family details, and email addresses. This ensures that all candidates are evaluated solely based on their qualifications and merits, regardless of their personal characteristics. Notably, the Eczacıbaşı Group is the first company in Turkey to adopt this pioneering initiative.

By removing these identifying factors, we create a level playing field and provide equal opportunities for all candidates. This practice aligns with our commitment to fairness and equality, eliminating any potential biases or discrimination that may arise from personal information. Our aim is to ensure that the recruitment process is based solely on an individual’s qualifications, skills, and potential, enabling us to select the most suitable candidates for our organization.

Our Initiatives

At Eczacıbaşı Building Products – Tiles, we actively engage in internal analyses to identify areas where we can enhance the representation of women, particularly within our sphere of influence. As part of our unwavering commitment to promoting equal opportunities and ensuring gender equality, we implement a range of initiatives aimed at achieving our objectives and creating a more inclusive and diverse workplace.

One of our initiatives is the “**Women Forklift Driver**” project, which seeks to increase the participation of women in non-traditional roles. Through this program, we offer voluntary forklift operator training to our female employees. Upon successfully completing the training, we create a pool of potential candidates who are eligible to obtain a forklift driver license. Currently, we have 14 women employees in our candidate pool with valid driving licenses, and an additional eight women employees who are currently undergoing the training process. This project has not only expanded employment opportunities for women within our facility but has also allowed us to witness the determination and motivation of women employees in a field that has traditionally been dominated by men.

Creating a comfortable and inclusive work environment for all employees is a top priority for us. To ensure this, we conduct **comprehensive job analyses from the perspective of our female employees**. By proactively identifying any potential challenges or barriers that may affect our female employees, we can take appropriate measures to address them before they arise. This proactive approach enables us to create a supportive

work environment that fosters the success and well-being of all our employees, regardless of their gender.

In addition to our ongoing initiatives, we have implemented further measures within the Eczacıbaşı Group to prioritize the well-being and work-life balance of our employees, particularly those who have recently become parents. One significant step we have taken is the expansion of paternity leave duration to three weeks, recognizing the importance of fathers’ involvement in the early stages of their child’s life. This extended leave period allows fathers to actively participate in childcare responsibilities and bond with their newborns.

Moreover, we have broadened the coverage of daycare assistance across all our sites and locations. By offering this support, we aim to alleviate the challenges faced by working parents in securing reliable and high-quality childcare services. We understand that providing accessible daycare options not only eases the burden on parents but also contributes to their peace of mind, allowing them to focus on their professional responsibilities with greater confidence.

Recognizing the importance of breastfeeding for the health and well-being of both infants and mothers, we have also incorporated breastfeeding rooms within our facilities. These dedicated spaces provide a comfortable and private environment for new mothers to nurse or express milk during their work hours. By offering this support, we aim to facilitate a smooth transition for mothers returning to work after maternity leave, while also promoting their overall well-being.



Our Remuneration Approach

As part of the Eczacıbaşı Group is strongly dedicated to promoting the fundamental principle of “equal pay for equal work.” This principle takes into account several factors, including an employee’s career progression, level of responsibility, performance, and comparisons with market-based salary standards. At Eczacıbaşı Building Products - Tiles, we share this commitment and rigorously adhere to the Group’s remuneration policies, which guarantees that all our employees are compensated fairly and impartially for their work, regardless of their gender, race, or any other personal characteristics.

Human Rights and Union Rights

The Eczacıbaşı Group is deeply committed to creating a work environment that is peaceful, safe, transparent, equitable, honest, fair, and dignified for all of its employees. To uphold these values, the Group has established a comprehensive **Human Rights Policy** that aligns with both international and national human rights standards. As an Eczacıbaşı Group company, we consistently adhere to this policy in all of our operations and diligently ensure its compliance by working closely with our business partners.

At Eczacıbaşı Building Products - Tiles, we place great importance on safeguarding the rights of our employees to unionize and organize. We actively foster positive relationships with trade unions and collaborate with the Turkish Soil, Ceramics, Cement, and Glass Industry Employers’ Union. Through this partnership, we engage in productive dialogue and negotiations to establish blue-collar collective bargaining agreements that protect the interests and well-being of our employees.

The core principles of the Eczacıbaşı Group revolve around ethical standards and human rights, encompassing every stage of the employment journey, from recruitment to promotion. We provide equal opportunities for professional development and ensuring fair compensation practices. In line with the Group’s values, we go beyond basic remuneration and offer additional fringe benefits to our employees. These include assistance for marriage, meal provisions, transportation support, and maternity/paternity leave.



Attracting, Developing and Retaining Talent

We firmly believe the success of our company hinges on the cultivation and retention of a highly motivated workforce equipped with the necessary skills to propel our business forward. Central to our approach is a deep commitment to fostering continuous learning and self-development, as we believe that a well-educated, adaptable, and growth-oriented workforce is instrumental in aligning with our corporate culture and driving our progress.

We recognize the unique talents and potential that each employee brings to the table, and we invest in their growth through ongoing and informative training programs. These initiatives ensure that our employees stay updated on the latest industry processes, trends, and technologies, enabling them to contribute to our organization's continuous improvement. By providing access to these valuable learning opportunities, we empower our workforce to stay at the forefront of their fields and drive innovation within our company.

Furthermore, we emphasize the optimal utilization of our diverse talent pool by actively promoting career development across different positions within the wider Eczacıbaşı Group. Through regular career development interviews, we engage in meaningful conversations with our employees, acknowledging their aspirations and expectations. This approach not only supports their professional growth but also fosters job satisfaction by aligning their individual goals with organizational objectives. By providing guidance and support, we aim to unlock the full potential of our employees and enable them to thrive in their careers.



Continuous Learning and Development

At Eczacıbaşı Building Products – Tiles, we recognize that our employees are at the core of our sustainable value creation. As such, we are fully committed to providing them with a workplace that fosters continuous growth and empowers them to enhance their skills and capabilities. Our overarching goal of expanding our team of talented and accomplished individuals is intricately linked to a corporate culture that actively promotes ongoing learning and self-development.

To support the individual learning journeys of our employees, we offer a wide range of comprehensive learning opportunities. These opportunities are continuously updated to align with evolving business needs, employee feedback, industry best practices, emerging trends, and technological advancements. By staying attuned to these factors, we ensure that our employees have access to the most relevant and impactful learning experiences. In line with our strategic approach to talent management, we have also increased the allocation of our budget towards training initiatives. In 2022, we achieved a significant milestone by increasing the average training hours per employee to 24 hours ✓, with an average of 30 training hours per talent ✓¹.

As part of our annual routine program, we have organized training sessions this year that focus on crucial topics such as occupational health and safety, environmental stewardship, and energy management. Additionally, we have facilitated comprehensive training programs in key areas such as marketing, sales, and finance. These programs specifically designed and named as “Master of Marketing,” “Sales+” and “Paraakademi,” offer in-depth knowledge and skills development in their respective domains.

Master of Marketing

Brand Management
Agile Change Management
Design Thinking
Fundamental Principles of Marketing and Business Strategy
Brand Purpose
Pricing Principles
Marketing Strategies on Digital & social media
Creating Innovation Plan/Strategy
Research and Insight
Media and Agency Management
Analytics of Marketing
Agile Implementation of Business & Marketing Plan

Sales +

Optimization in Sales Channel Management
B2B Activity: Rout Planning
Simulation of Sales Management
Design Thinking Strategic Planning in Business Development Leadership of High Performance Teams

Paraakademi

Basic Accounting
Webinar
Fintech and Robotic Processes
Transfer Pricing
Basic Cost Accounting
Basic Tax Laws and Applications
UFRS

¹ Includes white-collar employees in Turkey operations. Average training hours per talent includes employees in leadership programs in Turkey.

In 2022, we conducted a comprehensive training needs analysis specific to the departments in our Bozüyük operation. Building upon the outcomes of this analysis, we identified and developed specialized training programs.

Academy of Facility Directorate

Kaizen Training

TPM Training

Innovative Problem-Solving Training

Teamwork Training

Academy of Production Systems Directorate

Kaizen Training

Innovative Problem-Solving Training

Teamwork Training

Academy of Supply Chain Directorate

Customer Relationship Management and Customer Analysis Methods Training

Warehouse and Stock Management Training

Contract Law and Administration

Financial and Cost Analysis for Purchasing Professionals

VitrA Academy

At Eczacıbaşı Building Products - Tiles, we place great importance on fostering a culture that promotes knowledge exchange and encourages teamwork. We firmly believe that through collaboration and innovation, we can drive continuous improvement and achieve remarkable results within our organization. As part of our ongoing commitment to this goal, we have introduced the **V-Academy Internal Development Program**. The objective of this program is to enhance the knowledge and awareness levels of our employees by leveraging the expertise of team members who excel in their respective fields and are eager to share their knowledge.

The primary objective of the V-Academy Internal Development Program is to elevate the knowledge and awareness levels of our employees. We achieve this by harnessing the expertise of team members who have excelled in their respective fields and are enthusiastic about sharing their knowledge with their colleagues. Before assuming the role of voluntary trainers, these employees undergo the rigorous "Train the Trainer Certification Program," which helps them further strengthen their competencies. Subsequently, they take on the responsibility of leading training sessions that cover a diverse range of topics.

The V-Academy Internal Development Program serves multiple purposes. Firstly, it encourages teamwork by creating opportunities for employees to collaborate and learn from one another. By fostering a supportive environment where employees share their knowledge and experiences, we cultivate a strong sense of camaraderie and teamwork within our company. Secondly, the program allows our employees to enhance their own knowledge and skills. By taking on the role of trainers, they deepen their understanding of their respective fields and gain valuable experience in delivering effective training sessions.

