

ECZACIBAŞI BUILDING PRODUCTS - TILES
SUSTAINABILITY REPORT
2021

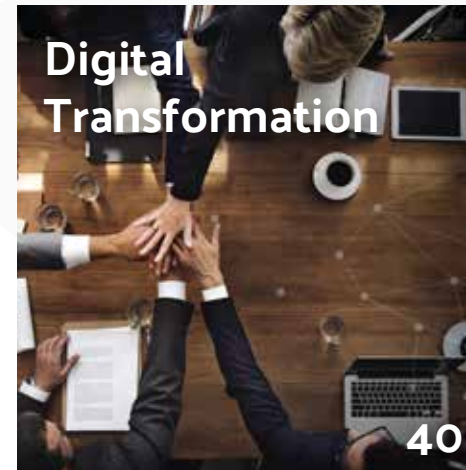


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About This Report

Since 2008, Eczacıbaşı Building Products - Tiles has shared its sustainable development activities with its stakeholders through the Eczacıbaşı Group Sustainability Report on a consolidated basis. This year we are delighted to be communicating our sustainability strategy and efforts to our stakeholders directly in our first stand-alone sustainability report.

This report presents our corporate sustainability strategy, practices and methodology, our goals, and the progress we have made towards achieving them. We have prepared this report in accordance with Global Reporting Initiative (GRI) Standards' core option. In preparing our report, we have used GRI Standards' content and quality as a guide to determine which material topics to focus on.

We have also considered the World Economic Forum (WEF) Stakeholder Capitalism Metrics and the UN Global Compact, both of which Vitra Tiles Co. is committed to upholding.

The information disclosed in the report covers activities carried out by operations of Vitra Tiles, Turkey, Vitra Tiles LLC, Russia, and V&B Fliesen GmbH, Germany between January 1, 2021, and December 31, 2021.

A PDF version of the 2021 Eczacıbaşı Group Sustainability Report and all reports from previous periods can be accessed on the corporate website www.eczacibasi.com.tr, Eczacıbaşı Building Products - Tiles 2021 Sustainability Report can be accessed at www.vitra.com.tr

Letter from the CEO



Dear Stakeholders,

At Eczacıbaşı Building Products - Tiles, we are committed to reducing the environmental impact of our products and processes, contributing to the well-being of society, and sharing in the responsibility of ensuring the world has a more habitable future. Every decision we make considers the best interests of our planet and of the living beings, society, and humanity with which we share it.

As we continue the global struggle against the COVID-19 pandemic, we face social, economic, and ecological challenges. We are living through a time in which the effects of climate change are felt more keenly every year, so managing our climate-related risks is becoming more critical to running our business. This means we need to reduce the carbon emissions of our processes; minimize

our non-renewable resource usage; invest in energy-efficient production technologies and new product designs; use fewer raw materials and less water; recycle our waste; and prioritize environmentally friendly packaging materials.

Communicating and sharing our progress in these areas with customers and stakeholders is vital, which is why we strive to obtain the best certification and labels for our products. We acquired our first Environmental Product Declaration certificate in 2013. That same year, we obtained Green Guard and Green Guard Gold certificates from Underwriters Laboratories for all our product groups. In 2020, we became the first company in our industry to receive the prestigious Environmental Label Certificate of Turkey's Ministry of Environment, Urbanization and Climate Change, which covers our entire product value chain from raw material acquisition to waste treatment.

As a company that exports more than three-quarters of the value it creates, we closely monitor progress on the European Union Green Deal and support the transformation of our business processes through participation in various industry platforms and business associations. We strive to manage our processes in the most effective way to prepare for short-, medium-, and long-term challenges; to reduce our environmental risks; and to ensure the continuity of our business and the employment it provides. In 2021, we took tangible steps towards this goal by establishing a Sustainability Committee to improve our ESG performance and manage our sustainability efforts more effectively. Next year, we plan to take a deeper dive into ESG matters in step with the Eczacıbaşı Group's overall strategy.

For some time now, we have been reducing our carbon footprint through energy efficiency projects; now, we are now ready to set ourselves more challenging targets to reduce our carbon intensity. As part of our drive to protect natural resources, we commissioned various projects in 2021 that help to reduce our energy consumption and provide energy savings of about 10 thousand MWh. In energy, we are focused not only on savings but also on using renewable energy to support the Group's roadmap for transitioning to low carbon production. We started several pilot solar energy projects and plan to increase these investments in the year ahead. Between 2022 and end-2025, we aim to lower the intensity of our Scope 1 and Scope 2 emissions by 14% relative to 2020, our base year.

Through the optimization of our industrial processes, we have reduced our waste and resource consumption. Adopting a circular economy business model, we have designed products that contain up to 30% recycled materials, and we intend to increase this ratio going forward. We send our industrial waste treatment sludge to the adjacent Vitra ceramic sanitary ware production plant for use as an alternative raw material. We reuse all of our green scrap and some of our fired scrap in our own production, sending the remainder as alternative raw material to cement factories.

In addition to energy, water is an important industrial input material, and we reuse all treated industrial wastewater in our production processes. Innovation will also be key going forward: Our new easy-to-clean tile, for example, helps reduce water consumption throughout the product life cycle.

We aim to provide a healthy and safe working environment with the very best occupational health and safety processes, which we continually improve through constant dialogue with our employees. Equal opportunity employment is another priority issue for us, as it is for the Eczacıbaşı Group as a whole; we want to employ more women at every level of our operations. Our target is to increase the ratio of female employees in our three main geographies to 42% by end-2022.

The world is at a turning point, and we need to take swift, meaningful action to combat the climate change that threatens both the present and future of our planet. At Eczacıbaşı Building Products-Tiles, we will continue to work even harder to live up to the Eczacıbaşı Group's sustainability values. We wish to convey the message to our stakeholders that we fully understand and are responding to the urgent challenge that climate change presents.

Eczacıbaşı Building Products-Tiles is proud to present to its valued stakeholders this first sustainability report on its ESG performance and practices, prepared in accordance with GRI Standards and with reference to the World Economic Forum (WEF) Stakeholder Capitalism Framework reporting criteria.

With my warmest regards,

Hasan PEHLİVAN
CEO



**SUSTAINABILITY
MANAGEMENT**



Corporate Structure

VitrA is the Turkey's largest bathroom and tiles manufacturer by market share. It has been operating for over 60 years since its establishment in 1991 and has an annual tile production output capacity of 30 million square metres. VitrA is one of the ten largest European manufacturers in its space with facilities located in Turkey, Germany, and Russia. In addition to its brand VitrA, the company also owns Villeroy & Boch's tile division as well as Engers, a widely recognised and very prestigious German brand that is over one-hundred years old. Together, these brands are sold in over seventy-five countries, ranking VitrA as Turkey's number one exporter to the European Union.

Blending cutting-edge innovation with the power of its well-established brands, Eczacıbaşı Building Products - Tiles is transforming Turkey's ceramic production heritage into an ever-expanding product offering. VitrA and the Villeroy & Boch brands are both leaders in the Turkish market, and Villeroy & Boch also holds a top position in its home market of Germany. Leveraging these leading roles, Eczacıbaşı Building Products - Tiles, continues to expand its ceramic tiles expertise to encompass all residential living spaces.

Eczacıbaşı Building Products - Tiles has a broad range of collections suitable for commercial buildings for use in pools, gardens, and exterior facades. The VitrA brand is at the forefront of research into innovative texture and materials solutions and its new collection launches are considered trend-defining and watched closely by its industry peers.

GRI 102-2, GRI-102-7, GRI-102-4, GRI 102-6

Organizational Structure

The Eczacıbaşı Group is a group of companies consisting of Eczacıbaşı Holding, and subsidiaries under Eczacıbaşı Holding's management. The main objective of Eczacıbaşı Holding is to determine the business strategy and short-mid-long-term goals of the Group, and to support the activities of Group companies in line with these goals. With the synergy created, Group resources are directed to the best fields of investment with precision.

Eczacıbaşı Holding's Board of Directors consists of six full members, comprised of one female and five males. The Board of Directors conducts its duties through subcommittees established for the areas of Investment, Risk, Audit and Governance, Talent and Remuneration, and ESG (Environmental, Social, Governance).

The Board of Directors ESG subcommittee is tasked with ensuring the effectiveness of policies, strategies, governance bodies and tools for sustainability management applicable throughout the Group. It also plays a role in assessing the soundness of strategic priorities on an ongoing basis and in providing recommendations to the Board on environmental, social, and economic issues.

The ESG subcommittee meets at least four times a year, and always before every Board of Directors quarterly meeting for

each reporting period. The Chairperson of the Board of Directors and the Group CEO functions are held separately. As well as having a separated function for the Group CEO, the Supervisory Board chairperson also reports directly to the Board of Directors. The Group's senior management consists of the senior managers and function managers of the organizations which report directly to the Group CEO.

Sustainability is managed at every level within the organizational chart. The Board of Directors plays a role in taking strategic decisions in sustainability management as it does for all other strategic issues. At a senior Group level, sustainability management is performed by the Group CEO and Sustainability Directorate under the aegis of the Sustainability, Public and Corporate Communications Coordination function which reports to the Group CEO. The Board's main purpose is to provide

strategic management on sustainability issues covering social, economic, environmental and governance areas throughout the Group.

