

ÇEMTAŞ Sustainability Principles Compliance Declaration

The Sustainability Principles Compliance Framework, prepared in line with the amendment dated 02.10.2020 made in the Corporate Governance Communiqué of the Capital Markets Board of Türkiye, includes the basic principles that public companies are expected to explain while carrying out their Environmental, Social, and Corporate Governance (ESG) practices. Although implementing these principles is voluntary, it is made obligatory to report whether they are implemented or not based on the “Comply or Explain” principle.

Çemtaş Çelik Makine Sanayi ve Ticaret A.Ş. (Çemtaş Steel Machinery Industry and Trade Inc.) closely follows good practices in the field of sustainability, including those specified in the CMB's Sustainability Principles Compliance Framework, and carries out its activities intending to adapt as much as possible to the best generally accepted practices in this field. Full compliance with some of the aforementioned principles has not yet been achieved due to reasons such as the difficulties experienced in the implementation; the uncertainties in general, national, and international arena; the inconsistency of some principles with the current structure of the Company, and the fact that the principles of compliance will be determined according to the findings to be obtained in the ongoing studies. The Company aims to put into practice the principles that have not yet been fully complied with, following the ongoing studies such as examining the global practices that will contribute to creating sustainable value in the Company and providing data with the technical infrastructure developed at the company level. The sustainability practices of Çemtaş Çelik Makine Sanayi ve Ticaret A.Ş., which coincide with the principles included in the CMB's Sustainability Principles Compliance Framework, are explained in detail below. The explanations regarding main principles which have not yet been fully or partially complied with due to current conditions are provided accordingly with the CMB's “Comply or Explain” approach below.

GENERAL PRINCIPLES

Çemtaş works to internalize sustainability within its corporate structure, and within this scope, it makes target-oriented action plans. The Sustainability Committee was established with decision no. 2021/40 on 15.12.2021 to identify and evaluate risks and opportunities in Environmental, Social, and Corporate Governance (ESG); sustainability strategy, policy, and objectives; making relevant organizational and financial planning; monitoring and auditing sustainability performance; climate change and water security; and to determine the duties and responsibilities in the actualization of related practices.

Çemtaş General Manager has been determined as the Chairman of the Committee in the 2021-2022 period. The General Manager is aware of the strategic importance of this position, closely monitors all progress in the name of Sustainability, both in the Committee and its sub-working groups, fully participates in the training, and offers effective leadership to all stakeholders in the relevant partnerships regarding the environment and climate change.

This committee holds a meeting at least twice a year under the leadership of the Committee Chairman and reports the decisions taken to the Board of Management. It generates action plans in line with the determined targets and discloses them to the public. The committee's main duties include following national and international developments, making suggestions for improvement in sustainability practices, disseminating sustainability before internal and external stakeholders, working towards targets, and periodically publishing a sustainability report.

In addition, Çemtaş is aware that in the changing trade environment with the globalizing World, environmental, social, and governance (ESG) factors are significant for companies. The company predicates the assessment of all its internal and external activities on meeting the expectations of stakeholders.

A Sustainability Policy has been prepared that outlines the basic principles of the company's corporate strategies for risks and opportunities in ESG, climate change, and water safety issues, and this policy has been adopted and approved by the Board of Management decision numbered 2021/40, dated 15.12.2021, entered into force and is published on the website.

In order to make Çemtaş sustainable, the Sustainability Committee (SC), which has 18 members, each of whom is staff working in management positions, and 1 Committee Chairman (General Manager), and 7 sub-working groups for the identified focal points is formed. Working groups and their tasks are presented below:

- Sustainability Risks Working Group: Organization and management of Climate Change and Water Security Risks according to CDP (Carbon Disclosure Project) expectations / Presenting risks and opportunities to the SC / Determination of current sustainability - market risks / Reporting economic standards within the scope of sustainability reporting that is made within the framework of GRI Standards
- Stakeholder Relations Working Group: Supplier and customer expectations / Sustainability communication and marketing / Management of sustainability reporting within the framework of GRI Standards / Stakeholder analysis and communication management / Sustainable raw material & material purchases
- Environmental Sustainability Working Group: Carbon Footprint Calculations and Compliance with ISO 14064-1 / Reporting environmental standards within the scope of sustainability reporting which is pursuant to GRI Standards / Evaluation of environmental impacts of products and Company operations / Reducing emissions caused by supply and shipment processes within the scope of emission sources evaluated under Scope 3 within the framework of GHG Protocol, and Category 3 title within the framework of ISO 14064-1
- Social Compliance Working Group: Code of Conduct (Ethical Rules) / Human rights / Employee rights / Local environment / Sedex-Social compliance certificates / Reportage of social standards pursuant to sustainability reporting within the framework of GRI Standards

- Innovative Materials: Sustainable material studies and their environmental impacts / Conducting product life-cycle assesment (LCA) studies / Monitoring developments in the market
- Technology – Digital: Digitalization projects / Water recovery and renewable energy projects / Energy efficiency projects / Reporting of projects on Technology-Digitalization within the company in GRI Reporting
- Sustainable Production: Sustainable raw material identification / Market research / Product life-cycle (LCA) study

As supported by its Sustainability Policy, Çemtaş aims to achieve the actualization of sustainable production via the strong environmental and social risk assesment that was developed within the scope of technological innovations, the management of the environmental footprint resulting from its activities and the risk management system. At the same time, Çemtaş believes that an effective organizational structure and a strong corporate management system are required to ensure continuous improvement and achieve sustainability goals. Accordingly, the Company is aware of the need to cooperate with its suppliers and exemplary peers globally in order to take advantage of new opportunities by identifying best practices on both operational and product-related processes, and with the aim of reaching the leadership status in sustainability in Turkey. Çemtaş aims for a future in which it will position itself as a consultant for all its stakeholders regarding sustainable business.

