

# ZORLU ENERJİ SUPPLY CHAIN MANAGEMENT PROGRAM

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# Introduction

## About the Report

Zorlu Enerji has prepared this report to present the supply chain practices that carried out in 2023 to all its stakeholders. This report has been primarily prepared in line with ESG requirements. This report contains evidence demonstrating Zorlu Enerji's strong stance on supply chain implementations and its approach to addressing it as a material issue.

## About Zorlu Enerji

Established in 1993, Zorlu Enerji is an energy company that aims to operate on different fields of energy sector providing a global scale integrated service. Zorlu Enerji operates on various fields of the sector including electricity and steam generation and retail, electricity sales, electricity distribution, solar panel sales and installation, natural gas sales and distribution, construction, management and maintenance of power plants and EV charging stations. Zorlu Enerji is vertically integrated across four main business segments as follows.

## Electricity Generation

Within its Electricity Generation business, Zorlu Enerji works across geothermal, wind, hydroelectric and natural gas power plants. As of 2023, total installed capacity in Türkiye was 642.77 MW (mainly from renewable sources), split across the following technologies and generation assets. In addition, Zorlu Enerji has abroad investments in a 56 MW wind power plant in Pakistan, a 1.5 MW solar power plant in Palestine, and a 290 MW natural gas power plant in Israel, where it is preparing for an exit from its partnership.

Power Plant	Electricity Generation Capacity (MW)	Steam Generation Capacity (Tons/Hr)
Natural Gas	83.83	98.00
Wind	135.00	
Hydroelectric	118.94	
Geothermal	305.00	
<b>Total</b>	<b>642.77</b>	<b>98.00</b>

## Electricity Distribution

With nearly 25 years of experience and expertise in the energy sector, Zorlu Enerji is the incumbent operators of distribution services in the Osmangazi region, including Eskişehir, Bilecik, Uşak, Afyon and Kütahya cities. Zorlu Enerji provides electricity distribution services to more than 2 million connections in the region, and in 2023 distributed 6.73TWh of net electricity.

## Electricity Trade & Supply

Zorlu Enerji makes electricity sales to regulated customers in the Osmangazi region, as well as to eligible consumers across Türkiye, and is a trader in spot, OTC and wholesale markets. In 2023, Zorlu Enerji made 5.5 TWh of electricity sales to 2 million customers, while total sales of wholesale volumes reached 6 TWh.

## Zorlu Enerji Solutions (ZES) & Electrip Operations

Under the ZES & Electrip Operations business segment, Zorlu Enerji conducts the installation, sale and operation of EV charging stations, to facilitate the transition to electric vehicles in Türkiye and the surrounding region. In this space, Zorlu Enerji is the market leader, with a ~60% share, operating the fastest and widest network featuring 4,225 sockets and with presence in 81 cities across 19 countries predominantly in Europe.

## Supply Chain in the Energy Sector

The energy sector's supply chain has become a focal point of innovation and adaptation as the world undergoes an energy transformation, driven by the transition to renewable energy, technological advancements, and increasing regulatory pressures for sustainability. Both globally and within Turkey, the energy supply chain is evolving to meet new challenges and seize opportunities, particularly in the context of decarbonization, digitalization, and resilience.

## Global Developments in Energy Supply Chains

### **Decarbonization and Sustainability Goals**

The global energy sector is under immense pressure to reduce carbon emissions, and this has reshaped supply chain strategies across the industry. Companies are increasingly focusing on reducing Scope 3 emissions, which arise from indirect activities, such as material sourcing and transportation. The push for net-zero emissions targets, particularly in Europe and North America, has accelerated the adoption of renewable energy and encouraged companies to decarbonize their entire supply chains.

For example, energy giants such as BP and Shell have committed to carbon-neutral supply chains by implementing sustainable procurement practices and shifting toward renewable energy sources. This trend aligns with the global push for meeting the United Nations Sustainable Development Goals (SDGs), particularly SDG 13 (Climate Action) and SDG 7 (Affordable and Clean Energy).

### **Resilience and Supply Chain Risk Management**

The COVID-19 pandemic exposed vulnerabilities in global supply chains, highlighting the need for resilience. Energy companies are now focusing on diversifying their suppliers, sourcing locally where possible, and employing digital solutions to monitor and manage risks more effectively. This shift has become especially crucial in sectors like renewable energy, where the availability of materials such as rare earth metals (used in batteries and wind turbines) plays a critical role.

### **Digitalization and Smart Technologies**

Technological advancements, including the use of artificial intelligence (AI), blockchain, and the Internet of Things (IoT), are transforming energy supply chains. AI-powered analytics enable companies to predict supply chain disruptions and optimize operations, while blockchain ensures transparency and traceability, particularly in sectors like oil and gas. Digital twins—virtual models of physical assets—are also being used to manage energy infrastructure more efficiently.

## **Turkey's Energy Supply Chain: Key Trends and Challenges**

### **Renewable Energy Growth**

Turkey's energy sector is undergoing a significant transformation, particularly in the realm of renewables. The country has made strides in increasing its renewable energy capacity, particularly in wind, solar, and hydroelectric power, positioning itself as a leader in the region. This shift towards renewables has necessitated the development of new supply chains, especially for solar panels, wind turbines, and battery storage systems.

Turkey has also become a key player in the global wind energy supply chain, with local manufacturers providing components for turbines used both domestically and internationally. This aligns with Turkey's strategic goals of becoming a manufacturing hub for renewable energy technologies, while also contributing to SDG 7 (Affordable and Clean Energy) and SDG 9 (Industry, Innovation, and Infrastructure).

### **Energy Security and Localization**

Energy security remains a critical concern for Turkey due to its reliance on energy imports. As a response, Turkey has increased efforts to localize energy production and reduce dependency on foreign suppliers. This is particularly evident in the ongoing projects for the Akkuyu Nuclear Power Plant and offshore natural gas exploration in the Black Sea, which aim to enhance domestic energy supply.

Turkey's national renewable energy zones (YEKA) initiative has also played a crucial role in localizing energy production. YEKA projects require a certain percentage of equipment, such as solar panels and wind turbine components, to be sourced from domestic suppliers, promoting local industrial growth and reducing foreign dependence.

### **Supply Chain Disruptions and Material Shortages**

Like many other countries, Turkey has faced challenges in its energy supply chain due to global material shortages and transportation disruptions. The shortage of raw materials for manufacturing renewable energy equipment, particularly semiconductors and rare earth metals, has impacted the pace of renewable energy projects. This issue is exacerbated by the global competition for these critical materials, particularly with the increasing demand for electric vehicles (EVs) and battery storage technologies.

## **Outlook: Opportunities and Challenges**

### **Supply Chain Collaboration and Sustainability**

As the global energy transition progresses, collaboration across the supply chain will become even more critical. Energy companies will need to work closely with suppliers, governments, and stakeholders to ensure sustainability standards are met, while also managing cost efficiency. The increased focus on circular economy practices, such as recycling and reusing materials within the supply chain, will play a significant role in reducing environmental impact.

### **Energy Storage and Electrification**

The rising demand for electric vehicles and the integration of energy storage systems into grids will also significantly affect supply chains. The availability of batteries, charging infrastructure, and the sourcing of lithium and cobalt will become central challenges for both global and Turkish supply chains. These trends indicate a need for innovation in recycling technologies and finding alternatives to scarce raw materials.

### **Conclusion**

In both the global and Turkish contexts, the energy sector's supply chain is rapidly adapting to meet the demands of a decarbonizing world. Digital transformation, renewable energy expansion, and a focus on supply chain resilience are key trends shaping the future of the industry. However, challenges such as material shortages and geopolitical tensions remain obstacles that must be navigated carefully to ensure the continued growth and sustainability of the energy sector.

## **Supply Chain & Sustainability in Zorlu Enerji**

At Zorlu Enerji, sustainability lies at the core of our operations, driven by the understanding that a responsible and efficient supply chain is vital for achieving environmental, social, and governance (ESG) goals. A well-managed supply chain ensures that we address key sustainability challenges, including Scope 3

emissions reduction, social responsibility, and governance transparency. By aligning our practices with the United Nations Sustainable Development Goals (SDGs), we ensure that every step we take contributes to a broader global effort for a sustainable future.