The newly formed Eczacıbaşı Group Sustainability Executive Board (EGSEB) which is expected to hold its first meeting in 2022, comprises Eczacıbaşı Holding's senior sustainability officers and the Group's senior executives. The EGSEB is responsible for taking strategic sustainability decisions and reports to the Group CEO, the ESG Committee and to the Board of Directors.

The executive function for sustainability management throughout the Group is provided through Sustainability Working Groups established under the Sustainability Coordination Board. These Working Groups, which are responsible for implementing Group strategy, policy, ESG goals and for recommendations based on global developments, have been set up to ensure sustainability strategies are transformed into actionable goals and plans. The Sustainability Working Groups are formed based on priority issues determined by EGSEB with the participation of Group managers who bear responsibility for these areas. The Sustainability Coordination Board, which consists of the Sustainability

Working Group Team Leaders, provides performance monitoring of work throughout the Eczacıbaşı Group and reports findings to EGSEB.

In 2021, we established a Sustainability Committee within (Eczacıbaşı Building Products - Tiles) to improve our ESG performance and manage our sustainability efforts more effectively. For the year ahead we will continue to work in harmony with Eczacıbaşı Group's overall ESG strategy and build on it by drilling down into more detail.

Looking to the Future: Risks and Opportunities

The pandemic and post-pandemic business agenda

Transforming the global agenda unexpectedly in 2020, the pandemics' effects continued to shape our daily lives during 2021. As we enter a period of normalization marked by vaccination and a heightened awareness of better hygiene measures, fundamental changes have taken place in occupational health and safety (OHS), supply chain management and in digital transformation, which are likely to be permanent.

The demand for greater hygiene globally has impacted responsible consumption behaviors. Our society's demand for products and services manufactured using sustainable business models which

provide tangible environmental and social benefit has become apparent. It is within this context that Eczacıbaşı Building Products -Tiles continues to engage in responsibly manufactured product development.

As the corporate world is transformed by the acceleration of digitalization and remote work applications, remote work has become the norm in many sectors and HR departments continue to adopt new talent management models.

Our Group's philosophy is to "maintain operational continuity through the value chain whilst providing responsibly manufactured products and services to consumers." This priority has become even more important as we source locally and seek alternative resources.

Climate change: humanity's shared problem

In recent years, climate change and its associated environmental risks have been cited as the highest risk category in the World Economic Forum's annual risk reports. As the phase of transitioning to a low-carbon economy begins globally, we need to change how we do business, and new rules and regulations are needed to trigger this change. Two key developments in 2021 were Turkey's ratification of the Paris Agreement on climate change and the clarification of certain provisions on the European Green Deal.

The construction and building materials sector within which we operate is one of the most emission-intensive sectors, consequently we closely monitor regulatory change that might impact us. To combat climate change and decrease our carbon emissions we intend to invest in transitioning to renewable energy. These investments will begin in the next reporting periods. Additionally, we will continue to focus on R&D as we believe that one of the key components of resolving climate change is to innovate in products and services. We are looking for business opportunities as we embrace the change to a low-carbon economy.



GRI-102-7, GRI-102-44, GRI-102-46, GRI-102-47

Eczacıbaşı Building Products - Tiles Sustainability Priorities

Our sustainability journey is based on the principle of being responsible corporate citizens. We focus on creating economic value, improving social welfare, and reducing natural resource consumption. We operate by identifying the impact of our actions on sustainable development and by identifying the risk and opportunities in the context of our stakeholders' expectations.

About two hundred managers from Eczacıbaşı Holding and Group companies met with around fifty external stakeholders to collaborate on an assessment of sustainability priorities. We used this collaboration to take a deep dive into the impact of environmental, social, economic issues, to discuss the mega risk trends associated with sustainable development as well as to review the 17 UN Sustainable Development Goals (SDGs). The final report was prepared with contributions from around one hundred Group employees and senior management, and it sets out the Group's Sustainability Priorities and the SDGs that we will focus on going forward.

We prepared Eczacıbaşı Construction Products - Tiles' sustainability action plan including our prioritization analysis under the aegis of our parent Eczacıbaşı Holding and strengthened our operations.

FINANCIAL
VALUE

We direct Group resources to those investments that will generate value for our community in accordance with long-term goals and strategies.

274
Million Euros
International Sales

3
Production Facilities

75
International Markets

2.846 million TL
Net Sales

%44,3
Growth Rate

2.544 million TL
Total Assets

%43,7
Growth Rate

534 million TL
EBITDA

%94,6
Growth Rate

HUMAN
VALUE

Our management philosophy is based on "respect for human beings." We consider it both our right and our duty to develop ourselves to the fullest extent possible.

2.058
Total Employees
Number

%40
Employed
Ratio of Women

%53
The Proportion of Women
Recruited
(White Collar, Indefinite Full-Time
Employees)

11 hours
Training Per Talent
Hours
(Employees Participating in the
Leadership Program)

1,96
Accident Frequency Rate

THE VALUE
OF NATURE

Our management philosophy is based on "respect for human beings." We consider it both our right and our duty to develop ourselves to the fullest extent possible.

1,80 MWh/Ton
Energy Consumption
Per Product

1,00 m³ / ton
Water Consumption
Per Product

0,40 Ton CO₂/ton
Carbon Emissions
Per Product

32,7 thousand Tons
Recycled
Waste

933,6 thousand MWh
Total Energy
Consumption

518,9 thousand m³
Total Water
Consumption

209,7 One Thousand Tons
Total Carbon
Emissions

26 thousand Tons
Total Waste
Disposed

INTELLECTUAL
VALUE

We carry within us a spirit of pioneering entrepreneurship that is open to change and new possibilities globally. We have a long and deeply founded tradition of innovating in our undertakings.

84
Total Number of R&D
Projects

ECZACIBAŞI GROUP SUSTAINABILITY PRIORITIES

EQUALITY OF OPPORTUNITY OCCUPATIONAL HEALTH AND SAFETY CLIMATE AND ENVIRONMENT CIRCULAR ECONOMY AND RECYCLING ETHICS AND LEGAL COMPLIANCE PRODUCT RESPONSIBILITY INNOVATION AND ENTREPRENEURSHIP DIGITAL TRANSFORMATION



ECZACIBAŞI GROUP SUSTAINABILITY PRIORITIES

TARGET*	PERIOD	CURRENT
To reduce energy consumption per ton of product by 5% in 2022 (base year 2020)	2022	4% reduction was achieved in 2021 (base year 2020)
To reduce water consumption per ton of product by 6% (base year 2020)	2022	5% reduction was achieved in 2021 (base year 2020)
Increase the ratio of women employees in management teams to 26%.	2022	The ratio of women employees in management was 21.7% in 2021.
Increase the ratio of women hired to 57%	2022	The ratio of women hired was 55.2% in 2021.
Increase the ratio of women in employment to 40%	2022	The ratio of women employed was 38.0% in 2021.
Reduce accident frequency rates to 1.45	2022	The accident frequency rate is 2.07 in 2021.
To reduce Scope 1 and Scope 2 emissions intensity by 14% by 2025 (base year 2020)	2025	5% reduction was achieved in 2021 (base year 2020)

*These targets are for Turkey only.

GRI-102-18, GRI-102-19, GRI-102-20



Risk Management

Risk management is centralized at the parent Eczacıbaşı Holding level for all Group companies and is led by the Corporate Risk Management Department under the aegis of Eczacıbaşı Holding's Finance and Audit Division. The Corporate Risk Management Department works in coordination with Early Detection of Risk Committees and their findings are reported at regular intervals to the Risk and Governance Committee comprising the Chairman of Eczacıbaşı's Supervisory Board and Independent Members of the (Eczacıbaşı Holding) Board of Directors.

Corporate risk management is a management process that involves identifying and analyzing risks from short- and long-term strategic plans and the overall business goals of Group companies, and initiating counter-measures to minimize the impact of adverse risks, as well as reviewing and reporting on these risks and measures. A company's risk-oriented working practices and systems support continuous growth by ensuring the reduction of financial losses and the prevention of wasted resources. Moreover, proactive risk management can help optimize time and resources spent on the production process.

Eczacıbaşı Group's corporate risk management is designed to comply with international standards.

GRI-102-11

The chief objective of corporate risk management is to assess the strategic, operational, financial, or any other risk to compliance and sustainability, which has the potential to impact Group companies in achieving their goals and which could put at risk their continuity and development, from the Board through to every level of the organization.

The management of climate risks from a sustainability perspective and managing ESG (environmental, social and governance) risks is rapidly increasing in importance among investors, regulators, and customers, both locally and globally. The concept of 'Sustainability' is a strategic priority for Eczacıbaşı Group.

To this end, best practices are adapted, meaningful indicators are designed for decision makers, and findings are presented to the Board of Directors, Committee, and senior management for their assessment.

Our goal is to put together a plan compatible with our environmental, social, and economic responsibilities that has coherence from a sustainable development perspective and that will carry us into the future. Our Group's sustainability risk management activities are performed in the first instance by

considering the potential risks posed by natural disasters, extraordinary weather events, climate change, biodiversity, using natural resources efficiently, recycling and the circular economy.

We also consider employee rights and equality of opportunity and our contribution to the stakeholder economy when managing the social impact of our sustainable growth policy.