Çemtaş is carrying out key performance indicator (KPI) studies prior to restructuring its sustainability governance. The KPI studies are conveyed under the Sustainability Committee by expanding the evaluation framework and spreading the monitoring procedure to a wider base.

All three pillars of sustainability (environmental, social, and economic) are important for Çemtaş. Key performance metrics that have been successfully carried out and tracked in environmental, social, and economic terms from past to present can be exemplified as follows:

- Improvement studies for the risks identified together with the archive record of work accidents and near misses,
- Periodic monitoring and evaluations of process efficiency, efficiency optimization studies, periodic customer satisfaction evaluations and preparation of business plans that enable quick-action in order to minimize complaints
- Preparing business plans and following them throughout the year in order to maximize product quality, making target-oriented improvements by keeping periodic reports.

Dust Collection and Continuous Measurement Systems, and Radiation Measurement System and Energy Monitoring System are examples of the works carried out by Çemtaş to increase its sustainability performance. These systems contribute to protecting the environment and human health, increasing occupational health and safety, and improving energy efficiency. In addition, high-strength and breakable micro-alloyed steel and length alignment gear can be given as examples of the patents and models owned by Çemtaş. These have been efforts that have provided Çemtaş with valuable outputs and benefits such as an increasing market share

in terms of economic sustainability, reducing waste and increasing process efficiency in terms of environmental aspect, and contributing to occupational health and safety in terms of the social aspect.

Via the publication of the Sustainability Principles Compliance Report together with the Activity Report, it is aimed to strengthen the communication with the stakeholders through the direct statements and disclosure of data in the report. Transparency, which is one of the most important principles of sustainability, will always be kept in the foreground in the planned subsequent period reports, and transparency will take place in all operations and statements of the company.

Çemtaş determines the ESG issues, risks, and opportunities that are of top priority for internal and external stakeholders by conducting stakeholder surveys at regular intervals. Policies are created or renewed according to the priority issues in the survey results and the emerging policies are announced to the public on the website. The company's short and long-term goals are determined according to the prioritization analysis made as a result of the survey. Çemtaş's Sustainability Policy has also been publicly declared on its website.

Çemtaş plans to prepare a CDP report in 2022 to declare its risks, opportunities, and targets. In addition, Çemtaş's sustainability activities planned for 2022 include Corporate Carbon Footprint Calculation. Since the result obtained from the footprint calculation will provide input to the CDP report, this calculation will be verified by a 3rd party accredited verifier. Verifications received by the 3rd party will be publicly disclosed.

Çemtaş supports the active participation of individuals in social and cultural life by keeping the development of society among its priorities with the aim of enabling sustainable development.

In this framework, Çemtaş has undertaken the duty to contribute to the development and awareness of the society by supporting social responsibility projects, providing social support to the personnel, and taking actions to encourage personnel development. In this direction, Çemtaş examines the plans prepared for the development of society with the focus of the United Nations Sustainable Development Goals. The Sustainable Development Goals that Çemtaş currently supports with its projects are;

- SDG 1: No Poverty

Fuel aid, birth-death-marriage aid, education aid, annual leave, and holiday allowance aids are provided in cash to blue-collar employees, Ramadan supplies, bairam chocolate, shoes, New Year's packages are given in kind. Seniority Incentive Bonus payments are made to white-collar personnel every 5 years in order to encourage seniority. In addition, Ramadan supplies, bairam chocolate, and New Year's packages are given in kind. There is also a Scholarship Principles Procedure in practice that covers the children of employees who died or became permanently incapacitated while working in the company.

- SDG 3: Good Health and Well-Being

Periodic checkup is carried out for all employees every year. As a result of the checkup, evaluations are made and necessary guidance is made for employees who need treatment. Health insurance and personal accident insurance are provided to all employees.

- SDG 4: Quality Education

In 2021, internship opportunities were provided to 34 university and 15 high school students. Employees are provided with training in the fields of professional, technical, and personal development.

- SDG 5: Gender Equality

Although it is difficult to achieve gender equality among employees in the steel industry, Çemtaş does its best to ensure equality. While female employees made up 8% of white-collar employees in 2015, this rate is 14% today. Under the UN Global Compact membership, commitments have been made for gender equality.

- SDG 6: Clean Water and Sanitation

Hazardous wastes are stored in such a way that they do not contact with water and do not interfere with sewerage and stormwater lines. Studies are carried out for water efficiency. Forestry activities are supported. The discharged wastewater also fully complies with the legislative limit values.

- SDG 7: Affordable and Clean Energy

Renewable energy training are received. Research is being carried out for the use of renewable energy sources. Energy efficiency studies are carried out.

- SDG 8: Decent Work and Economic Growth

With the membership of the UN Global Compact, a commitment has been made to comply with these issues. Since its establishment, Çemtaş has never employed any employees under the age of 18. In 2021, a total of 53 people were employed, 26 of which are youth employment.

- SDG 9: Industry, Innovation and Infrastructure

Studies have been initiated to calculate the CO2 emissions per unit value added.

- SDG 11: Sustainable Cities and Communities

Waste is collected separately. Domestic wastes are sent to the municipal landfill. Measurements of PM10-Particle Matter in the Outdoor are made and all parameters in the chimneys are being measured. Emergency Action Plans are being prepared and drills are being held. Employees receive training on the subject from AFAD.

