

# Türk Telekom Sustainable Finance Framework



**Türk Telekom**  
Değerli Hissettirir



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# 1. Introduction

## 1.1 Background on Türk Telekom

Türk Telekom is Türkiye's first integrated telecommunications operator. Operating with the experience and know-how of more than 180 years, we offer a wide span of telecommunication products and solutions to our individual and corporate customers in addition to providing conventional fixed and mobile services in 81 provinces of Türkiye.

Our widespread technology infrastructure, broad servicing network and ongoing investments that contribute significantly to growth of both our country and the industry define our leadership in the telecommunications sector. Türk Telekom's primary duty as a telecom operator pioneering the country's digital transformation is to carry Türkiye into the future.

Türk Telekom's fibre infrastructure reaching all over the country is 437 thousand kilometres as of 2023. We offer nationwide mobile voice and data services with more than 99.6% LTE population coverage ratio and a total of 99K base stations in mobile, our other primary business segment.

**Chart 1: Fibre presence in Türkiye<sup>1</sup>**

Türk Telekom is the sole operator that has fibre network presence in all of the 81 provinces in the country.

**Türk Telekom fibre network**

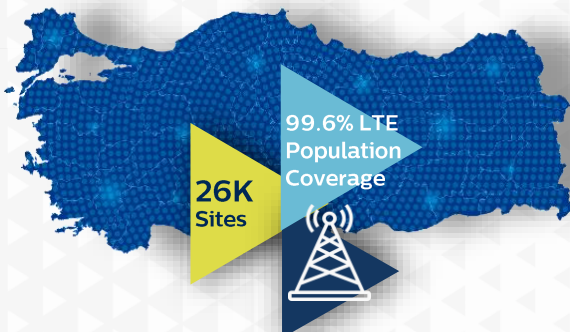


**Closest competitor's fibre network**

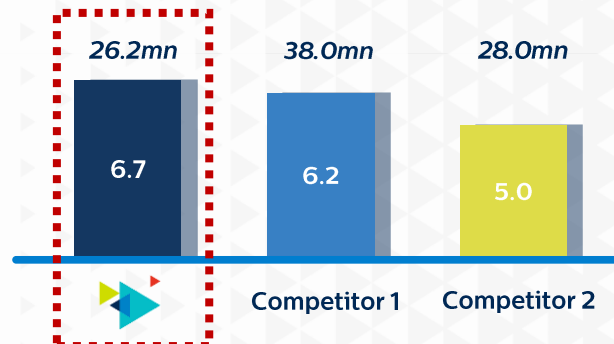


Source: Company data

**Chart 2: Türk Telekom has an extensive mobile network coverage across Türkiye**



**Chart :3 Highest spectrum capacity per subscriber**



Mobile subscriber numbers are from the Q4'23 ICTA report

1) TT's and competitor's fibre network data are as of 2023.



In addition to Türk Telekom's fixed and mobile core business lines, we add value to our individual and corporate customers through our group companies that have significant positions in their respective industries and help us preserve our strong position in the telecommunications industry.

Our major group companies include; (i) convergence technologies company Argela, (ii) ICT solution provider Innova, (iii) online education software company Sebit, (iv) call centre company AssisTT, (v) wholesale data and capacity service provider TT International, (vi) project development and corporate venture capital company TT Ventures, (vii) payment and electronic money services company TT Ödeme ve Elektronik Para Hizmetleri and (viii) financial technology company TTG Finansal Teknolojileri.

Our company makes sizeable investments to ensure progress, continuity and quality in the telecommunications sector.