In 2022, we organized a total of 116 hours training courses as part of the V-Academy Internal Development Program. These courses attracted active participation from 155 employees, demonstrating the enthusiasm and eagerness of our workforce to engage in continuous learning and professional development.

Attracting the Best Talents

In the highly competitive business landscape of today, the ability to attract top talent is crucial for our organization. We recognize that the caliber of our employees directly impacts our company's success, growth, and capacity for innovation. Furthermore, having exceptional individuals on our team fosters a culture of excellence and serves as an inspiration for other employees to strive for greatness.

At Eczacıbaşı Building Products - Tiles, we prioritize the recruitment of highly educated, innovative, entrepreneurial, dynamic, self-motivated, and team-oriented individuals who embody the values of our Group. We believe that by bringing in individuals who share our core principles, we can establish a cohesive and high-performing workforce. In our selection process, we ensure that all candidates are provided with equal opportunities, without any form of discrimination or bias. We focus solely on evaluating their competencies and assessing their alignment with our values.

Moreover, we recognize the immense potential that young individuals possess. We are dedicated to offering them meaningful opportunities to express their voices and make a positive impact through engaging projects. We believe in nurturing the talents of young professionals and providing them with the platform and resources to contribute to our organization's growth and success.

Career Test Drive for Young Talents

The Career Test Drive is an extensive internship program specifically designed to offer exceptional opportunities to young individuals who aspire to join our organization. This program is open to university students in their third and fourth years, as well as graduate students, providing them with a unique platform to explore and showcase their abilities and competencies across various positions.

The internship program spans a minimum of two months, allowing interns to fully immerse themselves in our corporate culture and gain valuable insights into our organization. Through hands-on experience and meaningful projects, interns have the opportunity to demonstrate their skills and abilities, positioning themselves for accelerated consideration in our recruitment process.

In the year 2022, we welcomed a total of 36 individuals into our Career Test Drive program. Their contributions and performance during the internship period were exceptional, leading to the offer of full-time employment to 5 individuals within Eczacıbaşı Building Products - Tiles.



Performance and Career Development

Performance management serves as the harmonizing force that aligns organizational objectives with individual goals, enabling the collective value generated by individuals to be channeled towards shared goals and aspirations in line with the guiding principles of the Eczacıbaşı Group. We firmly believe that effective performance management is crucial for ensuring the long-lasting and sustainable achievements of our employees. Therefore, we prioritize the personal and professional growth of our employees through thorough evaluations of their performance and career development.

In our performance-driven corporate culture, we actively recognize and reward employees who consistently make valuable contributions, achieve outstanding results, and consistently perform at their highest potential. At the same time, we provide support and guidance to employees who may be underperforming, nurturing their growth and development to help them improve their performance.

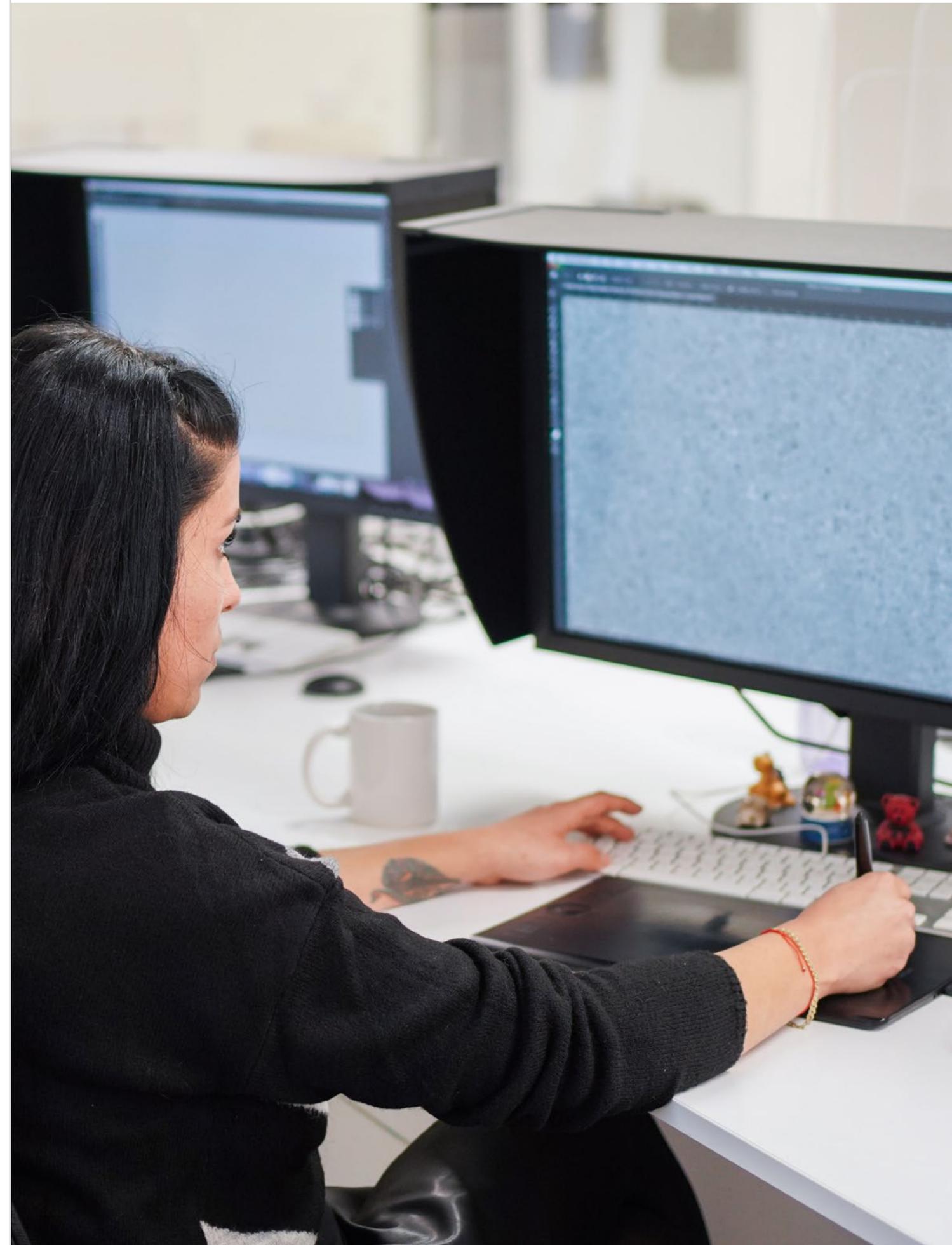
Aligned with the Eczacıbaşı Group, we implement a comprehensive three-phased Performance Management System, consisting of planning, interim evaluation, and year-end evaluation. This holistic approach ensures that our employees receive consistent feedback, empowering them to reach their objectives and allowing us to make necessary adjustments when required. By fostering a culture of continuous improvement and accountability, we strive to maximize the potential of our employees and drive the overall success of our organization.

Employee Engagement

We view employee loyalty and satisfaction as interconnected elements that contribute to overall employee engagement. When employees are satisfied, their motivation, enthusiasm, and dedication towards their responsibilities are heightened, enabling them to surpass expectations and unleash their full potential. This, in turn, leads to tangible benefits such as increased productivity, enhanced work quality, driving the sustainable growth of our company. Thus, we place great importance on fostering a work environment that is fair, supportive, and conducive to employee growth and development, where every employee feels valued, respected, and heard.

To cater to the demands and expectations of our employees, we tailor our Human Resources strategies to create the best possible working environment. As part of our efforts, we have implemented various initiatives, including offering three different working methods to accommodate individual needs and preferences. These options include flexible working hours, remote work opportunities, and hybrid working models. By striving to establish a work environment characterized by peace, safety, transparency, equity, honesty, fairness, and dignity, we actively seek and value the opinions of our colleagues, allowing them to actively participate in decision-making processes. In doing so, we create an environment that fosters creativity and empowers our employees to contribute their innovative ideas.

Additionally, we have developed a backup system to anticipate potential promotion opportunities. This system maintains records of employees who consistently demonstrate competence and excellence in their roles. In the event of a vacancy, we prioritize these employees, providing them with opportunities to fill the position. This approach ensures a smooth transition and continuity of expertise within our company and the broader Eczacıbaşı Group.



Health and Wellbeing

Investing in the creation of a healthy and secure work environment is paramount to achieving organizational success. Such an investment yields significant advantages, including increased levels of employee engagement, productivity, motivation, and job satisfaction. At Eczacıbaşı Building Products - Tiles, we fully recognize the importance of ensuring a healthy and safe work environment as one of our primary responsibilities. By demonstrating unwavering dedication to the health and well-being of our employees, we lay a solid foundation for their long-term prosperity.

Our primary objective is to foster a healthy and safe work environment that promotes employee well-being, enabling personal and professional fulfillment, sustainable high performance, and positive business outcomes. To achieve this, we place emphasis on enhancing our audit processes and implementing best practices. While conducting risk assessments every two years is a legal requirement, we go above and beyond by conducting annual assessments to proactively identify any unfavorable conditions or potential risks.

The Eczacıbaşı OHS Working Group, which consists of top management members from the occupational health and safety teams of all Eczacıbaşı Group companies, plays a crucial role in identifying best practices, monitoring and reporting on OHS performance, and tracking occupational diseases within our company. We adopt a proactive approach by implementing preventive measures and fostering a culture of continuous improvement. Our focus extends beyond mere compliance with legal obligations as we embrace technological advancements and sectoral innovations to meet the evolving expectations of our workforce and stakeholders.

