

**SUN TEKSTİL SANAYİ VE TİCARET A.Ş. 2023 SUSTAINABILITY/ESG  
DISCLOSURES INFORMATION REPORT**

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## **SUN Tekstil Sanayi ve Ticaret A.Ş. 2023 Sustainability/ESG Disclosures Information Report**

We are pleased to present Sun Tekstil's 2023 ESG Stakeholder Information Report. This report is a comprehensive document that provides a detailed overview of Sun Tekstil's Environmental, Social, and Governance (ESG) practices. As a company, we are committed to conducting our business in a responsible and sustainable manner, and this document is an important part of our transparency and accountability commitment.

Sun Tekstil operates based on a holistic sustainability approach and sets its company policies accordingly. These policies include documents such as Environmental Policy, Disclosure Policy, Information Security Policy, Compensation Policy, and Donation and Aid Policy. Since 2015, we have been publishing our UN Global Compact Communication on Progress report, which is based on some GRI indicators and is publicly available through the platform. In addition, corporate sustainability strategies and activities are reported in the Sustainability Report which was published every year since 2019 and in the Annual Reports that started to be published as of 2022. Furthermore, to enhance transparency and to enable stakeholders to obtain information about the company, our Articles of Association and General Assembly Minutes are also publicly shared on our website.

In this report, you will find information about our ESG policies, strategies, initiatives, and our performance in 2023. It also includes information that is not specific to a particular date range and remains valid unless otherwise stated. This report is designed to consolidate important information that is publicly available in order to support our stakeholders internationally. We have included information about our efforts to reduce environmental impacts, such as sustainable material usage, climate change mitigation strategies, energy-efficient technologies, and greenhouse gas emissions management programs. Additionally, we have provided detailed information about our social practices, including fair labor practices, diversity and inclusion, and steps and commitments towards community engagement. We have shared our activities aimed at ensuring our holistic sustainability approach throughout our supply chain. This report, like our Sustainability Report, covers all of our global activities.

Furthermore, this report includes information about Sun Tekstil's governance practices, including our board composition, executive compensation, and risk management processes. We believe that strong governance is essential to building trust with our stakeholders, and we are committed to maintaining the highest standards of corporate governance. As a proof of our values, In 2023, we received a score of 9.6 out of 10 by SAHA independent audit within the scope of Corporate Governance Compliance Criteria and were included in the BIST Corporate Governance Index.

Sun Tekstil is committed to publishing this report annually to inform our stakeholders about our ESG practices and performance. We are proud of the progress we have made in the past year, but we always believe that we can do more to create value for society and our world. We will continue to prioritize ESG matters in our business operations and eagerly look forward to sharing the progress we make with our stakeholders in the coming years. We invite you to read this document to learn more about Sun Tekstil's ESG practices and our commitment to sustainability.

## Information Regarding Our Environmental Responsibility

We are conducting environmental sustainability activities in our production processes under the headings of greenhouse gas emissions, energy management, water management, chemical management, and zero waste management.

### Water management

We are aware of the impact of the textile sector on the world's clean water resources, and for many years, we have been conducting significant activities to achieve a profound transformation through disruptive innovation. In our journey that we started in 2001, we reduced our total water consumption by 55% and water consumption per unit product (kg fabric) by 68% as of 2023 compared to our base year. As one of the most important milestones, a wastewater recovery facility investment was made in 2022 in order to protect water resources. Our facilities, equipped with innovative treatment technology and approved for their effectiveness by authorized independent organizations, potentially able to recycle 95% of the wastewater. In 2023, assembly of the wastewater recovery plant was completed, feasibility studies are in progress. As a result of this studies we recovered 5% of total wastewater in the last 5 months of 2023. Until the end of 2025, we aim to recycle at least 87% of total water consumption of Sun Tekstil Headquarters Facility and dyhouse facility. This would reduce our annual water requirement from approximately 945,000 m3 to around 123,000 m3 when operating at full capacity.

As an indication of our efforts to increase water efficiency in our garment manufacturing facilities, we have committed to a 2% reduction in water volume between 2023 and 2024. To achieve this target, we are reviewing our processes and implementing initiatives for more efficient water use. Our goal is to contribute to the environment and society by utilizing water resources in a sustainable manner.

Here are our water management-related data:

Water Withdrawal Total	484.1 Megaliters (484,146cubic meters)
Fresh Water Withdrawal Total	484.1 Megaliters ( 484,146 cubic meters)
Water Recycled	38,185 m3

### Energy Management

In our efforts to combat climate change, we strive to utilize the best available technologies, reduce raw material usage, preserve natural resources, minimize energy and water consumption, and leverage renewable energy sources.

Within the framework of the ISO 14064 Standard, we regularly collect category 1, category 2 and category 3 data in order to calculate our greenhouse gas emissions of our own production facilities, thus calculating our scope 1 and scope 2 emissions in the Greenhouse Gas (GHG) Protocol methodology, which is essential to comply with the Carbon Border Adjustment regulation. At Sun Tekstil production facilities and administrative offices, we offset our electricity consumption from the grid with I-REC certified 100% renewable energy source. In 2023, we reduced approximately 30% of Scope 1 emissions by using sustainable biomass on steam production for ironing operations. In 2022, we completed the compliance and scheduling processes for our ISO 14064 verification. By establishing a governance structure centered around the ISO 14001 Environmental Management System, our aim is to enhance our governance mechanisms. Furthermore, we aim to calculate greenhouse gas emissions, and following

Ekoten’s succesful performance on CDP Climate Change Program, we also aim to prepare a CDP (Carbon Disclosure Project) Report for Sun Tekstil. At our Torbalı Headquarters factory, we have been implementing self-assessment practices through the Higg Facility Environment Module (FEM) since 2017, and in our Manisa Factory since 2020. We are striving to advance these practices through independent audits conducted in 2023. In line with our roadmap aligned with the European Green Deal, we started to implement science-based strategies throughout our entire supply chain. We continue our efforts to comply with the ISO 50001 Energy Management System, targeting certification by 2025.

In 2018, with the investments we made in line with the capacity increase, we meet approximately 40% of the annual electricity need of our knitting factory established in Izmir Torbalı from the 1,200 kWh solar power plant located in our facility. Our solar power plant system has been generating almost 1.410.000 kWh of electricity annually since 2019. Thus, we reduced our annual greenhouse gas emissions by about 690 tonnes CO2e.

In 2023, we continued our energy efficiency efforts with our kaizen projects and we have achieved significant energy savings with our two major projects. With compressor optimization project, we saved 259 GJ of electricity consumption annually and with washing machine heating system revision project, we saved 3,828 GJ of heat energy consumption annually.

In addition to these efforts, as Sun Tekstil, we are committed to energy efficiency. Our company has set a target to reduce garment manufacturing facilities energy usage by 2% for the year 2024, aiming for a more sustainable future. We have a target to purchase 100% of our grid electricity from renewable sources every year until 2030. We aim to achieve over 50% renewable energy use in steam generation each year until 2030. We continuously research and implement innovative and sustainable technologies to improve energy efficiency in our production processes. With our focus on energy efficiency, our aim is not only to make our operations sustainable but also to contribute to the environment and society.

Here are the energy management-related data:

Energy Use Total	331134 GJ
Renewable Energy Use	84233 GJ
Total Renewable Energy	117189 GJ

**Greenhouse Gas Emission Management**

As a leading company in the fight against the climate crisis, we started measuring and verifying our greenhouse gas emissions related to fabric production in accordance with the ISO 14064 Standard in 2012, with the aim of contributing to sustainable transformation in our sector and the business world. With the determination and ownership of our senior management, we established an effective governance mechanism for climate change in the early stages of our journey. In order for this mechanism to develop at the international level and for its performance to be measured and improved, we started reporting under the Carbon Disclosure Project (CDP) Climate Change Program in 2012 in our fabric manufacturing facilities Ekoten. When compared to our base year of 2012, we have achieved a significant reduction in greenhouse gas emissions.

In addition to these, we achieved the improvement in our greenhouse gas emissions in Ekoten thanks to the solar power plant investment we made in 2018, our efficiency-enhancing projects that our employees participated in with their valuable suggestions, and the strategic transformation investments determined by our senior management.

We stopped the use of coal in 2021 to reduce our GHG emissions dramatically. Moreover, our project for transition to natural gas boilers with high efficiency was among the Efficiency Increasing Projects (VAP) supported by the Republic of Türkiye Ministry of Energy and Natural Resources. We have reduced our emissions through our other guided projects, especially online steam trap monitoring, and our kaizen projects developed with the suggestions of our employees as a result of our lean management practices. In 2022, we started using sustainable biomass in steam generation at both Ekoten Tekstil and Sun Tekstil production facilities and significantly increased this ratio in 2023. Thus, by producing approximately 65% of Sun Tekstil steam production and heating from biomass in 2023, we reduced Sun Tekstil Scope 1 emissions by 30%. By producing 59% of Ekoten Tekstil steam production from biomass, we reduced Ekoten Scope 1 emissions by 24%.

We continue to reduce our carbon footprint by using hybrid vehicles in our company fleet since 2021. By replacing a significant portion of our company vehicles with hybrid models, we have reduced direct emissions from our vehicles. In order to optimize the emissions of our hybrid vehicles, we have gamified the average consumption targets set for each user. The Best Performers List of each month is announced and congratulated by our Chairman of the Board.

In 2022, we joined the Sustainable Competition Development (UR-GE) Project, which was carried out under the coordination of the Ministry of Commerce and the Aegean Exporters' Associations. In the project, which involved 18 companies operating in the textile supply chain in the Aegean Region, we benefited from sustainability needs analysis and energy efficiency consultancy support provided to companies within the scope of the fund. In the project module that started in the last quarter of 2023, we received Product Life Cycle Assessment consultancy for a sample fabric model. With the support of our senior management, we became one of the few textile companies in Türkiye committed to setting science-based targets on the Science Based Targets Initiative (SBTi) platform in 2022. Accordingly, we have submitted emission reduction targets for our fabric manufacturing facilities Ekoten, where our production facilities are located, to the SBTi platform and we expect our targets to be validated in June 2024. As Ekoten, we committed to reduce absolute scope 1 and 2 GHG emissions 46.2% by FY2030 from a FY2019 base year. We also committed to reduce scope 3 GHG emissions from Category 1 purchased goods and services, Category 3 fuel and energy related activities and Category 4 upstream transportation emissions 51.6% per ton of fabric produced by FY2030 from a FY2021 base year.

Here are our greenhouse gas emission management-related data:

CO <sub>2</sub> equivalent emissions total (Scope 1+ Scope 2)	12,838.07 tCO <sub>2</sub> eq.
CO <sub>2</sub> equivalent emissions direct, scope 1	12,838.07 tCO <sub>2</sub> eq.
CO <sub>2</sub> equivalent emissions indirect, scope 2 (Market Based)	0 tCO <sub>2</sub> eq.
CO <sub>2</sub> equivalent emissions indirect, scope 3	48,088.00 tCO <sub>2</sub> eq.
NO <sub>x</sub> emission	24.47 tonnes
SO <sub>x</sub> emissions	6.40 tonnes
VOC emissions	0.046 tonnes

## **Waste Management**

We ensure resource efficiency throughout the product lifecycle with our circular economy practices that start during the design phase. Additionally, within our responsible processes, we aim to maximize the value retention of end-of-life products by reintegrating them into the cycle. With our Zero Waste Management System, which we established in this direction, at our dyhouse facility we received our basic level Zero Waste Certificate approved by the Provincial Directorate of Environment and Urbanisation in 2021.

Here are our waste management-related data:

Waste Total	5,585 tonnes
Hazardous waste	1,217 tonnes
Waste recycled total	5,299 tonnes
Waste recycling ratio	95%
Water pollutant emissions	112 tonnes

## **E-Waste Management**

Our Environmental Management Department is conducting continuous source reduction and process improvement activities in accordance with our Environmental Policy, following the principles of the Circular Economy hierarchy. In line with these efforts, we plan and implement activities with our team members who have joined our Environmental Sustainability Working Groups to increase employee participation. Under our policy and zero waste system, we ensure effective collection of electronic waste and guarantee efficient recycling through partnerships with licensed recycling companies. In this context, we achieved the recycling of 1.96 tonnes of electronic waste in 2023. Our Systems and Technical Support Department continuously monitors the life cycles of electronic devices through repairs and maintenance, achieving the goals of extending their lifespan and increasing efficiency. They present the results they achieve in department activity reports to the management. In addition to our company's system and network infrastructure, the Systems and Technical Support Department also ensures the sustainability of the hardware infrastructure. Starting 2021, our team carried out SSD disk replacements on 204 computers and increased the RAM capacity on 100 computers, extending the lifespan of the devices by an average of 2 years. This resulted in preventing emissions of approximately 7,920 kg CO<sub>2</sub> eq. to the production of 24 notebooks, and approximately 6,600 kg CO<sub>2</sub> eq. to the production of 8 desktop computers so far.