## The Role of Supply Chain in Meeting Key ESG and Sustainability Requirements

### **1. Reducing Scope 3 Emissions: A Commitment to Climate Action (SDG 13)**

One of the major focuses of Zorlu Energy's sustainability efforts is to minimize Scope 3 emissions, which account for a significant portion of our environmental impact. By collaborating with suppliers to reduce carbon footprints across the supply chain, we aim to contribute to SDG 13 (Climate Action). This involves promoting energy efficiency, sourcing renewable energy, and engaging suppliers in carbon reporting and reduction initiatives. Our procurement practices prioritize low-carbon suppliers, and we continuously work towards decarbonizing our entire value chain.

### **2. Responsible Supply Chain Management for Social Impact (SDG 8 & SDG 12)**

Zorlu Energy is committed to fostering decent work environments and promoting responsible consumption and production throughout its supply chain, in alignment with SDG 8 (Decent Work and Economic Growth) and SDG 12 (Responsible Consumption and Production). We implement strict labor rights and ethical standards for our suppliers, ensuring that they comply with human rights, fair labor practices, and safety standards. By promoting circular economy principles, we encourage our suppliers to adopt sustainable production methods that minimize waste and optimize resource use.

### **3. Stakeholder Engagement for Improved Governance (SDG 16 & SDG 17)**

Engaging with stakeholders, including suppliers, employees, and communities, is a cornerstone of Zorlu Energy's governance approach. In line with SDG 16 (Peace, Justice, and Strong Institutions) and SDG 17 (Partnerships for the Goals), we believe in building strong partnerships that promote transparency and integrity across the supply chain. Through our stakeholder management programs, we ensure that all partners are aligned with our ESG goals, creating open communication channels to foster collaboration and shared responsibility in achieving sustainability targets.

### **4. Supplier Code of Conduct and Sustainable Procurement Practices (SDG 12)**

We have developed a comprehensive Supplier Code of Conduct that outlines our expectations for environmental, social, and governance practices. Suppliers are required to meet high sustainability standards in areas such as emissions reduction, waste management, and water conservation. This directly supports SDG 12 (Responsible Consumption and Production), encouraging sustainable procurement and ensuring that every link in the supply chain is working towards a more sustainable future.

**A Holistic Approach to Sustainability** Zorlu Energy's supply chain strategy integrates sustainability and ESG considerations at every level. Through proactive engagement with suppliers and alignment with the SDGs, we are making strides towards a low-carbon, socially responsible, and transparent business ecosystem. By embedding sustainability into our supply chain, we not only meet our ESG commitments but also contribute to a healthier planet and society for future generations.

## Supplier Code of Conduct

Zorlu Energy recognizes the necessity of full engagement with its supply chain to achieve a sustainable future and implements best practice initiatives accordingly. Guided by the leadership and commitment of senior management, the company executes its ESG (Environmental, Social, and Governance) programs. The policies and commitments related to its supply chain are made fully transparent and accessible to all stakeholders, as outlined below.

- [Zorlu Holding Supplier Code of Conduct](#)
- [Zorlu Enerji Sustainable Supply Chain Policy](#)

## Prioritizing Suppliers Through ESG Risk Scoring

Our strategy for prioritizing suppliers enables us to underscore the significance of sustainability throughout our value chain by considering environmental, social, and governance (ESG) risk exposures. We have established an ESG risk scoring framework informed by S&P Global Rating's ESG Risk Atlas. Risk Atlas provides us insights about country specific-risks, sector-specific risks, and commodity-specific risks.

In this framework, we assign a sector risk score based on the specific commodity that a supplier provides to Zorlu Enerji. This score reflects the related environmental and social risk considerations. Additionally, a regional risk score, which incorporates governance factors, is assigned based on the supplier's country. These scores are aggregated to calculate an overall ESG risk score. For suppliers supplying multiple commodities to Zorlu Enerji, we select the highest risk score to ensure a conservative assessment of their ESG risk profile. This process is going to be integrated with ESG assessment during due diligence process.

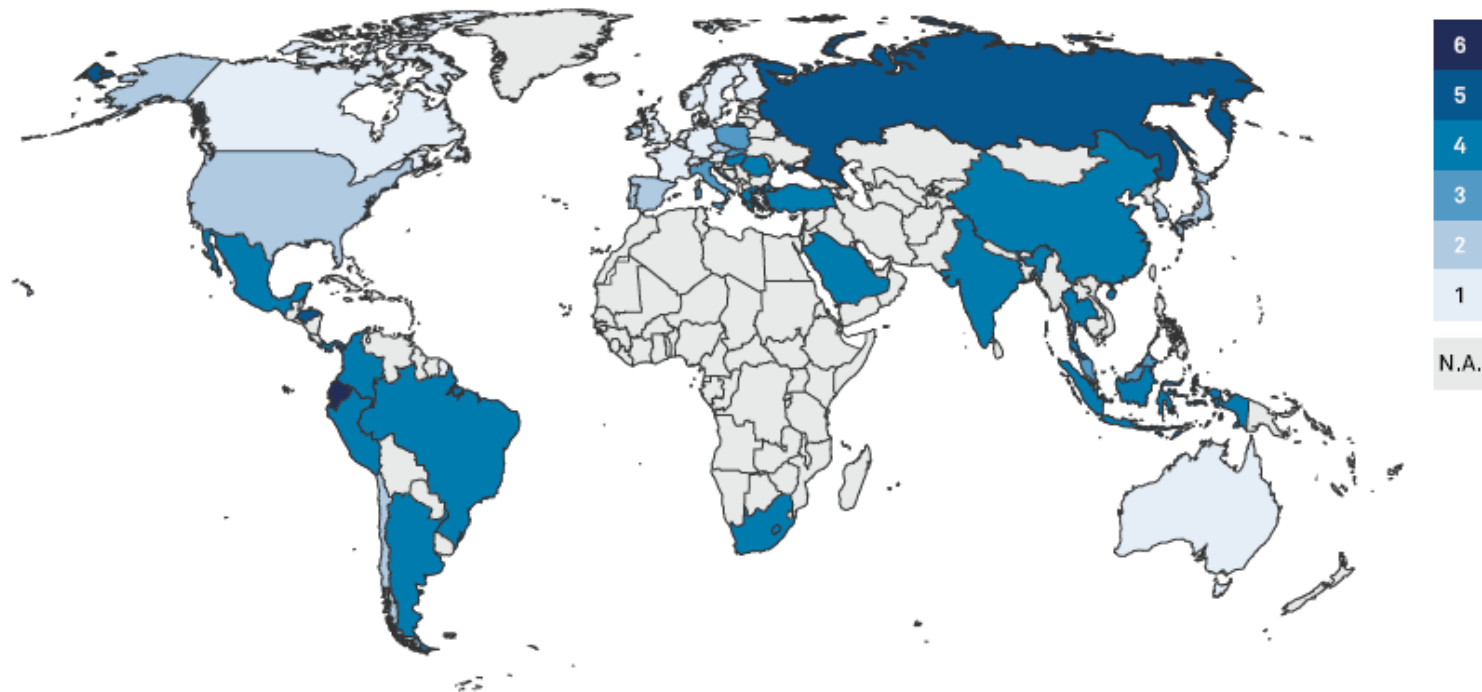
You can reach S&P Global Rating's ESG Risk Atlas via embedded document.