On the governance side, important risks such as occupational health and safety, responsibility for products and services, (innovation), business ethics, legal compliance, bribery, and anti-corruption issues are assessed. Our risk management policy therefore considers strategic, operational and compliance risks and their effects from an ESG as well as an economic perspective.

In addition to the difficulties experienced in combating climate change, the new risks posed by an unregulated and rapid transition to a de-carbonized economy are also among the priorities of companies.

Risk management is working towards ensuring that Eczacıbaşı Holding and Group companies are affected as little as possible by climate change and the risks arising from the process of combating climate change.

Sustainability is viewed as a business continuity and operational resilience risk and the Group approach to managing sustainability risks is to evaluate these risks from the lens of the environment, society, and the economy.

Taking as its guide the Group's overall sustainability drive, Eczacıbaşı Building Products - Tiles will begin working independently on assessing and addressing its sustainability risks independently, to be able to compete at an international level.

Business Ethics and Legal Compliance

In addition to abiding by laws and regulations, our company views acting morally and ethically in the business environment as being an indispensable and underlying condition of our respect for human rights. The Supervisory Board, Group HR, Legal and Compliance all work together to issue regulations on developing business ethics, on tracking and implementing internal audits and ensuring full compliance with legal requirements.

The Eczacıbaşı Code of Conduct is a written policy that ensures employees develop and internalize a communal language and stance that reflects our values and principles. This and other sources are available to our employees and to ensure their efficient application, HR regularly communicates with employees.

Eczacıbaşı Group has been a signatory to the UN Global Compact since 2006 and was one of the first Turkish companies to sign. Child labor, forced or coerced labor, practices which are a violation of human rights, are prohibited in all Group companies, as well as in our company. Eczacıbaşı Building Products – Tiles. Our company prohibits discrimination based on age, gender, language, nationality,

faith, ethnicity, or any difference both in its hiring and during employment. If our employees witness a case of discrimination, bribery and corruption or any violation of their rights, they are obliged to report this immediately to our Compliance Board using appropriate channels.

The Compliance Board examines a violation notice with the strictest confidentiality, analyzes the claim objectively, and reaches unbiased conclusions.

Our aim is to develop a common awareness among our employees against ethical violations. Our company's "Employee Handbook", which sets out our business policies on discrimination,

bribery and corruption, human rights, and the right to form a union in the workplace, is an essential resource for our employees.

According to our internal rules, our employees cannot administer political institutions or organizations, and cannot participate in promoting the activities and donating to political movements.



Stakeholder Relations

At Eczacıbaşı Construction Products - Tiles, we aim to create value and develop our sustainability strategy in a manner that serves the needs and expectations of all our stakeholders. Therefore, we pay attention to involving our stakeholders by communicating with them about our work and seek their feedback. Our company can leverage Eczacıbaşı Group's communications platforms to reach the widest network of stakeholders possible.

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

GRI-102-13

Corporate Memberships

ESTABLISHMENT	ROLE
Eskişehir Bilecik Kütahya Ceramics Cluster Association	Substitute Board Member
SERKAP (Ceramic Tile Manufacturers Association)	Board Member
DEIK Turkey- Foreign Economic Relations Board of Turkey	Membership
Cerame-Unie (The European Ceramic Industry Association)	Member of the Environmental and Technical Committee
B4G (Business for Goals) Board Membership	Carbon Border Adjustment Mechanism (CBAM) Executive
TUSİAD - Turkish Industry and Business Association	Member of the Climate and Paris Agreement Sub-Group
Turkish Ceramics Federation	Member of the Environmental and Technical Committee
BKF (Bundesverband Keramische Fliesen) Germany	Committee Member

Zero-Based Budgeting

Zero-based budgeting (ZBB) is a method of budgeting in which all expenses must be justified for each new period. The process of zero-based budgeting starts from a “zero base,” and every function within an organization is analyzed for its needs and costs. At Eczacıbaşı Building Products - Tiles, we have been applying ZBB since 2020 and directing our projects based on its outcomes. In 2021, 42% of projects managed using ZBB have had a positive effect on our sustainability. We intend to increase this ratio every year, to diversify our project processes and to support our overall sustainability with a higher rate in 2022.

ZBB projects that supported sustainability in 2021:

- We performed process optimization to reduce the use of compressed air, increasing efficiency and lowering costs.
- We made significant energy reductions by insulating spray dryers,

which are essential to our production, but are one of our most energy-consuming processes.

- We performed process optimization to reduce the amount of waste we produce.
- We reduced the thickness of our products enabling us to use less input of natural raw materials, leading to an increase in overall feedstock efficiency.
- This size reduction enabled us to ship more products in a single delivery. Less deliveries led to a reduction of our emissions from logistics.
- We reduced our carbon footprint by means of shipment and routing optimization.
- Our plastic and carbon footprint was further improved by means of pallet layout optimization and more deliveries made in a single shipment.





**CLIMATE and
ENVIRONMENT**



Climate and Environment

In 2021, we witnessed the ratification of the Paris Agreement on combating and adapting to climate change by Turkey's Grand National Assembly. 2021 was also marked by the Sixth Assessment Report (AR6) from the Intergovernmental Panel on Climate Change (IPCC), the most comprehensive study of climate science to date. Consequently, emissions management has become an important agenda item. Eczacıbaşı Building Products - Tiles continues to closely track how national and international emissions legislation is progressing, as well as keeping abreast of important developments in climate science. We base our environmental impact and sustainability management on combating climate change and on adhering to current rules and regulations. The regulatory framework defines the entire process value chain from how we extract raw materials, how we use natural resources all the way to disposal of our products. But our approach goes further in managing each step we take in the process as a part of our commitment to combat climate change and to act accordingly. We are working to ensure that the improvements we have made have a net positive impact on our environment, on combating climate change and adaptation, and creating value in our stakeholder network.

VitrA Tiles Turkey has ISO 9001:2015, ISO 14001:2015, ISO 50001:2018, ISO 45001:2018 certificates for its flagship Bozüyük Facility, ISO 9001:2015, EMAS and ISO 45001:2018 certificates for its V&B factory and ISO 9001:2015 certificates for its Russian facility.

We look for improvements in how we can better transport our products and raw materials, how we can produce with less, and focus on the user experience of our products to reduce our overall carbon footprint. In addition to seeking out energy efficiencies and reductions in green house gases during the manufacturing process, we also calculate the impact of how raw materials, and our products are transported, as well as how our products will be used by customers. One of the areas we have identified for improvement is packaging and product transportation.

For example, pallet optimization can help reduce our carbon footprint by increasing the number of products that can be transported in a single delivery. Other important targets are to maintain local procurement ratios which ensure lower emissions, and diversifying away from road and maritime logistics by increasing the share of rail transport in order to reduce carbon emissions.

Our fundamental approach is to view the environmental impact of our products during their entire life cycle, beginning with the design phase. One of the advantages of ceramic materials in contrast to other types of covering,

is its greater durability and long-lasting nature. Ceramics also ensure better air quality in any environment. Our products need less water and cleaning chemicals due to our innovative surface technologies, which result in a product life cycle that uses less of our planet's valuable water resources. These products have a positive impact on green buildings.

One of our business objectives is to obtain nationally and internationally valid green product certificates and to continue to expand our green certified product array. We already hold rigorously scoped Environmental Labels in compliance with Turkish Environment Label legislation for some of our product groups.

We also have Environmental Product Declarations (EPD) for our wall and porcelain tiles that are a result of a detailed product life cycle assessment. We also use the Green Guard Gold and Green Guard certificates to certify that our products do not emit volatile organic compound emissions and remain within guideline limits.

Research is ongoing to reduce the consumption of natural resources and the consumption of chemicals in our production processes. Our R&D team is engaged in research to reduce non-renewable resources in our production processes without compromising on product quality.

- **In 2021, we reduced the consumption of pigments used for coloring by completing the transitions of forty-five colored glazes under the Glaze R&D program**
- **Our Spray Dryer Powder R&D program in the same year lowered our consumption of chemicals through a detailed analysis of electrolyte content in our clay mixes.**

VitrA Tiles' products manufactured with up to 30% recycled materials.

The problems posed by climate change and its effects which are felt more keenly each day, present new challenges for our supply chain management, how we use natural resources and consumer behavior. If we can rise to the challenge through an accurate assessment of this paradigm shift, then we believe there are opportunities to increase our corporate resilience and to improve our products. We view climate change not simply as an environmental issue, but also as one that deepens existing social and economic problems. Consequently, our first line of attack in the fight against climate change is our investment in environmental, social, and corporate governance.

Energy Efficiency and Greenhouse Gas (GHG) Emissions Management

As the effects of climate change continue to be felt more clearly, countries have begun to take tangible steps to fight against this change by establishing GHG emissions targets. These targets are supported by strategies, legislation, and regulations.

Turkey's Ministry of Environment, Urbanization and Climate Change held the first Climate Council in February 2022 in which it invited stakeholders to discuss Turkey's 2053 net emissions target and its fight against climate change. The declaration of the Climate Council included a resolution to increase renewable energy sources, to work towards greater efficiencies in energy-consumption and to decrease the use of fossil fuels. One of the main goals of our work in towards combating climate change is to ensure that we use less energy in our manufacturing and that we reduce our emissions. We coordinate closely with the (Eczacıbaşı Group Energy Efficiency Working Group) in tracking our energy consumption and greenhouse gas emission performance monthly to achieve our targets. Energy consumption and GHG performance

is reported to our senior management as well as to Eczacıbaşı Holding.