- SDG 12: Responsible Consumption and Production

Energy audit studies are carried out periodically in order to ensure and maintain energy efficiency in production. Based on the energy audit outputs provided in 2019, an internal evaluation was provided by Çemtaş and appropriate equipment were improved/renewed. The amount of savings achieved with the aforementioned investments are presented in the Environmental Principles section of the report. The energy audit study was renewed in 2021 and the Company has not received the outputs yet. Following the evaluation of the outputs by Çemtaş, the appropriate equipment will be renewed again and the calculated savings will be declared in full compliance with the transparency principle in the upcoming reporting period. In addition, Çemtaş has assigned duties to the relevant units to monitor the use of natural and human resources, to use them only as needed and to maintain efficient use. In addition to complying with legal regulations, Çemtaş continues to train its personnel and receive external support in order to conduct research on superior methods in efficient resource use.

- SDG 13: Climate Action

National and international developments are monitored closely. In order to increase the environmental awareness of the employees, trainings on climate change are provided. A coordination group has been formed to carry out carbon reduction studies, this group is working on possible improvements. The Company has started conducting corporate carbon footprint calculation studies. According to the results to be obtained, scientific-based carbon reduction targets will be determined.

- SDG 15: Life on Land

Forestry support is provided. Material and waste are not stored on the ground. Green areas within the establishment are being preserved.

- SDG 17: Partnerships for the Goals

Çemtaş believes that the value created will increase by spreading the sustainability approach to the entire value chain. Çemtaş aims to integrate sustainability into all business processes and spread the same perspective to the entire ecosystem, with trainings for suppliers for a more sustainable future, planet-friendly products for consumers, and with future-friendly innovations developed together with business partners and employees. In this context, in order to make rapid progress in the short term, the Company cooperates with expert staff and builds a solid foundation with the trainings and consultancy it receives on future planning. Key performance indicators related to environmental, social and governance, developments towards short-medium and long-term goals, and the results obtained will continue to be disclosed to stakeholders annually in a transparent and accountable manner.

Çemtaş is aware of all three dimensions of sustainability and strives to integrate it into its corporate structure and decision mechanisms. The Company declares, in line with the principle of transparency, that there are lawsuits filed against it despite their compliance with sustainability issues. As of 31.12.2021, there is a total of 693,305 TL lawsuit provision, of which "Work accident" is 620.865 TL and "Reemployment" is 72.440 TL.

SOCIAL PRINCIPLES

Within the framework of its responsible and sustainable production approach, Çemtaş aims to create a modern business environment that fully respects human rights and to spread this understanding to all its stakeholders. It aims to provide its employees with a fair and equal working environment where human and employee rights are prioritized. In addition to these, the Company implements its human and labor rights policy, which is based on the Universal Declaration of Human Rights, International Labor Organization (ILO) Conventions, United Nations Global Compact, United Nations Business and Human Rights Principles and OECD's Guidance for Responsible Business Conduct and Human Rights for multinational companies.

Çemtaş respects universal human rights and aims to prevent violation of human rights. While recruiting, an egalitarian attitude is displayed in human resources processes such as wage practices, personal and professional development criteria. In addition, the Company exhibits an equal attitude among its employees without discrimination based on gender, language, religion, race, ethnicity, sexual orientation, nationality, age, pregnancy, marital status, union membership, political opinion and similar issues. No such discriminative action that may occur are tolerated. While adopting the principle of right person for the right job as the main principle in its approaches towards employees, Çemtaş carries out the evaluation processes of its employees in a transparent manner based on qualifications, experience and performance criteria. Policies regarding Human and Employee Rights are available on the Company website.

ÇEMTAŞ supports the participation of all disadvantaged groups, especially women, girls and disabled individuals, in society and economic life, to ensure equality of opportunity. By supporting women's empowerment and helping women take an active role in business life, Çemtaş works to increase the ratio of female employees and to raise awareness on gender equality.

There is no place for discrimination, inequality and human rights violations such as forced labor in the organizational structure of Çemtaş. Çemtaş accepts and guarantees not to employ child labor within its body with the child labor prevention procedure in order to ensure the development of children, their attendance to school, their vocational training or their participation in a training program approved by the competent authorities and benefiting from such activities.

Çemtaş determines dispute resolution processes by establishing mechanisms for employee complaints and dispute resolution. The Company regularly explains the activities carried out to ensure employee satisfaction. Training activities for employees are determined, planned and implemented as described in the training procedure, and the training evaluation report is announced. In the report, the trainings applied are evaluated. It is aimed to determine and prevent why unapplied trainings cannot be implemented. The right to unionize is protected by Çemtaş, 74% of the employees are unionized, the remaining 26% is outside the scope of collective labor agreement, as the remaining 26% is the personnel involved in the administrative part of the work as mentioned in the scope article of the collective labor agreement. Fuel aid, birth-death-marriage aid, education aid, annual leave and holiday allowance aids are provided in cash to blue-collar employees, Ramadan supplies, bairam chocolate, shoes, New Year's packages are given in kind. Seniority Incentive Bonus payments are made to white-collar personnel every 5 year in order to encourage seniority. In addition, Ramadan supplies, bairam chocolate and New Year's packages are given in kind.

Within Çemtaş, all employees, starting from the executives, take the necessary measures to reduce the risks that may arise in terms of environment and occupational safety. Risks that may arise in terms of Environmental and Occupational Safety are evaluated, and activities are initiated for risks of high importance. The Company commits to comply with legal and other requirements regarding environment and occupational safety. The company has ISO 45001 Occupational Health and Safety management systems certificate. There is an Occupational Health and safety policy, as well as the Environmental and Occupational Safety Procedure and the Health Unit Procedure. Çemtaş supports its suppliers and subcontractors to be responsible organizations for the environmental and occupational safety. Necessary measures are taken to ensure the health and safety of its personnel, subcontractors, visitors and all relevant parties. When a new investment is made, environmental and occupational safety risks are taken into consideration. Continuous trainings are provided to raise the awareness of its employees and subcontractors on environmental and occupational safety issues.