## **Chemical Management**

Preventing the negative impact of our industry on the environment and implementing best practices in this regard is one of our top priorities. Under our Zero Discharge of Hazardous Chemicals (ZDHC) practices, we only source Level 3 chemicals with the lowest environmental impact. To ensure the traceability and transparency of our chemical inventory at our dyehouse facility, we upload up-to-date inventory information to the Cleanchain Online Platform, allowing stakeholders to view it in real-time. We also audit our suppliers in the supply chain to ensure ZDHC compliance and proper chemical management.

## **Environmental Management Certification**

Sun Tekstil has ISO 14001 Environmental Management Certificate, which demonstrates our compliance with high standards in ensuring environmental sustainability. In December 2023, ISO 14001 Environmental Management System certification was obtained for our Manisa branch. In addition, the ISO 14001 Environmental Management System certificate was renewed for our Torbalı branch. Thus, the certificate coverage is 100%.

As of 2023, we have received Oeko-Tex standard 100 certification to certify the efficient use of resources and materials, environmentally friendly production technologies and transparent supply chain management.

### **Climate Change Management**

With the commitment of our top management, we have been continuing our journey in water management since 2001 and in combating climate change since 2012. Our goal is to be among the leading organizations in the business world that emphasize the importance of addressing climate change and advocate for it. Our activities are carried out under the leadership and supervision of our Board of Directors, Chairpersons, and General Managers, supported by a robust climate change management mechanism. All aspects of climate change are addressed by our Sustainability Committee, ensuring coordination between our strategies and roadmap.

Our Sustainability Committee, consisting of experts in the field, utilizes their expertise, external consultations, and the knowledge provided by the institutions and platforms we collaborate with to analyze the risks and opportunities of climate change, as well as global action plans and all dimensions related to it. These analyses are presented to our Board of Directors and Risk Committee, enabling continuous improvement and systematic management of our strategies. We strengthen our strategies and governance mechanisms through voluntary reporting in the Carbon Disclosure Project (CDP) and disseminate our practices throughout our entire supply chain.

Within our Environmental Management Department, we have an officially authorized Environmental Engineer responsible for compliance with Turkish and international regulations and conducting official declarations. Additionally, we have an Environmental Management team that includes individuals with internal auditor certifications under ISO 14001.

### **Sustainability Committee**

In line with our holistic approach to sustainability, we established our Sustainability Committee in 2018 with the aim of developing strategies and aligning our activities with the Sustainable Development Goals. Our committee, which continues its activities under the coordination of the Chairman of the Sustainability Committee and the Sustainability Management Department reporting to the Board of Directors, consists of members with competencies that contribute to the development of strategies for all aspects of sustainability. Its members include our board members, independent board members, general managers, environmental engineers, human resources specialists, corporate communication experts, and other relevant representatives. This composition ensures inclusivity and participation within the committee's framework.

### **Early Detection of Risks Committee**

Within the framework of our environmental policy, we follow processes that comply with national and international laws and customer criteria. We proactively engage in preventive activities by early identification of environmental risks and climate change risks. Our strategies are shaped around combating the climate crisis, transitioning to a circular economy and a low-carbon economy, and preserving biodiversity.

The mission of the Early Detection of Risks Committee is to identify risks that could jeopardize the existence, development, and continuity of our company, take necessary precautions related to identified risks, and manage the risks. The committee meets as deemed necessary and keeps a record of all its activities in writing. The Committee presents reports to the Board of Directors containing information about committee activities and meeting outcomes.

In addition, Sun Tekstil integrates climate change-related risk assessments into the company-wide risk management process. They conduct assessments at least six times a year and follow a COSO-based methodology. Risks and opportunities are identified through committee meetings and employee



suggestions. Risks are classified based on impact and likelihood, and high-scoring risks are prioritized, with management plans immediately implemented. Internal audits aim to improve risk management and control processes by adopting a risk-based approach.

Sun Tekstil is aware of the commercial risks and opportunities that climate change can create and takes strategic steps in this regard. For example, recognizing the future risk of water scarcity in Türkiye reducing production capacity, they work to minimize risks in this area. Additionally, investing in sustainability practices and integrating additional costs into operational processes present significant opportunities for the business. Therefore, as a manufacturer committed to sustainability, Sun Tekstil serves as an important business partner for stakeholders and is a preferred choice for many global brands.

## **Our Practices**

### **Sustainable Packaging**

Sun Tekstil is committed to contributing to environmental sustainability through its packaging practices by using recycled/recyclable materials. Additionally, by using cardboard made from Forest Stewardship Council-FSC-certified forests, we contribute to the sustainable management of forests. To provide our customers with a more sustainable shopping experience, we have implemented a plastic bag-free shipping policy. This initiative aims to reduce the use of plastic bags and offers customers the opportunity to generate less waste. We prefer raw materials that respect nature by focusing on the protection of biodiversity in our sustainable fibre choices. We opt for recycled and recyclable materials in our packaging materials, cardboard labels, and accessories. All these practices reflect our company's commitment to fulfilling its environmental responsibility and contributing to a more sustainable world.

### **Our Design Approach**

Sun Tekstil continuously develops practices to increase the use of low-carbon products in material selection. In addition to ecologically grown raw materials, cellulose sources obtained from industrial forests and produced through environmentally friendly processes are used. The usage rate of recycled natural and synthetic fibers is increased every year. By using sustainably certified raw materials, traceability, which is the most crucial element of circularity, is ensured. In 2023, the rate of products produced from sustainable raw materials is 62%. In our design journey to develop low-carbon products, we start with eco-friendly material choices. We use traceable fibers with sustainability certifications. By successfully completing audits for certifications such as GOTS, GRS, OCS, RCS, and RWS, we continue our responsible production processes.

Global Organic Textile Standard (GOTS) ensures that textiles are manufactured with a commitment to both environmental sustainability and social responsibility throughout the supply chain. The certification emphasizes the use of organic materials and sets stringent criteria for processes such as dyeing and finishing. The Global Recycled Standard (GRS) focuses on products made with recycled materials, ensuring responsible practices in terms of social, environmental, and chemical aspects during production. Organic Content Standard (OCS) certifies the organic content in a product, guaranteeing compliance with specified standards for organic material usage in textiles. Recycled Claim Standard (RCS) provides transparency in the recycling supply chain by verifying the presence and percentage of recycled materials in a product. Lastly, the Responsible Wool Standard (RWS) certifies that wool originates from farms prioritizing the welfare of sheep, adhering to ethical farming practices, and promoting environmental sustainability. Together, these certifications contribute to a more conscientious and sustainable approach to textile production.

We effectively harness the power of digital transformation and technology for sustainable change. With the aim of consuming fewer natural resources, we are building our digital fabric library using a 3D design program. Through our surface scanner hardware, capable of capturing fabric surfaces with all their perceptible details, and our hardware that can digitize physical characteristics such as drapeability of fabrics, we create our unique digital fabric library, making our designs distinctive. Through our

digitalization applications, we implement business models based on circular economy principles throughout the production process, starting from the design stage.

We work on topics that will create disruptive innovation in the field of new fibers and production technologies, led by our R&D Center. We participate in consortium projects involving numerous companies, academic institutions, start-ups, and R&D centers. Through our work, especially in the field of circular economy, we aim to reduce fabric waste, which has significant environmental impacts, at its source and develop innovative methods and technologies to effectively recycle the waste.

With the capsule collection targets developed every year, sustainable capsule collections and re-imagined capsule collections are presented. In re-imagined collections, remaining products in stock are creatively redesigned, and original collections are developed and offered to customers. Thus, the added value of the products is preserved, and the aim is for them to have the highest possible value in their life cycle.

In 2023, 62% of the products were made from sustainable raw materials. By 2030, the target is to have at least 90% of the manufacturing made with sustainable raw materials. By 2040, the goal is to develop innovative solutions that will enable 100% of the products to be made from sustainable materials. For this purpose, we have completed our 2023 targets. In 2024, we aim to develop 3 sustainable capsule collections, although it may change according to the demands of our customers. At Sun Tekstil, we continuously improve our software and hardware technology infrastructure that contributes to developing circular business models from the design stage. This enables us to achieve resource savings. Additionally, we enhance the content of our digital archives and increase the efficiency of our design processes every day. Through the implemented transformation process, we ensure the sustainability of our business by overcoming physical constraints and increasing our institutional resilience through collection presentations on digital platforms to our customers. As of 2021, we started presenting designs developed for customers with compatible infrastructure in the digital environment using three-dimensional pattern preparation software. In 2023, 38% of all our designs were presented in the digital environment. From these designs, we finalized the models chosen by our customers in the digital environment, reducing physical sample production in this product group by 70%. To further utilize this significant potential in achieving circularity from design, we collaborate with all stakeholders.

### **Better Cotton**

We prioritize the preservation of biodiversity in all our raw material choices for the future of our planet and life. In line with this, we have identified participation in conservation efforts and ecological raw material cultivation processes as one of our primary objectives. As a member of the Better Cotton Initiative, which envisions a Türkiye where cotton production is environmentally, economically, and socially sustainable, we support the production efforts within the framework of the Better Cotton Standard in Türkiye.

The Better Cotton Standard includes detailed criteria within the framework of six main principles such as water protection, soil health, pesticide, and integrated pest management, protection of biological diversity, fiber quality, and decent working conditions, which are the most basic principles of sustainable agricultural production. In line with this framework, in 2023, 119.924 tons of Better Cotton were produced on 52.342 hectares of land in Türkiye. Additionally, as a Better Cotton supplier, we also play a role in meeting the demand for and supply of sustainable cotton.

Better Cotton contributes to fair trade principles within the cotton industry by incorporating social criteria into its sustainability standards. As farmers and producers adopt Better Cotton practices, they are encouraged to uphold fair labor practices, creating a more equitable and socially responsible cotton supply chain.

## **Sustainable supply chain management**

We have been improving our Sustainable Supply Chain Performance Management Systems each passing day to ensure the sustainability of the environmental, social, and economic aspects of the value chain for increasing the resilience of the textile supply chain, which is very vulnerable to risks affecting the whole world such as the climate crisis, extreme climate events, economic crises, energy crises, logistics crises, and pandemic.

It is essential for all supply chain stakeholders to carry out compliance studies in collaboration as part of the regulations that have been first implemented by the European Union and will become widespread all over the world in the near future such as the Circular Economy Action Plans, Green Deal, Carbon Border Adjustment Mechanism, Extended Producer Responsibility, etc.

We, together with our stakeholders, have holistic management processes based on international standards and our stakeholders' sustainability criteria to proactively manage all risks in our supply chain, identify opportunities, and strengthen our processes to make them resilient.

## **Digitalisation**

As part of our goals to increase resource efficiency, we are making our disruptive innovation efforts more agile through start-up collaborations. In the years 2020-2021, we developed the industry's first integrated, automatic quality control system for circular knitting machines in collaboration with a start-up company. Using artificial intelligence-based image processing technology, we can detect defects that are difficult to identify with the naked eye and even those that cannot be detected before the dyeing process. This helps prevent errors at the source, avoiding material and energy losses. In 2022, we continued our efforts with 24 machines, up from 17 machines in the previous year, thanks to new investments in the last quarter of 2023.

By replacing all monitoring tablets on our existing machines with industrial tablets, we aimed to reduce usage-related maintenance and failure rates by 10-15%. In 2023, we successfully completed the operation of a prototype system with Smartex, capable of dual-sided inspection for the first time. Through analysis, we found that error types not captured by a single-camera system could be detected with a dual-camera system. We experienced the effectiveness of this especially in detecting and preventing hard-to-spot errors on the backside of fabric qualities such as double-sided interlock.