Environmental, Social,  
And Governance\_ The



## Governance Risk Atlas



N.A.—Not applicable. Source: S&P Global Ratings.  
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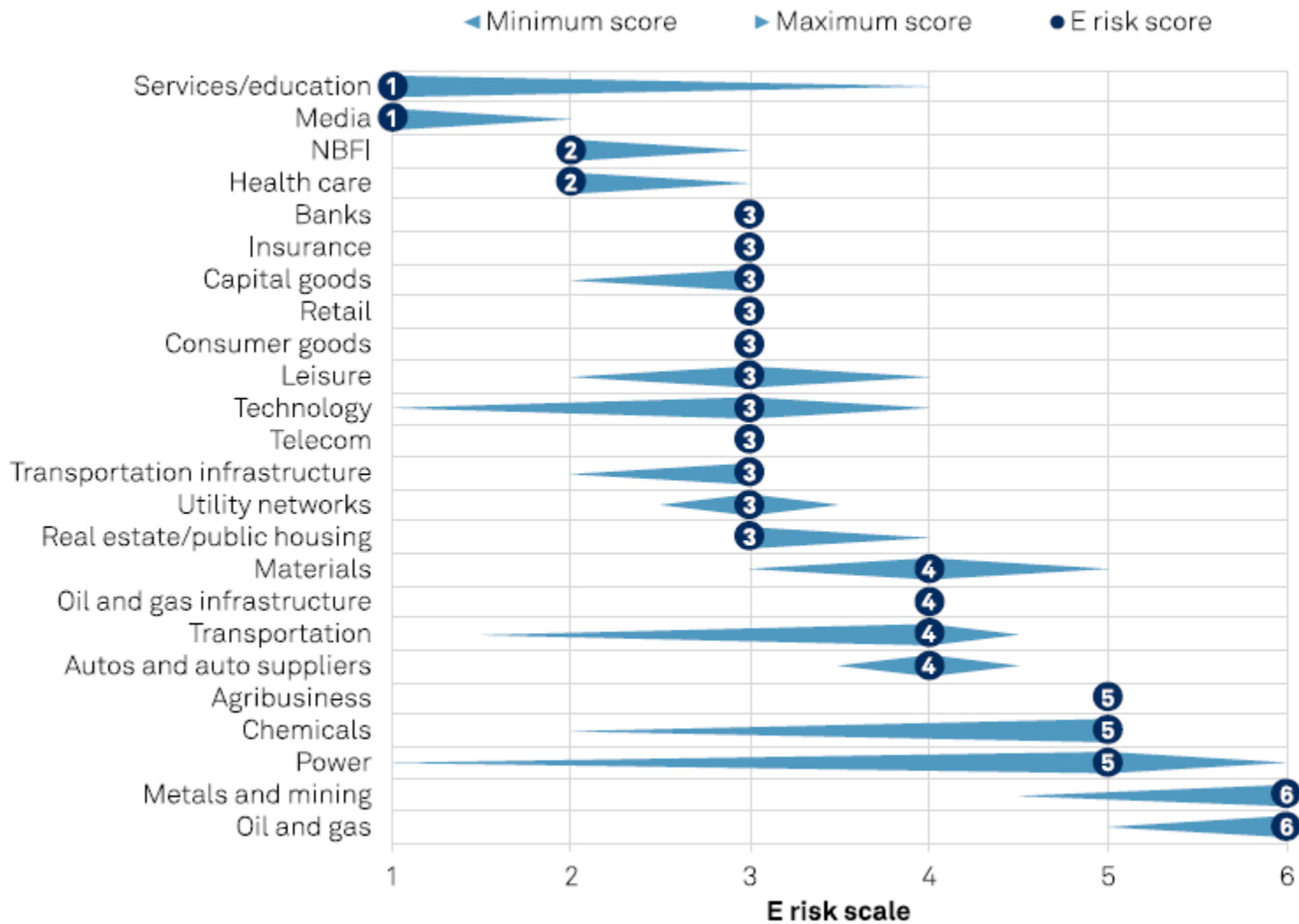
## Sector Risk Atlas



Source: S&P Global Ratings.

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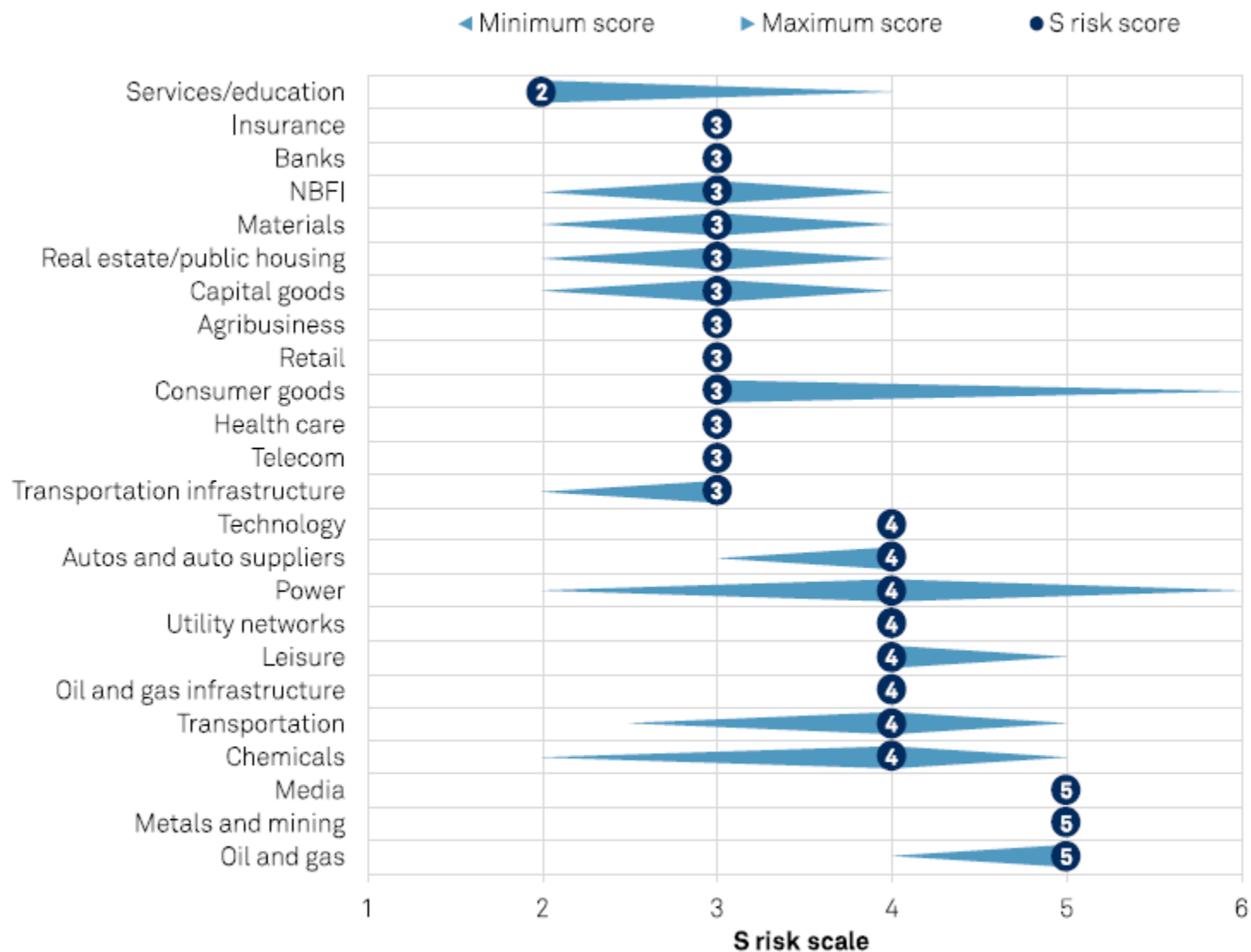
## Sector Risk Atlas--Environmental



Source: S&P Global Ratings.

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## Sector Risk Atlas--Social



Source: S&P Global Ratings.

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## Local Sourcing

In addition to ESG risk exposures and the standards outlined in the Supplier Code of Conduct, supplier selection involves various other factors, including costs, quality performance, delivery reliability, innovation, and financial viability. The location of suppliers is also an important consideration. Partnering with local suppliers enhances the efficiency of material engagement and transportation, ultimately promoting greater sustainability throughout the supply chain. Moreover, local sourcing reduces transportation distances, which decreases transport costs, road congestion, and emissions. While we do not have a formal policy specifically for local procurement, we define “local” as suppliers located within the same province as any of our facilities, and we monitor this information for all our operations.

687 of our total 1,858 suppliers in 2023 are local suppliers and our local supplier rate is determined as 37% for 2023. There has been a 58% increase in the rate of local suppliers over the last 2 years. The payments extended to local suppliers in 2023 is TRY 24,814,415,793 and this amount constitutes 97% of our total payments.

Certain products, such as cullet (recycled glass), are routinely sourced near our plant locations. Additionally, many of our facilities are equipped for rail delivery. While sourcing locations may sometimes exceed the local procurement radius when using rail transport, this method still offers cost and environmental advantages compared to truck transport.