The company undertakes to carry out the necessary activities for the continuous improvement of the performance by monitoring the studies related to environmental and occupational safety. Complementary Health and Personal Accident Insurance is provided to Çemtaş White-collar employees. Health insurance and personal accident insurance are also provided to blue-collar personnel.

Çemtaş has personal data protection and data security policies. Clarification text for the processing of personal data, personal data inventory, personal data retention and destruction policies, clarification text about security cameras can be accessed from the Company website.

Çemtaş Çelik Makina Sanayi ve Ticaret Anonim Şirketi "Code of Ethics", which all managers and employees are obliged to comply with, have been established to increase the corporate value of the Company and to add financial value to its shareholders. The Board of Management, managers and all employees are expected to comply with the ethical rules. The aim of these rules is to make the Company employees aware of the corporate effects of their behavior and attitudes. Thus, it is ensured that the transparent, honest and reliable communication environment required in all decisions and business management processes related to the Company, such as the final targets set and the management of relations with shareholders, is created. The Code of Ethics can be accessed from the website.

Since Çemtaş Company shares are traded in Borsa Istanbul, financial statements are disclosed on a quarterly basis via the KAP (Public Disclosure Platform) system. Çemtaş provides internship opportunities at university and high school levels. There is a Scholarship Principles Procedure covering the children of employees who died or became permanently. In 2021, internship opportunities were provided to 34 university and 15 high school students. In 2021, it was decided to give scholarships to 2 Higher Education and 1 Secondary School students throughout their education. In addition, within the scope of social responsibility, Çemtaş contributed 49,000 TL in exchange for a donation of 4900 trees to an area of 1000 hectares allocated to create a red pine forest in the Muğla region, as a result of the negotiations between the Turkish Steel Producers Association and the General Directorate of Forestry.

The Company contributed to social life by donating 17,250 TL in return for 1.5 tons of rebar to be used in the construction of the local mosque in the Adnan Kahveci neighborhood of Trabzon province, where donations were made through the Turkish Steel Producers Association. In 2021, a total of 500 TL was donated to the Turkish Education Foundation and 1,750 TL was donated to the Turkey Deaf Solidarity Association.

Çemtaş provides employees with training on Environmental Management Systems and Policies both on recruitment and periodically. In addition, orientation training is provided to every new employee that introduces the company and its rights. In 2021, 23,374 hours of training were provided to a total of 487 employees. The primary trainings are 9,992 hours of Occupational Health and Safety, 343 hours of Environment, 90.5 hours of Climate Change. The remaining 12,948.5 Hours of training were provided on topics such as technical, personal development, quality, etc.

Çemtaş determines priorities by conducting surveys in all its activities in the field of sustainability and shares these priorities with its stakeholders. In this direction, the opinions of all internal and external key stakeholders were compiled through a survey with the participation of 102 people, and a prioritization analysis was carried out. Çemtaş determines its targets by focusing on these strategic priorities and the issues that stand out with prioritization analysis. The survey study is an ongoing study and the final version of the study will be included in the Sustainability Report, which is being prepared within the framework of the GRI Standards, which is planned to be published in 2022. The results of the prioritization

analysis, formed with the participation of 102 people from key stakeholder groups, are given in the graphic below:

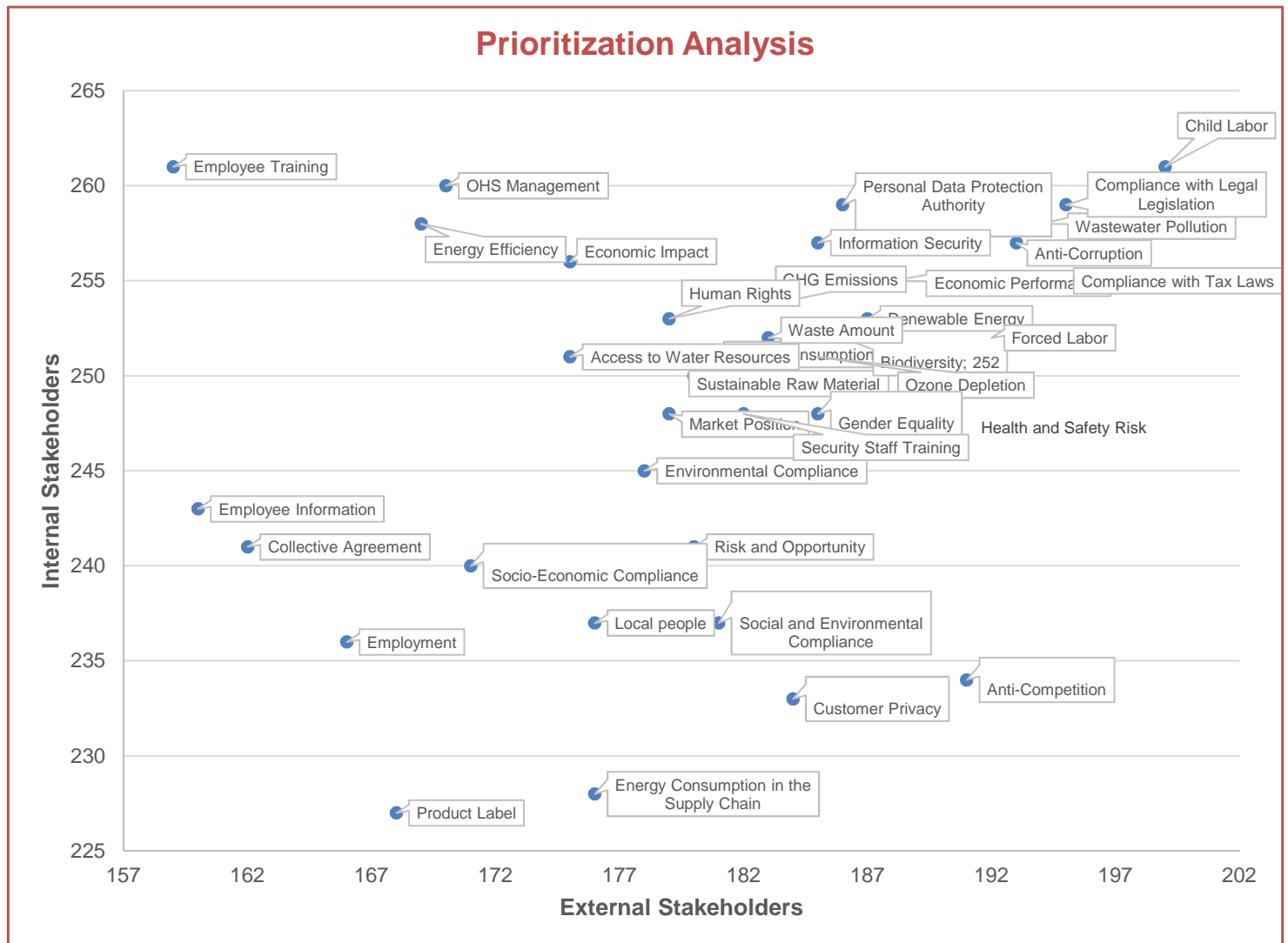


Figure 1. Prioritization Analysis

Çemtaş has detailed and improved stakeholder engagement processes in 2021; the company aims to make the process sustainable by continuing its dialogue with all internal and external key stakeholders through various channels every year. In this direction, the Company worked thoroughly with the personnel in the sustainability sub-focus groups on stakeholder expectations and stakeholder communication channels and reported them to the Sustainability Committee.

The Company envisions a future in which stakeholders will be grouped as those who have a direct and indirect economic impact on Çemtaş, and those who bring new opportunities, information, and approaches, by successfully completing the target of being the driving force in their sustainability journey with accurate and effective stakeholder communication. Çemtaş prepares reports in order to maintain its dialogues with the main stakeholder groups in the

focus of priority issues and updates the content on the website in line with stakeholder interactions.

Çemtaş applies the customer satisfaction and communication procedure within its body in order to ensure the continuity of communication with the customers and to ensure customer satisfaction. Within the scope of customer satisfaction and communication procedure of Çemtaş, customer services and pre-sales and post-sales technical support are provided and it is aimed that customers use the right materials in the right place. In addition, visits are made to increase customer satisfaction and communication. After the visits, meeting minutes are taken down. Meeting minutes are distributed to the General Manager, Deputy General Managers, and Quality Management.

IFRS (International Financial Reporting Standards) is applied in financial reporting. In addition to the periodic financial statements, footnotes, and independent audit reports, the first outputs will be obtained in 2022 on subjects such as the Carbon Disclosure Project (CDP), the Global Reporting Initiative (GRI), studies are continuing to prepare the outputs in a way that will be disclosed to the public and relevant stakeholders. In addition, although it is not disclosed to the public, the Company mandatorily reports its environmental information to the "Ministry of Environment and Urbanization".

Negotiations on being a member of international organizations and the status of being a signatory to the principles are continuing by the Çemtaş Board of Management. Çemtaş is a UN Global Compact signatory.

Çemtaş's goals for 2022 include entering the Borsa Istanbul Sustainability Index. Çemtaş Sustainability Committee and sub-working groups carry out studies in sixteen categories under the environmental, social, and governance headings.

ENVIRONMENTAL PRINCIPLES

Çemtaş believes that sustainability issues should be included in decision-making and business processes to create long-term value. As stated in the "General Principles Section," for this purpose, the Sustainability Committee of 19 people, chaired by the General Manager and consisting entirely of executive staff, was established in 2021. With this committee, the sustainability issues of Çemtaş started to be handled as a separate topic by the senior management.

Çemtaş's sustainability strategy is being reviewed with consultancy services from experts in their fields to be reconstructed. It is aimed that this reconstruction will focus on transition to low carbon economy, transition to low contact economy, cultural and social transformation. Studies on predicting priority risks in each focus area and having strong risk management gained momentum as of the second half of 2021. The company, with the assurance of the consultant firms, has taken healthy and fast steps and formed a solid foundation for its transformation target, and it continues to move forward in this direction every day. The pairing of Çemtaş's actions and the United Nations Sustainable Development Goals has been

provided by Çemtaş personnel in the past. However, it was aimed to be a stakeholder in the solution of a movement that was initiated on a global scale, by outsourcing services for the inspection of expert staff. In addition to economic parameters, risk management is reviewed in a way that it will be carried out with a life-long perspective, including environmental and social issues, and steps have been taken for strategic transformation as of the date of this report, and they continue to be taken day by day. In the supply chain, the possible effects of environmental and social risks that may arise in customer, dealer, and service processes were studied, and workshops were held in focus groups formed within Çemtaş to manage these risks. These focus groups meet again every 2 weeks to advance the transformation process. Within the scope of transparency, fairness, responsibility, and explainability principles, a new monitoring and reporting process has been established to undertake and report the business processes managed and the performance results achieved. As of 2022, concrete results will be published on the Çemtaş website and they will be included in the first Sustainability Report which will be published in 2022. The process for the preparation of the report continues.