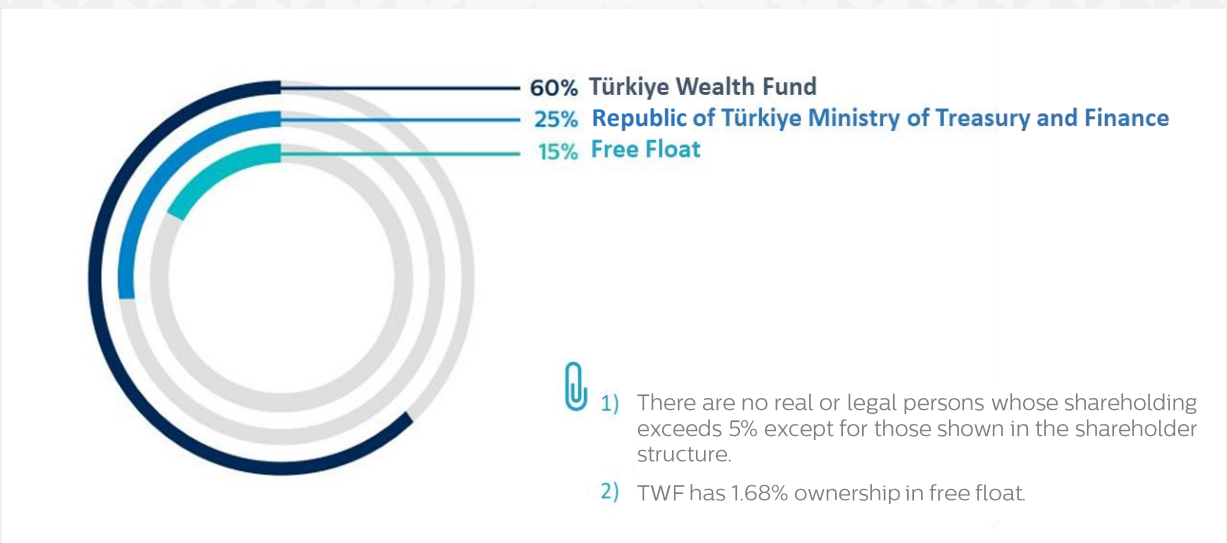
Chart 4: Türk Telekom subsidiaries



### 1.1.1 Shareholder Structure

We are one of the leading companies in Türkiye with our strong capital and shareholder structure. TWF is the largest shareholder of Türk Telekom with 61.68% shareholding.

Chart 5: Türk Telekom's current ownership structure





## 1.1.2 Our Vision and Values

Our priority is to make you “Feel Valuable”

Türk Telekom's priority is to go beyond being a mere technology company and make everyone it touches feel valuable. Türk Telekom aims to realise this vision with 17 values that it accepts as its compass.

Chart 6: Türk Telekom's values

### Türk Telekom;

-  **1**  
**is human oriented**  
With this understanding, it works day and night with the principle of providing the best service to all corners of the country.
-  **3**  
**is honest**  
It stands behind every word, attitude, and behaviour of itself.
-  **5**  
**is lean**  
It adopts clarity in business and relationship processes.
-  **7**  
**is innovative**  
As a follower and practitioner of innovation brought about by technology, it works with the mission of carrying Türkiye into the future.
-  **9**  
**is young-spirited**  
It keeps up with the times and today's conditions.
-  **11**  
**works for social good in technology**  
It acts on the principle of “Accessible Communication for All and firsts that mark Türkiye's technology history.
-  **13**  
**is at peace with its past**  
It represents an institutional memory and spirituality that bear witness to Türkiye's history.
-  **15**  
**cares about its values**  
It always considers the priorities and sensitivities of the society in which it exists.
-  **17**  
**is sharing**  
It is willing to share the values it owns and creates with the whole society.
-  **2**  
**is brave**  
It knows no obstacles in running forward and adopts the principle of doing what would be considered impossible.
-  **4**  
**is sincere**  
It displays a loving and sincere approach in all of its relationships.
-  **6**  
**is a leader**  
It proudly carries the pioneering qualities of being the driving force of its industry and acts accordingly.
-  **8**  
**is agile**  
Its capability to be flexible and take quick action lies behind its success in all business processes.
-  **10**  
**is human oriented**  
With this understanding, it works day and night with the principle of providing the best service to all corners of the country.
-  **12**  
**understands social responsibility**  
It takes upon the problems of the country's people with its sensitivity to give back to the society what it takes from it.
-  **14**  
**is domestic and national**  
In line with Türkiye's goals, it has the consciousness and sense for developing the most advanced technologies with domestic and national resources.
-  **16**  
**is productive**  
It makes a difference with what it produces by working and supporting.