### 2023 Share of Supplier Count by Country

Country	# of Supplier in 2023	Country	# of Supplier in 2023
United Kingdom	7	Israel	2
Germany	5	China	2
USA	3	Austria	1
Switzerland	2	Taiwan	1
Spain	3	India	1
Holland	3	Denmark	1
UAE	2	Romania	1

## Sourcing and Procurement Performance in 2023

#	PROCUREMENT TYPE (COMMODITY, SERVICE, MATERIAL)	# OF PROCUREMENT
1	VEHICLE PURCHASE & RENTAL	10
2	VEHICLE EQUIPMENT	21
3	WHITE GOODS & ELECTRONICS & FIXTURES	23
4	IT HARDWARE MATERIALS	17
5	ENVIRONMENTAL CONSULTANCY SERVICES	18
6	FIXTURES	1
7	WAREHOUSE RENTAL	7
8	EXTERNAL CONSULTANCY & SERVICES	0
9	TRAINING & CERTIFICATION	65
10	ELECTRICAL WORKS & LABOR	5
11	ELECTRICAL MATERIALS	170
12	INDIRECT MATERIALS	3
13	SECURITY SERVICES	2
14	SECURITY SYSTEM	9
15	HARDWARE MATERIALS	147
16	PEST CONTROL SERVICES	4
17	MANUFACTURING WORKS	2
18	CONSTRUCTION WORKS	28
19	CONSTRUCTION MATERIALS	104
20	OHS (OCCUPATIONAL HEALTH & SAFETY) SECURITY SERVICES	3
21	OCCUPATIONAL SAFETY SERVICES	4
22	OCCUPATIONAL SAFETY MATERIALS	25
23	WORK CLOTHING	20
24	WORK UNIFORMS	1
25	HEAVY EQUIPMENT RENTAL	102
26	STATIONERY MATERIALS	22
27	CHEMICAL MATERIALS	23
28	COAL	5
29	LABORATORY SERVICES	23
30	LABORATORY MATERIALS	19
31	LAP TOPS & IT DEVICES & PRINTERS	0
32	PRINTING & PRESS WORKS	11
33	FURNITURE FIXTURES	17
34	KITCHEN MATERIALS	25
35	ENGINEERING SERVICES	9
36	TRANSPORTATION SERVICES	28
37	OCCUPATIONAL HEALTH AND SAFETY SERVICES (OSGB)	11
38	AUTOMATION MATERIALS & LABOR	5
39	ADVERTISING/SPONSORSHIP	69
40	SCADA SERVICES	3
41	TRANSPORTATION SERVICES (SHUTTLE)	9
42	DRILLING SERVICES	7
43	CONTRACTING & LABOR	48
44	REPAIR & MAINTENANCE & TEST & CALIBRATION	159
45	TECHNICAL EQUIPMENT & MATERIALS & SPARE PARTS	228
46	TECHNICAL MATERIALS	0
47	CLEANING MATERIALS	19
48	OIL & FUEL	22
49	FIRE MATERIALS	18
50	FIRE SYSTEMS	1
51	SOFTWARE & INFRASTRUCTURE SERVICES & LICENSES	36
52	CATERING SERVICES	5

# On-Boarding New Suppliers

## Supplier Validation Process

New suppliers at Zorlu Enerji undergo a comprehensive validation process, which includes the following steps:

- Suppliers must be assigned a vendor number before being entered into our supplier database, and they receive the Zorlu Enerji Supplier Code of Conduct.
- The Code is referenced during the request for proposals, contract creation, on-site evaluations, and self-assessments.
- Zorlu Enerji reserves the right to take necessary actions to ensure adherence to the Code by suppliers. These actions may include inspections of the supplier's facilities and worker accommodations, as well as reviews of any relevant documentation. Suppliers are expected to maintain accurate records to demonstrate compliance with the Code.
- Zorlu Enerji expects suppliers to implement corrective actions to address any identified noncompliance within a mutually agreed-upon timeframe.
- During the vendor assignment process, each supplier is screened for any global or governmental sanctions.
- We utilize the Refinitiv World-Check system, a database developed by Thomson Reuters, to assess, manage, and remediate potential risks associated with individuals and organizations.
- Information is gathered from an extensive network of reputable sources, including:
  - More than 530 regulatory, law enforcement, sanction, and watch lists
  - Local and international government records
  - Country-specific data sources
  - International adverse electronic and physical media searches
  - English and foreign-language data sources
  - Relevant industry sources
- The supplier undergoes internal controls and security assessments to determine their access to any Zorlu Enerji databases or technologies.
- If approved, the Zorlu Enerji cybersecurity team investigates the supplier before a vendor number is assigned. Companies considered key suppliers in the manufacturing of a product—including raw materials, capital, and facilities—may be subject to a self-assessment, an on-site survey, or both.

To effectively research new and existing suppliers in the energy sector, we utilize the following resources:

- **Dunn & Bradstreet Credit Reports:** These reports provide comprehensive credit profiles and risk assessments of suppliers, allowing us to evaluate their financial stability.
- **LexisNexis:** This platform offers access to a vast database of legal, regulatory, and business information, helping us to assess the compliance and reputation of our suppliers.

- **Market Research Reports:** These reports provide insights into industry trends, market dynamics, and competitive analysis within the energy sector.

#### **Additional Recommended Resources:**

- **Bloomberg New Energy Finance (BNEF):** Offers data and analysis on clean energy markets, technologies, and policies, which can aid in evaluating suppliers in the renewable energy space.
- **S&P Global Platts:** Provides pricing information, market reports, and analytics for the energy and commodities sectors, helping us to understand market conditions affecting supplier performance.
- **Environmental Protection Agency (EPA) Database:** A vital resource for assessing suppliers' compliance with environmental regulations and standards, particularly important for sustainability evaluations.
- **International Energy Agency (IEA):** Offers comprehensive statistics and analysis on global energy supply, demand, and policies, useful for understanding market trends and supplier positioning.
- As needed, we collaborate with our treasury team to evaluate suppliers that are not publicly held. This provides us with a financial risk score, which aids in our selection process.

## Supplier ESG Program

We use a range of policies and procedures to inform the decisions we make in selecting and retaining the companies with which we do business. These allow us to identify those companies whose priorities most closely align with our own.

**Zorlu Enerji diligently adheres to the following them man requirements to ensure the robust implementation of its supplier ESG program:**

#### **1. Oversight of Implementation:**

Zorlu Enerji demonstrates strong accountability by assigning the Board of Directors as the highest decision-making authority responsible for overseeing the implementation of the supplier ESG program.

#### **2. Continuous Review of Procurement Practices:**

Zorlu Enerji ensures that its purchasing practices are aligned with the Supplier Code of Conduct and upholds ESG requirements by conducting regular annual reviews. This proactive approach helps avoid potential conflicts and strengthens the company's commitment to responsible supplier relations.



3. **Supplier Exclusion Based on ESG Requirements:**

Zorlu Enerji maintains strict adherence to ESG standards by excluding suppliers from contracting if they do not meet the minimum ESG requirements within a given timeframe. This firm stance highlights Zorlu Enerji's dedication to sustainability.

4. **Preference for High ESG Performance Suppliers:**

Zorlu Enerji promotes sustainability by giving preference to suppliers with strong ESG performance. This preference is reflected in the supplier selection and contract awarding processes, where ESG criteria are given a significant weighting.

5. **Training for Procurement Team:**

Zorlu Enerji acknowledges the crucial role of its procurement team in driving the success of the supplier ESG program. To empower its team members, Zorlu Enerji has successfully trained procurement professionals through comprehensive courses on Sustainable Supply Chain Management. This training has significantly enhanced their understanding of the critical sustainability standards adhered to by the company, equipping them to foster continuous improvement in their roles.

## Supplier Screening

### Scope of Supplier Screening Process

The screening process is applied by Zorlu Enerji for its strategic and critical suppliers, while the Purchasing Directorate evaluates the inclusion of other suppliers within this framework. Zorlu Enerji also can leverage the supplier pool for substitutes/alternatives for critical and strategic suppliers of its parent company, Zorlu Holding, as well as other Zorlu Group companies.

