

SUSTAINABILITY POLICY



PRESIDENCY OF THE REPUBLIC OF TÜRKİYE
TÜRKİYE WEALTH FUND

Türkiye Wealth Fund Sustainability Policy- No. 2022/01

CONTENTS

1. Introduction	4
1.1 Purpose and Context	4
1.2 Definitions.....	4
1.3 Scope.....	5
2. Our ESG Vision	5
2.1 Vision Statement.....	5
2.2 Mission Statement.....	5
2.3 ESG Principles of TWF	6
2.4 Commitment to International Standards	7
3. ESG Priorities	7
3.1 Employee Engagement and Labor Practices.....	7
Our Practices and Initiatives	7
3.2 Climate Change and Emissions.....	8
Our Practices and Initiatives	8
3.3 Contribution to Society and Economic Development.....	8
Our Practices and Initiatives	8
3.4 Corporate Governance	8
Our Practices and Initiatives	8
3.5 Business Ethics	9
Our Practices and Initiatives	9
4. ESG Governance	9
4.1 Governance and Responsibilities	9
5. Stakeholder Engagement	10
5.1 Expectations from TWF Portfolio Companies.....	10
5.1.1. Adherence to Principles of TWF	10

5.1.2.	Monitoring and Reporting.....	10
5.2	Engagement with the Board of Directors.....	10
5.3	Engagement with the Governmental Institutions.....	10
5.4	Engagement with Other Stakeholders.....	10
6.	How We Exercise Ownership.....	11
6.1	Investments	11
6.2	Investment Decisions	11
6.3	Divestment	11
7.	Reporting	12
8.	Policy Governance and Oversight Model	12
8.1	Policy Approval and Accountability.....	12
8.2	Oversight and Control.....	12

1. Introduction

1.1 Purpose and Context

As an asset-based development fund, we as Türkiye Wealth Fund (“TWF”) aim to contribute to the economic growth of the Republic of Türkiye by enhancing the value of public assets and providing equity support to strategically important industries as well as visionary projects of Türkiye. The ultimate purpose is to help turn Turkish companies into leading regional and global conglomerates, contribute to the improvement of financial markets and leave a country with a strong economy to the future generations.

Economic development, population growth and the rising standards of living have increased the land use, energy demand, natural resources consumption and environmental pollution which led to global risks such as disease, food security and extreme climate events. Financial organizations and companies can no longer deny global demands for sustainable future and delay integrating environmental, social and governance subjects (“ESG”) into business strategies. In light of this, we believe that the incorporation of ESG principles and considerations into the investment processes can unlock incremental value from our investments by opening new opportunities and mitigating ESG-related risks over time. Taken together, these steps can contribute to achieving both better financial returns and a more sustainable future over the long-term. We believe that the relationship between ESG integration and better financial returns will strengthen over time as market externalities such as carbon emissions are priced in and incorporated into the decisions of regulators, businesses and consumers. Sustainability issues such as climate change have a material impact on companies, affecting their operations and financial performance and shaping their long-term value.

The purpose of this policy is to establish a framework to govern our approach to ESG, which includes providing guidance on integrating ESG factors into our investment decisions and activities across our operations.

The objectives behind the TWF ESG Policy can be summarized as follows:

- Develop a culture of awareness by building our organizational ESG literacy to better identify, understand and proactively manage ESG-related risks, act in line with ESG principles and considerations at the asset, portfolio and employee levels;
- Drive focus and resources towards the identification and management of material ESG-related principles and considerations;
- Identify key ESG issues and processes in our portfolio companies that can be improved over time through monitoring and reporting;
- Leverage our scale and strong presence to promote TWF as a steward and advocate of ESG principles;
- Identify short term and long term material ESG objectives for TWF to address and mitigate ESG risks.

1.2 Definitions

TWF defines ESG integration, responsible investment, ESG risks and opportunities and Sustainability Framework as follows:

- **ESG integration:** Integration of ESG signifies an understanding of investment decisions in a wider context than solely financial information, by including ESG drivers. Integrating ESG factors into the evaluation process does not mean that ESG information is the sole consideration for an

investment decision. TWF's investment teams evaluate a variety of financial and non-financial factors, which can include ESG considerations, to make investment decisions. By expanding the information assessed by the investment teams we believe that we can generate a more holistic view of an investment, which we believe will result in positive outcomes on Turkish economy.