We have Energy Committees working to increase resource-use efficiency and reduce carbon emissions by focusing on energy efficiency in our production facilities. Targets and action plans are determined at a factory level. Our Energy Committees monitor implementation on a monthly basis against targets set. Target plans reviewed at least twice a year.

Our Energy Management System has an automatic reporting infrastructure that continuously monitors energy consumption at important energy use points. Users have access to live data on their energy consumption as well as end-of-day reports, and if there is a malfunction, they can intervene immediately to eliminate any inefficiency. Live monitoring of data by users promotes increased energy awareness and adds impetus to continuous improvement studies.

We use waste heat from the furnaces to increase the temperature of the air flow to

burners. Various energy efficiencies like improving compressed air, 'inverter' applications, on-line energy monitoring systems and furnace extensions have been implemented with success.

These have led to a decrease of 11% energy value per product manufactured, while overall energy has increased by 8% (base year 2019). Similarly, carbon emissions have increased by 6% compared to 2019, but the carbon emissions per ton of product manufactured has decreased by 13%. The data covers Vitra Tiles Turkey, Vitra Tiles Russia, and V&B Germany.

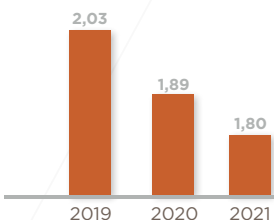
The reduction of energy and carbon emissions per ton of product is the result of planned energy efficiency work.

Our target is to decrease our carbon emissions in our Turkey operations by 2025 (base year 2020) by 14%.

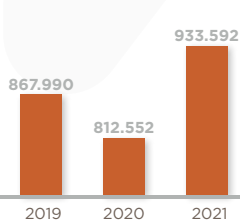
During 2021, **9,597,000 kWh** of energy savings achieved with **fifteen energy efficiency projects.**

Energy consumption per unit product has decreased by **11%** compared to 2019, and carbon emissions by **13%**.

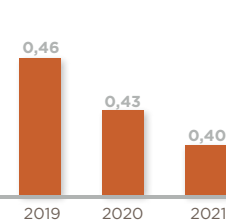
Energy consumption per product (MWh/ton)



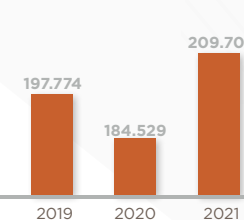
Total energy consumption (MWh)



Carbon emissions per product (ton CO₂/ton)



Total carbon emissions (CO₂ ton)



These graphs contain data on Turkey, Russia, and Germany operations.



Renewable Energy

The use of renewable energy sources will be vital in transitioning to a low-carbon economy. We prioritize the use of renewable electricity in our production facilities and are working on installing photovoltaic panels on roof areas. In tandem with efforts to improve efficiency, our goal is to reduce total energy consumption as well as to increase the share of renewable energy in a measured manner.

We have installed photovoltaic power capacity of 50 kW in 2021 on our facilities' roof. Renewable energy investments are a priority for us. Following the launch of a pilot project and after consideration of production values, we now plan to commission a solar power plant with an installed capacity of 3.5 MW.

Water Efficiency

Water is the primary source of life. It is in increasing demand and the rights to use it and its proper management are one of the most important environmental risks we face today. For regions like ours which regularly experience “water stress”, ensuring water resource sustainability means developing watershed management, more effective conservation, fair distribution, and planned use.

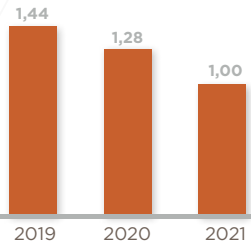
The Eczacıbaşı Group has targets for reducing water use for its subsidiaries along with tangible action plans. Water from the grid and groundwater consumption as well as water consumption per ton of product, are data which we track. This data is reported to senior management and to Eczacıbaşı Holding monthly.

We collect and re-use spray pump wastewater to conserve water. We also improve water conservation by increasing the weight of a liter of mud in clay preparation and other optimization processes in preparing our glazes. We also use photo-cell water-saving fixtures.

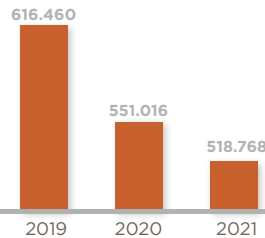
We recycle 100% of our industrial wastewater by recovering it and re-using it in production at all our facilities.

Total water consumption has decreased by 13% compared to 2019, and water consumption per ton of product was also reduced by 31% thanks to various process optimization processes. The data covers VitrA Tiles Turkey, VitrA Tiles Russia, and V&B Germany.

Consumption of Fresh Water Per Product (m³ /ton)



Total Fresh Water Consumption (m³)



These graphs contain data on Turkey, Russia, and Germany operations.



Resource Use and the Circular Economy

As a result of our waste reduction efforts throughout our facilities, in 2020 we were awarded a “Zero Waste” certificate the Turkey’s Ministry of Environment, Urbanization and Climate Change

Eczacıbaşı Building Products - Tiles is careful to make sure that resource supplies - the first phase of our resource management- are acquired with minimal environmental impact, and that we then use these resources as efficiently as possible to manufacture our products. By looking for recycling and circular economy alternatives, we minimize waste formation at the outset, which is another component of our resource management process.

Waste such as green scraps, filter press sludge or unusable process outputs from production are recycled into our other manufacturing processes so that waste is made useful in our own facilities.

Moreover, we use industrial waste water treatment sludge from our Ceramic Sanitary Ware production as an alternative raw material within the Group, in a clear example of how we are implementing a circular economy. Therefore, our product portfolio includes products which have a recycled content of up to 30%. At the same time, we continue to seek out new industry connections from which we can source alternative types of raw materials that will help us prevent overall waste formation.

We already send fired scraps that we are not able to recycle in our own production to the cement sector to be used as an

alternative raw material. We use Industrial waste water treatment sludge, green and fired scraps in manufacturing process and with these we prevent forty thousand tons of waste being sent to landfill annually.

A second important initiative is giving preference to recycled materials and preventing extra waste generation in the packaging of our products. We use recyclable corrugated cardboard-type packaging obtained from completely recycled material.

One of our main ‘green’ purchasing initiatives is to choose shrink packaging materials for our pallet shipments, which have a high recycled content.

We prioritize packaging suppliers whose products have recycled fibers like tesliner and straw when choosing our partners.

We look for new ways of reducing the use of shrink and stretch hood films used on pallets to reduce our plastic consumption.

BUSINESS PLASTICS ENTERPRISE (IPG)

The IPG is an initiative established by the UN Global Compact, SKD Turkey and TUSIAD in 2019 which supports businesses’ voluntary commitments and helps them to act on reducing plastic use. Our company’s IPG commitments began with a comprehensive analysis of our work environment and production processes to determine our plastic footprint. We no longer use single-use plastics in our business environment, and work is ongoing to reduce the use of plastics in our production processes.

For example, by increasing the performance of the Stretch Hood film used on pallets, we have managed to eliminate the use of the plastic in our product packaging. By shortening the length of coverage, we can cover more products with fewer packaging materials without compromising on protection. Going one step further, we optimized our pallet layouts to enable more product shipments on fewer pallets, thus reducing the plastic material we use for packaging on a net basis. As a result of these initiatives, we have reduced our plastic use by **thirty-five tons in 2021**. We have designed according to international standards.



**EQUAL
OPPORTUNITY**



Equal Opportunity

At Eczacıbaşı Construction Products - Tiles, we are totally committed to equal opportunity in recruitment and in the work environment. We expend significant efforts to expand the number of women we employ. We have several initiatives to enable women to be more involved in management, to increase the overall number of women in our company and to allow them to pursue their careers without interruption. The Equal Opportunity Committee (EOC) leads projects and works in this area. The EOC tracks domestic and international best practice in equal opportunities and provides feedback on the effectiveness of our current processes. EOC's recommendations enable us to access more women employees every year.

GRI-102-41

At the end of 2021, the percentage of women in our company was 40%, the percentage of women in our newly recruited workforce was 53% and the ratio of women managers was 21%.

We have launched a series of Gender Equality Education programs, endorsed the UN Women's Empowerment principles, participated in the Equality at Work Platform created in cooperation with the World Economic Forum and the Turkish Ministry of Family and Social Policies.

Respecting the work-life balance of our employees, we moved to flexible working hours in 2013 and in 2016 we transitioned to remote working applications. Our early adoption gave us a competitive edge in our rapid adaptation to working from home during the pandemic. We commissioned research on ways of improving working conditions for employees on parental leave. We offered both flexible maternity leave options as well as comfortable breastfeeding rooms in our facilities and offices, expanding the scope of our nursery support as well.

"AllforAll" is a Group wide platform which we used to leverage our company work, using it to define our equal opportunity targets. An Eczacıbaşı Group survey of 1,500 employees led to a Results Workshop and an Action Prioritization Workshop at which more than twenty-five senior management employees were interviewed.

The "AllforAll" initiative was launched to increase the number of women in management positions as well as to increase their overall influence throughout the organisation.

With a complementary "farkındayızbiz" initiative, we also sought to increase awareness among our management teams of gender-based biases with a view to eliminating these.