Following requirement analyses conducted in our knitting facility in 2023, we launched the Digital Factory web platform that we developed. Through the "fabric defect map" created on this platform, we facilitated the positioning of error types and locations on each knitted fabric on a single screen. This resulted in approximately 60-70% increased efficiency in the examination and detection of occurring errors.

In 2023, the quality control system operating with artificial intelligence-based image processing technology on 17 knitting machines prevented 1443 errors. This prevented 770 hours of faulty production, saving €92,352 by preventing the production of 15,392 kg of defective fabric. Additionally, we mitigated the environmental impact by avoiding the consumption of 1,723,904 liters of water, 138,528 kWh of electricity, and the emission of 34,493 kg of CO<sub>2</sub>e.

Within 2023, 39 knitting operators and 5 lean leaders underwent theoretical and practical training on the system's usage, improvement, and artificial intelligence topics for 14 days. Our colleagues developing new competencies in information technologies contributed to the development of a qualified workforce.

As the Operational Excellence unit of Ekoten, we actively participate in technology fairs worldwide to keep track of developments that can contribute to our company and improve our business processes. Following our participation in the 2023 ITMA (Textile & Garment Technology Exhibition) Fair, we initiated a field trial collaboration with a company we met at the fair. This company specializes in artificial intelligence-supported quality control for fabric surfaces and has developed a device for

globally standardized color measurement and fabric surface control for use in textile quality control processes.

By integrating this artificial intelligence-based quality control device, we aim to facilitate the detection of errors that are challenging for human observation and streamline the work processes of our quality control employees. This collaboration is expected to bring advantages such as increased capacity to our quality control unit.

### **UN Global Compact**

We have been a signatory of the UN Global Compact (UN GC), the largest corporate sustainability platform in the world, since 2014, and we have been supporting its activities. We publish our Communication on Progress Report on the 10 principles of UN GC publicly every year. We are among the active members of the local network of Global Compact Türkiye and contribute to the mission of "to support the achievement of a sustainable and inclusive global economy by cooperating with the private sector and other social stakeholders in Türkiye and abroad." You can access our Communication on Progress Reports that we have published since 2015 and our commitment to comply with the 10 principles that we update and our Chairperson of the Board of Directors sign each year on the UN Global Compact website. As a member of the platform that supports companies worldwide to align their strategies and operations with 10 principles in the areas of human rights, labour standards, environment, and anti-corruption, we also set ambitious goals for SDGs as part of the business world's goals of achieving Sustainable Development Goals.

### **Our Environmental Investment Initiatives**

Our environmental investment initiatives include various measures to achieve our sustainability goals. We focus on effective use of water resources with a water recycling facility and aim to reduce carbon dioxide emissions by using hybrid vehicles. For example, in 2023 The budget allocated for wastewater treatment at the Sun Tekstil Headquarters and Ekoten Dyhouse amounts to 14,143,305.51 TL. Additionally, expenditures related to Renewable Energy Certificates (IREC) to reduce the company garment and fabric manufacturing facilities' environmental footprint total 126,600 TL.

Sun Tekstil has allocated funds for activities aligned with the zero-waste initiative, amounting to 46,416 TL. Expenditures for environmental testing and analysis reach 18,500 TL, while investments in environmental verification and certifications, such as ISO 14001 for environmental management, stand at 140,640.88 TL. The cumulative cost of all these environmental investments and expenditures for Sun Tekstil is 229,556.88 TL.

By utilizing more efficient steam boilers, we increase energy efficiency, and with artificial intelligence-based image processing technology that detects errors in knitting machines, we reduce waste generation and energy consumption. Additionally, through automatic quality control machines, we enhance the quality of our production processes while striving to minimize environmental impacts. These investments reflect our commitment to conducting our business in an environmentally conscious and sustainable manner.

## **Sun Tekstil Information About Our Working Principles**

### **Sun Tekstil Workplace Practices Overview**

As Sun Tekstil, we actively support internal promotion opportunities to support employees' career development and encourage them to advance in their jobs. This approach increases employee motivation, keeps talent and experience within the company, assists in workforce planning and contributes to the long-term success of our company. In addition, by offering internal promotion opportunities to our employees, we help them achieve their personal career goals as well as their roles and responsibilities in their jobs. In 2023, 140 positions were filled through internal promotions.

In the group organization of Sun Tekstil and Ekoten, "promotion" is defined as the advancement of an employee to a higher level. The higher-level position can be within the employee's current department

(internal promotion) or in another department (promotion resulting in a transfer). Promotion requests that arise due to the creation of new positions or significant changes to existing positions are evaluated based on the "Job Evaluation Methodology." These requests are initially assessed by the Group Human Resources Department, and the levels of the positions are determined with the approval of the General Manager. The approved level and salary increase rate, determined by top management, are communicated to employees in November each year. Generally, promotions also entail salary increases. For salary increases, the reference market comparison level is first examined, and typically, the starting salary for the promoted position is set as the relevant level reference. In our company, when employees are promoted to a higher position through talent or job enrichment resulting in a change in their duties, their fringe benefits are redefined based on their new tasks or positions, with the approval of the Group Human Resources Department.

Regarding flexible working in our company, remote working pilot trials started in 2022, and if deemed appropriate, permanent practices will be implemented in 2023. As a result of the analysis, all departments and individuals who can work remotely were included in the application with the approval of senior management. Our goal is to ensure that this practice continues effectively and creates value for our company.

Furthermore, we provide support to our employees by providing them with various trainings on topics such as health and safety, environment, emergency response, skills and career development training. The data on these trainings are as follows:

Average training hours	16.4 hours per person
Training costs total	859,533.41 TL
Employee health & safety training hours	14,684

In line with the ISO 9001 Quality Management System standard, which has been implemented since 2020, the products and services provided continue to be offered to customers at the level they expect and in a continuous quality. In line with our company's sustainability strategies and quality targets, we established our Lean Production Management unit in 2021 in order to carry forward our lean management practices that we have adopted for many years. Our unit, which operates under the Process Improvement Directorate under the Assistant General Manager of Operational Excellence, has increased the speed of improvement in all our processes with the contributions of our experts with more than ten years of experience in their field. Thanks to our lean management practices, we use our resources more efficiently by preventing inefficiencies where they occur, reduce waste, save energy and labour, comply with our customers' quality criteria, increase efficiency throughout our supply chain, and continuously improve our holistic sustainability strategies by optimising our occupational safety efforts. In 2023, we provided a total of 372 hours of lean management training to 632 employees, thanks to our inclusive management approach that ensures the participation of our senior management through Hoshin Kanri activities and all our colleagues through suggestion systems. Our teams, who received training on before-after kaizen, standard kaizen, kobetsu kaizen, A3, engineering approaches and project management, gained awareness and competencies in line with the analysis of the points where losses such as setup time (preparation time required for model/product type change), machine/production stoppages, unnecessary transports, unplanned/high costs.

Lean Production Management Unit aimed to prioritize the implementation of highly profitable and cost-reducing kaizen projects as the foundation of the lean philosophy within our organization in 2023. In 17 project teams formed in our departments that received training on analysis and kaizen projects, 75 employees carried out detailed analysis and improvement studies under the mentorship of Lean Production Management. Over the course of two project development periods, which lasted five months

each and involved collaboration among individuals with different roles and positions, a total of 688 issues were identified and 433 of these issues were approved for improvement initiatives. Among these, 45 suggestions were implemented as pre-post kaizen projects. As a result, we achieved approximately 772,000 TL in financial gains through resource savings and increased efficiency.

With the project to eliminate the top postal paper, we prevented the cutting down of 67 trees with an annual reduction of 13,767 kgCO<sub>2</sub> greenhouse gas emissions. With this project, we also achieved an annual gain of approximately 387,833 TL.

With the reuse of returned bobbins in the logistics unit, we saved on labor costs and consumables consumption, reduced purchasing costs and achieved an annual gain of 133,276 TL.

In 2023, for the first time, we successfully completed 3 kobetsu kaizen projects that were determined by our senior management through hoshin kanri meetings and had an impact on our KPIs. With the 3 completed kobetsu kaizen projects, we achieved a total annual gain of 14,160,000 TL.

From our high impact kobetsu kaizen projects, we achieved an annual gain of 1,109,00 TL by reducing our annual waste fabric amount by 50%. We achieved an annual gain of approximately 12,815,000 TL in the project of improving the cycle time of products that need to be reproduced in our supply chain. To increase the participation of all colleagues in kaizen activities, we digitized our suggestion entry and management process, enabling real-time access to relevant data and reports related to lean processes while ensuring traceability of data from all departments. By establishing a digital company memory for our lean projects, we recorded our project-based gains in detail on the system and created a reportable structure.

In 2023, projects were initiated by providing A3 training to engineers and white-collar employees for their individual lean goals. We digitalized our suggestion process to increase the kaizen participation of all employees and to make suggestions traceable and reportable. We included the Daily Management System (DMS) dashboards, which were prepared in lean management format and commissioned in 2022, among the topics in 5S audits to keep them up-to-date. We implemented the 5S methodology, an important aspect of lean production, in all of our production units, warehouses, and offices. To make 5S a part of our daily lives, we provided necessary training to all departments and initiated the implementation. Regular monthly audits are conducted to ensure the continuity of our practices.

### **Our Corporate Culture**

As Sun Group of Companies, we continue to work in a way that respects human rights as stated in the UN Universal Declaration of Human Rights and the core conventions of the International Labour Organization (ILO). We provide equal opportunities throughout all stages such as recruitment, working conditions, remuneration, performance management, promotion, continuous learning, and retirement. We support diversity, inclusivity, and participation, stand against harassment and discrimination, and demonstrate a commitment to treating everyone fairly while protecting the health, safety, and dignity of our colleagues. We conduct recruitment procedures in all our workplaces based on the principle of equal opportunities. We do not discriminate based on gender, sexual identity, religion, nationality, marital status, ethnic origin, social class, disability, illness, pregnancy, age, language, social background, immigration status, trade union membership or affiliation, political views, beliefs, or disciplinary matters in our recruitment processes or throughout our employment or termination procedures. In our recruitment processes, we employ individuals who possess the knowledge and skills that meet the job requirements and align with our work principles and values. All our employees equally benefit from wages, social benefits, career opportunities, training, job allocation and retirement opportunities.

In 2022, we included the principles of inclusion and diversity in our working principles, which we created based on our company values and shared with all our employees. Again in 2022, we received training to increase our competencies in this field at the UN Global Compact Inclusion and Diversity workshops and gained from the experiences of other participating organisations. Thanks to the important

reference sources provided by the workshops, we prepared our inclusion and diversity current situation analysis in 2023 based on the guide prepared by the UN Global Compact. In this direction, we started basic work by determining our priorities. Firstly, we shared awareness-raising information with the members of the Sustainable Human Resources Task Force. In 2024, we will write our company's inclusion and diversity policy and increase our analytical approach to identify the data we will need to determine our strategic activities.

To improve our diversity results, we will implement a diversity plan that aims to achieve greater diversity in our workforce in the coming years.

In order to increase women's participation in the labor market and provide equal opportunities for women in the workplace, we provide regular nursery assistance to our female colleagues who have children aged 0-72 months. Additionally, we ensure that male employees who legally have the responsibility for childcare also benefit from nursery assistance.

### **Skills Development**

Sun Tekstil's strong belief in investing in people is reflected in its attitude towards personal and professional development. The company programs conducted with all employees and business partners provide opportunities for everyone's growth. Through our digital training platform Sun Academy, we released a total of 29 new training programs in the categories of "Personal Development and Competency Training," "Computer Programs and Software Training," "Operational Process Training," "Sustainability Training," and "Corporate Governance and Development Training." Along with the training programs we have released in previous years, we have achieved a 76,3% completion rate in 2023.

Similarly, following the same categories, we organized in-person training sessions for our colleagues and suppliers. With a 93,1% training participation rate, we conducted a total of 31,908 training hours.

Gender Equality, being one of our sustainability goals, involved providing training to our colleagues in production and production support units in a classroom setting. Additionally, through Sun Academy online platform, the same training was extended to a substantial number of colleagues.

Within the scope of our Personal Development and Competency Trainings, we organised "Safe Harbour of the Team", "Communication and Coaching for the Future", "Teams Connected by the Chain of Love" and "Communication for the Future" trainings by focusing on our values.

In order to ensure the sustainability of our business processes, we organised our operational process trainings, which we conduct with our colleagues, for our suppliers and producers. We also reached our suppliers and producers with our sustainability trainings, where we focus on our Sustainability Development Goals. In 2023, we achieved a 100% training participation rate in our producers and suppliers and provided 3,326 hours of training.