Full compliance with environmental laws and other regulations is ensured. The company has been certified with ISO 14001 since 2007. In 2019, the ISO 14001:2015 transition process was completed. All legal specifications to which we are subject are kept track of by our company and controlled periodically. The strength of the Çemtaş control mechanism is also periodically reviewed. To date, no problems or risks have been identified in the control mechanism and the agile approach to compliance. Within the scope of the current review dated 20.08.2021, compliance with 72 laws and articles in the relevant legislation was evaluated. Çemtaş's compliance with the current requirements within the scope of each law and article has been reviewed and the control chart has been renewed. Under the current conditions, Çemtaş's continuous and careful control mechanism has proven its competence once again.

In line with its vision of continuous improvement, the Company regularly analyzes the improvement areas in its systems and processes and identifies priority improvement areas. Prioritized improvement areas are designed and the competence and competitiveness of the production system are increased.

In order to manage environmental issues, Çemtaş determines the strategy with an agile approach in line with the targets established in the past and currently suitable, as well as the targets set for climate change risks carried out by the aforementioned working groups. The Company makes plans in line with strategy updates for targets and provides the necessary human and material resources. Çemtaş has committed to following up on the business strategy changes, risks, and opportunities caused by climate change on a regular basis every year and aims to develop its strategic plans in this direction. In this direction; its products, supply chain management, R&D investments, operations, financial parameters, and corporate policies; will be determined according to the environmental and social crises. All of Çemtaş's activities within this scope, the incentives it offers both within the organization and to its customers in the management of environmental issues, and the incentives for which it is making action plans and aiming to make, will be included in the 2021 CDP Climate Change Report. In order to manage climate change and its environmental impacts, Çemtaş started to create its Corporate Carbon Footprint inventory in 2021 within the framework of the GHG Protocol, determining the year 2021 as the base year. It will explain the details of the standard,

protocol, methodology, and base year it uses to collect and calculate its data in detail in the corporate carbon footprint report that will be verified and completed in 2022. The company contacted 3rd party independent verifiers to verify the inventory and corporate carbon footprint calculation methodology. It has allocated the necessary resources both for the consultancy to be received from the expert staff throughout the process, for the planning of the internal resources and workforce that will support the creation of the inventory, and for the 3rd party verification service fees. In addition, a budget allocation was provided for consultancy and internal workforce planning so that the sustainability reporting for 2021 within the framework of GRI Standards could be made. Necessary pre-registration has been made in order to participate in the CDP – Carbon Disclosure Project. The budget that is anticipated to be needed in order to obtain consultancy for the reporting of 2021 activities on the CDP platform and to fulfill the CDP obligations has been prepared. The preparation of the Sustainability Principles Compliance Statement also required the optimum evaluation of the workforce and Çemtaş personnel resources, and the Çemtaş management team successfully and devotedly managed the relevant budget allocation in this process, as in all other transformation processes.

In accordance with ISO 14001 requirements and the relevant Environmental Legislation requirements, targets are determined and managed for the solution of issues involving environmental risks. In addition, the Sustainability Committee was established in order to further improve the Sustainability Performance and reach a pioneering position, and the sustainability policy was integrated into the business processes of the sustainability roadmap by establishing the committee working principles. Working groups have been established to report to the Sustainability Committee, work on focal issues and carry out the necessary internal studies. Studies on innovative materials will be carried out and a transformation strategy for green steel production will be revealed. Pieces of training on creating and calculating the corporate carbon footprint inventory were provided to Çemtaş personnel through external benefits and services

Çemtaş provided its personnel with training on the creation and maintenance of a sustainable governance structure, OHS, legislative changes within the scope of the Green Deal, determination of climate change risks, target setting in accordance with the guidelines of the Scientific-Based Targets Organization, CDP Climate Module, and CDP Water Module.

Environmental issues are integrated into business goals and strategies by following the steps below.

1- Environmental impact and environmental risks are measured.

In this sustainability journey, the steps of which are explained above, Çemtaş performs corporate carbon footprint calculations and verification processes in order to calculate the environmental impact. In addition, the impact of the environment caused by climate change on the Company and the Company's climate change-related impact on the environment and society is evaluated. The risks caused by climate change are disclosed.

2- Goals and roadmap are determined.

Energy efficiency targets, emission reduction targets, supply chain improvements, and prevention targets for climate indirect natural risks will be determined in accordance and

compliance with CDP modules and carbon management and general sustainability consultancy services, which are currently carried out with expert staff and consultants. Currently, Çemtaş sets measurable targets within the scope of ISO 14001 EMS to reduce environmental impacts. By 2022, climate targets will be based on climate science, and they will be formulated in a scientific manner, even if the organization's approval is not obtained in the relevant year.

3- Actions are taken to reduce the environmental impact.

Plans prepared for efficiency improvement, orientation towards green energy resources, a net-zero supply chain, and similar targets will be implemented. The improvement provided by the application; Re-measurement of emissions in the following periods will be determined by re-verification. Thus, the success of reaching the targets and the return of the activities to the Company will be proven. The improvement achieved by the application will be determined by the re-measurement of emissions and re-verification in the following periods. Thus, the success of reaching the targets and the return of the activities to the Company will be proven.

4- Financial transformation is provided in order to allocate financing to climate studies.

In order to allocate financing for climate studies on a continuous basis from Company resources, one or more different methods can be determined. Approaches such as costing the emissions generated by the Company's activities with the current carbon dioxide price per tonne, and budgeting this cost as financing for reduction projects or for quick response to possible legislative changes are evaluated. In addition, this budget can be allocated to eliminate emissions that the Company cannot reduce or to invest in environmental impact funds. In the ever-changing financial and regulatory climate, the relevant decision has not yet been finalized. Designing a restructuring for allocating financing is among the definite targets, but the methodology to be followed will emerge in the coming periods when the research/development studies of the working groups and the legislations become clear.