The third initiative "liderizbiz" pursued collaboration between our women managers with role models and mentoring programs to enhance their leadership skills.

HUMAN RIGHTS AND TRADE UNION RIGHTS

As an organization, we strictly uphold our employees right to unionize and organize. To this end, we are careful to establish constructive relations with trade unions and work closely with them. Our organization is a member of the Turkish Employers' Union for the Earthenware, Ceramic, Cement and Glass Industries, and all collective bargaining agreements for our blue-collar workers are executed through this trade union. As of 2021, all Eczacıbaşı Building Products -Tiles domestic employees are members of a trade union. Fifty-seven percent of our overseas employees are also members of a trade union.

Eczacıbaşı Group's "farkındayızbiz" program addresses the urgent issue of social prejudice

Our Group executive development program "liderizbiz" ensures that women are offered mentoring to develop leadership skills.

farkındayızbiz



Talent Management

Our company is a space for people to learn and thrive. We aim to give our full support to our employees from the moment they become part of our team throughout their career journey with us and beyond. We help our employees navigate their careers through a dual approach of developing self and career through continual personal and professional learning.

At Eczacıbaşı Building Products - Tiles, each employee is viewed as a unique talent. As part of our talent management, we arrange for regular career development interviews to understand their expectations and to provide guidance help them achieve their full potential. We support our employees with continuous informative training programs to keep them updated on the latest industry processes, trends, and technologies. We also offer several types of employee training methods (Academies, Journey, professional training) that focus on enhancing different skills to improve their performance and rate of productivity, as well as upskilling them to be ready for the future.

Facilitating their career journey by offering them the opportunity to work in different functions and departments, we make sure that all intra-Group job openings are open to existing employees first.

Career Test Drive Program

Career Test Drive (CTS) is an internship program open to third- and fourth-year university and graduate students. Full or part-time internship spots offer students the chance to try out their abilities and competencies in different positions. Under the supervision of mentors for a minimum of two months, interns are asked to work on projects; gaining familiarity with our corporate culture, taking an active role in business processes and consequently, furthering their self-development. Interns who demonstrate skills in our internship program are fasttracked during our recruitment process. In 2021, seven students completed the CTS internship at Eczacıbaşı Building Products - Tiles and six were offered a full-time position.

Career Test Drive
is an internship program that has already won
three prestigious awards.



Employee Development

It is imperative that our employees are well-educated, flexible, open to learning, entrepreneurial and aligned with our corporate culture.

We view those who accept our carefully considered offer of employment as partners in our journey and a talent pool. We care about ensuring that these exceptional talents can achieve the highest level at every stage of their career journey and are able to realize their maximum potential. Eczacıbaşı Building Products - Tiles goal is to increase the professional knowledge and up-skill our employees technically, as well as to provide leadership and management training for our executive staff. Our goal of expanding our pool of qualified and successful employees goes hand in hand with a corporate culture in which continuous learning and self-development are encouraged.

In 2021, we designed four training modules for our employees. The first comprised occupational safety, health, environment, energy, quality, and Total Productive Maintenance/Management which is a compulsory on-the-job training program.

We also organized training programs in occupational safety, health, environment, and energy during the year. As part of our professional qualification targets, we offered our employees technical training on subjects such as machine maintenance and steel welding. As part of our talent management and employee development, we offered training programs on leadership, sales, finance, and coaching. On average, our training time per employee for 2021 was 11 hours.

Projects for Talent Management and Employee Development

- Our Online Training Platform “Journey”
- Technical Training Programs for Ceramics
- Sales Academy
- MoM (Master of Marketing)
- Parakademi
- Self- Development Programs
- Production and Supply Chain Academy
- V-Academy Internal Training Development Program
- Fliesen Germany Miniacademy (Stress Management, Effective and Effective Communication, Effective Time Management)

- Vitra UK Miniacademy (Bathroom + Tiles)
- Journey International Dissemination (Plitka and Vitra UK)
- Management Team Coaching Support

Employee Loyalty

At Eczacıbaşı Construction Products - Tiles, we see employee loyalty and employee satisfaction as two sides of the same coin. So, we offer our employees three different working methods to suit their needs: flexible working hours, remote working, and hybrid work. We also offer male employees three weeks after the birth, and one day off for the following three weeks thereafter parental leave which we hope will support them in finding a more flexible work-life balance when they become parents.

We try to ensure that employees engage in decision-making to ensure they have a space in which they can use their creativity and to foster a more egalitarian working environment.

On average, we provided **11 hours** of training per employee during 2021.

If there are any open positions at Eczacıbaşı Building Products - Tiles, we ensure that our employees who have a proven record in their existing roles can apply for them before hiring outside the organisation. This ensures the sustainability of their career plans with our company and is a critical component of our talent management.



**OCCUPATIONAL
HEALTH and SAFETY**



Occupational Health and Safety

Ensuring a healthy and safe work environment is one of our most fundamental responsibilities. To ensure uninterrupted and seamless Occupational Health and Safety in our operations domestically and in all our overseas operations requires careful OHS management.

This is achieved in the first instance by defining indicators and tangible targets that apply overall. In the next phase, we provide regular OHS training to make sure that a common OHS corporate culture is securely embedded throughout the organization and that our employees are fully aware of what constitutes unsafe working practices at our facilities.

These training programs are designed to raise awareness that occupational accidents are usually caused when safety rules are ignored. We have launched a program called “ Behavioral Based Occupational Safety “ which will help raise this awareness and support the prevention of safety incidents. Building on the latest trends in occupational safety approaches, we have initiated OHS digitalization projects detailed below to ensure we are implementing industry best-practice.

Occupational Health and Safety Applications

Eczacıbaşı Building Products - Tiles' flagship Bozüyük production facility has been OHSAS 18001 certified since 2012. In 2021, it successfully transitioned to the new ISO 45001:2018 Occupational Health and Safety Management System Standard".

Even though current legislation requires "Risk Assessment" every two years, our company conducts this assessment annually. We also track risk assessments monthly. This focus has helped us to reduce our total risk score in 2021 by 69.72%. Our accident frequency rate decreased by 34.3% to a level of 2.07, which was well below the target we had set. We launched our Behavioral Based Occupational Safety. In combination with this, a visual teaching aid in the form of an OHS video was prepared on the use of personal protective equipment in production processes which all employees were required to watch. OHS training was offered on-line for those employees working from home and "OHS Kaizens" were presented to employees at our production facilities.

Pilot regions were offered "Occupational Safety Training in the Field" training programs to help prevent accident risks caused by inappropriate behaviour. One-point lesson sets were prepared and communicated to employees.

Employees were encouraged to report Near Miss Incidents. We audit our facilities for OHS both during the week and at weekends. Any issues identified are immediately published in the facility in a fully transparent manner, with an actionable plan to resolve the problem and prevent it happening in the future.

Eczacıbaşı Building Products - Tiles views OHS scores to be an underlying factor for its successful performance as a business. It sets OHS targets for all units and addresses this as a priority issue in every meeting. All managers are OHS Board Members by default and our Behavioural Approach to OHS is the tool by which we track compliance.





Disaster Preparedness and Support

Recent earthquakes, forest fires and floods are a timely reminder of the importance of being prepared for natural disasters today. NGO Akut Foundation's instructors gave a series of four training programs on "Search and Rescue" during 2021 at our flagship Bozüyük Facility. Search and rescue equipment was identified, sourced, and provided. A nationally recognized medical rescue drill was performed on two different dates at the Harmankaya Canyon. Following the successful completion of the drill, the exercise was documented, including matters on how equipment and logistics were sourced and planned.

The Group has a joint policy on disaster preparedness that includes all subsidiary companies. We actively cooperate with Group companies and collaborate on joint consultations. In 2021, this cooperation has resulted in the publication of our "Eczacıbaşı Search and Rescue Team General Operation Procedure" guide.

Efforts to Combat COVID-19

As part of the fight against the pandemic, we managed our social distancing policy by organizing mask use, pre-arranged seating arrangements on our company buses and in our canteen. In 2021, we made additional arrangements as needed, reviewed our plans continuously and ensured all employees were compliant. In line with our internal COVID-19 audit forms, we conducted spot checks at weekends as well as engaging in daily visits to our facilities. We ensured that all our employees were adhering to internal guidelines and worked to resolve any deviations. As a result of our diligence, we were able to pass the TSE COVID-19 Safe Production Certificate Module 1.

Health at work and safety precautions

To reduce the contact intensity and frequency, some employees transitioned to full time remote work and others to a hybrid working arrangement. During the pandemic, we held as many virtual meetings as possible. Our company regularly cleaned and disinfected surfaces in our production facilities, on our company buses, common and service areas on a regular basis and continues to do so.

We used the utmost precautions to ensure that masks and other protective gear was mandatory, as well as arranging seating that ensured social distancing and keeping our employees informed fully throughout.