- **Critical Suppliers**

We define our critical suppliers as companies providing main equipment (such as gas turbines and generators, steam turbines, and generators, heat recovery steam generators, binary turbines, and generators, wind turbine equipment including nacelles, blades, and generators, hydro turbines and generators, solar panels, chemical reactors, boilers) and services (including turnkey projects involving installation of main equipment and construction of facilities such as power plants, facilities, units, etc., requiring site installation) for Zorlu Enerji Group's domestic and/or international projects and operations. This also includes suppliers of materials or services impacting the production and business processes of the company, as well as those providing materials or services for situations posing potential hazards, and justified procurements.

- **Strategic Suppliers**

We define our strategic suppliers as the current suppliers of main services or materials, responsible for the maintenance, operation, reporting, and development of the existing system for future years.

Zorlu Enerji has developed a Responsible Sourcing Program that aligns with the five key pillars of our business sustainability strategy:

- ethics and corporate governance,
- our workforce,
- our value chain,
- the environment and sustainable development,
- our communities.

Following these pillars, we strive to ensure that our suppliers fully understand and meet our high standards. As part of this commitment, we have published our Responsible Sourcing Policy, which outlines our requirements for the value chain. Additionally, we have established a comprehensive screening process that identifies the critical areas for supplier selection and evaluation.

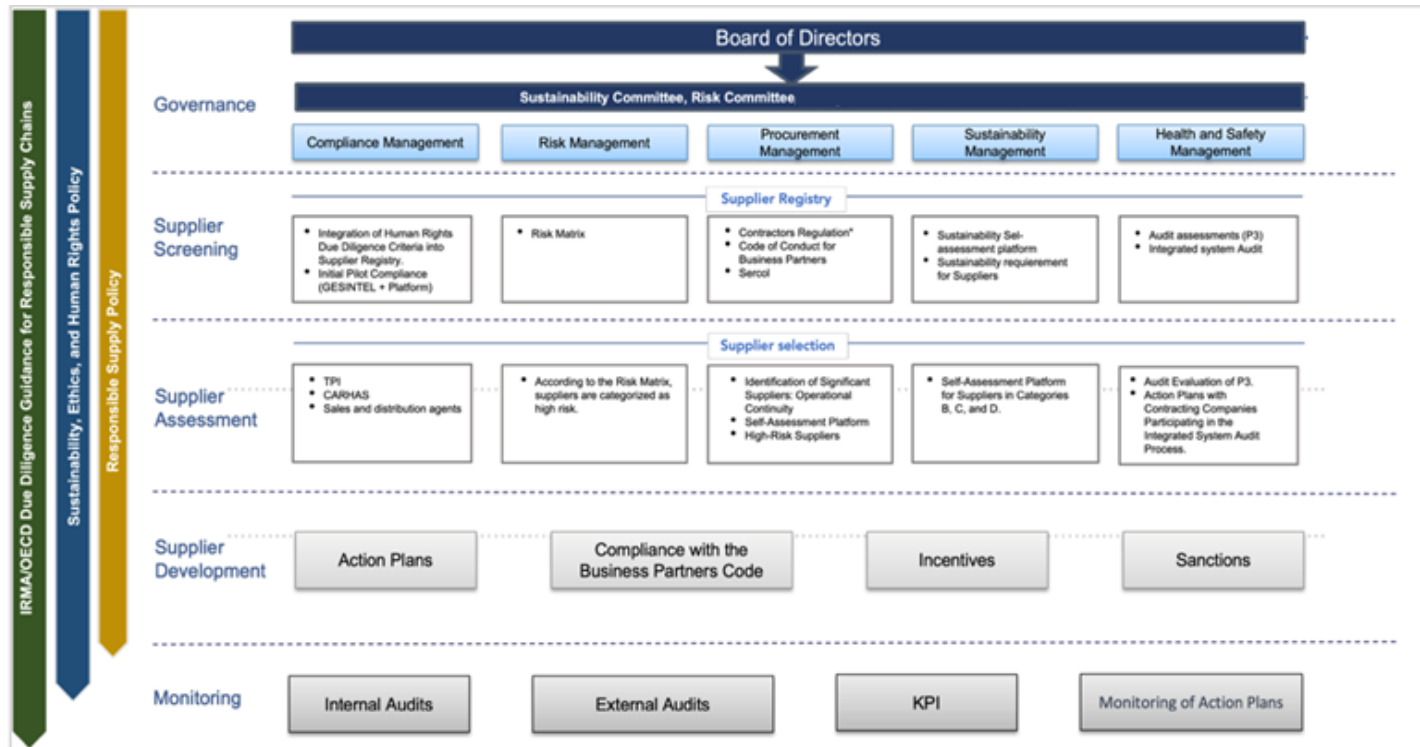
This process considers not only business priorities but also focuses on our environmental, social, and governance (ESG) commitments. Various risk dimensions are assessed through sub-processes managed by our risk and compliance, procurement, sustainability, and health and safety teams. Key factors that may identify high-risk suppliers include relationships with public officials, organizations with potential conflicts of interest, entities with a history of criminal activity or economic sanctions, and businesses located in countries or regions associated with terrorism, narcotics trafficking, weapons of mass destruction proliferation, transnational crime, or serious human rights violations, in line with the Conflict-Affected and High-Risk Areas (CAHRAs) list.

<https://www.cahraslist.net/>

The supplier screening procedures are meticulously documented in the following internal guidelines:

1. **General Procedure for Initiating Business Relationships with Third Parties**
2. **Internal Guide for Assessing the Risk Level of a Third Party (S&P ESG Risk Register)**
3. **Compliance Procedure: Anti-Corruption Guidelines for Third-Party Intermediaries**
4. **SERCOL Evaluation**, which certifies compliance with labour and social security obligations of our contractors
5. **Pre-Procurement Activity Evaluation**, a form encompassing ethical, social, human rights, environmental, supply chain, quality, and process standards. In this evaluation, environmental and social criteria are given significant weight to favor the selection of suppliers that align with our sustainability expectations.

This holistic approach allows us to thoroughly assess the roles and risks associated with our suppliers. Our suppliers come from a wide variety of sectors, sizes, and material categories. By conducting these evaluations, we have been able to identify the most significant risks within our value chain, enabling us to prioritize key areas during supplier assessments. This ensures that Zorlu Energy maintains a resilient, ethical, and sustainable supply chain while promoting long-term value creation for all stakeholders.



## Supplier ESG Assessment & Development

As outlined in the following process, once a supplier is selected, Zorlu Energy's Sustainability team identifies the appropriate periodic monitoring for the approved Third-Party Intermediary, including one or more of the following methods:

## 1. Due Diligence & Desktop Review

Each third-party supplier undergoes a comprehensive due diligence process managed by the Sustainability team. This process includes inputs from a web-based questionnaire Crif- Synesgy Platform (Third-Party Analysis Questionnaire), supporting documents, and other relevant data. Periodic monitoring is conducted following the Annual Monitoring Plan, and the findings are reported to the Sustainability Committee at least once a year.

At Zorlu Enerji, we recognize that sustainability is intertwined with all collaborations across a company's value chain. Therefore, we deem it essential to evaluate our business partners and suppliers for their compliance with Environmental, Social, and Governance (ESG) criteria as we strive to achieve our sustainability objectives. To fulfil this requirement, we conducted an ESG assessment in collaboration with Synesgy and CRIF, focusing on 16 of our critical suppliers. For this assessment, our suppliers were evaluated across five distinct categories: sustainability, environmental performance, social responsibility, corporate governance, and additional areas highlighted in the accompanying image. Based on the findings, we developed ESG report cards and action plans for our suppliers, informing them of the feedback and evaluations from our Sustainability and Occupational Health, Safety, and Environment (OHS-E) Directorate as well as the Purchasing and Logistics Directorate. Assessment criteria is shaped by ISO 26000, ISO 9001, ISO 14001, ISO 45001, GRI and UN Global Compact sector-specific guidelines and standards.

Please refer to Zorlu Enerji ESG Assessment Report'23 as a sample via [link](#).