5- Being a climate change pioneer.

In the next step of the journey, steps will be taken to spread the sustainability model and vision to the Çemtaş value chain. Along the value chain, it is aimed to transform this vision into a driving force that uses the accumulated results to encourage the contacted stakeholders for becoming more sustainable. Çemtaş believes that the value created will increase by spreading the sustainability approach to the entire value chain. Çemtaş aims to integrate sustainability into all business processes and spread the same perspective to the entire ecosystem, with trainings for suppliers for a more sustainable future, planet-friendly products for consumers, and with future-friendly innovations developed together with business partners and employees. In this context, in order to make rapid progress in the short term, the Company cooperates with expert staff and builds a solid foundation with the trainings and consultancy it receives on future planning. Key performance indicators related to environmental, social and governance, developments towards short-medium and long-term goals, and the results obtained will continue to be disclosed to stakeholders annually in a transparent and accountable manner.

A prioritization survey was conducted to evaluate internal and external stakeholders and their subgroups severally. In this survey, risks and opportunities related to environmental issues were identified for all stakeholders along the value chain. It has emerged that environmental metrics that stakeholders have identified as priority are issues such as greenhouse gas emissions, renewable energy, waste management, biodiversity, and energy efficiency. Actions oriented towards these priorities such as; measuring carbon footprints, carrying out feasibility studies on renewable energy conversion, and reviewing production processes and equipment for energy efficiency were given priority in planning. In order to consider how these issues are handled by suppliers, these procedures have started to be included in supplier selection forms. In addition, training on the importance and methodology of supplier and customer selection in the sustainability strategy was provided to the purchasing departments.

The stakeholder relations working group has determined identifying the risks of suppliers and customers arising from climate change and reviewing the supplier selections accordingly as its priority field of work, and has started its work. In addition, in non-environmental issues, in line with the priority assessment of the stakeholders, plans were made for issues that are considered important in the fields of social and governance. Company policies and business processes have been renewed.

Due to today's competitive conditions and increasing energy prices, it is of great importance for an enterprise to use the energy it consumes effectively. The savings required for effective energy use will only be possible by making timely investments for updating technologies, and constantly optimizing and controlling operating conditions. In this direction, Çemtaş officials started the Çemtaş Çelik Makine Sanayi ve Ticaret A.Ş. energy efficiency study in July 2019 in order to detect possible energy losses and increase energy efficiency at the operation site.

General energy consumption analyzes were made at Çemtaş. Measurements were made for pumps, fans, compressed air system, steam boilers, balance furnaces, annealing furnace, cooling tower, lighting system and insulation deficiencies/losses. Measurement results were evaluated. The energy audit service provider has expressed an opinion on the points determined to cause loss and how much loss occurred from these points. He also made suggestions about the investment needs required to compensate for the loss and the price information of these needs.

The measurements were completed successfully, in accordance with its purpose, thanks to the fact that the authorities at Çemtaş attached great importance to the subject, facilitated during the measurement works, and provided the necessary documentation quickly after the measurement. Conducted energy efficiency studies resulted in calculation of energy efficiency action options, financial and power-related managery potential, necessary investment cost, and payback period. As a result of the calculations, the findings were shared with Çemtaş and the actions regarding the findings were taken as given below. With each action, energy savings were achieved as the values given-below. Energy audit work was carried out again in 2021, and the energy audit report has not yet been provided to Çemtaş. In order to put the findings in the report into action, Çemtaş has allocated the required improvement budget, as in previous years. The Company has become ready to carry out equipment maintenance and renewal in all areas where savings can be achieved.

1- Elimination of compressed air leaks: In the measurements made with ultrasonic leak detectors at a total of 115 points, leakage points where energy savings can be made have been determined. The detected energy losses were eliminated as a result of improvements such as valve replacement and conditioner replacement in the relevant equipment. With these improvement processes, a total annual electricity savings of 719,315.42 kWh was achieved.

2- Adjusting the combustion in the annealing furnace: Hizmet sağlayıcı tarafından doğalgaz yakıtlı tav fırınında yanma ayarı yapılarak fırın veriminin artırılabilmesi mümkün bulunmuştur ancak; Çemtaş tarafından yapılan analizler sonucunda üretime bağlı olarak hava ve gaz oranı optimum değerlerde ayarlanmakta olduğu, tav fırınının enerji verimliliğini artırmak amacıyla ayarlanacak diğer yanma değerlerinin üretim kalitesini etkileyeceği tespit edilmiştir. Tespit edilen bu iyileştirme noktası, Çemtaş'ın yıllara uzanan derin bilgi birikimi doğrultusunda ortaya çıkardığı yüksek ürün kalitesinden ödün vermemek adına izleyen dönemlerde gelişen teknoloji ile yeniden değerlendirilmek üzere açık bırakılmıştır.

Adjusting the combustion in the annealing furnace: It was possible to increase the efficiency of the furnace by adjusting the combustion in the natural gas fired annealing furnace by the service provider, however; As a result of the analyzes made by Çemtaş, it has been determined that the air and gas ratio is adjusted at optimum values depending on the production, and other combustion values to be adjusted in order to increase the energy efficiency of the annealing furnace will affect the production quality. This determined improvement point was left open to be re-evaluated with the developing technology in the following periods in order not to compromise on the high product quality that Çemtaş has revealed in line with its deep knowledge of years.