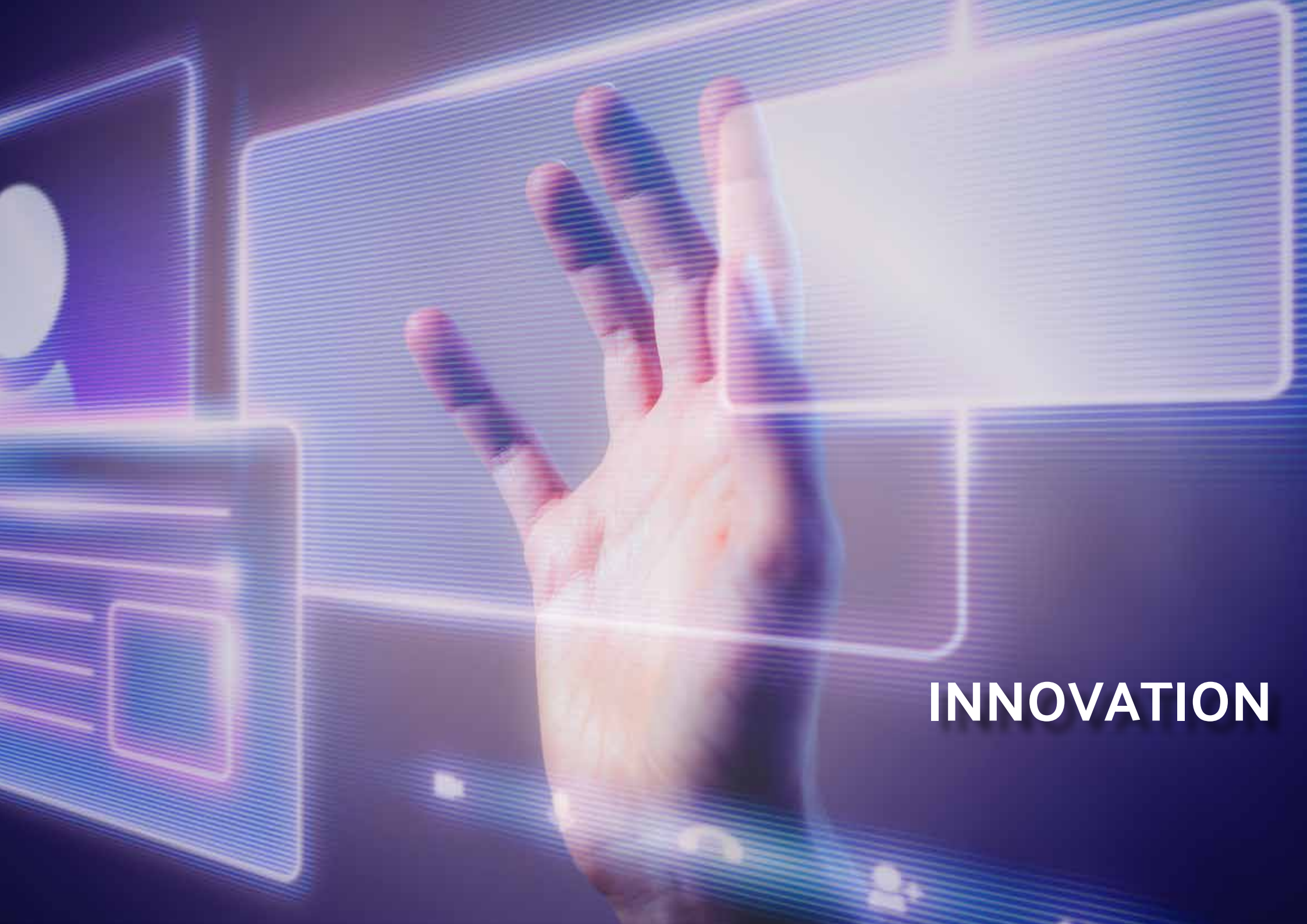
During 2021, we continued to screen and quarantine rigorously. We supported our quarantined employees with vitamins and natural supplements to strengthen their immune systems.

All employees were screened in line with legislation, under the guidance of our workplace physician. Together with our input from our employees, screening results were assessed by workplace physicians who conducted physical exams on a regular basis. Our “Workplace Health and Safety” unit then followed-up by organizing vaccination appointments and monitored post-vaccination issues.

Continuous communication

Eczacıbaşı Building Products - Tiles ensured

- that anyone returning from a trip or who had been contact-traced was aware of which precautions they needed to implement to protect themselves.
- We shared updates on social distancing, hygiene and masks and provided information on the latest government advice.
- We kept our employee’s information on any new measures and sent information to employees by e-mail, text messages and announcements.
- Our Eczacıbaşı Online Health Hotline is a newly designed platform for employees to connect to the Workplace Health Unit and which provides swift, accurate and live information.
- The Workplace Health Unit conducted routine follow-ups employees who were self-isolating or in government-imposed quarantines and provided the maximum amount of support possible by offering 24/7 consultancy.



INNOVATION

INNOVATION

At Eczacıbaşı Building Products - Tiles, we have a vision to innovate. Combining this with our people-focused business means we support any idea or application that adds value to life, which fits our business strategies and contributes to our stable growth and profitability. When we innovate, we also restructure and develop our business processes.

Our approach to innovation is driven by four aspects: fostering a climate in which innovation thrives, forming innovation partnerships, innovating business processes, and delivering unique value propositions to customers.

We coordinate the work of innovation in our innovation processes. This means establishing working groups and assessment committees to support the work, determining workflows, and developing business processes.

At the same time, we follow targets that will foster and maintain an innovative, entrepreneurial, and dynamic corporate culture.

We are aligned with Eczacıbaşı Holding's innovation approach and collaborate with the VitrA Innovation Center. To this end, we pursue a governance policy that generates our own ecosystem of expertise in materials use. Finally, when marketing our unique value proposition, we review and optimize our capacity, time-to-market, efficient production, and our communication capabilities.

We want to build on these innovation values even further in 2022. Our company's main goal for 2022 is to produce innovative solutions with high added value that can service the entire length of our value chain and thus improve our innovation overall.



Our Sustainability Approaches

Eczacıbaşı Building Products - Tiles was the first Turkish ceramics brand to receive a European Union Eco-Label (Ecolabel) in 2011. Following this success, two years later our wall tiles were certified with Environmental Product Declarations (EPD) and in 2018, our wall and porcelain tiles also received the same certificate. V&B's German facilities also received EPD certification. An EPD is a verified and registered document that communicates transparent and comparable information about the life-cycle environmental impact of products and services.

The EPD verifies product and service compliance with its criteria in an independent and transparent manner. In that same year, our company obtained several more certificates from UL

(Underwriters Laboratories), following their independent research on our product reliability.

UL's Green Guard and Green Guard Gold certificates were acquired in 2013 and in 2020, we became the first company to receive the Turkey's Ministry of Environment, Urbanization and Climate Change prestigious Environmental Label. This certificate verifies the entire product value chain from raw materials through to waste disposal.

Our Green Guard certificates certify that the volatile chemicals contained in tile products do not pose a risk to health and air quality when used indoors at room temperatures.

in 2020, we transitioned to a "Zero Waste" system. Zero Waste is a whole systems' approach to resource management centered on reducing, reusing, and recycling. Where we are unable to prevent waste production, we aim to minimize as far as possible.

In cases where it is unavoidable, we ensure the recovery of waste material by separation or application of decomposition processes. We have now become eligible to receive a Zero Waste Certificate.

Products manufactured at our German plant have up to 20% recycled materials feedstock and 78% of the resulting waste is recycled.

Examples of products made with our Sustainable Approach:

- Our easy-to-clean surface tiles, suitable for public areas, require significantly reduced chemical cleaning agents to achieve elevated levels of hygiene
- VitrA Shield technology tiles have self-cleaning properties, ensuring less water use and cleaning chemicals.





DIGITAL TRANSFORMATION

Digital Transformation

As part of our digital transformation, in 2021 we launched a project called DigiTile, which will enhance our entire production value chain by improving manufacturing efficiency and deliver higher levels of product quality.

The project utilizes live data to enable a reduction in all aspects of the production process from energy use to raw materials consumption, from raw and baked discards, to reduced maintenance costs and minimal product defects. Our goal in launching this digital project is high resource efficiency which has a direct contribution to our business sustainability. Begun as a pilot project in 2021, its success means that we will roll it out throughout our manufacturing in the years ahead to increase our resource efficiency. The project enables:

- Effective loss analysis using data analytics
- Increased manufacturing efficiency by preventing substantial amounts of waste
- Access to live data essential to optimal production and energy consumption
- Determining the most efficient production parameters and live

- monitoring of machine output
- Data analysis via the automatic detection and discard rates via image processing and AI, enabling actioning to prevent discard events by emailing relevant departments
- Adopting the transition to a data-based production management system (Industry 4.0) that works proactively

ERP System Updates

We are transitioning over to S/4HANA in the ERP system that Eczacıbaşı Building Products - Tiles has been using for 18 years. The project involves the construction of a completely new system. Concurrently, we are also reviewing critical business processes. In this project, we intend to activate ten new modules that we have not used until now and complete installation in two phases. Next year, Vitra Tiles, Vitra Fliesen and Vitra USA will switch over; and in 2023, V&B and Plitka will be integrated as well.

Customer Relationship Management (CRM) Project

Our CRM project covering domestic and international sales, marketing, and customer experience processes, will be ready at the end of 2022. Begun in 2021, all business units gave feedback on the impacts of exogenous shocks such as earthquakes, floods, cyber-attacks, etc.

We modeled the magnitude of the impact of an interruption on our Group to identify the critical application points in our business processes.

We reached our target of identifying critical applications and set up a backup system at the Ankara ODM (Emergency Center).