Survey Report PDF  
and KPI Report (2).pd



**ZORLUENERJİ**

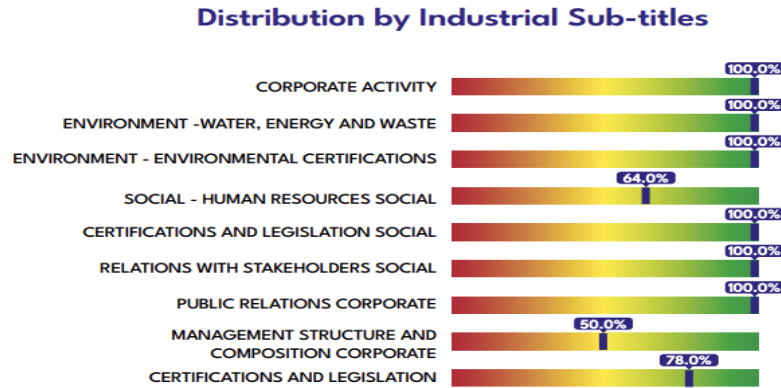


A sample of Supplier Performance Card



## 2. Supplier Scores

In the assessment, we evaluated our critical suppliers across five categories. By integrating these categories, we developed overall scores and report cards. The scoring system ranges from A, indicating excellent performance, to E, signifying poor performance, with B representing good performance, C denoting a moderate score, and D reflecting a sufficient score. The scores and their distributions are illustrated in the tables and graphs below. Additionally, we conducted an industry-based comparison to allow companies to evaluate their sustainability performance relative to others in sectors/commodities such as energy, mining, oil, and gas.



Company Scores	Overall	Environmental	Social	Corporate Governance	Sustainability	Industrial
Company 1	B	C	C	B	D	B
Company 2	B	C	B	C	-	-
Company 3	D	D	D	E	-	-
Company 4	E	E	E	E	E	E
Company 5	D	E	E	E	C	E
Company 6	B	B	B	B	C	-
Company 7	C	D	D	C	-	-
Company 8	C	C	D	E	-	-
Company 9	-	-	E	E	E	E
Company 10	C	C	C	D	C	D
Company 11	C	C	C	C	C	E
Company 12	B	C	B	B	B	B
Company 13	C	C	C	C	B	D
Company 14	C	C	D	D	-	-
Company 15	B	B	B	B	B	C
Company 16	C	D	C	E	D	C

### 3. Interviews and External Assessments:

In certain cases, interviews may be conducted with key employees or owners of the third party by Zorlu Enerji or its external legal advisors. Additionally, external reviews or audits conducted by independent law firms, investigative agencies, or due diligence service providers may be considered.

#### On-Site Visits/Inspections:

In-person inspections or on-site visits are conducted as part of the supplier assessment process to ensure compliance with Zorlu Energy's standards.

### 4. External Audits:

External audits, led by independent entities, are employed to verify adherence to higher standards and certifications such as ISO or other relevant industry benchmarks.

Zorlu Enerji has working on developing an online supplier assessment system that evaluates suppliers from an ESG perspective. This platform enables ongoing monitoring of supplier progress and facilitates the creation of tailored action plans. Initially limited to a select group of suppliers, this platform is going to be extended to the entire supplier network. It's going to provide suppliers with assessment results, highlight gaps in meeting Zorlu Energy's expectations, and offer guidance on how to address these gaps.

Furthermore, Zorlu Enerji evaluates contractors and subcontractors according to work specifications as a part of supply contracts, through rigorous evidence-based verification and audits, including on-site visits annually in certain cases. These audits focus on critical areas such as health and safety management, quality of work, sustainability, and environmental compliance. Specifically, suppliers must demonstrate their approach to environmental impact assessments, the implementation of operational controls to mitigate such impacts, adherence to waste management practices, and completion of the self-assessment on

the supplier sustainability evaluation platform. Based on the audit results, suppliers are categorized as 'preferred,' 'conditional,' or 'restricted,' depending on their performance.

## Supplier Development

### 1. Supplier Training and Information on Zorlu Energy's ESG Program:

Zorlu Energy provides its contractors and service suppliers with detailed information and training on the company's ESG strategy and the ESG program for the supply chain. These sessions include presentations on the Responsible Sourcing Policy, Sustainability Policy, Ethics and Human Rights Policy, and Integrated Process Management Policy. During the training, suppliers are briefed on Zorlu Energy's expectations, goals, challenges, and the use of the self-assessment platform and supplier portal. These forums also provide suppliers with an opportunity to directly engage with Zorlu Energy professionals and ask questions.

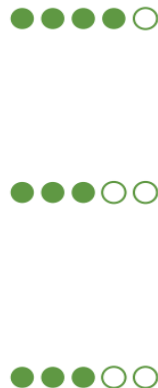
### 2. Supplier Action Plans

By the scores received, we identified areas of deficiency among our suppliers and developed targeted action plans to address these issues. The actions outlined in these plans have been prioritized based on their urgency. In total, we have formulated 307 actions to serve as a roadmap for our suppliers in their ESG journey. These action plans will be further supported by supplier audits in the future. An exemplary action plan is illustrated in the image below, while the distribution of actions categorized by their priority level is detailed in the table below.

#### ESG Action Plan

CORPORATE ACTIVITY AND CORPORATE
Increase the presence of women in corporate governance organs.
Implement a supplier relationship management system.
Establish a compliance unit for internal audits.
Implement an anti-bribery management system.
Monitor employee management performance.
WATER, ENERGY AND WASTE
Choose electricity suppliers generating predominantly from renewable sources.
Consider installing renewable energy systems.
Calculate the carbon footprint of a key product/service to understand its environmental impact and determine appropriate remedial actions.
Develop a system to calculate the decrease in consumption rates compared to the previous year.
ENVIRONMENTAL CERTIFICATION
Receive ISO 50001 Energy Management certification.
Apply environmental impact assessment tools such as Life Cycle Assessment, Carbon Footprint, Water Footprint, Environmental Product Declaration, Ecolabel, EMAS registration.

#### Priority



#### Number of Actions prepared for companies

Priority Level	★★★★	★★★	★★	★	Total
Company 1	2	4	8	0	14
Company 2	10	6	2	0	18
Company 3	10	10	3	0	23
Company 4	5	10	6	0	21
Company 5	15	6	3	0	24
Company 6	5	5	3	0	13
Company 7	10	8	2	0	20
Company 8	10	10	3	0	23
Company 9	14	5	3	0	22
Company 10	5	8	7	0	20
Company 11	5	9	4	0	18
Company 12	0	4	9	0	13
Company 13	5	9	4	0	18
Company 14	10	10	3	0	23
Company 15	5	6	5	1	17
Company 16	5	3	12	0	20

### **3. Supplier Support (Remote and On-Site) for Implementing Corrective and Improvement Actions**

Zorlu Enerji has issued improvement reports to suppliers exhibiting performance gaps relative to established expectations. These reports are distributed via the Supplier Assessment Platform. The Sustainability and Procurement team is tasked with reviewing the questionnaires and providing constructive feedback to the suppliers for their improvement.

### **4. In-Depth Technical Support Programs to Enhance Capacity and ESG Performance in Suppliers**

Training programs are organized in areas of improvement for our suppliers to help them achieve a passing grade of C on their report cards. These trainings are conducted by the Sustainability teams. In alignment with Zorlu Enerji's net-zero targets, which have been verified by the Science Based Targets initiative (SBTi), the following specific training sessions are organized for our suppliers regarding scope 3 targets:

1. Calculation of emissions at high resolution according to the GHG Protocol.
2. Encouragement for participation in the SBTi process.
3. Guidance for developing strategies and action plans that align scope 1, scope 2, and scope 3 emissions with Zorlu Enerji's targets.

Our primary objective is to drive meaningful enhancements and develop systematic capacities, thereby empowering these suppliers to improve their ESG performance.

#### **1. Supplier Access to ESG Benchmarks and Peer Comparisons:**

Zorlu Energy integrates and analyses ESG assessment results within the Synesgy supplier platform via a dashboard, which is shared with contractors and subcontractors during training sessions. These sessions include a comparison of performance between participants, offering valuable insights into each supplier's performance across various categories such as environmental management, respect for human rights, business ethics, health and safety, quality, and corporate social responsibility (CSR). This detailed breakdown enables suppliers to understand their standing relative to peers and identify areas for improvement.

This holistic approach to supplier assessment and development ensures that Zorlu Energy maintains high standards across its value chain while promoting long-term sustainability and collaboration.