- **Responsible investment**: We aim to integrate ESG principles and considerations in investment practices, such as due diligence, risk assessment, and monitoring.
- **ESG risks and opportunities**: ESG risks and opportunities are risk and opportunities that arise due to ESG factors and have a direct impact on the business drivers of TWF.
- **TWF ESG Framework**: It refers to the systematic approach identifying and evaluating the economic, environmental and social impacts of TWF on society and the environment. It will be used to set our ESG targets and implement our ESG strategies.

1.3 Scope

Our ESG Policy is intended to provide a broad framework for our approach to integrate ESG factors into our investment and asset management process. Our influence on companies in which we invest or own majority share varies significantly across different sectors. To this end, this policy articulates the approaches that we as TWF believe are broadly relevant for each of our portfolio companies and our own operations. Since each of our portfolio companies has different characteristics, we aim to consider the applicable elements of this Policy for each company.

2. Our ESG Vision

2.1 Vision Statement

As TWF, our vision is to be one of the leading wealth funds in ESG performance in our region at first and then globally, providing responsible investment and building responsible partnerships with stakeholders in compliance with ESG principles.

2.2 Mission Statement

As TWF our mission is to contribute to a long term socially and environmentally responsible economy in Türkiye by steering our portfolio companies to enhance their sustainability performances.

Generating sustainable returns depends on stable, well-functioning and well-governed social, environmental, and economic systems. Being an investor with a long-term view and sovereign wealth fund of Türkiye, our decisions will affect future generations. Taking into account that businesses have an important contribution in the welfare of society and that they must act in harmony with governments and citizens for the common good of society, we will integrate ESG issues into our investment decision-making and management.

As TWF, we expect our portfolio companies to adopt a mindset of continuous improvement; to apply industry best practices in managing relevant ESG factors for their businesses; and to provide solutions to controversial issues and risks if they arise.

Our aim is to implement a sustainability approach at all levels of our organization through the following steps:

- **At Institutional Level:** ESG principles are to be identified and assessed by corporate divisions in consultation with the respective stakeholders if necessary. Controls and action plans may be implemented to address the main ESG principles, including enhancements of policies, processes, or capability.
- **At Portfolio Level:** ESG principles and considerations are to be identified and assessed as part of the periodic review of portfolio strategy and performance.
- **At Individual Investment Level:** ESG principles and considerations are to be evaluated in line with the ESG Governance, Investment, Engagement and Divestment sections below.

2.3 ESG Principles of TWF

As a sovereign wealth fund with a mandate to serve our nation and to create value for future generations, we are committed to Responsible Investing, which involves the integration of Environmental, Social and Governance (ESG) principles and considerations into our investment management process.

As a sovereign wealth fund, we are tasked with acting for the long-term interests of our country. In this fiduciary role, we believe that environmental, social, and corporate governance issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time).

Further, we will not invest in companies which violate our understanding to responsible investment, including those which are directly or indirectly linked to:

- a. Products or activities that are illegal in their host country,
- b. Repeated and unmitigated incidences of forced labor, harmful child labor, or human trafficking,
- c. Serious violations of the rights of individuals in situations of war and/or conflict,
- d. Repeated and unmitigated fatal or serious accidents and incidents,
- e. Repeated and unmitigated incidences of severe environmental damage,
- f. Repeated and unmitigated incidences of bribery, corruption, or money-laundering,
- g. The production and/or trade of drugs, pesticides, herbicides, and ozone-depleting substances prohibited by international conventions,
- h. The production, distribution or other operations related to weapons, arms or other military equipment that are prohibited under international conventions to which Türkiye is a party,
- i. The production and/or trade of PCB2 or prohibited types of asbestos or products containing them,
- j. Cross-border trade of wastes and waste products that do not comply with the Basel Convention and the relevant international conventions to which our country is a party,
- k. Work related to pornography or prostitution,
- l. Use of diamond mines and diamond trade in countries not included in the “Kimberley” process,
- m. Trade of endangered species of wild fauna and flora and prohibited under the CITES Convention,
- n. Other products, activities or sectors that are prohibited by national policy.