Our **Occupational Health and Safety Policy** provides valuable support and guidance in mitigating emergency risks, enhancing preparedness, integrating OHS requirements into new investments and projects, and nurturing a culture of OHS awareness among our employees. We ensure that our suppliers and contractors adhere to the principles outlined in both policies, emphasizing the importance of OHS throughout our supply chain.

Health, Safety and Wellbeing

At Eczacıbaşı Building Products - Tiles, we place utmost importance on creating a healthy and safe working environment for our employees, as well as for the benefit of society and stakeholders. Our commitment extends beyond mere compliance with legal requirements; we go above and beyond to ensure the safety and well-being of everyone involved. We continuously strive to surpass industry standards by consistently improving our occupational health and safety practices. This includes implementing the most effective measures to prevent accidents, proactively identifying and mitigating potential risks, and fostering a culture of occupational health and safety awareness among our employees to discourage unsafe behaviors.

We consider our occupational health and safety (OHS) performance to be a critical factor that significantly influences our overall success. With the ultimate aim of achieving a net-zero accident level, we have established specific objectives to continuously improve our performance. **By the end of 2025, our target is to gradually reduce the accident frequency rate below 1 for every 200 thousand working hours.** In 2022, we implemented a wide range of initiatives to enhance occupational health and safety throughout our operations, bringing us closer to our goal. As of 2022, we successfully reduced our overall accident frequency rate from 1.96 to 1.80 . Our commitment to prioritizing occupational health and safety remains unwavering, and we continue to invest in measures that ensure the well-being and safety of our workforce.



OHS Initiatives

We regularly conduct risk assessments, diligently analyze accidents to comprehend their underlying causes, and implement proactive measures to prevent their recurrence. We determined that most accidents stemmed from behavioral factors. Therefore, we place a high priority on enhancing the awareness and fostering the OHS culture.

As part of our ongoing efforts, we have introduced the implementation of a **Behavioral Based Health and Safety program**. The program follows a straightforward working logic: we select a work area and ensure that the assigned personnel are informed in advance. Subsequently, our OHS expert, manager, engineer and field foreman visit the work area and personally observes the worker in action. After a brief 5-minute observation, the foreman engages in an interview with the employee, promptly addressing any inappropriate situations that may arise. Following this, the foreman carefully assesses the employee's understanding of the situation and, if necessary, repeats the process to ensure clarity. Through this program, our aim is to observe employees in their workplace, identify unsafe behaviors, and provide training programs to promote awareness and adherence to safe practices.

Additionally, in 2022, we established the **OHS Field Observation Team** consisting of a director, manager, specialist, OHS specialist, and workplace doctor. This dedicated team conducts regular OHS field tours, ensuring that the dates and times are kept confidential. During these visits, the observation team thoroughly examines the work areas to identify any instances of unsafe or inappropriate conditions that may exist. By proactively monitoring and addressing potential hazards, the OHS Field Observation Team plays a crucial role in maintaining a safe and healthy working environment for our employees.

Furthermore, we have implemented OHS field presentations as part of our efforts to raise awareness and foster a sense of ownership regarding occupational health and safety. During these presentations, our teams showcase the key metrics they actively monitor and the improvement initiatives they undertake in their respective areas of OHS. By having these presentations delivered by team/group leaders instead of department managers, we ensure that the principles and parameters of ISG (Occupational Health and Safety) are embraced at all levels of our company, promoting a culture of accountability and responsibility.

In line with our commitment to promoting awareness about OHS matters, we celebrate "Occupational Health and Safety Week" through a series of engaging activities. These activities include OHS theatre performances, informative presentations on health-related topics, promotions of protective equipment, search and rescue team exercises, and an OHS-themed painting competition involving the children of our employees. Through these events, we not only highlight the significance of occupational health and safety but also provide an enjoyable and educational experience for all participants.

In addition to conducting awareness-raising activities, we have taken proactive steps to identify and mitigate potential risks by implementing precautionary measures within our facilities.

- At the Bozüyük factory, specifically in the raw material filling zone, we have constructed an aspiration system to effectively remove dust particles from the air. Additionally, we have installed a gas ventilation and heating system in the glaze preparation section to ensure proper air circulation and temperature control.
- To address the storage of potentially hazardous materials, such as diesel fuel, used fuel, oil, and polluted rags, we have organized dedicated storage areas. Furthermore, we have implemented metal storage containers to prevent any leaks or spills, minimizing the risk of environmental contamination.
- Recognizing the importance of adequate lighting for a safe working environment, we have replaced the outdated lamps with more efficient LED lights. This improvement not only enhances visibility but also contributes to energy savings.
- To enhance the safety of our conveyor systems, we have installed additional emergency buttons and safety cables. These measures ensure a swift response in case of any potential emergencies, allowing for timely actions to be taken to protect our employees and prevent accidents.

Our commitment to improvement extends beyond our production facilities and extends to our offices as well. By upgrading the controller, we have enhanced the microclimate characteristics of our office building, conference room, and sample department heating systems. Furthermore, we have installed new fans and heat exchangers in the heating and air conditioning system to ensure a higher level of purified air entering the offices. These measures have significantly improved the overall comfort and air quality within our office spaces, providing a healthier and more pleasant working environment for our employees.

Emergency and Disaster Preparedness

We actively engage in preparatory measures for natural disasters, epidemics, and various other emergencies. This year, we organized the "Search and Rescue Days" event specifically aimed at earthquake preparedness. This event encompassed exercises such as simulating earthquake scenarios, practicing the evacuation of injured individuals from wreckage, and fulfilling shelter requirements by setting up a camp within our Bozüyük facility.

Additionally, we take proactive measures to prevent potential fire disasters. We conduct fire safety training sessions for both our department leaders and employees, ensuring their preparedness and knowledge in handling fire-related situations. Moreover, our shift workers receive comprehensive training on effectively using fire extinguishers and participate in first aid simulations, equipping them with the necessary skills to respond promptly in emergency scenarios. We recognize the importance of maintaining constant preparedness for emergencies. Regularly, we verify and maintain the functionality of our firefighting equipment, including fire extinguishers, fire hoses, hydrants, and fire boxes. Additionally, we have implemented a plan to ensure the continuous operation of our medical cabinet, available 24 hours a day.

Community and Social Vitality

“Adding value to the communities” stands as one of the fundamental principles at the core of the Eczacıbaşı Group. As a company within the Group, we firmly believe in the importance of contributing to and making a positive impact on the communities in which we operate.

Through our active engagement with the community, strategic investments, and purposeful initiatives, we are committed to finding sustainable solutions that enhance the well-being, growth, and prosperity of the communities within our reach. By building strong relationships and fostering sustainable development, we aim to create enduring value that goes beyond our business operations. Through social investments and collaborative partnerships, we strive to deliver meaningful benefits and generate positive impacts for these communities.

Social Investment

At Eczacıbaşı Building Products - Tiles, we recognize the significance of generating sustainable value for society at large and promoting the progress of communities to foster inclusive and sustainable development. As a result, we have made a firm commitment to contribute to the sustainable growth and well-being of society through our various social initiatives, in alignment with our core founding principle.



Eczacıbaşı Volunteers

Established in 2007 by employees of the Group, Eczacıbaşı Volunteers is an initiative dedicated to implementing projects that primarily benefit children and extend the knowledge, skills, and experiences of volunteers to a broader audience of stakeholders. Eczacıbaşı Volunteers focuses on diverse areas such as education, science and IT, culture, and arts, contributing to social responsibility initiatives while enhancing the mental, physical, and emotional well-being of children. With the enthusiastic participation of over 250 employees, Eczacıbaşı Volunteers has successfully executed 70 projects, positively impacting the lives of more than 15,000 schoolchildren thus far.

Operating under the Eczacıbaşı Volunteers, 8. Renk consists of 14 dedicated volunteers as of 2022 and conducts projects as a whole with Bozüyük campus. In the year 2022, the 8. Renk accomplished several projects.

Let the Children Laugh

We developed a project with the aim of fulfilling the wishes of children receiving cancer treatment at the Department of Pediatrics Hematology-Oncology in Eskişehir Osmangazi University. Considering the children's ongoing treatment, we established communication channels with them through the nurses rather than conducting one-on-one interactions. As an initial step, we requested from 24 children (aged 2-18) to create drawings depicting anything they desired. These drawings were subsequently sent to our Bozüyük campus via email. With the active involvement of our dedicated volunteers, we fulfilled their wishes by providing them with the items depicted in their drawings as special gifts.

First Step Photography Workshop

We successfully continued the “First Step Photography Workshop,” which was initially launched in 2019 before the pandemic, and renowned film producer and photographer Coşkun Aral attended the event. During the event, the children of our employees received comprehensive photography education and had the opportunity to capture stunning photographs. Following the workshop, we organized a photography exhibition to showcase the impressive works of the children, Coşkun Aral personally selected the winning photograph, and he presented his personal camera as an award.

Furthermore, we have established a lively space and installed six book collection boxes across three factories in our Bozüyük campus, to cater to the book requirements of schools. Our employees now have the convenience of depositing books into these boxes at any time, and we identify the schools in need of these books and ensure their prompt delivery.

Afforestation

We actively participate in the protection and expansion of forest areas, which are essential for the well-being of our planet. In collaboration with the Bozüyük District Directorate of National Education and the Milas District Directorate of National Education, we launched the “A Sapling from the Heart” initiative, aimed at raising environmental awareness among students. To begin the project, students from Bozüyük successfully nurtured 3,500 saplings. Later, students from both Bozüyük and Milas came together to plant these seedlings at the ESAN facility in Milas. Our main objective was to cultivate a sense of responsibility towards the environment in the students, and this initiative provided them with a valuable opportunity to witness the positive impact of their actions firsthand.