Portfolio dashboard

Company statistics

Portfolio performance: ESG Score

Select office

All

Select portfolio

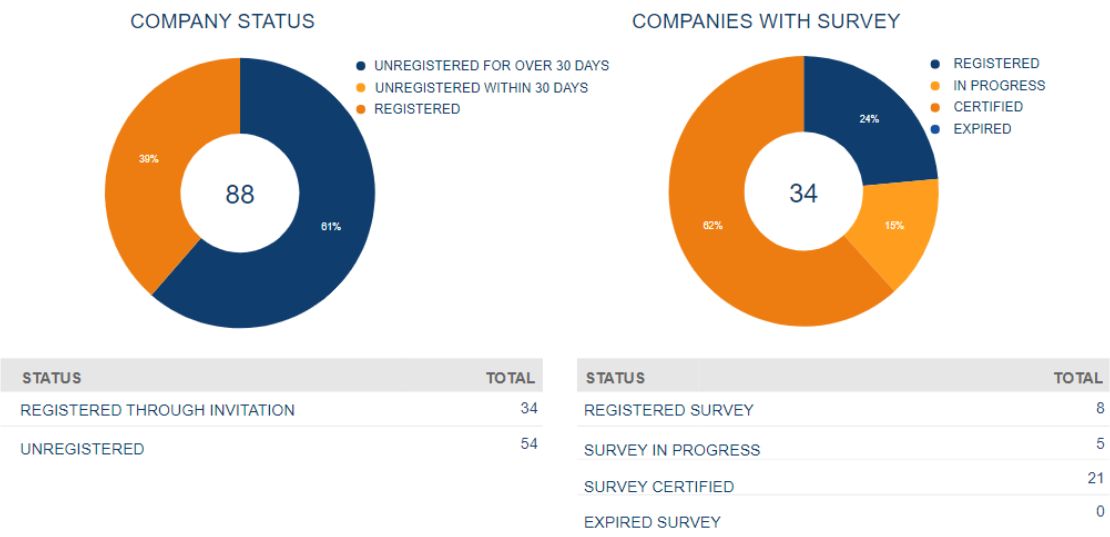
All

Select company size

All

Select macro-industry

All



Upload company list

## Portfolio dashboard

### Company statistics

### Portfolio performance: ESG Score

Select office

All

Select portfolio

All

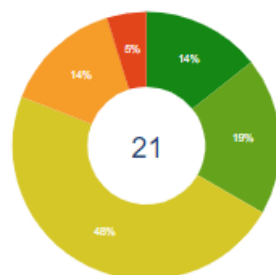
Select company size

All

Select macro-industry

All

### OVERALL SCORE

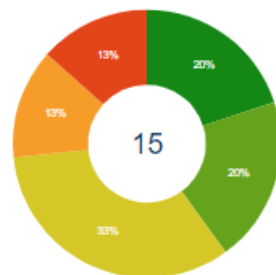


● A - EXCELLENT  
● B - GOOD  
● C - SATISFACTORY  
● D - SUFFICIENT  
● E - LOW

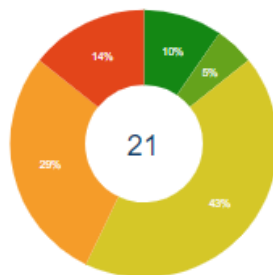
STATUS	TOTAL
A - EXCELLENT	3
B - GOOD	4
C - SATISFACTORY	10
D - SUFFICIENT	3
E - LOW	1

### Details

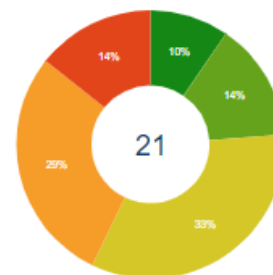
### BUSINESS SCORE



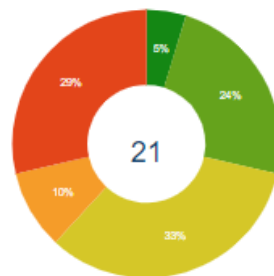
### ENVIRONMENTAL SCORE



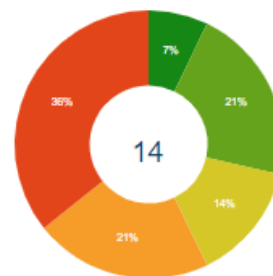
### SOCIAL SCORE



### GOVERNANCE SCORE



### INDUSTRY SCORE



# Supplier Risk Management

## Holistic Supplier and Risk Management

Zorlu Enerji adopts a comprehensive approach to managing suppliers and associated risks. Our assessments also incorporate considerations of supply chain resilience, which refers to our suppliers' capacity to effectively manage disruptions with minimal impact on the supply chain.

## Identifying and Mitigating Risk

We employ various methods to identify risks within our supply base, including ESG risk scoring, supplier segmentation, risk mitigation tools, supplier performance measurement, category strategies, on-site or self-evaluations, and sustainability assessments. Additionally, risks may arise from our suppliers through nonconforming materials or work performed on-site at our facilities. Our contractor management standards require that all contract employees working at Zorlu Enerji sites meet specific criteria before commencing any work.

Each contractor engaged in medium- and high-risk activities must submit the necessary documentation and attain an acceptable evaluation from our external partner, ISN, before being awarded any jobs. Required documentation includes a Certificate of Insurance, copies of relevant safety programs, ISO certifications, related legal permits, and questionnaire responses regarding their EHS and sustainability practices. Both Zorlu Enerji and the individual contractor cover the membership costs with ISN, with fees based on the contractor's number of employees.

In our facilities, we have established a process to record and track nonconforming materials from suppliers. This process was updated in 2023 to enable plant personnel to upload photos of nonconforming materials directly from their mobile devices. Any suspect or rejected materials are segregated, prompting further investigation by Zorlu Enerji and the supplier into any potentially affected materials that may be in stock or on route. We also utilize an 8D process, an industry-standard corrective action framework that requires suppliers to provide a detailed account of the issue, an immediate containment plan, short-term actions, a root cause analysis, long-term corrective actions, an implementation plan, a prevention strategy, and an implementation evaluation. We closely monitor this process for any requested corrective actions.

To assist in our risk assessments of suppliers, market conditions, and the competitive landscape while making sourcing decisions, we research and follow opportunities to various subscriptions and memberships. Such as organizations.

✎ **Institute for Supply Management (ISM):** ISM is a leading organization for supply chain professionals, providing resources, training, and certification specifically relevant to various industries, including energy.

- ✎ **Energy Procurement Association (EPA):** This organization focuses on procurement practices within the energy sector, offering networking opportunities and resources for professionals in energy procurement.
- ✎ **Energy Management Association (EMA):** EMA provides educational resources and networking opportunities for energy management professionals, which can include procurement practices in the energy sector.
- ✎ **The Association for Energy Affordability (AEA):** While AEA focuses on energy efficiency, it also provides resources for procurement related to energy-saving products and services.
- ✎ **Renewable Energy Buyers Alliance (REBA):** REBA focuses on accelerating renewable energy procurement, providing tools and resources for organizations looking to purchase renewable energy effectively.
- ✎ **Global Supply Chain Institute (GSCI):** This organization offers research and education on supply chain management, including specific insights relevant to the energy and utilities sectors.
- ✎ **National Association of State Procurement Officials (NASPO):** While more government-focused, NASPO offers valuable resources for public sector procurement in energy and utilities.

Each procurement professional is trained to gather category and market intelligence using a variety of tools, including Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis; Political, Economic, Socio-Cultural, and Technological (PEST) analysis; and Porter's Five Forces Framework.