This exclusion list covers both new investments and TWF’s current portfolio.

2.4 Commitment to International Standards

We are a member of the International Forum of Sovereign Wealth Funds (“**IFSWF**”), which was established with the aim of enabling wealth funds around the world to collaborate and communicate more closely and to help them work together efficiently. The IFSWF, a globally respected institution, works in accordance with the Santiago Principles in which wealth funds endorse principles such as independent audit, accountability and transparency of investment policies. TWF implements the Santiago Principles as applied by wealth funds in many leading countries around the world.

In addition, we are also a member of the International Corporate Governance Network (“**ICGN**”) which is established in 1995 as an investor-led organization, to promote effective standards of corporate governance and investor stewardship for the aim of advancing efficient markets and sustainable economies worldwide.

3. ESG Priorities

As a result of the interviews held with our selected internal and external key stakeholders, “Employee Engagement & Labor Practices”, “Climate Change & Emissions”, “Contribution to Society and Economic Development”, “Corporate Governance” and “Business Ethics” are defined as the most material ESG topics.

3.1 Employee Engagement and Labor Practices

We believe it is absolutely critical that we, and our portfolio companies, engage proactively in delivering positive changes aimed at increasing the well-being of our workforce across TWF and portfolio companies.

The development of human potential and talents as a strategic resource for increasing the efficiency of TWF is one of the key goals of the Human Resources Policy and Corporate Strategy of TWF.

We believe that corporate culture is one of the important factors in the successful development of the TWF and an effective tool for increasing the efficiency of human resources.

Our Practices and Initiatives

- We will continue to invest in training and development of skills and knowledge of employees to ensure the implementation of the long-term objectives of TWF and provide employees with opportunities for professional and career development.
- We will continue to create a positive work environment that improves the desire to work and we will follow current innovations and contemporary practices in the field of human resources, and ensure that they are adapted to TWF by researching their effectiveness.
- We will continue to strictly comply with the requirements of the labor legislation of Türkiye and not to violate its norms, according to which no one can be subjected to any discrimination in the exercise of labor rights according to equitable and ethic principles as well as membership to public associations.
- We will continue to provide a safe and healthy work environment, to implement hazard analysis periodically, to organize necessary training for our employees, to take proactive measures and initiate programs to prevent potential accidents and incidents.
- We will continue to adopt a corporate culture that is sensitive to modern approaches and respects cultural and ethical values by employees and to encourage and coordinate all activities aimed at keeping the corporate values alive and strengthening belonging.

3.2 Climate Change and Emissions

Sustainability issues such as climate change have a material impact on companies, affecting their operations and financial performance, and shaping their long-term value. As a long term investor, and in line with the Medium-term Program 2023-2025 of the Presidency of Türkiye, and with the Paris Climate Agreement that the Turkish Government ratified in October 2021, TWF understands the importance of climate-related financial information in ascertaining the risks associated with climate change to our portfolio. This information guides our efforts to support the transition to a low carbon economy.

Our Practices and Initiatives

- We will consider our portfolio companies' and private sector partners' impact on the environment and if any impacts detract from the environment, we will support them in presenting mitigation and management plans. We will support our private sector partners and portfolio companies in making every effort to protect Türkiye's biodiversity and natural capital through leading environmental risk management approaches.
- Our portfolio companies and private sector partners will be expected to incorporate biodiversity principles and climate friendly solutions in the planning and design of infrastructure assets.

3.3 Contribution to Society and Economic Development

Our portfolio companies make significant contributions to the economic development of the Republic of Türkiye, to the strength of its social and economic potential and to the increase of the welfare of the population. As TWF, we play an important role in strengthening the financial sustainability of our portfolio companies, managing the size of the loans received and providing financial support when necessary.

In order to enhance the socio-economic development of our societies, create job opportunities, and reinforce the improvement and deepening of financial markets, we aim to develop investment projects that are in line with our values, positively affecting our people, society and environment.

Our Practices and Initiatives

- We will continue to oversee our net economic, social and environmental impact on the Turkish economy.
- We will continue to increase the positive socio-economic impact of our portfolio companies on society.