We actively contribute to the nationwide afforestation efforts taking place in Russia, particularly in the vicinity of our VitrA-Plitka factory. Our involvement includes planting flowerbeds and cultivating plants to enhance the natural landscape. A notable event in Russia, the Day of Victory Against Fascism on May 9th, sees people engaging in reforestation activities across cities and regions throughout the country. We actively participate in these initiatives in collaboration with the local government, utilizing the planting materials provided to us. By doing so, we not only contribute to a greener environment but also commemorate this significant day.

6

Investing in Future



In today's rapidly changing business landscape, the integration of digital technology has become a crucial factor in ensuring the competitiveness and sustainability of businesses. To remain relevant in this dynamic technological environment, organizations are actively embracing digital advancements and innovative solutions.

At Eczacıbaşı Building Products - Tiles, we recognize the importance of staying at the forefront of innovation. We are dedicated to promoting and endorsing groundbreaking ideas and applications that enable the seamless integration of digital technologies into our manufacturing processes. By doing so, we strive to optimize our operational efficiency and ensure the highest level of productivity throughout our operations.

Innovation

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Digital Transformation

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Innovation

Innovation and an innovative mindset play a pivotal role in driving progress and achieving success in our fast-paced and constantly evolving world. By fostering creativity, encouraging problem-solving, and fueling advancements in various fields, innovation has become indispensable for organizations seeking to stay ahead of the curve.

At Eczacıbaşı Building Products - Tiles, we have a vision to innovate. We actively support and embrace innovative ideas and applications that enable us to manufacture innovative, durable, and high-quality products. Embracing innovation goes beyond simply introducing new ideas; it entails a holistic approach that drives the restructuring and development of our business processes. We understand that by embracing innovation, we can continually enhance our manufacturing capabilities, streamline our operations, and meet the ever-evolving demands of our customers.

Innovation

Innovation lies at the core of our priorities, and we support any idea or application that adds value to life. We believe in aligning these innovative initiatives with our business strategies to ensure stable growth and profitability. By combining our vision for innovation with our people-focused approach to business, we create a synergistic environment that fosters creativity and drives progress.

Our approach to innovation is driven by a comprehensive framework to drive. We focus on four key elements to foster innovation within our organization. Firstly, we strive to create an environment that nurtures and encourages creativity and out-of-the-box thinking. Secondly, we actively seek strategic partnerships with external organizations and experts in various fields to leverage their knowledge and insights. By collaborating with like-minded innovators, we can tap into a diverse range of perspectives and access cutting-edge technologies, enabling us to push the boundaries of what is possible.

Furthermore, we recognize the importance of revolutionizing our business processes to keep up with the rapidly changing landscape. We continuously explore ways to streamline and optimize our operations, harnessing the power of digitalization and automation to enhance efficiency and effectiveness.

Lastly, we are dedicated to delivering unique value propositions to our customers. We conduct thorough evaluations of our capabilities, ensuring that we have the necessary resources, expertise, and infrastructure to meet customer expectations. We also place great emphasis on reducing time-to-market, enhancing production efficiency, and improving communication channels to provide exceptional products and services.

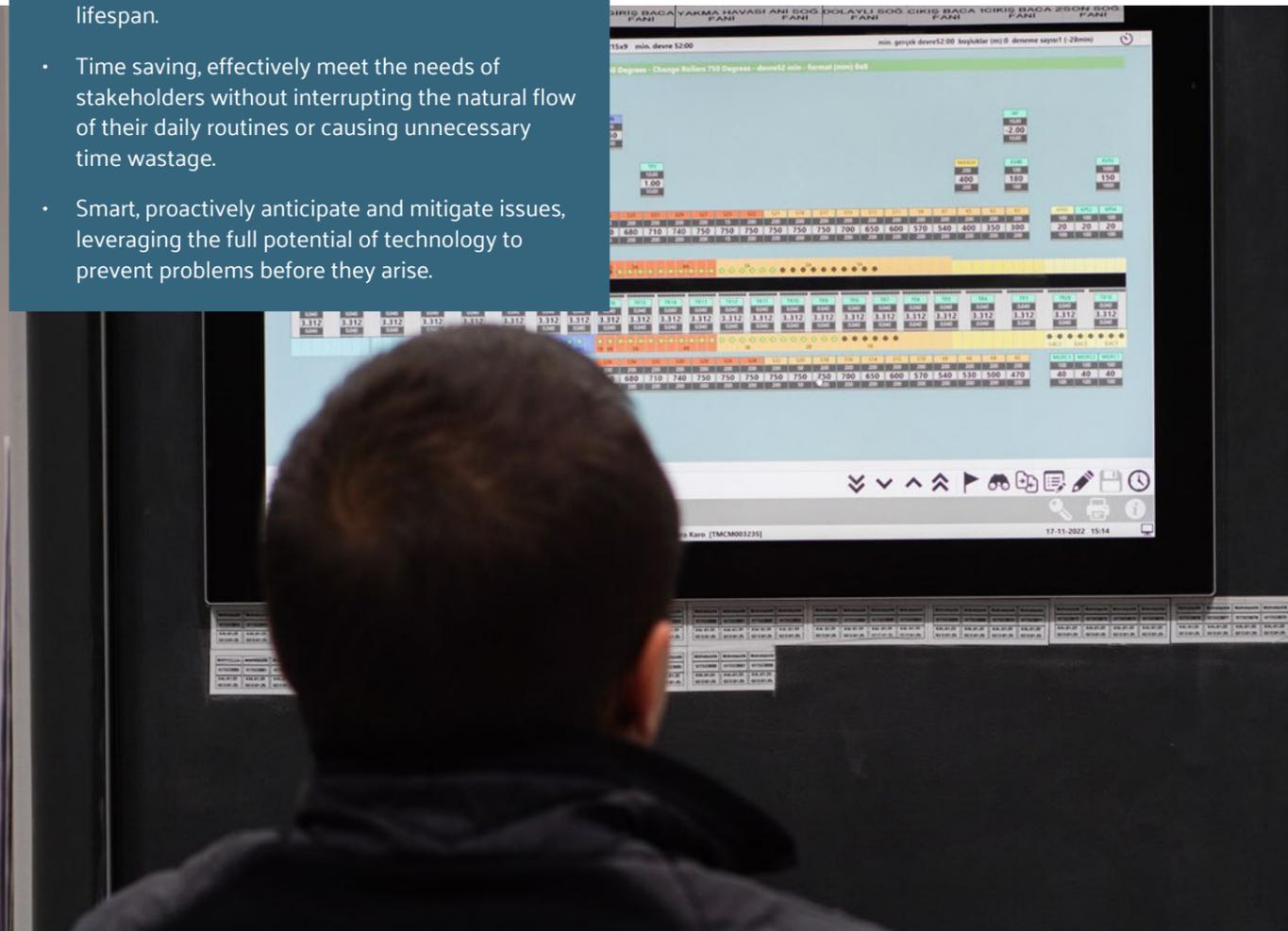
Moreover, our approach to innovation aligns closely with the overarching strategy of the Eczacıbaşı Group. We actively collaborate with the VitrA Innovation Center, leveraging their expertise and resources to drive innovation throughout our organization. To foster the development of our own ecosystem of expertise in materials utilization, we have implemented a governance policy that supports the cultivation of specialized knowledge within our organization.

By prioritizing innovation and investing in these key elements, we strive to stay at the forefront of our industry, continuously improving our products, services, and processes to meet the evolving needs of our customers and drive sustainable growth.

Aligned with Eczacıbaşı Group, we firmly believe that our efforts not only strengthen the growth strategy and long-term competitiveness, but also make significant contributions to the sustainability of our societies by advocating for solutions that are:

- Life oriented, promoting efficient resource utilization, recycling, and reusing resources. Our focus is on providing essential and comprehensive advantages that contribute to maintain a balance with nature.
- Health oriented, enabling all stakeholders to lead healthy, high quality and modern lives.
- Accessible, prioritize the user experience and designed to ensure equal access and usability for all.
- Economy-friendly, minimize resource consumption and contribute to sustainable economic practices throughout entire economic lifespan.
- Time saving, effectively meet the needs of stakeholders without interrupting the natural flow of their daily routines or causing unnecessary time wastage.
- Smart, proactively anticipate and mitigate issues, leveraging the full potential of technology to prevent problems before they arise.

Looking ahead, we are dedicated to elevating and broadening our dedication to innovation. Our foremost goal is to develop innovative solutions that bring exceptional value across every stage of our value chain. By doing so, we aim to strengthen and amplify our overall innovation capabilities, ensuring that we remain at the forefront of our industry.



Digital Transformation

Digital transformation is revolutionizing how businesses operate and create value for their stakeholders. At Eczacıbaşı Building Products - Tiles, we actively seek insights into the potential changes our business will undergo, and the adjustments required to effectively embrace digital transformation. We recognize that implementing new technologies brings fresh approaches and innovative solutions, and we are dedicated to maximizing the benefits of digitalization to drive transformative changes throughout our organization. Our vision for digitalization revolves around integrating digital technologies and data management into every aspect of our operations.

In line with the Eczacıbaşı Group's approach, we prioritize the development of digital solutions that address current challenges, adopting a "today-forward" mindset focused on immediate impact. We actively seek out opportunities to leverage digital technology to improve our performance, reduce costs, and increase efficiency across the value chain. Simultaneously, we adopt a "future-back" perspective, identifying and implementing the necessary adaptations to ensure our long-term success.