## Supplier Segmentation

Zorlu Enerji aims to develop a comprehensive understanding of each company within our supply chain, including the various ways these companies could influence our operations. To achieve this, our global sourcing team utilizes a segmentation tool to assess and classify primary suppliers. Suppliers included in the segmentation process meet the following criteria:

- Constitute approximately 75% of our overall global sourcing managed
- Are single- or sole-source suppliers
- Have a high-risk ESG score and a spend exceeding 1,000,000 TRY

Our supplier segmentation tool compiles an overall score using the following criteria:

- Three questions related to risk, weighted according to their significance to Zorlu Enerji
- Four questions related to impact, weighted based on their importance to Zorlu Enerji
- The supplier's ESG score

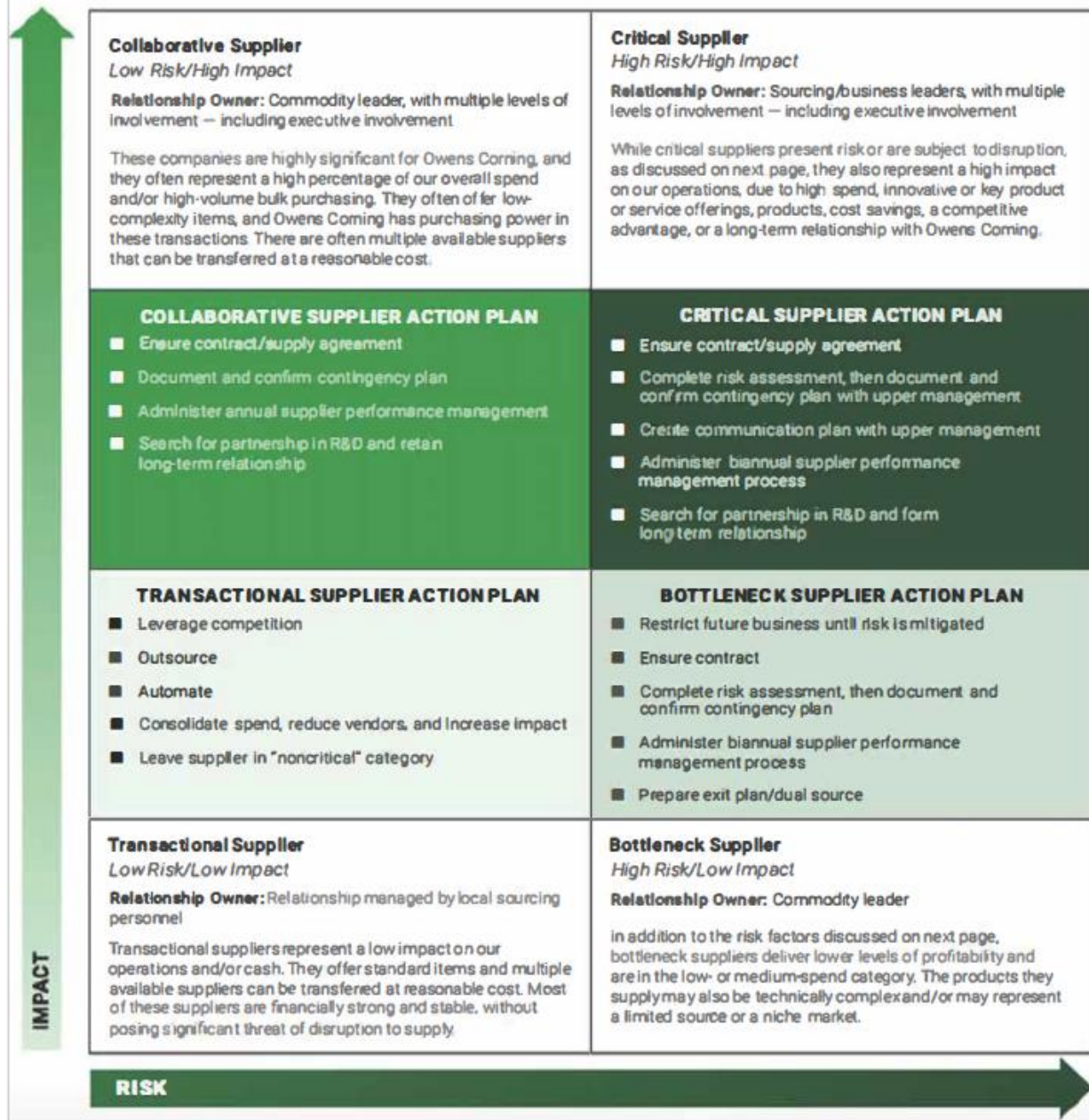
The assessment we have developed reflects our focus on risk mitigation, our need to address single- and sole-source suppliers, and our commitment to developing strategies for each commodity category. Each supplier is assigned scores based on two categories: risk and impact.

- **Risk:** The risk score captures the potential instability in our ability to procure a given product or material. Higher risk scores may arise from one or more of the following factors:
  - There is only one supplier for a material or product
  - There would be significant costs associated with switching suppliers
  - The supplier is subject to greater instability or disruptions
  - The supplier may not have publicly stated sustainability or safety measures
- **Impact:** The impact score reflects how a supplier's situation can affect Zorlu Enerji's bottom line. High-impact suppliers are generally those who:
  - Offer innovative products
  - Provide significant cost and/or productivity savings
  - Deliver a competitive advantage for us
  - Serve as a necessary component of Zorlu Enerji's business operations

Once the scores have been assigned, the suppliers are categorized into one of four segments. This classification allows us to establish action plans that optimize our relationships with each supplier, enhance the overall impact on our business, and mitigate our risk.

The classification is also used to identify relationship owners, action items, and supplier, commodity, and/or business strategies. The segmentation tool has been updated and refined over the years, with the latest enhancement occurring in 2023, when we streamlined the supplier segmentation process and the assessment questions to facilitate more comprehensive intelligence.

## Characteristics of Different Supplier Segments and Action Plans



## **Risk Mitigation and Contingency Planning**

Our comprehensive risk mitigation tool focuses on all critical suppliers, including single- and sole-source suppliers. The tool considers the following variables:

- Risk identification
- Risk assessment
- Maturity assessment
- Risk score and segmentation
- Prioritization
- Documented contingency planning, as needed

The categories of risk evaluated among suppliers include human risk, information and legal risk, quality risk, reputational risk, and operational risk.

Each identified risk is analysed within a series of scoring matrices in the tool, culminating in a risk tolerance chart that illustrates both the “impact” and “likelihood” of the risk. This informs the documented contingency and testing process for the most critical risks. Contingency plans can be developed at the supplier, category, or business level and may vary based on specific needs. For instance, these documented plans may address requirements such as alternative transportation, raw material sourcing, temporary staffing, or requests for production data to ensure that a supplier’s process consistently yields quality materials.

The risk mitigation tool was utilized across all category strategies in 2022 to develop contingency plans and identify our highest risk areas, serving as a necessary component in our category reviews.

### **Reducing Risks from Single-Source Suppliers**

While raw materials generally originate from multiple suppliers, Zorlu Enerji has certain single-source supplier relationships that offer unique, value-added products and services. These companies fall into the critical supplier category within our supplier segmentation tool and are subject to close monitoring, engagement, and collaboration with our sourcing team.

Our sourcing team follows a regular schedule of safety, environmental, sustainability, and quality audits for single-source suppliers. Additionally, we collaborate with these companies to address any deficiencies in their risk analysis and contingency plans. As required, Zorlu Enerji holds in-person or virtual meetings with leaders of single-source companies to review and update all relevant information.

## KPIs for Supplier Screening & Supplier Assessment

<b>Supplier Screening</b>	<b>FY 2023</b>
Total number of Tier-1 suppliers	1858
Total number of significant suppliers in Tier-1	44
% of total spend on significant suppliers in Tier-1	
Total number of significant suppliers in non-Tier-1	0
Total number of significant supplier (Tier-1 and non-Tier-1)	44

<b>Supplier Assessment</b>	<b>FY 2023</b>	<b>Target for FY 2023</b>
Total number of suppliers assessed via desk assessments/on-site assessments	16	44
% of unique significant suppliers assessed	0.36	
Number of suppliers assessed with substantial actual/potential negative impacts	0	
% of suppliers with substantial actual/potential negative impacts with agreed corrective action/improvement plan	0	
Number of suppliers with substantial actual/potential negative impacts that were terminated	0	

<b>Corrective action plan support</b>	<b>FY 2023</b>	<b>Target for FY 2023</b>
Total number of suppliers supported in corrective action plan implementation	16	44
Number of suppliers assessed with substantial actual/potential negative impacts	0	

<b>Capacity building programs</b>	<b>FY 2023</b>	<b>Target for FY 2023</b>
Total number of suppliers supported in capacity building programs	16	44
% of unique significant suppliers in capacity building programs	0.36	