- **Offer Your Solution Program**

It is an internal development program within the organization that aims to involve process stakeholders in solving issues within existing processes, and as a result, it focuses on developing/prompting presentation skills, project management, communication skills, teamwork, and more. In 2023, 15 of the 41 suggestions received from employees were implemented.

- **Vocational Training and Development Center (MEGEM)**

The Vocational Training and Development Center (MEGEM) was initiated in 2022 with the aim of enabling women to enter the workforce and providing vocational training to women without a profession. As a result of two training programs organized for this purpose in 2023, 14 women received

training, and employment opportunities were provided within the company for women enrolled in the program.

- "Team Leader Sun Route"

We designed the "Team Leader Sun Route" training journey in order to strengthen the leadership competencies of our Team Leaders and to train new Team Leaders among our colleagues. Within the scope of the programme, we aimed to ensure the sustainability of our business processes by providing personal and leadership development trainings as well as technical and applied trainings. In addition to the 33 trainings carried out within the scope of the programme, we designed measurable systems to monitor the effectiveness of the process and the progress of our colleagues through the evaluation studies we carried out. We also monitored the reflections of our development journey on practice with the evaluation centre we established.

### **Increasing Employees' Digital Competencies**

We aim to increase employees' digital competencies, promote the use of digital platforms, reduce user errors, and encourage user contributions to system improvements. In line with this goal, after the ERP transition, we organized 1,296 hours of training in 2023 under 47 different training topics to enhance the digital competencies of 519 colleagues and ensure the correct use of the system.

In the project we carried out in cooperation with WTECH, we ensured that SAP modules were explained practically to young talents who care about data analysis with a total of 637 hours of programme. Our six employees also participated in this programme. As a result of the programme, we employed 6 of the 10 external students in our company.

### **Other Trainings and Career Development**

To enhance the sustainability performance of our suppliers, we organized training sessions to increase their knowledge and awareness of sustainability topics. In total, we provided 3,273 hours of training to 2,445 individuals in 112 of our manufacturers on social, technical, and environmental subjects. These training sessions also included customized sharing sessions conducted at their own facilities to address the specific needs of each stakeholder. Through oral interviews conducted after the training, we determined that the knowledge and awareness levels reached the desired targets. Thus, we anticipate that the success of our suppliers in all audits will continue to increase, leading to an improvement in our supply chain resilience. We aim to regularly analyze and evaluate this development.

As the Human Resources and managers, we identify potential employees for positions at all levels through evaluation processes based on performance results, managerial opinions, and competencies. We take the lead in Career Architecture efforts. With our Career Architecture approach, we ensure early identification of high-potential employees, provide them with the necessary professional knowledge, skills, and development opportunities, and prepare them for roles requiring greater responsibility.

With our Career Architecture, we evaluate the performance and potential of our colleagues using the 9-box system twice a year to identify development opportunities and training needs, identify key positions, create succession plans, and ensure the sustainability of our talents. Together with our leaders, we conducted this evaluation for 478 colleagues to establish a fast, effective, and objective talent management system. Additionally, we created development plans by meeting with our leaders for colleagues who can be promoted based on the performance-potential matrix. Each year, through reassessment in our career architecture, we aim to increase the potential of our talents and update career and development maps for colleagues with development areas to reach the next level. In 2023, we provided trainings to our leaders to improve their competence in giving feedback to employees according to their performance and potential. We aim to continue providing trainings that will support our development journey in the coming years.



At Sun Tekstil, we hold in high regard the talent of our dedicated team. Emphasizing our commitment to fostering professional and career growth, we actively encourage and support opportunities that enhance skills and contributions. All employees can leverage valuable on-the-job learning experiences, a diverse range of learning resources, and pathways for career advancement. Moreover, the company offers an education assistance program for approved career-related studies, further helping them in reaching the pinnacle of success in their role.

In 2023, Sun Textile continued to enhance the digitization of its HR processes. We facilitated the work of our occupational health and safety teams by digitizing the process of incorporating individuals' identity information into HR personnel cards. We moved personnel training and competency development assessments to a digital platform, making management easier. With the digitization of HR processes, colleagues can easily track and manage their HR requests through the SUNIK mobile application. Real-time performance monitoring in our internal production units was carried out using the Non-SAP platform, and through Non-SAP and SAP integration, we achieved a seamless integration of employees' performance results with scorecards.

For 2024, we aim to further digitize career architecture, performance management, and the process of determining training needs with IK 360. In the field of occupational health and safety (OHS) processes, we plan to digitize activities such as field inspections, field reports, follow-ups on corrective actions, monitoring of workplace accidents, and near misses, as well as reminders for audits and drills in the year 2024.

### **Low Code Development Platforms**

We not only contribute to the technological competence of our female employees and managers as technology users but also enable them to gain new skills to become technology developers. In all departments, we employ technology and information technology experts who have received training in their fields. We provide training on low-code development platforms to colleagues with diverse backgrounds, allowing them to develop applications with low code usage, and we create new career opportunities in this field. Starting from 2022, we worked on seven different projects on Low-Code platforms, including the Development of a Digital Archive Programme, Digital Fabric Library Development, Digitalisation of Product Sample Archives, Development of Product Lifecycle Management (PLM) processes, Collection and Store Design in Virtual Showroom-Metaverse Environment, Pattern Design with Artificial Intelligence, Tracking of Collection and Sample Services Offered to Customers from the ERP System and Preparation of Collection Suggestions with Artificial Intelligence in the second phase.

With our young talent program called "Digitalise the Next," our aim is to contribute to the orientation and employment of students studying in the field of information technology. To expand our impact in line with our goals, we have become supporters of the Women in Technology Association, a specialized institution with expertise and a shared mission and vision.

### **Digitalizing with SAP Program**

In 2023, we carried out our "Digitalising with SAP!" development programme prepared in partnership with the Women in Technology Association (Wtech), SAP and Sun Tekstil. Final-year university students or recent graduates, as well as Sun Tekstil employees, have received training to acquire competencies in the SAP field. During the programme, we offered 6 employees and 10 students the opportunity to build a career in line with the requirements of the age, combined with technology, and at the end of the project, we provided employment to 60% of the participants. With a significant participation of women, our program takes an important step towards gender equality and the inclusion of women in the workforce, supporting equal access for women to opportunities in the technology sector.

## **Occupational Health and Safety**

Our Occupational Health and Safety Units continue to work diligently to monitor occupational health and safety practices in Sun Tekstil and Ekoten. The units meet regularly to ensure the interaction of labor and disciplinary processes. We constantly improve our processes as well as provide training sessions required by the regulation and awareness training in order for the employees to adopt the occupational health and safety culture. In all our activities, we adopt the focus of "zero occupational accidents and zero occupational diseases".

At Sun Tekstil and Ekoten, we have been expanding our occupational health and safety teams to promote a proactive approach, implement improvement activities, and enhance field observation processes across all areas. We support our practices with 5S, Kaizen, and Lean Production initiatives to make them more effective. At Sun Tekstil, we obtained results aligned with the key performance indicators we established according to our goals.

To advance our proactive approach, we have established Field Observation Teams in our businesses. These teams, composed of different individuals responsible for each unit, work under the mentorship of our Occupational Health and Safety Department. By observing, identifying, reporting, and improving risks proactively, they make significant contributions to risk management. We standardize the working method of these teams through procedures, and by directly sharing the reports they create with our top management, we ensure active participation of our employees in our management processes and implement good practice examples recommended by international occupational health and safety standards.

We aim to achieve integrity among legal regulations, international regulations, and business processes. We apply and follow our Occupational Health and Safety Policy in our actions, regularly sharing our key performance indicators with top management. Our activities comply with ISO 45001 Occupational Health and Safety Management Systems, ISO 14001 Environmental Management System, and ISO 9001 Quality Management System. Additionally, our activities undergo audits by independent international auditing firms directed by our global brand customers and platforms that measure the maturity of our working conditions, such as the Social & Labor Convergence Program (SLCP) and Higg Facility Social & Labor Module (FSLM). We utilize the results of these audits, which demonstrate successful outcomes due to the implementation of our good practices, to continuously improve our roadmaps.

The company and its subsidiaries have a total of 1,912 employees as of December 31, 2023. In this context, the company deploys a number of occupational physicians, occupational safety experts, and other healthcare personnel during its operations. The qualifications, training, duties, authorities, and responsibilities of the occupational safety experts involved in occupational health and safety services are regulated within the scope of the Regulation on the Duties, Authorities, Responsibilities, and Training of Occupational Safety Experts. Within the company, there is one occupational safety expert, one workplace physician, and one workplace nurse for the garment production facilities operating in the low-risk category. For the fabric production facilities operating in the high-risk category, there are two full-time occupational safety experts, two full-time occupational safety technicians, one full-time workplace physician, one workplace nurse, and one full-time occupational safety field personnel. Both garment factories and fabric production facilities have at least four employee representatives in each facility due to the number of employees exceeding 500.

The company aims to create safe working environments and promote a culture of occupational health and safety with its world-class production approach. The proactive approach is emphasized in all areas, including occupational health and safety, using the Occupational Health and Safety Management System (ISO 45001) to target zero occupational accidents and zero occupational diseases. In the year 2023, there is no occupational disease.

In addition to all these, our social compliance departments provide OHS trainings for our supply chain.

For consumer health, Sun Tekstil has a Quality Assurance department that is responsible for the final product health and is hierarchically independent from production managers. At Ekoten, we ensure quality through both ISO 9001 compliance, laboratory tests, and independent laboratory tests. Additionally, we are supported by special certifications such as OEKO-TEX and certifications specific to baby clothing.

The OEKO-TEX certificate is a globally recognized standard for textiles, ensuring that products meet stringent environmental and human safety criteria throughout the entire manufacturing process. This certification guarantees that textiles are free from harmful substances, contributing to consumer confidence in the safety and sustainability of the products. It encompasses various product categories, from raw materials to finished items, and provides a reliable assurance of compliance with ecological and social responsibility standards in the textile industry. Companies holding the OEKO-TEX certificate demonstrate their commitment to producing textiles that prioritize both environmental health and consumer well-being.

### **Human Rights Policy**

We strive to respect human life and fundamental freedoms in accordance with international human rights law. We uphold both self-respect and the respect shown by others towards individuals. We recognize that ethical issues need to be examined within the framework of human dignity and human rights. We stand against discrimination by individuals or groups that violates human dignity.

At Sun Tekstil and Ekoten, we conduct our work in a manner that respects human rights, as stated in the Universal Declaration of Human Rights and the core conventions of the International Labour Organization (ILO). We provide equal opportunities at all stages, such as recruitment, working conditions, remuneration, performance management, promotion, continuous learning, and retirement. At Sun Tekstil and Ekoten, we do not allow discrimination based on race, gender, color, religion, marital status, sexual orientation, political opinion or affiliation, ethnic identity, health condition, family responsibilities, trade union activities or membership, disability, or age.

### **Forced and Compulsory Labor**

Forced and compulsory labor refers to any work or service in which a person is coerced, threatened with violence or punishment, and compelled to work against their will. Our company provides a dignified working environment for all employees. We categorically reject any actions of "forced labor" that may be demanded by any employee, manager, customer, supplier, or non-employees of the company.

### **Child Labor**

We ensure that the employment age complies with the definition and age limits set by labor laws and customer standards. Child labor is the process in which children work in inappropriate conditions that can harm their development. This process is in violation of child rights and jeopardizes the future of children. At Sun Tekstil and Ekoten, we stand against all forms of child labor.

### **Freedom of Association**

We support our employees' freedom of association and collective bargaining rights. We do not engage in behaviors that violate Human Rights Principles, force or compel labor. Every employee has the right to join the professional organization of their choice, engage in union activities, and participate in collective bargaining.

### **Competition Policy**

At Sun Tekstil and Ekoten, we commit to comply with fair competition rules and supporting laws and regulations, and we avoid unfair competition practices. We adhere to agreements with our competitors and do not accept attempts to restrict or limit competition.