By aligning our strategies with the Eczacıbaşı Group's approach, we not only accelerate our performance leveraging digital technologies but also position ourselves to capitalize on emerging opportunities. We recognize that digital transformation is an ongoing journey, and we are determined to strengthen our efforts in this regard to thrive in the rapidly evolving digital landscape.



Digital Transformation

At Eczacıbaşı Building Products - Tiles, we are dedicated to anticipating the potential changes in our business environment and actively determining the necessary actions to align with this transformative journey. As we aspire to become one of the top 5 ceramic producers in Europe, we place great emphasis on designing products that align with market dynamics and effectively promoting them. Additionally, we continuously strive to enhance operational efficiency to effectively manage costs and adapt to evolving market conditions through strategic pricing policies.

In our pursuit of these goals, our commitment to digital transformation has yielded significant progress in 2022, bolstering our position in the industry and driving sustainable growth. We have embraced digital practices that have enabled us to make significant advancements, both in terms of operational efficiency and market positioning. These efforts have further solidified our foothold in the industry, allowing us to effectively navigate the challenges and opportunities that lie ahead.

DigiTile

The rise in energy and raw material prices in recent years has significantly impacted tile production costs. To effectively manage these costs, excessive energy consumption, and product quality, we have initiated DigiTile. This project focuses on energy, raw material, and equipment efficiency. Our philosophy behind this project is based on the idea that “You cannot manage what you cannot measure.”

Typically, ensuring real-time data flow from equipment with a long history requires substantial investments in equipment revisions or expensive software development. However, we have successfully addressed these needs with our pioneering project. By utilizing remote PLCs and user-friendly kiosk screens, we have created a solution that delivers the right data at the right time. While similar software solutions exist in our industry, DigiTile stands out as an in-house developed system, utilizing our internal resources.

DigiTile consists of three phases aimed at optimizing our production processes. In the initial phase, we establish data monitoring systems to collect comprehensive data on production and scrap. This data is then stored in a robust SQL-based database for easy retrieval and analysis. The final phase focuses on the continuous utilization of the accumulated data by our production teams. They use this data to identify key areas of improvement and conduct in-depth analytical studies. With daily data gathering from our production processes, we ensure a dynamic and data-driven approach to enhancing efficiency and driving continuous improvement throughout our operations.

In preparation for the analytical phase of the project, we have provided data analytics training to project teams, equipping them with the necessary skills to leverage the added value that data analytics brings. Additionally, we approached the Industrial 4.0 and Analytics Workshop with a problem-focused mindset. We presented all the problems from a process perspective across business units and derived potential digital solutions for these problems. This workshop led to identifying all “closed loop” solutions that will arise in the project’s analytical phase.

With DigiTile, our objective is to deliver tangible benefits through the implementation of monitoring, alarming, forecasting, and effective optimization studies. These efforts aim to achieve various targets, including a 3% reduction in raw material usage, a 10% decrease in both green and fired scraps, a 2.5% decrease in electricity consumption, a 2.5% decrease in natural gas consumption, and a 3.2% reduction in spare parts usage.

Our ability to track and monitor these metrics in real-time enables us to promptly intervene and make necessary adjustments based on daily data analysis. In 2022, we achieved significant cost reduction, solely through the utilization of DigiTile’s monitoring systems. While currently implemented at our Bozüyük facility, there is potential to expand its application to our overseas factories as well.

DigiOK

The production process of tiles involves grinding various raw materials mixed with water in the mill, followed by the evaporation of water content through the spray dryer. Subsequently, glazing is applied to achieve the desired surface and mass properties. The resulting tile undergoes examination to assess its size, water absorption, and color characteristics. If any deviations are detected in these properties, additives are used to bring them in line with the standard values. This quality control and additive application process is known as “slip adjustment.” However, since the addition process for correcting one parameter affects all the parameters, it introduces complexity. Considering that approximately 3 liters of water is added to the pool along with every 1 kg of additional material, any mistakes made during the process result in extra energy consumption for evaporating the added water, increased greenhouse gas emissions released into the environment, and wastage of time.

To address these challenges, we have developed a robust model called DigiOK for the sludge control process. By transferring and analyzing 10,000 data points in a digital environment, we have established a comprehensive solution. Now, the decision to incorporate additional raw materials in sludge production is entirely guided by our model. This innovative solution enhances resource efficiency by removing human intervention from the sludge control process, thereby mitigating the risk of errors caused by human factors.

The DigiOK project has earned a second IDC Award in the ‘Best Digital Data Interpretation’ category. Furthermore, the implementation of DigiOK has led to cost savings of approximately €1.38 million and resulted in an annual water savings of 8,900 liters, as well as a reduction of 1,486 tons of CO2 emissions.

Tiles4Cast

In response to the evolving market conditions, meeting customer expectations with precision has become increasingly critical. This involves efficiently planning production operations and optimizing the transportation network to ensure effective product distribution. Companies are faced with the challenge of aligning production capacity with demand fluctuations, optimizing supply chain processes, and implementing agile distribution systems. Overcoming these challenges is vital for remaining competitive and meeting customer needs in today’s dynamic business landscape.

Our Tiles4Cast solution, an SAP-based business integration module, offers a comprehensive approach to forecasting within the tile production value chain. One of the primary goals of Tiles4Cast is to provide the highest level of service to our customers by accurately capturing their requests and aligning them with the available resources.

To achieve this, we leverage the capabilities of the SAP IBP Cloud solution, which enables us to gather and analyze historical order and sales information. We use advanced Machine Learning and Time Series algorithms to forecast future demand, considering various cost parameters and modeling variables to ensure alignment and optimize the entire supply network. By utilizing these features, we enhance our forecasting accuracy, streamline operations, and ultimately deliver optimal outcomes throughout the value chain. With the Tiles4Cast solution, our aim is to generate an annual operating profit before depreciation of €1.78 million.

Furthermore, we have successfully completed the latest upgrade of our inventory management system, called “Tiles4.” Through the digitalization of our order management process, we have achieved seamless integration with our logistics supply chain. This integration ensures that the entire process, from order placement to delivery, is fully optimized. Additionally, Tiles4 has revolutionized our production and warehousing processes, streamlining operations, and allowing our employees to focus on more advanced and valuable tasks. With Tiles4, we have achieved greater efficiency and productivity, empowering our team to excel in their roles.

7 Annexes

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List of Associations, Initiatives and Memberships

Institution
B4G (Business for Goals) Board Membership
BKF (Bundesverband Keramische Fliesen) Germany
Bozuyuk Chamber of Commerce and Industry
Central Anatolian Exporters' Union
Cerame-Unie (The European Ceramic Industry Association)
Ceramic Research Center
DEIK Turkey- Foreign Economic Relations Board of Turkey
Eskişehir Bilecik Kütahya Ceramics Cluster Association
Istanbul Chamber of Commerce
Istanbul Chamber of Industry
SERKAP (Ceramic Tile Manufacturers Association)
Turkish Ceramics Federation
Turkish Çimse-İş Union
Türkiye Toprak, Seramik, Çimento ve Cam Sanayii İşverenleri Sendikası
TUSİAD - Turkish Industry and Business Association

GRI Content Index

For the Content Index - Essentials Service, GRI Services reviewed that the GRI content index is clearly presented, in a manner consistent with the Standards, and that the references for disclosures 2-1 to 2-5, 3-1 and 3-2 are aligned with the appropriate sections in the body of the report. The service was performed on the English version of the report.



Statement of Use:	Eczacıbaşı Building Products – Tiles has reported in accordance with the GRI Standards for the period between 1 January 2022 and 31 December 2022.
GRI 1 Use:	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s):	Not Applicable

GRI STANDARD	DISCLOSURE	LOCATION
GRI 2: General Disclosures 2021	2-1 Organizational details	Overview of Eczacıbaşı Building Products - Tiles, page 10-11; Organizational Structure, Brands and Products, page 12-15
	2-2 Entities included in the organization's sustainability reporting	About the Report, page 5
	2-3 Reporting period, frequency and contact point	About the Report, page 5; Info, page 129
	2-4 Restatements of information	About the Report, page 5; Info, page 129
	2-5 External assurance	Limited Assurance Report, page 120-123
	2-6 Activities, value chain and other business relationships	Organizational Structure, Brands and Products, page 12-15; Our Value-Creating Business Model, page 26-29
	2-7 Employees	Equal, Diverse and Inclusive Workplace, page 80-83
	2-8 Workers who are not employees	Equal, Diverse and Inclusive Workplace, page 80-83
	2-9 Governance structure and composition	Governance Approach, page 42-47
	2-10 Nomination and selection of the highest governance body	Governance Approach, page 42-47
	2-11 Chair of the highest governance body	Governance Approach, page 42-47
	2-12 Role of the highest governance body in overseeing the management of impacts	Governance Approach, page 42-47
	2-13 Delegation of responsibility for managing impacts	Governance Approach, page 42-47
	2-14 Role of the highest governance body in sustainability reporting	Sustainability Governance, page 48-49