3- Valve jacket application to valves: Thanks to the valve jacket application, natural gas savings of 35,014.75 kWh/year are envisaged. Thanks to the jacket application provided for a total of 21 pieces of equipment, isolation has begun. The real savings will emerge when the Energy Audit Report 2021 is obtained. It is aimed to indicate the amount of savings in the content of the 2021 Sustainability Report, which is being prepared within the framework of the GRI Standards to be published in 2022.

4- Application of insulation on surfaces with missing or worn insulation: In the case of applying insulation for hot surfaces with missing or worn insulation, it is envisaged to save 45,996.55 kWh/year of natural gas. Insulation has been started on worn surfaces detected in 2 equipment in total. The real savings will further shape when the Energy Audit Report 2021 is obtained. It is aimed to indicate the amount of savings in the content of the 2021 Sustainability Report, which is being prepared within the framework of the GRI Standards, to be published in 2022.

5- Replacing low-efficiency pumps with efficient pumps: An evaluation was made by Çemtaş on 10 low-efficiency pumps determined by the energy audit service provider, and it

was determined that only 1 pump was suitable for replacement. With the improvement made, 332,880.00 kWh/year electricity savings were achieved.

6- Obtaining hot water by means of an economizer that is foreseen to be added to the annealing furnace flue by deactivating the heating steam boiler: In this context, 2 equipment (Anneal Furnace, Vacuum Steam Boiler) were evaluated, and the evaluation of waste heat by adding an economizer to the chimney in the Annealing Furnace was not found appropriate as a result of the evaluations made by Çemtaş. On the other hand, the evaluation made for the improvement to be provided in the vacuum steam boiler was positive. As a result of the improvement, the hot water provided for the heater and showers has started to be provided by the vacuum steam boiler instead of the heating boiler, by installing a line over the main steam superheater line of the vacuum steam boiler and adjusting the thermostatic valve group. The natural gas savings achieved are recalculated by Çemtaş, and it is aimed to indicate the amount of savings in the 2021 Sustainability Report, which is being prepared within the framework of the GRI Standards to be published in 2022.

7- Replacing the existing recuperator of the annealing furnace with a high-temperature resistant recuperator: This improvement determined by the service provider for the annealing furnace was evaluated negatively by Çemtaş. Since the currently used recuperator was selected in accordance with Çemtaş existing systems and was changed in 2016, it was determined that its re-change would adversely affect the operation of the existing system, therefore the relevant improvement note was not found appropriate.

8- Replacing existing luminaires with LED luminaires: Replacing existing luminaires that have not yet been converted into LEDs with more efficient LED luminaires is of great importance in terms of energy saving. It is predicted that 537,324.00 kWh/year energy savings can be achieved by replacing existing fixtures with more efficient LED fixtures.

9- Extra works: In addition to the energy efficiency areas determined by the energy audit service provider, studies were also carried out in other improvement areas determined by Çemtaş.

* 1 of the 3 pump motors currently working in the block rolling hydraulic unit is disabled and the operation continues with 2 motors.

* One of the 3 pump motors currently working in the continuous rolling hydraulic unit is disabled, and the operation continues with 2 motors.

* One of the 3 pump motors currently working in the packaging hydraulic unit is disabled, and the operation continues with 2 motors. The use of renewable energy is not yet integrated into

the Company's operations. Related target studies are ongoing. Within the scope of both CDP reports and corporate carbon management consultancy services, the integration of renewable energy into Company operations and the strategy of transition to a low-carbon economy are worked on under the guidance of consultants in Çemtaş focus groups.

CORPORATE GOVERNANCE PRINCIPLES

Within Çemtaş; TS EN ISO 14001 Environmental Management System, TS ISO 45001 Occupational Health and Safety Management System and TS ISO 50001 Energy Management System are implemented. There is also a Sustainability Policy that has been accepted and publicly announced by the Board of Management. In this respect, ESG issues, which were previously considered with procedures and directives, came under the task of the Sustainability Committee.

(<https://www.kap.org.tr/tr/Bildirim/983434>)

(<http://www.cemtas.com.tr/sayfa/kalite/6/sistem-belgelerimiz>)

Çemtaş receives the opinions of stakeholders at regular intervals through stakeholder surveys. makes a prioritization based on the survey results. It reviews its prioritization separately with internal and external stakeholders and eventually integrates these issues into its specific strategies and procedures. The priority issues as a result of the stakeholder survey constitute short-term plans and targets, while the issues that do not have priority over other topics constitute long-term plans and targets.

Social responsibility and sustainability issues are always important for Çemtaş. Among the projects carried out so far, the Afforestation Project with the Turkish Steel Producers Association (TÇÜD) and the General Directorate of Forestry can be given as an example of environmental sustainability. For this project, Çemtaş contributed 49000 TL to Muğla in return for a donation of 4900 trees. With this project, it is aimed to eliminate the destruction of the fires that broke out on the coastline in the summer of 2021. As an example of social sustainability, the mosque construction project in Trabzon Adnan Kahveci neighborhood can be given as an example. Çemtaş donated 17250 TL in exchange for 1.5 tons of rebar here.

Çemtaş is against bribery and corruption. They explained this struggle in the Code of Ethics procedure and Sustainability Policy.

(<https://www.cemtas.com.tr/sayfa/yatirimci-iliskileri-detay/13/etik-kurallar>)

The company demonstrates its commitment to the principle of honesty in terms of taxation, by taking an audit service from outside the company in order to take the right steps. In addition, Çemtaş, an exporting company, monitors and evaluates companies that may be risky with their declarations in monthly tax control reports from the internet tax office. In line with its efforts, Çemtaş makes maximum efforts to comply with all Corporate Governance principles.

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Figure 2. Sustainable Development Goals