### **Anti-Bribery and Anti-Corruption Policy**

As employees of Sun Tekstil and Ekoten, we do not engage in debt-credit relationships that could compromise the company's reputation and relationships with customers, suppliers, or colleagues. We have a zero-tolerance policy towards irregularities, corruption, and bribery that come to our attention in company records. Our company, which has been carrying out ethical, transparent, and principle-based trade processes with its stakeholders since its founding, established the governance mechanism many years ago to be among the exemplary organizations that advocate the fight against bribery in the business world. Our company has presented its policies and procedures to all stakeholders in the fight against bribery and corruption in all processes in our supply chain. In addition to the happiness of sharing the same values with our partner suppliers, we make our commitment to these principles legally accountable through the contracts and commitments. At this point, we develop our practices every day by benefiting from the expertise of our company lawyers and consultants. With our commitments to UN Global Compact and other platforms, we aim to maintain the advocacy of these essential principles and fight bribery and corruption by cooperating with all business representatives.

### **Ethics Committee**

One of the fundamental principles of the company is to embrace responsible and ethical business practices and ensure that our employees adhere to these principles in their behavior. Our corporate structure, shaped by our values and organizational culture, is based on our ethical principles.

Our ethical principles are at the core of our corporate structure shaped by our values and corporate culture. We have implemented our principles, which have been internalized by Sun Tekstil and supply chain stakeholders for many years, under the supervision of our Human Resources, Social Compliance, and Internal Inspection Departments and under the leadership of our Board of Directors. We strengthened our governance mechanism with the establishment of our Ethics Board in 2021. We incorporated our Ethical Principles into our work processes by including them in our Code of Conduct and made them accessible to our employees and suppliers. We aligned our Ethical Principles with our values and working principles. Based on this alignment, we created an "Ethics Committee" to enable our colleagues to express their ethical concerns freely and established an ethics hotline where they can freely raise their issues. Our Ethics Committee carefully examines the notifications sent to our Ethics Hotline and e-mail address by keeping confidentiality and managing the required investigation process.

### **Our Supplier Criteria and Audits**

As Sun Tekstil, we demand that all our suppliers adopt and ensure the following standards at every stage of their product manufacturing. As a prerequisite for doing business with Sun Tekstil, our suppliers must commit to fulfilling basic human rights (freedom of association, child labor, forced labor), environmental standards, and labor conditions, including but not limited to the following. Accordingly:

We expect our suppliers to comply to Sun Tekstil's working principles regarding child labor. No one under the age of 15 (or under 14 if permitted by national legislation) shall be employed, and individuals younger than this legal working age shall not be employed. Business partners must take necessary preventive measures to ensure that individuals below the legal working age are not employed.

We expect our suppliers to comply with Sun Tekstil's working principles regarding forced labor. Workers cannot be compelled to work through direct or indirect violence and/or intimidation. On the contrary, every employee should have sought and/or been employed through their own free will. Each employee will be reported to local labor/social security institutions by Business Partners, and any illegal employment practices will not be tolerated.

We expect our suppliers to comply to Sun Tekstil's working principles regarding human rights and non-discrimination. The principle of equality will be embraced in the workplace. Any form of discrimination is strictly prohibited in recruitment and employment practices. Discrimination based on race, class, skin color, gender, age, religious belief, political opinion, membership in trade unions, physical or mental

disability, ethnic, national or social background, or any other personal characteristics, including exclusion or preference, is prohibited.

Additionally, as Sun Tekstil, we also demand that all our suppliers protect the environment with a sustainable production approach. Our suppliers must comply with all conditions specified in global and local environmental regulations and take necessary precautions at every stage of production.

Product traceability throughout the entire supply chain and environmentally friendly production processes are ensured through sustainability certifications. Suppliers undergo audit processes based on customer criteria and international standards, guaranteeing their compliance with all dimensions of sustainability. The supply chain inspection and assessment mechanism, which was implemented many years ago, has been improved, and as of 2019, the Supply Chain Sustainability Performance Management System has been implemented.

Monthly inspections are conducted at the production facilities of suppliers who account for at least 80% of the total production among approximately 300 suppliers in five regions of Turkey. These inspections include the evaluation of international standards and performance scoring developed to cover the needs of stakeholders. Feedback is provided for areas that require improvement based on the evaluations, and consultancy and mentoring support are provided for improvement efforts.

Documentation evaluation is carried out for all new suppliers and sub-producers, site visuals, documents within the scope of OHS and Labour Law are requested and production permits are granted to approved companies. This ensures that stakeholders joining the supply chain network for the first time meet the sustainability criteria, and through inspections, they are included in the value chain, guaranteeing the adequacy of existing stakeholders in all dimensions of sustainability and organizational resilience. We work with a sense of responsibility throughout the entire supply chain, not just within Sun Tekstil facilities, to guarantee the implementation of environmentally friendly processes based on global climate goals, circular economy, and biodiversity conservation. We implement practices that go beyond basic human rights, ensuring work standards that aim for dignified treatment and economic growth, as well as practices that promote ethical compliance and equality. After defining all processes, risks, and opportunities in economic and managerial dimensions, we work towards ensuring the continuous development and resilience of all stakeholders.

In addition to using a well-structured supply chain management system in procurement and production processes, it strictly carries out social compliance, environmental, OHS and technical audits. We do not work with business partners and suppliers that do not comply with our Code of Conduct and do not comply with the law.

However, we endeavour to improve suppliers that fail environmental report card audits and not to exclude them from our supply chain. However, despite our mentoring support, suppliers who do not overcome their chronic problems or do not strive to overcome them, who fail our audits, our customers' audits and/or independent institution audits are excluded from our supply chain for a period of time or indefinitely, and our contracts are terminated.

We reserve the right to terminate the business relationship in the event that our Business Partners violate any of the principles in our Code of Conduct, including human rights standards and environmental criteria specified in this document, or if they do not commit to compliance with our sustainability approach.

Within the scope of our management system, our expert audit team conducts field visits to create sustainability performance scorecards. These audits include questions from international sustainability indexes and customer-specific criteria. Based on the findings identified during the audits, our expert teams provide mentorship to our suppliers at a consultancy level. We apply our scorecards in nine main categories: technical audit, social audit, operational success, environmental audit, financial status, self-

improvement and technical competence, managerial competence, evaluation of subcontractors, and ethics. We have developed digital forms to automatically generate our scorecards after the implementation of the question sets, enabling more effective application of scoring during field audits. Each scorecard consists of subheadings with different priority levels, and coefficients determined according to the importance of each subheading. Scores are given based on verified information during field audits, and these scores are multiplied by the importance coefficient to obtain the final performance scores. By giving each supplier score targets aligned with their own development, we ensure continuous improvement.

Through special projects applied to all suppliers based on the findings, we overcome chronic problems. Achieving the score targets we set allows us to measure suppliers' performance results, while the rate of all suppliers reaching their target scores also allows us to measure the performance of our audit team, which provides mentorship and consultancy support. Thus, we strengthen our suppliers in all dimensions of sustainability and proactively manage the processes. This not only ensures full compliance of our supply chain with our goals but also mitigates the risks of being excluded from our supply chain when critical findings are identified during audits conducted by global brands and independent organizations. Monthly improvement activities are carried out in line with the scorecard scores and findings shared monthly. We meet quarterly at performance review meetings with the participation of Sun Tekstil senior management and officials responsible for performance management, the management of our supply chain stakeholders and sustainability officials to determine our short-medium term targets together.

### **Whistleblowing Policy**

At Sun Tekstil and Ekoten, we encourage our employees to express their own ideas and opinions, voice their concerns and complaints, and ask questions within legal and ethical boundaries through our "open door" policy. We protect the confidentiality of the notifications of the persons who report violations of our principles and ensure that no retaliation is made to the notifiers due to these notifications. We do not tolerate potential retaliation against whistleblowers. The whistleblower may not be subjected to demotion, disciplinary action, dismissal, reduction of salary, change in position or similar actions (without prejudice to the sanctions to be imposed due to the whistleblower's misconduct) due to actions such as reporting a victimisation, security concern, management weakness, abuse of duty or authority or violation of legislation.

### **Information Security Management System Committee**

We continuously improve our information security management practices, recognizing the importance of information security in light of the risks posed by advancing technology. Our goal is to reach the level of international best practices through our compliance efforts with the ISO 27001 Information Security Management System Standard, which we started in 2021. We aim to ensure the information security of our own processes and stakeholders through our practices that will be certified by independent auditing organizations. Starting from 2022, we have begun the process of certification by independent auditing organizations for our practices, thereby guaranteeing the information security of our own processes and stakeholders with the most effective management systems.

We conduct our activities under the coordination of the committee we formed as part of our Information Security Management System (ISMS) implementation process. Our committee is responsible for creating the necessary documentation for our company's Information Security Management System (ISMS), disseminating it to the relevant offices and keeping the documentation up-to-date by making revisions when necessary, keeping up-to-dateness of the asset lists, and taking required actions for the identification and evaluation of ISMS risks.

### **Data Privacy Policy**

Safeguarding the operational safety and security of the products and services provided to our customers and stakeholders is a fundamental priority for Sun Tekstil. Our objective is to attain integration, compliance, and stability throughout all business processes. A cohesive and dynamic business strategy

necessitates ensuring the security, privacy, integrity, accessibility, and continuity of our information assets.

We proactively implement measures to mitigate risks that could jeopardize the security, privacy, integrity, and accessibility of the products and services that bring value to our customers and stakeholders. Sun Tekstil embraces a systematic approach to risk management in this regard. We are committed to full compliance with all laws and regulations concerning information security.

### **Our Achievements**

- Aegean Ready-to-Wear and Apparel Exporters' Association 2023 Export Platinum Award (Sun Tekstil)
- Aegean Ready-to-Wear and Apparel Exporters' Association Second Company with the Most Exports Award (2023 - Sun Tekstil)
- We were rated with A- (Leadership Level) Score in the Carbon Disclosure Project 2023 Climate Change Program (Ekoten)
- ETIKA 2023 Türkiye Ethics Award (9th time) (Sun Tekstil)
- International Textile Manufacturers Federation (ITMF) "International Cooperation Category" Award (Ekoten)
- INNOVALIG- Türkiye Champion in the category of Innovation Resources (Sun Tekstil R&D Center)
- 30% Club - Outstanding Achievement and Leadership Level in the Category of Women Empowered Boards of Directors in Newly Publicly Offered Companies (Sun Tekstil)

### **Our Collaborations**

In 2019, as part of our scholarship protocol, we signed an agreement with the Textile and Fashion Design Department of Izmir University of Economics to support two students with educational scholarships. We accompany them on their journey with internship opportunities, mentoring, and networking support, aiming for them to become influential designers in our industry.

In 2021, we became corporate supporters of the Koç University Anatolian Scholars Program through our scholarship protocol. Within the Anatolian Scholars Program, which provides a second chance for scholarship applicants who have prepared for university with limited educational opportunities in disadvantaged regions of our country and ranked in the top one percent in the placement exam but could not secure a scholarship at Koç University, we support one student in 2021 and two students from 2022 throughout their educational journey.

After identifying areas where we can support LÖSEV's (Foundation for children with leukemia) work, we contributed to their processes in 2023 through two bazaars. We set up stands with carefully prepared products from LÖSEV's shop in our company and provided support through two successful bazaars that received great interest from our employees. We also participated in the mandarin harvest, a special activity by LÖSEV aimed at supporting the health of those in need, with the participation of our colleagues.

We provide educational scholarships to the children of our employees within the scope of the valuable cooperation we started with the EÇEV in 2018. We supported 40 students in the spring semester of the 2022-2023 academic year and 41 students in the fall semester of the 2023-2024 academic year through processes carefully carried out by EÇEV experts. Within the scope of our valuable cooperation, our students have more development opportunities thanks to the activities, education and social responsibility experiences offered by EÇEV.

In 2019, within the framework of the scholarship protocol we realized with Izmir University of Economics Textile and Fashion Design Department, we continue to support talented young people who will shape our industry. Within the scope of this protocol, we support two students with educational scholarships and contribute to their goals of becoming leading designers in the industry. By supporting

these young talents with internship opportunities, mentorship and a wide professional network, we help them make a strong start in their careers.

We took part in mentoring and business life guidance support for 1000 women affected by the 6 February earthquake within the scope of the "YenidenBiz" project "Employment Mobilisation for 1000 Women in the 100th Year of the Republic". We supported employment by sharing our job postings on the YenidenBiz platform. We took part in a one-to-one job interview simulation.