**Türk Telekom**  
Değerli Hissettirir

## 1.2 Türk Telekom's Approach to Sustainability

Boasting a nationwide network of communication infrastructure servicing nearly 53 million subscribers with 37,265<sup>2</sup> employees and a sizable sales and dealer network, we are aware of the magnitude of our impact on national development, environment and society.

At Türk Telekom, we work with the principle of "Accessible communication for all". We pledge to uphold the 10 core universal principles of the United Nations Global Compact (UNGC) and to use the Sustainable Development Goals as a guide in how we do business. Our sustainability policy has been designed in accordance with our strategy after clearly defining our company's sustainability vision.

We act responsibly and cognisantly of the magnitude of our country-wide operations when forming our strategies. As an essential component of our sustainability strategy, we proceed by putting all employees, their families, suppliers, customers, investors and other stakeholders at the core of our transformation process.

As Türkiye's leading telecommunication company, we have strenghtened our sustainability targets. In its first meeting of 2024 held in January, our Sustainability Committee agreed upon targeting a 45% reduction in Türk Telekom Group's Scope 1 & 2 emissions in total by 2030 relative to the base year of 2020 and Net Zero by 2050, in alignment with Türkiye and GSMA targets. To further our commitment to climate action, we have recently sent our commitment letter to SBTi on our near term targets. We aim to get our targets approved by the SBTi within the set timelines.

### 1.2.1 Sustainability Focus Areas

Türk Telekom defines its focus areas for a sustainable future as follows:



#### Focus on Trust - Doing Business Responsibly

- ▶ Group Companies comply with the legal regulations on bribery and corruption in all of the countries they operate and are represented at
- ▶ Transparency, honesty and sincerity constitute the main values in procurement processes
- ▶ Participates in sustainability-focused initiatives and indices
- ▶ Implements the Corporate Governance Principles and oversees the interests of all shareholders and stakeholders equally



#### Focus on Climate Change and Environment

- ▶ Complies with all environment related national and international regulations and other obligations that it is subject to
- ▶ Measures the environmental impacts arising from its activities
- ▶ Participates in the Zero Waste Project
- ▶ Possesses high awareness around the impact of excessive energy consumption on society and the environment
- ▶ Monitors carbon emissions from its activities and participates in the Carbon Transparency Project (CDP) and contributes to reduction of greenhouse gas emissions through various initiatives and by supporting different sectors through a wide range of products and services
- ▶ Conducts electromagnetic field measurements before and after the installation of mobile base stations
- ▶ Contributes to high efficiency in smart living through its products and services it has developed

2) As of 2023



### Focus on Value for Human

- ▶ Conducts all its activities in respect with the fundamental human rights in the United Nations Universal Declaration of Human Rights
- ▶ Values diversity, considers it an important asset and commits to equal opportunities
- ▶ Contributes to improving the knowledge and skills of its employees
- ▶ Complies with all national and international regulations that it is subject to in occupational health and safety
- ▶ Supports its employees' legal rights to assemble, unionise and form associations



### Focus on Customer

- ▶ Takes a customer-oriented approach in its operations and cares for enriching the customer experience
- ▶ Aims to provide continuous and secure communication services through its resilient and robust infrastructure across Türkiye



### Focus on Contributing to Society

- ▶ Improves customer experience by increasing efficiency with its digital products and services developed with an innovative perspective
- ▶ Implements an 'inclusive business model' that is indispensable for sustainable global development. Provides solutions to the primary needs of the society, and aims to increase public awareness at this front.
- ▶ Prioritises providing information to socially, economically, or physically marginalised segments, addressing digital gaps to ensure information accessibility for all.
- ▶ Actively promotes widespread information access and nationwide education, striving for equal opportunities for all, especially disadvantaged segments of society.