3.4 Corporate Governance

We regard corporate governance as a key factor in the enhancement of TWF's value and business partnerships. In this regard, continuous improvement of the corporate governance system, ensuring transparency of management, reaffirming the commitment of TWF and its portfolio to follow the standards of good corporate governance and enhancing information flows throughout the life of an investment are a priority for us.

Our Practices and Initiatives

- We will ensure early identification of company risks and develop a mitigation plan within TWF.
- We will support our investment teams and portfolio companies in implementing strong KPI monitoring and reporting procedures, which enable effective management and addressing problem areas as they arise.
- We will provide our stakeholders with clear, transparent information regarding ESG risks.
- We will support our portfolio companies to ensure ESG-relevant policies are introduced and improved over time.

3.5 Business Ethics

Our managers and all employees, including senior management, conduct themselves in accordance with the moral and ethical standards, informed by a robust Code of Business Conduct and Ethics and our Disciplinary Code of Human Resources.

Our Practices and Initiatives

- We will continue to consider our operations to be in line with local and international laws, regulations, ethical standards, and community expectations. While we work with different institutions, we will continue to review an organization’s code of conduct, which should include mechanisms for accountability, anti-money laundering, antibribery and corruption, data privacy, sanctions compliance, insider trading protections, reporting of breaches and conflicts of interest.
- We will support our portfolio companies to identify sustainable supply-chain management strategies and processes.

4. ESG Governance

4.1 Governance and Responsibilities

Sustainability is a key investment consideration and it is priority of our top management. We recognize that a robust and effective governance model is critical to achieving our objectives under this policy and to delivering strong and sustainable returns. The TWF Board, along with its supporting committee and functions – the Sustainability Committee, Responsible Investment Functions and ESG Management Functions – will have oversight of TWF’s sustainability approach and management’s considerations on ESG-related risks and opportunities.

- **TWF Sustainability Committee**

Comprising senior leaders from our investment, risk, and corporate functions, is tasked to implement the sustainability framework, monitor, respond and evaluate ESG risks and opportunities. The Committee targets routinely engaging with the Board Committees on broad trends and emerging issues that may affect our portfolio, as well as potential investment opportunities.

- **TWF’s Responsible Investing Functions**

To support the implementation of our ESG Framework within our organization, TWF will include the responsible investing functions in the roles and responsibilities of its investment teams. Their key responsibilities will include: Formulating and implementing the responsible investment plan in line with the policy, training on ESG management and responsible investment, etc.

- **TWF’s Management Function**

TWF will also include ESG management roles and responsibilities into the existing roles and responsibilities of finance and human resources functions to ensure that the ESG Framework remains relevant and effective. The management function will be responsible for oversight of ESG governance, metrics, and targets.

5. Stakeholder Engagement

5.1 Expectations from TWF Portfolio Companies

5.1.1. Adherence to Principles of TWF

Companies in our portfolio are guided and managed by their respective boards and management. We expect companies to abide by corporate governance, codes of conduct and ethics.

5.1.2. Monitoring and Reporting

While we do not play a day-to-day management role in the companies in which we own, we will encourage the adoption of sound ESG communication and reporting by our portfolio companies. This may include communication on ESG integration outcomes, rationale for key decisions, significant changes in ESG process or personnel, and reporting activity.

5.2 Engagement with the Board of Directors

In order to gain deeper understanding of the company’s key ESG issues, to proactively anticipate issues and to mitigate ESG risks of their portfolios, TWF manager and directors will maintain a constructive dialogue with the Board of Directors on ESG Topics. ESG risks identified in the company’s ESG profile will be further investigated and discussed at least annually during meetings with our Board of Directors. TWF Board will approve investment policies, determine the organization’s strategic direction with the management and make critical operational decisions.

5.3 Engagement with the Governmental Institutions

As an asset-based development fund, TWF was established with the aim of increasing the value of public assets of the Republic of Türkiye, contributing to economic growth by providing capital support to strategically important sectors and Türkiye's visionary projects. The previous year’s audited financial statements and activities of TWF, its subfunds and companies established by TWF are subject to audit of the Turkish National Assembly Plan and Budget Committee within the scope of Article 6 of TWF’s Foundation Law numbered 6741.