Further infrastructure investments will be made for each company in 2022 according to the results of this study.



**SOCIAL
INVESTMENTS**

Eczacıbaşı Hygiene Project

The Eczacıbaşı Hygiene Project is an international award-winning project begun in 2007 that aims to enhance the physical, intellectual, and emotional environments of boarding schools serving students from rural and low-income regions in Turkey. The renovation works are scoped to design better conditions for our children to study in healthier environments. Collaborating with the Ministry of National Education under the program of restoration and repair works, Eczacıbaşı Building Products -Tiles will renovate school bathrooms using Vitra tiles.

Between 2007 and 2021, we renovated fifty-seven schools. We estimate that our renovation works have improved the hygienic conditions of 20,000 students. Also, to further the work of renovation and to support school children's hygiene

needs, Eczacıbaşı Volunteers have engaged in further efforts. Our Bozüyük factory has donated hygiene supplies to twenty-seven schools.

The Eczacıbaşı Hygiene Project has received a number of international awards, including an International Public Relations Association's 2009 Golden World Award in Social Responsibility and an Honorable Mention in the associated Special United Nations Award competition.

It also received two Honorable Mentions from the US, one in the "Best Social Responsibility Project of Europe" category of the 2009 Stevie International Business Awards and the other in the "Community Relations" category of the PR News Platinum Awards.



Eczacıbaşı Volunteers

Eczacıbaşı Volunteers is a volunteer initiative established in 2007 by Group employees to conduct projects that benefit society in education, science and IT, culture, and arts. Eczacıbaşı Building Products - Tiles hosted our employees' children aged 6-11 for World Environment Day on June 5th to celebrate under Eczacıbaşı Volunteers (8.Renk) We held a painting competition in the Group and our children submitted their works on climate change and then were given the chance to verbally communicate their anxieties about the environment. Held in webinar form, we collaborated with the children on a digital platform and helped raise their environmental awareness.

Eczacıbaşı Volunteers also campaigned in solidarity for the Marmaris and Antalya Metropolitan Municipalities, which experienced forest fires in 2021. Our factory employees and their community helped us to put together and ship relief parcels.

Together with the Young Guru Academy, we organized a "Science Session" online event to help disadvantaged children to further their STEM knowledge. We met with students from the Dodurga Secondary School, donating five science kits. We continued our STEM support by donating five computers to Bozüyük Hoca Ahmed Yesevi Elementary School. We also set up a library and reading room at the Selahattin Şeker Vocational and Technical Anatolian High School in Bozüyük. While there, we noticed that the library and kitchen workshop floors needed renovation.

Eczacıbaşı Building Products - Tiles donated tiles from its volunteering budget to renovate the floors. We reforested around the Bozüyük region once more. During the the National Reforestation Day event organized by the Bozüyük Forest Management Directorate, we donated seedlings.



PERFORMANCE INDICATORS

	2019	2020	2021
Net Sales (million TRY)	1.017	1.971	2.846
International Sales (million €)	239	247	274
Total Assets (million TRY)	1.571	1.770	2.544
EBITDA (million TRY)	58	274	534
Number of R&D Employees (persons)	55	47	38
Total Direct Energy Consumption (MWh)	754.681	708.104	819.453
Total Indirect (purchased) Energy Consumption (MWh)	113.309	104.448	114.139
Energy Consumption Per Product (MWh/ton)	2,03	1,89	1,80
Total energy savings (MWh)	13.379	4.051	9.597
Water Withdrawal by Source (Thousands ton / m ³)			
Mains Water Consumption	454.478	357.079	355.160
Groundwater Consumption	161.982	187.807	147.123
Other Water Consumption	0	6.130	16.485
Water consumption per product (m3/ton)	1,44	1,28	1,00
Total Waste Amount (tons)			
Recovered Water (tons)	50.347	58.563	32.714
Disposal (tons)	44.533	31.953	25.971
Total Direct Greenhouse Gas Emissions (Scope 1) (tonnes CO ₂)	134.083	125.819	145.551
Total Indirect Greenhouse Gas Emissions (Scope 2) (tonnes CO ₂)	63.691	58.710	64.157
GHG Emissions Per Product (ton CO ₂ /tonne)	0,46	0,43	0,40
Accident Frequency Rate	2,91	2,57	1,96
Average Training Time Per Person (hours)	18	9	11

*Employee demographic data for domestic operations only.

**Interns and board members are excluded.

***Manager and Senior Manager positions are included in the figures.

Employee Demographics*	2019	2020	2021
Total Workforce (Number)	1272	1331	1416
Female	265	275	299
Male	1007	1056	1117
Total Labor by Contract Type (Number)	1272	1331	1416
Permanent	1268	1330	1376
Female	1004	274	296
Male	264	1056	1080
Temporary	4	1	40
Female	1	1	3
Male	3	0	37
Total Labor Force by Employment Type (Number)	1272	1331	1416
Full Time	1272	1331	1416
Female	265	275	299
Male	1007	1056	1117
Senior Managers (Number)	18	21	23
Female	3	5	5
Male	15	16	18

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report. The service was performed on the English version of the report.

GRI 101: Foundation 2016

GRI 102: General Disclosures 2016	Disclosures	Direct Answers or Page Numbers	
Organizational Profile	102-1	Name of the organization	4
	102-2	Activities, brands, products, and services	7
	102-3	Location of headquarters	55
	102-4	Location of operations	7
	102-5	Ownership and legal form	4
	102-6	Markets served	7
	102-7	Scale of the organization	7,10
	102-8	Information on employees and other workers	45
	102-9	Supply chain	There is a wide supplier network of different scales depending on product groups and purchasing criteria.
	102-10	Significant changes to the organization and its supply chain	It is the first year of reporting.
	102-11	Precautionary Principle or approach	13
	102-12	External initiatives	5, 17
	102-13	Membership of associations	17
Strategy	102-14	Statement from senior decision-maker	5
	102-15	Key impacts, risks, and opportunities	5, 9
Ethics and Integrity	102-16	Values, principles, standards, and norms of behavior	15
	102-17	Mechanisms for advice and concerns about ethics	15
Governance	102-18	Governance structure	8,12
	102-19	Delegating authority	8,12
	102-20	"Executive-level responsibility for economic, environmental, and social topics"	8,12
	102-21	"Consulting stakeholders on economic, environmental, and social topics"	16
Stakeholder Engagement	102-40	List of stakeholder groups	16
	102-41	Collective bargaining agreements	28
	102-42	Identifying and selecting stakeholders	16
	102-43	Approach to stakeholder engagement	16
	102-44	Key topics and concerns raised	16,10

Raporlama Uygulamaları	102-45	Entities included in the consolidated financial statements	4
	102-46	Defining report content and topic Boundaries	4,10
	102-47	List of material topics	10
	102-48	Restatements of information	It is the first year of reporting.
	102-49	Changes in reporting	It is the first year of reporting.
	102-50	Reporting period	4
	102-51	Date of most recent report	It is the first year of reporting.
	102-52	Reporting cycle	Once a year
	102-53	Contact point for questions regarding the report	55
	102-54	Claims of reporting in accordance with the GRI Standards	4
	102-55	GRI content index	46
	102-56	External assurance	No independent audit has been performed.
GRI 200: Economic			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundaries	10-12
	103-2	The management approach and its components	8,10-12
	103-3	Evaluation of the management approach	10-12,42
"GRI 203: Indirect Economic Impacts 2016"	203-2	"Significant indirect economic impacts"	43
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundaries	10-12
	103-2	The management approach and its components	8,10-12
	103-3	Evaluation of the management approach	10-12,15
GRI 205: Anti - Corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	15
GRI 300: Çevresel Uyum			
GRI 302: Energy 2016			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundaries	10-12
	103-2	The management approach and its components	8,10-12
	103-3	Evaluation of the management approach	10-12,23
GRI 302: Energy 2016	302-1	Energy consumption within the organization	22-23
	302-3	Energy intensity	22-23
	302-4	Reduction of energy consumption	22-23,45
	302-5	"Reductions in energy requirements of products and services"	22-23,45

GRI 303: Water and Effluents 2018			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundaries	10-12
	103-2	The management approach and its components	8,10-12
	103-3	Evaluation of the management approach	10-12,24
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	24
	303-2	Management of water discharge- related impacts	24
	303-3	Water withdrawal	24,45
		Water consumption	24,45
GRI 305: Emissions 2016			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundaries	10-12
	103-2	The management approach and its components	8,10-12
	103-3	Evaluation of the management approach	10-12,23
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	22,45
	305-2	Energy indirect (Scope 2) GHG emissions	22,45
		GHG emission intensity	22,45
GRI 306: Waste 2020			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundaries	10-12
	103-2	The management approach and its components	8,10-12
	103-3	Evaluation of the management approach	10-12,25
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	25
	306-2	Management of significant waste- related impacts	25
	306-3	Waste generated	45
	306-4	Waste diverted from disposal	45
		Waste directed to disposal	45
GRI 400: Social 2016			
GRI 401: Employment 2016			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundaries	10-12
	103-2	The management approach and its components	8,10-12
	103-3	Evaluation of the management approach	10-12,29
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	29-33,45
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	29-33,45