In order to support the lives of our citizens affected by the earthquake and to provide job opportunities for them to continue their lives, we participated in the earthquake mobilisation and opened an earthquake employment mobilisation declaration. Within the scope of this endeavour, we offered job opportunities and employed a total of 15 earthquake affected people, including 7 people at Sun Tekstil and 8 people at our subsidiary Ekoten.

We took part in the Sabancı Foundation's Young Women Building Their Future Project, which offers training, internship and job opportunities in companies and various trainings to young women who are not in education and employment. Within the scope of the project, young women are empowered, start their careers with firm steps, shape their future, and contribute to their personal and professional development.

We supported the "Every Step is Valuable Because Our Daughter Will Get an Education" Campaign organised by the Buldan Foundation with our colleagues. We participated in the campaign to support female students to take more confident steps into the future and to provide scholarships for their university education.

We launched the Sustainable Information Video Series, which we publish through our social media accounts. With the videos we share, we aim to increase the level of knowledge of all our stakeholders in the field of sustainability and contribute to a livable world together.

By participating in the Diversity and Inclusion Workshop Program consisting of four modules organized by UNGC Türkiye network, we improved our skills to eliminate inequalities in the business world and enhance our practices accordingly. We also gained insights from the experiences of companies implementing different good practices and business representatives participating in the program.

We continue our efforts in line with our strategic goals of empowering women and increasing their employment. We have collaborated with the "Key Women's Studies Holistic Services Centre" established by Izmir Metropolitan Municipality Women's Studies Branch Directorate and donated the necessary machinery and materials for the establishment of the "Mor Makas (Purple Scissors)" Garment Training Workshop in the Centre.

In recent years, Marmaris has been struggling with major natural disasters such as fires and floods. We were among the sponsors of the first Marmaris International Culture and Art Festival, with the theme "Phonex, Rising from the Ashes." We were delighted to be supporters of the festival, which included versatile activities.

We value the development of roadmaps based on scientific methods in line with our goals of combating the climate crisis and preserving biodiversity. In this regard, we supported the multi-stakeholder study "Forest Ecosystems and Sink Area Management in the Fight against Climate Crisis in Türkiye Report," led by TÜSİAD (Turkish Industry and Business Association) and coordinated by the Nature Conservation Center. We served as sponsors and members of the steering committee. The report aims to make significant contributions to the determination of effective roadmaps in the fight against the climate crisis in Turkey within the scope of the 2053 targets.

In 2023, Jimmy Key, the retail chain under the umbrella of Sun Tekstil, hosted a litter clean-up event supported by participants from all our company branches. As Sun Tekstil employees, in co-operation



with IZDOGA, we cleaned in an area designated as a flamingo nesting area. With this initiative, we aimed to contribute to the protection of the environment by cleaning up waste in a critical habitat.

In 2022, we established the Sun Tekstil Vocational Training and Development Center (MEGEM) to provide vocational training for women who have never received any education or had no opportunity to acquire a profession, or who have dropped out of their education. In 2023, we continued to create new training groups at MEGEM. Within the scope of the program, we presented the products sewn by our trainees to our elders living in the Elderly Care and Rehabilitation Centers in Torbalı and Buca.

### **Employee Satisfaction**

We continue to focus on our values, sustainability and working principles with the "Life at Sun Survey" we conduct regularly every year. From 2018 to 2022, we have observed that our "Passion", "Commitment" and "Satisfaction" ratios have increased. We know that when the Employee Commitment and Satisfaction survey results show an upward trend for three years or more in a row, they will switch to a downward curve again. Based on the results we obtained in 2023, we have created action plans to redesign our human resources practices in 2024.

Over the preceding five years, we observed an increase in the rates of "Passion," "Commitment," and "Satisfaction." We also observed an increase in our Net Promoter Score (NPS), which we have been measuring for the past three years. Accordingly, our employee satisfaction rate was measured at 75.3%.

## **Sun Tekstil Company Structure**

### **Company General Information**

Scope of Activities of the Company	Our company provides consultancy and contractor services in the manufacturing, export, and domestic trade of weaving, knitting, textile, and apparel products. We also specialize in establishing and operating industrial facilities and factories required for the production of these goods. Additionally, we engage in the production, purchase, sale, import, export, and marketing of textiles, fabrics, ready-to-wear garments, souvenirs, leather garments, and apparel products. We have branches and stores both domestically and internationally and offer agency services.
Capital:	474,600,000 TL
Environmental Expenditures	14,474,862.39 TL

### **Employee Information**

Number of Employees	1,912
Women Employees Ratio	48%
Women Managers Ratio	58.9%
Gender Pay Gap Percentage	100%*
Employees With Disabilities	2.6%

% of employees represented by trade union	57%
% of employees covered by Collective Bargaining Agreement	57%

\*There is no difference in pay for men and women

### Stakeholder Engagement

Stakeholder	Communication Method	Content	Communication Platform
<b>Employees</b>	Life in Sun Survey	Measuring awareness and maturity through sustainability questions included in the survey	Online survey platform and manually filled forms
	Sun Academy Sustainability Training Programs	Increasing awareness and knowledge through sustainability training programs consisting of various modules	Sun Academy
	In-Class Sustainability Training Programs	Increasing awareness and knowledge through sustainability training programs consisting of various modules	In-class training
	Launch of the Sustainability Report	Information about the publication and content of our sustainability report of the relevant year and sharing motivation for reviewing it	In-house e-mail Presentation and event Video sharing through common area televisions and Sun Academy
	Senior Management Message	Sharing the senior management's message specific for that year about our sustainability strategies and vision	In-house e-mail Sun Academy Sun IK Announcement System Sun Cloud
	Events Attended by Our Executives	Information about participated events, summaries or citations from our executives' posts, and sharing the records of the participated session	In-house e-mail Sun Academy Sun IK Announcement System Video sharing from Sun Academy

<b>Customers</b>	Launch of the Sustainability Report	Information about the publication and content of our sustainability report for the relevant year	Company website
	Sustainability Presentations	Sharing customer-oriented sustainability presentations that cover our current sustainability activities	Online meetings Physical meetings and events
<b>Suppliers</b>	Launch of the Sustainability Report	Information about the publication and content of our sustainability report for the relevant year	Company website Sharing e-mail with the letter from the CEO
	Sustainability Presentations	Sharing customer-oriented sustainability presentations that cover our current sustainability activities	Online meetings In- class training
	Supplier Sustainability Training Programs	Increasing awareness and knowledge through sustainability training programs consisting of various modules for the needs identified in line with the scorecards and strategies. We completed total of 3,326 training hours on topics such as Renewable Energy and Green Energy certificates, Circular Economy, Sustainability Criteria of our Customers, CAP Report, Environmental Management System Requirements, SLCP Registration and Module Usage.	Online meetings In- class training
<b>Shareholders/ Investors</b>	Launch of the Sustainability Report	Information about the publication and content of our sustainability report for the relevant year	Company website Sharing e-mail with the letter from the CEO
<b>Regulatory Bodies and Local Administrations</b>	Sustainability Presentations	Sharing customer-oriented sustainability presentations that cover our current sustainability activities	Online meetings Physical meetings and events
<b>All Stakeholders</b>	Sustainability Presentations	Sharing customer-oriented sustainability presentations that cover our current sustainability activities	Online meetings Physical meetings and events Social media posts

In addition to our stakeholder communication strategy, in 2023, we organized online meetings during Sustainable Supply Chain Gatherings events. We also engaged with suppliers in various training sessions and provided mentorship during audits for sustainability performance scorecards. We held sustainability meetings with employees across departments, conducted quarterly general situation assessment meetings with our employees to share our company's ESG+Financial status, and had annual strategic planning meetings with company executives. We gathered with shareholders and investors in the general assembly meeting, collaborated with NGOs and associations on projects and events, participated in activities with universities and students, engaged in joint programs with private sector representatives, collaborated with entrepreneurs on joint programs and partnerships, and communicated with all stakeholders through social media, websites, and newsletters.

#### Breakdown of Shareholders Holding More Than 5% of the Capital and Voting Rights

Shareholder	Group	Share in Capital (TL)	Ratio in Capital (%)	Voting Right Ratio(%)
ELVAN ÜNLÜTÜRK	A	23,100,000	34.12	37.15
	B	138,810,000		
ŞEFİKA GÜNSELİ ÜNLÜTÜRK	A	19,950,000	28.58	31.47
	B	115,710,000		
MEHMET MUAMMER ÜNLÜTÜRK	A	3,150,000	5.53	5.67
	B	23,100,000		
AZİZE CEYLAN ÜNLÜTÜRK YEŞİLOVA	A	3,150,000	5.53	5.67
	B	23,100,000		
AYŞE ÜNLÜTÜRK	A	3,150,000	5.53	5.67
	B	23,100,000		
PUBLIC	B	98,280,000	20.71	14.37
TOTAL		474,600,000	100	100

The Company has no cross shareholding.

#### Company Capital

Sun Tekstil has accepted the registered capital system in accordance with the provisions of the Capital Markets Law No. 6362 and has switched to the registered capital system with the permission of the Capital Markets Board dated 10 February 2022 and numbered 07/181. The registered capital ceiling of the Company is 600,000,000 TL (Six Hundred Million Turkish Liras) and is divided into 600,000,000 shares with a value of 1 (one) Turkish Lira each.

The company has completed the public offering of a total of 23,400,000 TL nominal value, consisting of 15,600,000 TL nominal value of 15,600,000 bearer shares of Class B, issued due to the increase in

the company's issued capital from 120,000,000 TL to 135,600,000 TL, and a total of 7,800,000 TL (3,900,000 TL owned by Elvan Ünlütürk and 3,900,000 TL owned by Şefika Günseli Ünlütürk) owned by existing shareholders. The public offering was completed on May 11-12-13, 2022. Starting from May 20, 2022, the shares are traded on Borsa Istanbul Star Market under the symbol "SUNTK." The company's issued capital is 135,600,000 TL, and the entire issued capital has been fully paid without any fraudulent intention. This capital is divided into 135,600,000 shares with a par value of 1 TL each, of which 15,000,000 shares are registered (Class A) and 120,600,000 shares are bearer (Class B).

The Issue Document and Draft Amendment to the Articles of Association regarding the shares with a nominal value of 339,000,000 TL to be issued within the scope of increasing the Company's capital from 135,600,000 TL to 474,600,000 TL by fully covering the emission premium were approved by the Capital Markets Board's decision dated 27 October 2023 and numbered 64/1386.

The amendment of Article 6 titled "Capital" of the Articles of Association, which was amended within the scope of increasing the issued capital of the Company from 135,600,000 TL to 474,600,000 TL by fully covering the emission premium, was registered by the Torbalı Trade Registry Directorate on 3 November 2023 and the announcement regarding the registration was published in the Turkish Trade Registry Gazette No. 10950 dated 3 November 2023.

### **Voting Rights of Preferred Shares**

The Company's shares are divided into two groups, namely (A) and (B). In accordance with the Company's Articles of Association, privileged Group (A) shares hold 11.06% of the capital and have the privilege to nominate and nominate candidates for the board of directors and to vote in the general assembly. Group (B) shares do not have privileges.

The company's capital can be increased or decreased within the framework of the Turkish Commercial Code and capital market legislation when necessary.

The Board of Directors is authorized to increase the issued capital by issuing new shares up to the authorized capital limit, as deemed necessary in accordance with the provisions of the Capital Markets Law. The Board is also authorized to make decisions regarding the restriction of rights of privileged shareholders, limitation of shareholders' rights to subscribe for new shares, and issuance of shares below par value or at a premium, in compliance with the applicable regulations. The authority to restrict the rights of new share subscription cannot be used in a manner that would lead to inequality among shareholders.

### **Statutory Provisions**

Provisions of the Turkish Commercial Code No.6102, the Capital Markets Law, the capital markets legislation and other relevant legislation shall apply in respect of matters not covered by the Articles of Association.

## **Sun Tekstil Board of Directors and Structure Information**

### **Board Functionality**

At Sun Tekstil, our board is dedicated to steering our company effectively. We strategically define missions, allocate resources, and ensure legal compliance. Financial oversight, key decision-making, and member management are our priorities, fostering transparency and public trust. We invest in programs aligned with our mission, setting goals that reflect our commitment to innovation and excellence. Governance rules ensure a smooth decision-making process. At Sun Tekstil, our board's approach encompasses strategic planning, resource allocation, legal compliance, financial oversight,

decision-making, member management, public relations, program investment, goal setting, and governance rule establishment, driving our commitment to sustainable growth and corporate excellence.