GRI 2: General Disclosures 2021	2-15 Conflicts of interest	Governance Approach, page 42-47
	2-16 Communication of critical concerns	Governance Approach, page 42-47
	2-17 Collective knowledge of the highest governance body	Governance Approach, page 42-47
	2-18 Evaluation of the performance of the highest governance body	Governance Approach, page 42-47
	2-19 Remuneration policies	"Governance Approach, page 42-47 Equal, Diverse and Inclusive Workplace, page 80-83"
	2-20 Process to determine remuneration	"Governance Approach, page 42-47 Equal, Diverse and Inclusive Workplace, page 80-83"
	2-21 Annual total compensation ratio	GRI Content Index: This information is not disclosed due to confidentiality constraints.
	2-22 Statement on sustainable development strategy	Message from the CEO, page 6-7; Sustainability at Eczacıbaşı Building Products - Tiles, page 30-31
	2-23 Policy commitments	Ethics and Compliance, page 54-56
	2-24 Embedding policy commitments	Ethics and Compliance, page 54-56
	2-25 Processes to remediate negative impacts	Ethics and Compliance, page 54-56
	2-26 Mechanisms for seeking advice and raising concerns	Ethics and Compliance, page 54-56
	2-27 Compliance with laws and regulations	Ethics and Compliance, page 54-56
	2-28 Membership associations	List of Associations, Initiatives and Memberships, page 106
2-29 Approach to stakeholder engagement	Stakeholder Relations, page 38-39	
2-30 Collective bargaining agreements	Equal, Diverse and Inclusive Workplace, page 80-83	
Material Topics		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Eczacıbaşı Building Products - Tiles' Materiality, page 32-33
	3-2 List of material topics	Eczacıbaşı Building Products - Tiles' Materiality, page 32-33
	3-3 Management of material topics	Eczacıbaşı Building Products - Tiles' Materiality, page 32-33

Financial and Economic Performance		
GRI 3: Material Topics 2021	3-3 Management of material topics	Eczacıbaşı Building Products - Tiles' Materiality, page 32-33; Economic and Financial Performance, page 59
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Overview of Eczacıbaşı Building Products - Tiles, page 10-11; Year in Review, page 22; Financial and Economic Performance, page 59; Our Value-Creating Business Model, page 26-29
	201-2 Financial implications and other risks and opportunities due to climate change	Our Operating Environment, page 16-21; Risk Management, page 50-53
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Community and Social Vitality, page 94; Social Investment, page 95
	203-2 Significant indirect economic impacts	Community and Social Vitality, page 94; Social Investment, page 95
Business Ethics and Legal Compliance		
GRI 3: Material Topics 2021	3-3 Management of material topics	Eczacıbaşı Building Products - Tiles' Materiality, page 32-33; Business Ethics and Legal Compliance, page 55-56
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Eczacıbaşı Code of Conduct: https://www.eczacibasi.com.tr/_Media/Upload/Eczacibasi-Group-Code-Of-Conduct.pdf ; Equal, Diverse and Inclusive Workplace, page 80-83
	205-2 Communication and training about anti-corruption policies and procedures	Business Ethics and Legal Compliance, page 55-56
Supply Chain Management		
GRI 3: Material Topics 2021	3-3 Management of material topics	Eczacıbaşı Building Products - Tiles' Materiality, page 32-33; Supply Chain Management, page 57
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Supply Chain Management, page 57
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Supply Chain Management, page 57
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Supply Chain Management, page 57
Energy Management and Carbon Emission		
GRI 3: Material Topics 2021	3-3 Management of material topics	Eczacıbaşı Building Products - Tiles' Materiality, page 32-33; Energy Management and Carbon Emissions, page 63-67

GRI 302: Energy 2016	302-1 Energy consumption within the organization	Energy Management and Carbon Emissions, page 63-67
	302-2 Energy consumption outside of the organization	Energy Management and Carbon Emissions, page 63-67
	302-3 Energy intensity	Energy Management and Carbon Emissions, page 63-67
	302-4 Reduction of energy consumption	Energy Management and Carbon Emissions, page 63-67
	302-5 Reductions in energy requirements of products and services	Energy Management and Carbon Emissions, page 63-67
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Energy Management and Carbon Emissions, page 63-67
	305-2 Energy indirect (Scope 2) GHG emissions	Energy Management and Carbon Emissions, page 63-67
	305-4 GHG emissions intensity	Energy Management and Carbon Emissions, page 63-67
	305-5 Reduction of GHG emissions	Energy Management and Carbon Emissions, page 63-67
	Water Management	
GRI 3: Material Topics 2021	3-3 Management of material topics	Eczacıbaşı Building Products - Tiles' Materiality, page 32-33; Water Management, page 68
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Water Management, page 68
	303-2 Management of water discharge-related impacts	Water Management, page 68
	303-3 Water withdrawal	Water Management, page 68
Resource Management and Responsible Procurement		
GRI 3: Material Topics 2021	3-3 Management of material topics	Eczacıbaşı Building Products - Tiles' Materiality, page 32-33; Resource Management and Responsible Procurement, page 70-71
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Resource Management and Responsible Procurement, page 70-71
Product Responsibility		
GRI 3: Material Topics 2021	3-3 Management of material topics	Eczacıbaşı Building Products - Tiles' Materiality, page 32-33; Product Responsibility, page 72-74

Waste Management		
GRI 3: Material Topics 2021	3-3 Management of material topics	Eczacıbaşı Building Products - Tiles' Materiality, page 32-33; Waste Management, page 75
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Waste Management, page 75
	306-2 Management of significant waste-related impacts	Waste Management, page 75
	306-3 Waste generated	Waste Management, page 75
	306-4 Waste diverted from disposal	Waste Management, page 75
	306-5 Waste directed to disposal	Waste Management, page 75
Equal, Diverse and Inclusive Workplace		
GRI 3: Material Topics 2021	3-3 Management of material topics	Eczacıbaşı Building Products - Tiles' Materiality, page 32-33; Equal, Diverse and Inclusive Workplace, page 80-83
GRI 402: Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	Business Ethics and Legal Compliance, page 55-56; Equal, Diverse and Inclusive Workplace, page 80-83
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Governance Approach, page 42-47
	405-2 Ratio of basic salary and remuneration of women to men	Equal, Diverse and Inclusive Workplace, page 80-83
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Business Ethics and Legal Compliance, page 55-56; Equal, Diverse and Inclusive Workplace, page 80-83
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Business Ethics and Legal Compliance, page 55-56; Equal, Diverse and Inclusive Workplace, page 80-83
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Business Ethics and Legal Compliance, page 55-56; Equal, Diverse and Inclusive Workplace, page 80-83
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Business Ethics and Legal Compliance, page 55-56; Equal, Diverse and Inclusive Workplace, page 80-83
Attracting, Developing and Retaining Talent		
GRI 3: Material Topics 2021	3-3 Management of material topics	Eczacıbaşı Building Products - Tiles' Materiality, page 32-33; Attracting, Developing and Retaining Talent, page 84-89

GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Attracting, Developing and Retaining Talent, page 84-89
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Attracting, Developing and Retaining Talent, page 84-89
	404-2 Programs for upgrading employee skills and transition assistance programs	Attracting, Developing and Retaining Talent, page 84-89
	404-3 Percentage of employees receiving regular performance and career development reviews	Attracting, Developing and Retaining Talent, page 84-89
Health, Safety and Wellbeing		
GRI 3: Material Topics 2021	3-3 Management of material topics	Eczacıbaşı Building Products - Tiles' Materiality, page 32-33; Health, Safety and Wellbeing, page 91-93
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Health, Safety and Wellbeing, page 91-93 https://storage-vitra.mncdn.com/vitra/tr/document/Politikalar/2022/VitrA_Karo_Is_Sagligi_ve_Guvenligi_politikasi.pdf
	403-2 Hazard identification, risk assessment, and incident investigation	Health, Safety and Wellbeing, page 91-93 https://storage-vitra.mncdn.com/vitra/tr/document/Politikalar/2022/VitrA_Karo_Is_Sagligi_ve_Guvenligi_politikasi.pdf
	403-4 Worker participation, consultation, and communication on occupational health and safety	Health, Safety and Wellbeing, page 91-93 https://storage-vitra.mncdn.com/vitra/tr/document/Politikalar/2022/VitrA_Karo_Is_Sagligi_ve_Guvenligi_politikasi.pdf
	403-5 Worker training on occupational health and safety	Health, Safety and Wellbeing, page 91-93 https://storage-vitra.mncdn.com/vitra/tr/document/Politikalar/2022/VitrA_Karo_Is_Sagligi_ve_Guvenligi_politikasi.pdf
	403-6 Promotion of worker health	Health, Safety and Wellbeing, page 91-93 https://storage-vitra.mncdn.com/vitra/tr/document/Politikalar/2022/VitrA_Karo_Is_Sagligi_ve_Guvenligi_politikasi.pdf
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Health, Safety and Wellbeing, page 91-93 https://storage-vitra.mncdn.com/vitra/tr/document/Politikalar/2022/VitrA_Karo_Is_Sagligi_ve_Guvenligi_politikasi.pdf
	403-8 Workers covered by an occupational health and safety management system	Health, Safety and Wellbeing, page 91-93 https://storage-vitra.mncdn.com/vitra/tr/document/Politikalar/2022/VitrA_Karo_Is_Sagligi_ve_Guvenligi_politikasi.pdf
	403-9 Work-related injuries	Health, Safety and Wellbeing, page 91-93

Social Investment		
GRI 3: Material Topics 2021	3-3 Management of material topics	Eczacıbaşı Building Products - Tiles' Materiality, page 32-33; Community and Social Vitality, page 94; Social Investment, page 95
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Community and Social Vitality, page 94; Social Investment, page 95
	413-2 Operations with significant actual and potential negative impacts on local communities	Community and Social Vitality, page 94; Social Investment, page 95
Innovation		
GRI 3: Material Topics 2021	3-3 Management of material topics	Eczacıbaşı Building Products - Tiles' Materiality, page 32-33; Innovation, page 98-99
Digital Transformation		
GRI 3: Material Topics 2021	3-3 Management of material topics	Eczacıbaşı Building Products - Tiles' Materiality, page 32-33; Digital Transformation, page 100-101