5.4 Engagement with Other Stakeholders

Engaging collaboratively with other institutional investors, international institutions, non-governmental organizations may be the most efficient mechanism for all involved parties. Collaborating with our external stakeholders is an effective way to increase transparency and performance on key ESG factors across our investment portfolio. Considering this fact, we aim to participate in broader domestic and international discussions about definitions, priorities, standards and best practices in sustainable investing.

We also strive to constantly improve the level of information transparency and regularly inform representatives of the business community and the media using various channels. For this purpose, TWF will continue regularly to interact with the media in order to sustain a strong communication with the public.

6. How We Exercise Ownership

6.1 Investments

As TWF we recognize that new investment opportunities will open up as regulators, consumers, and businesses sensitivities increase on sustainability issues. We aim to capture these opportunities by:

- Integrating sustainability into our investment processes, for example, considering ESG factors in due diligence, risk assessment, and monitoring.
- Actively engaging our portfolio companies on implementation of good ESG practices and supporting for positive environmental and social impact.
- Investing in thematic opportunities arising from climate change and other sustainability topics, for example, environmentally friendly energy assets, green buildings, and technologies that support the low-carbon transition.
- To support our portfolio companies on taking active steps to develop or retrofit our assets to be environmentally sustainable, and to prepare action plans for the assets in relation to future climate change risk for long-term value enhancement.
- Incorporating sustainability signals into quantitative strategies, for example, using proprietary data and analyses.

Our investment and portfolio management teams will employ a broad-based research approach to assess company-level ESG information, as well as relevant industry, thematic and macro sustainability considerations. How we carry out our ESG due diligence will be determined by factors such as sector, activity, location of company operations and company track record.

We will make use of relevant data sources and tools to enable robust ESG analysis and decision-making. Findings from the ESG assessment are a key consideration in investment decision-making, alongside commercial considerations. We continuously evolve ESG integration efforts across our investment process, especially by applying learnings from our own experiences, as well as those best practices in the market.

6.2 Investment Decisions

We believe that it is more constructive to actively engage and support companies in their transition towards long-term sustainability, rather than to mechanically divest from certain industry sectors. By directly engaging with company management on how to operate more sustainably, we believe that we can create more value and more beneficial outcomes for our stakeholders over the long term. In line with our long-term value creation goal, we will be in active cooperation with our portfolio companies by maintaining regular dialogue with them about sustainability risks and opportunities.

6.3 Divestment

Investors give stronger valuations to companies that implement ESG best practices, as investments with stronger ESG profiles have been shown to contribute to achieving higher financial returns. As a result, ESG considerations are becoming an increasingly influential criteria in divestment decisions. In addition to our

exclusion list of activities mentioned in the ESG Principles of TWF section above, we will prepare appropriate ESG materials for divestment and propose exit strategies to our Board of Directors.

7. Reporting

TWF's ESG Framework will be supported by external and internal communication and reporting measures, including:

- TWF's Integrated Report is published annually, which provides an integrated account of our financial and non-financial performance. It also includes developments and outcomes related to our ESG efforts.
- Periodic reporting to TWF's key decision-making bodies, including (as appropriate) the Board of Directors, Sustainability Committee etc., on the effectiveness of the ESG Framework and the implementation of this ESG Policy.
- Presentation of material findings of ESG due-diligence and ongoing investment evaluations to the relevant investment departments.

8. Policy Governance and Oversight Model

8.1 Policy Approval and Accountability

This Policy has been approved by the Türkiye Wealth Fund Board of Directors and enters into force as the date of it is approved.

The directors of departments interacting with the policy will ensure, within their area of responsibility and where appropriate, that adequate tools, systems and organization are provided for policy compliance.

8.2 Oversight and Control

The activities and departments within the scope of this policy will be audited indirectly through regular or one-off reports submitted to the Sustainability Committee.

At least once a year or in case of any circumstances requiring changes in this Policy, the Sustainability Team working under the International Capital Markets and Project Finance Department will review the policy and submit any updates and changes deemed appropriate to the CEO of TWF.

All units of TWF will add to their internal regulations and procedures the matters necessary to achieve the principles and objectives set out in this Policy.