### Board of Directors Members

Name-Surname	Gender	Title	Profession	The First Election Date To Board	Whether Executive Director or Not	Whether the Director has at Least 5 Years' Experience on Audit, Accounting and/or Finance or not	Independent Board Member or not	Committees Charged and Task
ELVAN ÜNLÜTÜRK	Female	Chairman of the Board	Businessman / Businesswoman	09/03/2022	Non-Executive	No	Dependent Member	
MUSTAFA SABRİ ÜNLÜTÜRK	Male	Deputy Chairman of the Board	Businessman / Businesswoman	09/03/2022	Executive	No	Dependent Member	
ŞEFİKA GÜNSELİ ÜNLÜTÜRK	Female	Member of the Board	Businessman / Businesswoman	09/03/2022	Non-Executive	No	Dependent Member	
MELİS VEKİLOĞLU	Female	Member of the Board	Managing Director / Chief Executive	09/03/2022	Executive	No	Dependent Member	
ELİF İDİL TÜRKMENOĞLU	Female	Member of the Board	Businessman / Businesswoman	09/03/2022	Non-Executive	No	Independent Member	Corporate Governance Committee (Committee Chairperson), Audit Committee (Committee Member), Early Detection Committee (Committee Member)
MARC MURAT SAĞMAN	Male	Member of the Board	Businessman / Businesswoman	29/09/2023	Non-Executive	Yes	Independent Member	Corporate Governance Committee (Committee Member), Audit Committee (Committee Chairperson), Early Detection Committee (Committee Chairperson)

You can access the resumes of our Board of Directors members through the following link: <https://www.suntekstil.com.tr/yonetim-kurulu/>

In accordance with the Corporate Governance Communiqué II-17.1 issued by the Capital Markets Board, the Nomination Committee and the Remuneration Committee carry out their duties as determined by legislation and the Board of Directors' decision. The Corporate Governance Committee is responsible for ensuring the fulfillment of these duties. The decision regarding the functioning principles of these committees was made by the Board of Directors during the meeting held on June 15, 2022, under resolution number 2022/26, and their working principles are regulated under the Corporate Governance Committee Working Principles. Information on the structure and independence of the Committees can be found in Annex 3. The areas of responsibility, working principles, and composition of the committees were determined by the Board of Directors and disclosed to the public on the Public Disclosure Platform (KAP) and the company's corporate website. The chairpersons of the Board committees are Independent Board members, and all members except for the Investor Relations Manager are non-executive members of the Board of Directors. The Chief Executive Officer does not participate in these committees.

The Nomination Committee works on establishing a transparent system for identifying, evaluating, training, and rewarding suitable candidates for the Board of Directors. They also provide recommendations regarding the number of Board members and executives.

The affairs and management of the company are conducted by a board of directors consisting of a minimum of 6 (six) and a maximum of 10 (ten) members, to be elected by the (A) Group shareholders or their nominated candidates, or from among the (A) Group shareholders, for a maximum period of 3 years, following the principles of capital market legislation and the Turkish Commercial Code. The board of directors will be composed of an even number of members, with 1/2 (half) of the total members to be elected from among the (A) Group shareholders or their nominated candidates. To avoid any doubt, in a board of directors with 6 (six) members, 3 (three) members are elected from the (A) Group shareholders; in a board of directors with 8 (eight) members, 4 (four) members are elected from the (A) Group shareholders; and in a board of directors with 10 (ten) members, 5 (five) members are elected from the (A) Group shareholders or their nominated candidates. The number and qualifications of independent members who will serve on the board are determined in accordance with the regulations on corporate governance issued by the Capital Markets Board and other capital market legislation.

The number and qualifications of independent members who will serve on the board, with a minimum of 2 (two) members, are determined in accordance with the regulations on corporate governance issued by the Capital Markets Board and other capital market legislation. The board members elected from among the candidates nominated by the (A) Group shareholders will consist of members other than the independent members.

For the year of 2023 Sun Tekstil's Board of Directors consists of a total of 6 members including 2 independent members and their term of office is 3 years.

As of 2023, the percentage of women on the Board of Directors is 66,66%. Our company, with female founders and managers, has made gender equality an integral part of its corporate culture since its establishment in 1987. We continuously improve our activities within the framework of the Women's Empowerment Principles (WEPs), which we signed in 2015. Our commitment to gender diversity within our Board of Directors is further elucidated in our policy “ Board of directors women member [policy](#).”

Furthermore, the company aims to increase the diversity of the Board of Directors in terms of geography, age, race, gender, and ethnic origin. The number of women on the board demonstrates our commitment to this issue.

In addition, Sun Tekstil is a member of the 30% Club. The 30% Club is a business-led campaign aimed at increasing female representation at the board and senior management (C-Suite) levels in the world's largest companies. The global mission of the program is to achieve at least 30% female representation in all boardrooms and senior management globally. Based on this, our goal is to achieve a 40% female representation among the employees of the board of directors.

The members of the Board of Directors whose term of office expires may be re-elected. In the event of a vacancy in a Board of Directors membership, the Board of Directors will appoint a temporary member, subject to the approval of the next General Assembly meeting, and the appointed member will serve until that meeting. The appointed member, whose appointment is approved by the General Assembly, will complete the term of their predecessor. Board of Directors members may be removed from office at any time by a resolution of the General Assembly, provided there is a justifiable reason, even if there is no relevant item on the agenda.

The General Assembly elects a sufficient number of independent Board of Directors members in accordance with the principles of independence stated in the Capital Markets Board's Corporate Governance Principles. The tenure of independent board members is determined in compliance with the regulations on corporate governance issued by the Capital Markets Board. If an independent member loses their independence, resigns, or becomes unable to perform their duties, the provisions of the capital market legislation and the Capital Markets Board's regulations on corporate governance shall be followed. The determination of the remuneration for independent board members complies with the provisions of the capital market legislation.

The Board of Directors is authorized to make decisions that are not within the scope of decisions to be taken by the General Assembly in accordance with the Turkish Commercial Code, the Capital Markets Law, relevant legislation, and the Articles of Association.

The General Assembly is authorized to determine the remuneration for the Board of Directors members and other financial benefits to be provided to them, in compliance with the regulations of the Capital Markets Board.

The company is managed and represented by the Board of Directors. The Board of Directors is authorized to make decisions regarding all kinds of matters and transactions necessary for the realization of the company's business purpose, except for those within the authority of the General Assembly as stipulated by the Turkish Commercial Code, capital market regulations, and the Articles of Association. For the validity of all transactions and documents issued by the company, they must be signed by individuals authorized to represent the company under its name.

The Board of Directors convenes with the majority of the total number of its members as required by the business and operations of the Company and resolutions are adopted with the majority of the members present at the meeting. Each member of the Board of Directors has one voting right.

If none of the members requests a meeting, Board of Directors decisions can be made in the form of a decision based on a written proposal by one of the members on a specific matter, provided that written approval is obtained from at least the majority of the total number of members. It is a prerequisite for the validity of the decision taken in this way that the same proposal is made by all board members. The presence of approvals on the same paper is not required; however, it is necessary for the decision's validity that all papers containing the approvals or a decision incorporating the signatures of the approving members are attached to the Board of Directors' resolution book.

Board of Directors meetings can be held through electronic means. Those who have the right to attend the company's board meetings can also participate in these meetings electronically in accordance with Article 1527 of the Turkish Commercial Code. The company can establish an Electronic Meeting System that allows shareholders to participate and vote electronically in these meetings in accordance



with the provisions of the Communiqué Regarding the Meetings To Be Held Via Electronic Media In Commerick Companies Except for General Assemblies of Joint Stock Companies, or it can purchase services from systems created for this purpose.

Subject to the provision in clause b of Article 4.3.6 of the Corporate Governance Principles, the board members whose term has expired may be re-elected. The General Assembly may change the members of the Board of Directors at any time if it deems necessary.

Number of board meetings	12
Board Average Tenure	3 years
Board Meeting Attendance Average	98%
Committee Meetings Attendance Average	100%

**Sun Tekstil Compensation Policy Information**

The Corporate Governance Committee presents its recommendations to the Board of Directors regarding the compensation to be provided to the Board members and executives with administrative responsibilities. The Board of Directors is responsible for achieving the operational and financial performance targets set by the Company, which are determined and disclosed to the public. An assessment is made regarding whether the Company has reached its disclosed operational and financial performance targets, and if not, the reasons are explained in the annual activity report. Performance evaluations are conducted for both the Board of Directors as a whole and individually for each member and executive with administrative responsibilities. The compensation of Board members and executives with administrative responsibilities is determined taking into account these evaluations.

The Chairman of the Board of Directors and members may receive a fee/attendance allowance based on meeting attendance for the services they provide in these capacities. The amount to be paid is determined at the General Assembly meeting. The expenses incurred by Board members and executives with administrative responsibilities in carrying out their responsibilities and duties are covered by the Company. Independent Board members receive a compensation amount that ensures their independence, and profit sharing, stock options, or performance-based payment plans are not used in their remuneration. The compensation provided to Board members and executives with administrative responsibilities, as well as any other benefits provided, are disclosed to the public through the annual activity report.

The rights granted to senior executives are determined based on market and/or sector conditions, inflation trends, the executive's position, level of responsibility, qualifications, and individual performance, and monthly compensation is paid throughout the term of the employment contract. The salaries are determined taking into account information related to market and/or sector conditions, the salaries received by executives at similar companies in the sector, the Company's achievement of short and long-term goals, and its future prospects.

The compensation of senior executives consists of two components: fixed and performance-based. The fixed (monthly) salary is reviewed once a year, unless there are no changes in market conditions, within the framework of the principles determined as the basis for determining the salary. The salaries will be in line with the Company's ethical values, internal balances, and strategic objectives. Executives with administrative responsibilities will be fairly compensated, considering the responsibilities they undertake. In order to support the compensation management with additional benefits, the Company provides fringe benefits. The fringe benefits offered by the Company encompass principles of being market-appropriate, competitive, and fair. In addition to other benefits such as complementary health insurance provided to senior executives, benefits such as company cars can also be provided.

Although the Company currently does not have a non-financial performance-oriented compensation policy, it is planned to be established in the upcoming years.

Similarly, the purpose of our Variable Compensation management is to reward our employees for outstanding performance, support them in achieving the budget targets of our company, and exceeding their targets, as well as to establish a performance-oriented culture focused on goals in our company. In this regard, the bonus practices are as follows: Bonuses are payments made to enhance the effectiveness of managers in achieving corporate objectives, ensuring performance continuity, differentiating successful managers by highlighting individual performance, and rewarding managers who create added value for the Company. Bonuses are determined for the relevant calendar year and are defined based on predetermined weights approved by the Board of Directors, taking into account the achievement of specific targets, general economic conditions, and the individual performance of the employee.

### **Sun Tekstil General Assembly and Structure Information**

The Company General Assembly meets regularly or extraordinary. Ordinary General Assembly meetings are held within 3 (three) months following the end of the Company's fiscal year, and extraordinary General Assembly meetings are held when required by the Company's activities, the provisions of the Turkish Commercial Code (TCC), and capital market legislation.

The convening of the General Assembly meeting is subject to the provisions of the Turkish Commercial Code, Capital Market Law, and relevant regulations. Notifications regarding General Assembly meetings are made in accordance with the provisions of the Turkish Commercial Code and capital market legislation. In addition to the procedures prescribed by the legislation, the announcement of the General Assembly meeting is made at least three weeks in advance of the meeting date, using all means of communication, including electronic communication, except for the meeting dates.

At the General Assembly meetings, each Class A share carries 5 (five) voting rights for its owner, while each Class B share carries 1 (one) voting right for its owner. According to Article 479/3(a) of the TCC, voting privileges cannot be used in amendments to the articles of association. The right to attend and vote at the General Assembly cannot be subject to the requirement of the shareholder depositing their share certificates or documents proving their share ownership with a credit institution or elsewhere.

During the Company's General Assembly meetings, matters specified in the TCC, capital market legislation, and the Capital Markets Board's regulations are discussed and resolved. It is obligatory to include in the general assembly agenda the matters that are requested to be discussed or notified to the shareholders by the SPK, even if they do not comply with the principle of agenda adherence. The quorum requirements for General Assembly meetings and decision-making are subject to the provisions of the TCC, capital market legislation, SPK's corporate governance principles, and other regulations.