WEF Stakeholder Capitalism Metrics

Principles of Governance			
Pillar	Core Metrics and Disclosures	Description	References
Governing purpose	Setting purpose	The company's stated purpose, as the expression of the means by which a business proposes solutions to economic, environmental and social issues. Corporate purpose should create value for all stakeholders, including shareholders.	Message from Our CEO, page 6-7
Quality of governing body	Governance body composition	Composition of the highest governance body and its committees by: competencies relating to economic, environmental, and social topics; executive or non-executive; independence; tenure on the governance body; number of each individual's other significant positions and commitments, and the nature of the commitments; gender; membership of under-represented social groups; stakeholder representation	Governance Approach, page 42-47
Stakeholder engagement	Material issues impacting stakeholders	A list of the topics that are material to key stakeholders and the company, how the topics were identified and how the stakeholders were engaged.	Eczacıbaşı Building Products - Tiles' Materiality, page 32-33
Ethical behavior	Anti-Corruption	1. Total percentage of governance body members, employees and business partners who have received training on the organization's anti-corruption policies and procedures	Business Ethics and Legal Compliance, page 55-56
		a) Total number and nature of incidents of corruption confirmed during the current year, but related to previous years; and	
		b) Total number and nature of incidents of corruption confirmed during the current year, related to this year.	
	2. Discussion of initiatives and stakeholder engagement to improve the broader operating environment and culture, in order to combat corruption		
Protected ethics advice and reporting mechanisms	A description of internal and external mechanisms for:		Business Ethics and Legal Compliance, page 55-56
	1. Seeking advice about ethical and lawful behaviour and organizational integrity; and		
	2. Reporting concerns about unethical or unlawful behaviour and lack of organizational integrity.		

Risk and opportunity oversight	Integrating Risk and Opportunity into Business Process	Company risk factor and opportunity disclosures that clearly identify the principal material risks and opportunities facing the company specifically (as opposed to generic sector risks), the company appetite in respect of these risks, how these risks and opportunities have moved over time and the response to those changes. These opportunities and risks should integrate material economic, environmental and social issues, including climate change and data stewardship.	Risk Management, page 50-53
Planet			
Climate Change	Greenhouse Gas (GHG) emissions	For all relevant greenhouse gases (e.g. carbon dioxide, methane, nitrous oxide, F-gases etc.), report in metric tonnes of carbon dioxide equivalent (tCO2e) GHG Protocol Scope 1 and Scope 2 emissions. Estimate and report material upstream and downstream (GHG Protocol Scope 3) emissions where appropriate.	Facts about Our Actions report , Energy Management and Carbon Emissions, page 42-45 Scope 1 and Scope 2 emissions are calculated and reported annually. We aim to calculate Scope 3 emissions
	TCFD implementation	Fully implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). If necessary, disclose a timeline of at most three years for full implementation. Disclose whether you have set, or have committed to set, GHG emissions targets that are in line with the goals of the Paris Agreement – to limit global warming to well below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C – and to achieve net-zero emissions before 2050	We initiated detailed studies for climate risk assessment. In this context, efforts to comply with TCFD are planned.
Nature Loss	Land use and ecological sensitivity	Report the number and area (in hectares) of sites owned, leased or managed in/or adjacent to protected areas and/or key biodiversity areas (KBA).	We do not have an operational center located in protected areas, especially RAMSAR areas.
Freshwater Availability	Water consumption and withdrawal in water-stressed areas	Report for operations where material: megalitres of water withdrawn, megalitres of water consumed and the percentage of each in regions with high or extremely high baseline water stress, according to WRI Aqueduct water risk atlas tool.	Water Management, page 68
		Estimate and report the same information for the full value chain (upstream and downstream) where appropriate.	

People			
Dignity and Equality	Diversity and inclusion (%)	Percentage of employees per employee category, by age group, gender and other indicators of diversity	Facts about Our Actions report , Equal, Diverse and Inclusive Workplace, page 53-54
	Pay equality (%)	Ratio of the basic salary and remuneration for each employee category by significant locations of operation for priority areas of equality: women to men, minor to major ethnic groups, and other relevant equality areas.	Equal, Diverse and Inclusive Workplace, page 80-83
Dignity and Equality	Wage level (%)	Ratios of standard entry level wage by gender compared to local minimum wage.	Equal, Diverse and Inclusive Workplace, page 80-83
		Ratio of the annual total compensation of the CEO to the median of the annual total compensation of all its employees, except the CEO	
	Risk for incidents of child, forced or compulsory labour	"An explanation of the operations and suppliers considered to have significant risk for incidents of child labour, forced or compulsory labour. Such risks could emerge in relation to: a) type of operation (such as manufacturing plant) and type of supplier; and b) countries or geographic areas with operations and suppliers considered at risk."	Risk Management, page 50-53; Supply Chain Management, page 57
Skills for the future	Training provided	Average hours of training per person that the organisation's employees have undertaken during the reporting period, by gender and employee category (total number of hours of training provided to employees divided by the number of employees).	Facts about Our Actions report , Attracting, Developing and Retaining Talent, page 55-57
		Average training and development expenditure per full time employee (total cost of training provided to employees divided by the number of employees).	Facts about Our Actions report , Health, Safety and Wellbeing, page 58
Health and Wellbeing	Health and safety (%)	The number and rate of fatalities as a result of work-related injury; high-consequence work-related injuries (excluding fatalities); recordable work-related injuries; main types of work-related injury; and the number of hours worked.	Health, Safety and Wellbeing, page 91-93 https://storage-vitra.mncdn.com/vitra/tr/document/Politikalar/2022/VitrA_Karo_Is_Sagligi_ve_Guvenligi_politikasi.pdf
		An explanation of how the organisation facilitates workers' access to non-occupational medical and healthcare services, and the scope of access provided for employees and workers.	

Prosperity			
Employment and wealth generation	Absolute number and rate of employment	1. Total number and rate of new employee hires during the reporting period, by age group, gender, other indicators of diversity and region.	Facts about Our Actions report , Attracting, Developing and Retaining Talent, page 55-57
		2. Total number and rate of employee turnover during the reporting period, by age group, gender, other indicators of diversity and region.	Facts about Our Actions report , Attracting, Developing and Retaining Talent, page 55-57
	Economic Contribution	"1. Direct economic value generated and distributed (EVG&D), on an accruals basis, covering the basic components for the organisation's global operations, ideally split out by: - Revenues - Operating costs - Employee wages and benefits - Payments to providers of capital - Payments to government - Community investment"	Facts about Our Actions report , Financial and Economic Performance, page 39
		2. Financial assistance received from the government: total monetary value of financial assistance received by the organisation from any government during the reporting period.	In the reporting year, 2,616,222 TL government support was received within the scope of Social Security Institution, incentives to prevent work accidents and Turquality.
	Financial investment contribution	1. Total capital expenditures (CapEx) minus depreciation, supported by narrative to describe the company's investment strategy.	Economic and Financial Performance, page 59
2. Share buybacks plus dividend payments, supported by narrative to describe the company's strategy for returns of capital to shareholders.			
Innovation of better products and services	Total R&D expenses (\$)	Total costs related to research and development.	
Community and social vitality	Total tax paid	The total global tax borne by the company, including corporate income taxes, property taxes, non-creditable VAT and other sales taxes, employer-paid payroll taxes, and other taxes that constitute costs to the company, by category of taxes.	No corporate tax was paid in the reporting year.

Limited Assurance Report

GRI 2-5



Limited Assurance Report to the Board of Directors of Vitra Karo Sanayi ve Ticaret A.Ş.

We have been engaged by the Board of Directors of Vitra Karo Sanayi ve Ticaret A.Ş. (“the “Company”) to perform a limited assurance engagement in respect of the Selected Sustainability Information (the “Selected Information”) stated in the Integrated Sustainability Report 2022: Story on our Ambition Report and Fact on our Action Report (the “Integrated Sustainability Report 2022”) for the year ended 31 December 2022 and listed below.

Selected Information

The scope of the Selected Information for the year ended 31 December 2022, which is subject to our limited assurance work, set out in the pages 22, 28, 35, 63, 68, 80, 85 and 91 of the Integrated Sustainability Report 2022: Story on our Ambition Report and in the pages 15, 20, 40, 42, 43, 44, 46, 49, 50, 53, 55 and 58 of the Integrated Sustainability Report 2022: Fact on our Action Report with the sign “✓” is summarised below:

Environmental Performance Indicators

- Total energy consumption (MWh)
- Total carbon emissions (tCO₂)
- Total waste disposed (Ton)
- Total water withdrawal (thousand m³)
- Energy intensity (MWh/ton)
- Carbon intensity (tCO₂ / ton product)
- Water intensity (m³/ton)

Social Performance Indicators

- Accident frequency rate (%)
- Women among new recruits (%)
- Total share of women professionals (%)
- Women in management positions (%)
- Training hours per employee (#)
- Training hours per talent (#)

Our assurance was with respect to the year ended 31 December 2022 information only and we have not performed any procedures with respect to earlier periods or any information other than Selected Information marked with “✓” in the Integrated Sustainability Report 2022 and, any other elements included in the Integrated Sustainability Report 2022 and, therefore, do not express any conclusion thereon.

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Criteria

The criteria used by the Company to prepare the Selected Information is set out in section

“Integrated Sustainability Report 2022: Story on our Ambition Report and Fact on our Action Report– Reporting Principles” (the “Reporting Principles”) on pages 120, 121, 122, 123, 124, 125, 126, 127 and 128 of the Integrated Sustainability Report 2022: Story on our Ambition Report and on pages 80, 81, 82, 83 and 84 of the Integrated Sustainability Report 2022: Fact on our Action Report.