GRI 403: Occupational Health and Safety 2018			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundaries	10-12
	103-2	The management approach and its components	8,10-12
	103-3	Evaluation of the management approach	33
GRI 403: Occupational Health and Safety	403-1	Occupational health and safety management system	33-36
	403-6	Promotion of worker health	33-36
		Work-related injuries	33-36,45
GRI 404: Training and Education 2016			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundaries	10-12
	103-2	The management approach and its components	8,10-12
	103-3	Evaluation of the management approach	10-12,31
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	31
	404-2	Programs for upgrading employee skills and transition assistance programs	29-31
GRI 405: Diversity and Equal Opportunity 2016			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundaries	10-12
	103-2	The management approach and its components	8,10-12
	103-3	Evaluation of the management approach	10-12,27
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	27-28

UN Global Compact References		
Areas	UN Global Compact Principles	Page
Human Rights	Businesses should support and respect the protection of internationally proclaimed human rights; and	15,28
	Make sure that they are not complicit in human rights abuses.	15,28
Labour	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	28
	The elimination of all forms of forced and compulsory labour;	28
	The effective abolition of child labour; and	15
	The elimination of discrimination in respect of employment and occupation.	27,28
Environment	Businesses should support a precautionary approach to environmental challenges;	20,21
	Undertake initiatives to promote greater environmental responsibility; and	20,21
	Encourage the development and diffusion of environmentally friendly technologies.	39
Anti-Corruption	Businesses should work against corruption in all its forms, including extortion and bribery.	15

PRINCIPLES OF GOVERNANCE

Theme	Core Metrics and Disclosure	Description	Reference(s)
Governing purpose	Setting purpose	The company's stated purpose, as the expression of the means by which a business proposes solutions to economic, environmental and social issues. Corporate purpose should create value for all stakeholders, including shareholders.	Letter from the CEO (p. 5)
Quality of governing body	Governance body composition	Composition of the highest governance body and its committees by: competencies relating to economic, environmental and social topics; executive or non-executive; independence; tenure on the governance body; number of each individual's other significant positions and commitments, and the nature of the commitments; gender; membership of under-represented social groups; stakeholder representation.	Organizational Structure (p. 8)
Stakeholder engagement	Material issues impacting stakeholders	A list of the topics that are material to key stakeholders and the company, how the topics were identified and how the stakeholders were engaged.	Sustainability Priorities (pp. 10; 12)
Ethical behaviour	Anti-corruption	1.Total percentage of governance body members, employees and business partners who have received training on the organization's anti-corruption policies and procedures, broken down by region.	Business Ethics and Legal Compliance (p. 15)
		a) Total number and nature of incidents of corruption confirmed during the current year, but related to previous years; and	
		b) Total number and nature of incidents of corruption confirmed during the current year, related to this year.	
	2. Discussion of initiatives and stakeholder engagement to improve the broader operating environment and culture, in order to combat corruption.	Business Ethics and Legal Compliance (p. 15)	
Protected ethics advice and reporting mechanisms	A description of internal and external mechanisms for:		
1. Seeking advice about ethical and lawful behaviour and organizational integrity; and			
2. Reporting concerns about unethical or unlawful behaviour and lack of organizational integrity.			
Risk and opportunity oversight	Integrating risk and opportunity into business process	Company risk factor and opportunity disclosures that clearly identify the principal material risks and opportunities facing the company specifically (as opposed to generic sector risks), the company appetite in respect of these risks, how these risks and opportunities have moved over time and the response to those changes. These opportunities and risks should integrate material economic, environmental and social issues, including climate change and data stewardship.	Risk Management (p. 13)

PLANET

Theme	Core Metrics and Disclosure	Description	Reference(s)
Climate change	Greenhouse gas (GHS) emissions	For all relevant greenhouse gases (e.g. carbon dioxide, methane, nitrous oxide, F-gases etc.), report in metric tonnes of carbon dioxide equivalent (tCO ₂ e) GHG Protocol Scope 1 and Scope 2 emissions.	Energy Efficiency and Greenhouse Gas (GHG)
		Estimate and report material upstream and downstream (GHG Protocol Scope 3) emissions where appropriate.	Scope 1 and Scope 2 emissions are calculated and reported annually. We aim to calculate Scope 3 emissions.
	TCFD implementation	Fully implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). If necessary, disclose a timeline of at most three years for full implementation. Disclose whether you have set, or have committed to set, GHG emissions targets that are in line with the goals of the Paris Agreement – to limit global warming to well below 2°C above preindustrial levels and pursue efforts to limit warming to 1.5°C – and to achieve net-zero emissions before 2050.	We have started studies on the detailed assessment of climate risks. In this context, we also planned actions to comply with TCFD.
Nature loss	Land use and ecological sensitivity	Report the number and area (in hectares) of sites owned, leased or managed in or adjacent to protected areas and/or key biodiversity areas (KBA).	The organization does not have an operation center operating in protected areas, especially RAMSAR areas.
Freshwater availability	Water consumption and withdrawal in water-stressed areas	Report for operations where material: megalitres of water withdrawn, megalitres of water consumed and the percentage of each in regions with high or extremely high baseline water stress, according to WRI Aqueduct water risk atlas tool.	Water Efficiency (p. 24)
		Estimate and report the same information for the full value chain (upstream and downstream) where appropriate.	

PEOPLE

Theme	Core Metrics and Disclosure	Description	Reference(s)
Dignity and equality	Diversity and inclusion	Percentage of employees per employee category, by age group, gender and other indicators of diversity (e.g. ethnicity).	Equal Opportunity (p. 27) Performance Indicators (p. 45)
	Pay equality	Ratio of the basic salary and remuneration for each employee category by significant locations of operation for priority areas of equality: women to men, minor to major ethnic groups, and other relevant equality areas.	Equal Opportunity (p. 27)
	Wage level (%)	Ratios of standard entry level wage by gender compared to local minimum wage.	Equal Opportunity (p. 27)
	Risk for incidents of child, forced or compulsory labour	An explanation of the operations and suppliers considered to have significant risk for incidents of child labour, forced or compulsory labour. Such risks could emerge in relation to:	a) type of operation (such as manufacturing plant) and type of supplier; and
b) countries or geographic areas with operations and suppliers considered at risk.			
Health and well-being	Health and safety	The number and rate of fatalities as a result of work-related injury; high-consequence work-related injuries (excluding fatalities); recordable work-related injuries; main types of work-related injury; and the number of hours worked.	Occupational Health and Safety (p. 33)
		An explanation of how the organization facilitates workers' access to non-occupational medical and healthcare services, and the scope of access provided for employees and workers.	
Skills for the future	Training provided	Average hours of training per person that the organization's employees have undertaken during the reporting period, by gender and employee category (total number of hours of training provided to employees divided by the number of employees).	Equal Opportunity (p. 27) Performance Indicators (p. 45)
		Average training and development expenditure per full time employee (total cost of training provided to employees divided by the number of employees).	

PROSPERITY

Theme	Core Metrics and Disclosure	Description	Reference(s)
Employment and wealth generation	Absolute number and rate of employment	1. Total number and rate of new employee hires during the reporting period, by age group, gender, other indicators of diversity and region.	Performance Indicators (p.45) International operations outside of Turkey are not included in the scope of this year's reporting. Since the integration activities of the HR systems used in international operations are ongoing, they are not included in this year's data. These statistics, which were not published this year, are targeted to be included in the report when the consolidation is completed.
		2. Total number and rate of employee turnover during the reporting period, by age group, gender, other indicators of diversity and region.	
	Economic contribution	1. Direct economic value generated and distributed (EVG&D), on an accruals basis, covering the basic components for the organization's global operations, ideally split out by:	Financial Value (p.11) A revenue of 3.979.125.089 TL was obtained.
		- Revenues	
		- Operating costs	
		- Employee wages and benefits	
		- Payments to providers of capital	
- Payments to government			
- Community investment			
2. Financial assistance received from the government: total monetary value of financial assistance received by the organization from any government during the reporting period.	In the reporting year, 2.639.282 TL government support was received within the scope of Social Security Institution, incentives to prevent work accidents and Turquality.		
Financial investment contribution	1. Total capital expenditures (CapEx) minus depreciation, supported by narrative to describe the company's investment strategy.	In the reporting period, the total amount of capital expenditures excluding depreciation is 384,366,390 TL.	
	2. Share buybacks plus dividend payments, supported by narrative to describe the company's strategy for returns of capital to shareholders.	-	
Innovation of better products and services	Total R&D expenses	Total costs related to research and development.	10.156.325 TL
Community and social vitality	Total tax paid	The total global tax borne by the company, including corporate income taxes, property taxes, non-creditable VAT and other sales taxes, employer-paid payroll taxes, and other taxes that constitute costs to the company, by category of taxes.	No corporate tax was paid in the reporting year.

Communication

GRI-102-53

TURKEY

Vitra Tiles Co.

4 Eylül Mah. Osman Rusçuk Cad. No:13 Bozüyük/Bilecik

www.vitra.com.tr

RUSSIA

Vitra Tiles LLC

142253, bld.1, Bolshevik settlement,
Serpukhov district, Moscow region

www.vitra-russia.ru

GERMANY

V&B Fliesen GmbH

Rotensteiner Weg
D-66663 Merzig

www.villeroy-boch.com

For questions relating to Sustainability please contact us at
vitrakarosurdurulebilirlik@vitra.com.tr

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www.seemturkey.com