### **Audit Committee**

The working principles of the Audit Committee are as follows:

- To carry out studies on the efficiency and adequacy of the internal control system and report to the Board of Directors,
- To ensure that necessary measures are taken to ensure that internal audit is carried out transparently and that internal audit activities are independent and impartial,
- To review the work and organisational structure, duties and working principles of the Internal Audit Department, to inform the Board of Directors about the issues that limit or prevent the work of the internal auditors and the effectiveness of their activities and to make suggestions.
- To approve the Internal Audit Regulation and provide assurance to the Board of Directors regarding the following matters in accordance with the procedures and principles specified in the Regulation:

- Compliance, effectiveness, and added value of activities with Institution's policies, plans, procedures, and legal regulations
  - Protection of Institution's assets
  - Effective and efficient utilization of resources
  - Achievement of operations and programs in accordance with established principles and desired objectives.
- To make assessments regarding the examination of audit performance.
  - To review and evaluate findings related to deficiencies in risk management, internal control, and corporate governance processes reported by the Internal Audit Unit, as well as special review and advisory reports.
  - To evaluate the scope of advisory activities of the Internal Audit Department and examine the effectiveness and compliance with the principle of independence.
  - To assess the scope and adequacy of the services to be obtained from the Internal Audit Unit in cases deemed necessary due to audit, review, and special examination, particularly in scientific, technical, and specialized matters.

### **Lawsuits That Could Affect the Company's Financial Position and Operations**

According to our latest report dated September 30, 2023, there are no legal cases within the last 12 months that, if decided against the company, would individually or collectively have a significant adverse impact on the company's operations, operational results, or financial condition. During the same period, there are legal cases related to reinstatement and labor receivables, totaling 1,054,142 TL, arising from the financial situation or profitability of the issuer and/or the group, as specified in the audit report.

Additionally, there are no environmental fines. We are exempt from environmental impact assessments.

### **Company Donations and Aids**

Regarding donations and assistance, compliance with relevant legislation, including the Capital Markets Board's regulations on hidden gains and transfer prohibition, and mandatory corporate governance principles, is ensured. The total amount of donations and assistance made by the company in the year 2023 is 1,635,057,00 TL.

## **Annex 1: Additional Information's regarding Sun Tekstil Company Structure**

### **Further clarification regarding litigation expenses:**

According to our 30.09.23 report, in the last 12 monthstotal of all litigation expenses incurred: 1,054,142 TL

### **Further clarification regarding policy executive retention:**

Performance evaluations are conducted for the Board of Directors and executives, and their compensation is determined accordingly. The Board members may receive a fee/attendance allowance, and the Company covers their expenses. Independent Board members receive compensation for their independence. Senior executives have fixed and performance-based compensation, aligned with market conditions and the Company's goals. They may receive additional benefits such as fringe benefits and company cars.

In line with its comprehensive compensation policy, Sun Tekstil aims to attract, motivate, and retain high-caliber executives, including the CEO, executive directors, non-board executives, and other management bodies. The policy ensures transparency through disclosed compensation and benefits, taking into account performance evaluations, market conditions, individual contributions, and adherence to ethical values and strategic objectives. It encompasses both fixed and performance-based components for senior executives, along with additional fringe benefits. Furthermore, Sun Tekstil plans to establish a non-financial performance-oriented compensation policy in the future, complementing its existing variable compensation system that rewards exceptional employee performance.

### **Further clarification regarding policy shareholder engagement:**

The Company arranges a yearly shareholders' gathering wherein shareholders have the chance to inquire and discuss matters related to the Company. Ordinary General Assembly meetings take place within three months after the conclusion of the Company's fiscal year.

Also, pursuant to Article 437 of the Commercial Code, which also applies to Sun Tekstil:

(1) Financial statements, consolidated financial statements, the annual activity report of the board of directors, audit reports, and the board of directors' proposal for profit distribution shall be made available for examination by the shareholders at the company's headquarters and branches at least fifteen days before the general assembly meeting. The financial statements and consolidated statements shall remain accessible to shareholders at the headquarters and branches for a period of one year. Each shareholder may request a copy of the income statement and balance sheet, with the expenses borne by the company.

(2) Shareholders may request information from the board of directors during the general assembly regarding the company's affairs and from the auditors regarding the manner and results of the audit. The obligation to provide information also includes the subsidiary companies of the company, within the scope of Article 200. The information provided must be diligent and truthful in terms of accountability and honesty principles. If information has been provided to a shareholder on a matter outside the agenda due to their status, upon the request of another shareholder, the same information, with the same scope and detail, shall be provided, even if it is not related to the agenda.

### **Further clarification regarding shareholders vote on executive pay:**

Shareholders of the company have the right to vote on executive compensation through a non-binding consultative vote on the remuneration report. The remuneration report includes details of the principles governing the compensation of the Board of Directors and the Executive Committee, as well as the amounts paid to members of these bodies in the current year. The determination of the specific amounts to be paid is made during the General Assembly meeting, where shareholders have the opportunity to review and approve the overall remuneration report.

**Further clarification regarding succession Plan:**

We have revised our career architecture, where we can evaluate all groups independently of each other by putting talent at the center, and aim to prioritize the right development needs for each group in 2022. Based on this model, we have created a unique career map that focuses on the roles and leaders the company needs, where personalized talent is important, and where potential is prioritized along with performance, instead of the old seniority-oriented model that did not fully match talent management. With this change, we reviewed the career architecture works for all our colleagues. In according with this, Sun Tekstil also has a succession plan in place for executive management (key board members). The plan aims to identify potential candidates who can fill these key executive positions. The succession plan ensures that there is a pool of qualified individuals who can step into these roles if the need arises.

**Further clarification regarding compensation Improvement Tools:**

Sun Tekstil has the necessary internal improvement and information tools for the board members to develop appropriate compensation/remuneration to attract and retain key executives. The compensation committee has the authority to hire external consultants or advisors to assist in performing its duty in fixing executive remuneration. This ensures that the board has access to expert guidance and industry insights to make informed decisions regarding executive compensation.

Further clarification regarding policy board experience:

All members of the board of directors have successfully completed their undergraduate education in their respective fields and possess extensive experience in the sector. The composition of the Sun Tekstil's Supervisory Board must consistently ensure that its members possess the requisite knowledge, skills, and industry expertise to effectively carry out their responsibilities. Sun Tekstil aims to uphold a well-rounded board by ensuring a sufficient representation of diverse experience and expertise, encompassing both financial and industry knowledge.

**Annex 2: Board of Directors Competency Matrix**

**Sun Tekstil Sanayi ve Ticaret AŞ**

Board Skills Matrix

This tool is designed to help boards assess the level of experience each director has in various skill areas, as well as the overall composition of the board as it relates to diversity.

**Directions:** In the *Skills & Experience Section*, rate each board director using a scale of High(3) to Low/Not Applicable (1) to reflect the level of experience possessed in a particular area. In the *Demographic Background Section*, enter the qualifications as it relates to each director.

BM: Board Member

Priority Legend	
High	3
Medium	2
Low/NA	1

	BM1	BM2	BM3	BM4	BM5	BM6			
<b>Term Expiration Date</b>									
Term Beginning Date	March-2022	March-2022	March-2022	March-2022	Sept-2023	March-2022			
Term Expiration Date	March-2025	March-2025	March-2025	March-2025	March-2025	March-2025			
<b>Skills &amp; Experience</b>									
Accounting / Financial Expert	● 3	● 2	● 2	● 2	● 3	● 2			
Auditing	● 3	● 2	● 1	● 2	● 2	● 2			
Board of Director Experience	● 3	● 3	● 3	● 3	● 3	● 3			
Capital Markets	● 3	● 2	● 2	● 2	● 3	● 2			
CEO Succession Planning	● 3	● 2	● 3	● 3	● 2	● 2			
Corporate Governance	● 3	● 2	● 3	● 3	● 3	● 3			
Cyber-security	● 3	● 1	● 1	● 1	● 1	● 1			
Data Analytics	● 2	● 2	● 2	● 2	● 3	● 2			
Government Relations / Public Policy	● 3	● 2	● 2	● 2	● 2	● 2			
Human Resources / Human Capital	● 3	● 3	● 2	● 3	● 2	● 2			
Industry Knowledge	● 3	● 3	● 3	● 3	● 2	● 3			
Innovation	● 3	● 3	● 2	● 2	● 1	● 3			
Integrated Reporting/ESG	● 2	● 2	● 3	● 3	● 1	● 2			
International Knowledge	● 2	● 3	● 3	● 2	● 3	● 2			
Investor Relations	● 3	● 2	● 2	● 2	● 3	● 2			
Internal Control Systems	● 3	● 3	● 2	● 2	● 2	● 2			
Legal	● 3	● 2	● 2	● 2	● 1	● 2			

Marketing/ Public Relations	● 3	● 3	● 3	● 2	● 3	● 3			
Mergers & Acquisitions / Investment Banking	● 3	● 2	● 2	● 2	● 3	● 1			
Information Technology	● 3	● 2	● 2	● 1	● 2	● 2			
Tax	● 3	● 2	● 2	● 2	● 2	● 2			
Climate Change Management	● 2	● 2	● 3	● 2	● 1	● 2			

**Demographic Background**

<b>Age</b>									
25-40									
41-55		Yes		Yes	Yes	Yes			
56-70	Yes		Yes						
Over 70									

### **Annex 3: Structure and Independency of the Committees**

#### **Corporate Governance Committee**

The duty of the Corporate Governance Committee is to determine whether the corporate governance principles are applied in the Company, if not, to determine the reasons for not applying these principles and to determine the conflicts of interest arising from not fully complying with these principles, to make recommendations to the Board of Directors to improve corporate governance practices and to supervise the work of the investor relations department. The Committee also fulfils the duties of the nomination and remuneration committee specified in the Corporate Governance Principles. The Committee convenes as often as it deems necessary and keeps a written record of all its activities.

#### **CORPORATE GOVERNANCE COMMITTEE**

<b>Name Surname</b>	<b>Committee Role</b>	<b>Independent Board Member or not</b>	<b>Whether Executive Director or Not</b>
Elif İdil Türkmenoğlu	Chairperson	Independent member	Non-Executive
Murat Sağman	Member	Independent member	Non-Executive
Selma Çubuklu	Member	Investor Relations Manager	Non-Executive

#### **Audit Committee**

On behalf of the Board of Directors, the Audit Committee is responsible for overseeing the effectiveness and adequacy of the internal control, risk management and internal audit systems, the functioning of these systems and the accounting and reporting systems, and the integrity of the information produced, making the necessary preliminary assessments for the selection of independent audit firms by the Board of Directors, and regularly monitoring the activities of the independent audit firms selected by the Board of Directors and approved by the General Assembly. The Audit Committee consists of the following members and convenes at least four times a year, at least quarterly.

#### **AUDIT COMMITTEE**

<b>Name Surname</b>	<b>Committee Role</b>	<b>Independent Board Member or not</b>	<b>Whether Executive Director or Not</b>
Elif İdil Türkmenoğlu	Chairperson	Independent member	Non-Executive
Murat Sağman	Member	Independent member	Non-Executive

#### **Early Detection of Risk Committee**

The Early Detection of Risk Committee is responsible for early detection of risks that may jeopardise the existence, development and continuity of the Company, taking necessary precautions against detected risks and managing the risks. The Committee convenes as often as it deems necessary and keeps a written record of all its activities. The Committee submits reports containing information about its activities and meeting results to the Board of Directors.

#### **EARLY DETECTION OF RISK COMMITTEE**

<b>Name Surname</b>	<b>Committee Role</b>	<b>Independent Board Member or not</b>	<b>Whether Executive Director or Not</b>
Elif İdil Türkmenoğlu	Chairperson	Independent member	Non-Executive
Murat Sağman	Member	Independent member	Non-Executive



### **Sustainability Committee**

The Sustainability Committee, established in line with corporate goals, consists of our board members, company managers, human resources manager, corporate communication manager, sustainability manager and environmental engineers. The Sustainability Committee convenes as often as it deems necessary, but not less than three times a year. Sustainability-related risk analyses, climate-related issues and strategies are discussed and action plans determined by the committee and the needs of our companies are acted upon. Our activities, value chain and expectations of our business partners are also evaluated in this context. Our stakeholders are consulted and sector reports and customer strategies are analysed.