The Company’s Responsibility

The Company is responsible for the content of the Integrated Sustainability Report 2022 and the preparation of the Selected Information in accordance with the Reporting Principles. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of Selected Information that is free from material misstatement, whether due to fraud or error.

Inherent Limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information.

The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measures and measurement techniques and can affect comparability between entities. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. It is important to read the Selected Information in the context of the Reporting Principles.

In particular, the conversion of different energy measures to megawatt-hour (MWh) and energy used to carbon emissions is based upon, inter alia, information and factors generated internally and/or derived by independent third parties as explained in the Reporting Principles. Our assurance work has not included examination of the derivation of those factors and other third-party information.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Management 1 and accordingly maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Limited Assurance Report

GRI 2-5



Our Responsibility

Our responsibility is to form a limited assurance, based on limited assurance procedures, on whether anything has come to our attention that causes us to believe that the Selected Information has not been properly prepared in all material respects in accordance with the Reporting Principles. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements 3410, Assurance Engagements on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000 and ISAE 3410. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- made inquiries of the persons responsible for the Selected Information;
- understood the process for collecting and reporting the Selected Information. This included analysing the key processes and controls for managing and reporting the Selected Information;
- evaluated the source data used to prepare the Selected Information and re-performed selected examples of calculation;
- performed limited substantive testing on a selective basis of the preparation and collation of the Selected Information prepared by the Company and
- undertook analytical procedures over the reported data.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Company's Selected Information for the year ended 31 December 2022, is not properly prepared, in all material respects, in accordance with the Reporting Principles.

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Restriction of use

This report, including the conclusion, has been prepared for the Board of Directors of the Company as a body, to assist the Board of Directors in reporting Company's performance and activities related to the Selected Information. We permit the disclosure of this report within the Integrated Sustainability Report 2022 for the year ended 31 December 2022, to enable the Board of Directors to demonstrate they have discharged their governance responsibilities by commissioning a limited assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors of Vitra Karo Sanayi ve Ticaret A.Ş. as a body and Vitra Karo Sanayi ve Ticaret A.Ş. for our work or this report save where terms are expressly agreed and with our prior consent in writing.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Mehmet Cenk Uslu, SMMM
Partner

Istanbul, 4 August 2023

Reporting Principles

Appendix-1: Integrated Sustainability Report 2022: Story on our Ambition Report and Fact on our Action Report- Reporting Principles

This reporting principles (the “Reporting Principles”) provides information on the data preparation and reporting methodologies of indicators within the scope of the limited assurance in the Eczacıbaşı Building Products - Tiles’s (“VitrA” or the “Company”) Eczacıbaşı Building Products - Tiles Integrated Sustainability Report 2022: Story on our Ambition Report and Fact on our Action Report (the “Integrated Sustainability Report 2022”). The indicators include social indicators and environmental indicators. It is the responsibility of the Company’s management to ensure that appropriate procedures are in place to prepare the indicators mentioned above in line with, in all material respects, the principles.

The information contained in this guide covers the FY 22 fiscal year ending December 31, 2022 (January 1 – December 31) and only covers the operations that are under the responsibility of VitrA and excludes information about subcontractors.

The information contained in these principles covers the financial year ending December 31, 2022, and the relevant operations in Turkey and abroad (Germany, Russia) for which Company is responsible, as detailed in the “Key Definitions and Scope of Reporting” section.

Data used for Women among new recruits (%), Total share of women professionals (%), Women in management positions (%), Training hours per employee (#), Training hours per talent (#) indicators are obtained from Eczacıbaşı Holding AŞ. Blue collar employees are not included in the social indicators’ calculations.

General Reporting Principles

The following principles have been considered in the preparation of this principles document:

- In the preparation of information - to emphasize to users of information the basic principles of relevance and reliability of information,
- In reporting information - emphasizing the principles of comparability/consistency of information with other data, including previous year, and the principles of understandability/transparency providing clarity to users.

Key Definitions and Scope of Reporting

For the purpose of this report, the Company makes the following definitions:

Type	Indicator	Scope
Environmental	Total energy consumption (MWh)	In the reporting period, it refers to the total amount of energy consumption by the Company which is monitored monthly and invoiced by the service provider institutions. Energy consumption data includes electricity, natural gas, diesel, and LPG consumption.
Environmental	Total carbon emissions (tCO ₂)	In the reporting period, it refers to the sum of the Company’s Scope 1 GHG Emissions and Scope 2 GHG Emissions.
Environmental	Total waste disposed (Ton)	In the reporting period, it refers to the amount of waste disposed by the Company, tracked by waste declarations, and declared to the Government.
Environmental	Total water withdrawal (thousand m ³)	In the reporting period, it refers to the total amount of municipal water, consumed, which is monitored from the invoices received by service provider institutions and ground water, consumed, which is monitored by meters.
Environmental	Energy intensity (MWh/ton)	In the reporting period, it refers to the ratio of the Company’s total energy consumption to total production volume (in tons).
Environmental	Carbon intensity (tCO ₂ / ton product)	In the reporting period, it refers to the ratio of the Company’s total carbon emissions to total production volume (in tons).
Environmental	Water intensity (m ³ /ton)	In the reporting period, it refers to the ratio of the Company’s total water consumption to total production volume (in tons).
Social	Accident frequency rate (%)	In the reporting period, it refers to the ratio of the number of injury incidents that occurred to the Company’s payroll and contract employees during a work-related activity and prevented him/her from coming to the workplace on the next shift or the next working day, and which were followed up through notifications made to the Social Security Institution, to the total working hours.
Social	Women among new recruits (%)	In the reporting period, it refers to ratio of women to total employee number hired by the Company and declared to the Social Security Institution with the Employment Declaration.

Social	Total share of women professionals (%)	In the reporting period, it refers to the ratio of women to total employee number, who were monitored through Eczacıbaşı Human Resources data platform and who were reported to the Social Security Institution.
Social	Women in management positions (%)	In the reporting period, the ratio of the number of women employees at the managerial levels of the Company, including Manager, Director, Senior Management managers to the Total Number of Employees.
Social	Training hours per employee (#)	In the reporting period, it refers to the ratio of total training hours attended by Company employees to the average number of employees annually, which is monitored through the training tracking platform of Human Resources belonging to Eczacıbaşı.
Social	Training hours per talent (#)	In the reporting period, it refers the ratio of the leadership trainings attended by the employees and followed through the Eczacıbaşı training platform, to the number of people who received the training.

Preparation of the Data

1. Environmental Indicators

Total energy consumption (MWh)

Formula: Total electricity+natural gas+diesel+LPG/LNG consumption.

Total Carbon emissions (tCO₂)

Carbon emissions are calculated by the Company using published conversion factors. Conversion factors enable the determination of the amount of carbon released into the atmosphere per unit of energy consumption. Different types of energy sources have different conversion factors reflecting their carbon intensity. In future periods, conversion factors can be updated to reflect changes/improvements in published data.

Scope 1 emissions consist of natural gas, diesel, LPG emissions. Conversion factors are obtained from the calculation tool provided by the GHG Protocol (July 2009), which uses data provided by the IPCC (Intergovernmental Panel on Climate Change).

Scope 2 emissions consist of electricity emissions. Conversion factors are obtained from "2010 Guidelines to Defra / DECC's GHG Conversion Factors for Company Reporting" provided by UK Government. Electricity conversion factors listed within "Annex-10 International Electricity Emission Factors" for year 2006 and Turkey are used. These conversion factors for electricity and steam have been used instead of the factors detailed within the GHG Protocol calculation tool because they include transmission and distribution losses.

Emission Factors	Emission Factors (kg CO ₂)
1 m ³ Natural Gas	0.56
1 m ³ Natural Gas	1.89
1 lt Diesel	2.68
1 kg LPG	2.98

Total waste disposed (Ton)

Formula: Total Amount of Disposal Waste

Total water withdrawal (thousand m3)

Formula: Total municipal water consumption + total ground water consumption

Energy intensity (MWh/ton)

Formula: Total Energy Consumption / Total Production Amount

Carbon intensity (tCO₂ / ton product)

Formula: Total Carbon Emissions / Total Production Amount

Water intensity (m³/ton)

Formula: Total Water Consumption / Total Production Amount

2. Social Indicators

Accident frequency rate (%)

Formula: Number of accidents*200,000 / Total Working Hours

Women among new recruits (%)

Formula: Number of Women Hires / Total Number of Hires

Total share of women professionals (%)

Formula: Number of Women Employees / Total number of employees

Women in management positions (%)

Formula: Number of women in managerial position / Total number of employees in managerial position

Training hours per Employee (#)

Formula: Total training hours / Average number of employees per year

Training hours per Talent (#)

Formula: Total hours of leadership trainings (hours) / Total number of people who completed leadership trainings (number)

Restatements

The measuring and reporting of data inevitably involve a degree of estimation. Restatements are considered where there is a change in the data of greater than 5 percent at the Company level.

Info

GRI 2-3, GRI 2-4

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For Your Questions on Sustainability

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In this report, "Eczacıbaşı Building Products", "Eczacıbaşı Tiles", "the Company", "we", "us" and "our" refers to Eczacıbaşı Building Products - Tiles unless otherwise stated.

Disclaimer

Eczacıbaşı Building Products - Tiles has acted in good faith and has made every reasonable effort to ensure the accuracy and completeness of the information contained in this document. This Report is prepared only for information purposes and should not be taken as a basis for any investment decision. Eczacıbaşı Building Products - Tiles and its BoD and employees contributing to the preparation of the Report shall not be liable for any direct or indirect damage resulting from the use of the information contained in this report. All information in this document is provided by Building Products - Tiles reserves all rights to the report.



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