## 1.2.2 Contribution to the SDGs

Türk Telekom is committed to supporting the SDGs and aims to ensure that its business practices are in line with the goals and that it is operating in a manner that positively contributes to the goals.

Chart 7: Türk Telekom's contribution to UN SDGs

Materiality Topics	4 Quality Education	5 Gender Equality	7 Affordable and Clean Energy	8 Decent Work and Economic Growth	9 Industry, Innovation and Infrastructure	10 Reduced Inequalities	11 Sustainable Cities and Communities	12 Responsible Consumption and Productions	13 Climate Action	16 Peace, Justice and Strong Institutions	17 Partnerships for the Goals	Sub-goals
Human Rights, Ethics & Integrity				✓		✓		✓		✓		8.5, 8.7, 8.8, 10.2, 10.3, 12.8, 16.3
Digitalisation & Innovation				✓	✓		✓					8.2, 8.3, 9.1, 9.5, 11.2
Accessible Communication					✓	✓	✓					9.C, 10.2, 11.2, 11.3
Energy Management			✓		✓			✓	✓			7.2, 7.3, 9.4, 12.2, 13.2
Employee Engagement, Education, Talent & Career Development	✓			✓								4.4, 8.5
Communication with Stakeholders, Partnerships for the Goals								✓		✓	✓	12.6, 16.6, 17.6, 17.7
Strong Financial & Operational Performance				✓								8.1, 8.2, 8.3
Integrity & Accountability										✓		16.5, 16.6
Protection of Employee Rights		✓		✓	✓	✓						5.5, 8.5, 8.8, 10.1, 10.3, 10.4
Digital Inclusivity					✓	✓						9.2, 9.C, 10.3
Value-Oriented / Responsible Supply Chain				✓				✓			✓	8.7, 12.6, 17.14
Occupational Health and Safety				✓								8.8
Employment of Young Talents	✓			✓		✓						4.4, 8.5, 8.6, 10.2, 10.3
Smart Cities & Smart Tools			✓		✓		✓					7.3, 9.1, 11.1, 11.2, 11.3, 11.5, 11.6
Environmental & Social Contribution			✓	✓	✓				✓			7.1, 7.2, 8.6, 9.5, 13.1, 13.2, 13.3
Environmental Investments			✓					✓	✓		✓	7.1, 7.2, 12.4, 12.5, 13.2, 17.16
Transition to Low Carbon Economy			✓				✓	✓	✓		✓	7.1, 7.2, 11.6, 12.4, 12.5, 13.2, 17.16
Cyber Security					✓					✓	✓	9.1, 9.2, 9.3, 16.10, 17.6
Wastewater Management							✓	✓				11.5, 12.5
Risk & Crisis Management							✓		✓			11.5, 13.1, 13.2
Customer Satisfaction & Loyalty				✓								8.2
Water Security & Responsible Management of Water Resources								✓				12.2, 12.8
Existing Products & Services	✓				✓		✓					4.4, 9.1, 9.2, 9.3, 11.1
Climate Related Physical & Transitional Risks			✓	✓			✓	✓	✓			7.2, 8.4, 11.5, 12.2, 13.1, 13.2, 13.3
Responsible Waste Management							✓	✓				11.6, 12.4, 12.5, 12.6
Inclusiveness Equality, Diversity	✓	✓		✓		✓						4.4, 5.1, 5.5, 8.5, 8.6, 10.3, 10.4
Fight Against Climate Crisis			✓				✓	✓	✓			7.2, 11.6, 12.2, 12.4, 12.5, 13.1, 13.2, 13.3
Women's Employment		✓				✓						5.1, 10.3
Entrepreneurship		✓		✓							✓	5.5, 8.2, 8.3, 8.6, 17.9
Supply Chain Sustainability				✓	✓			✓	✓			8.4, 9.3, 12.6, 12.7, 13.3
Market Share				✓				✓			✓	8.2, 8.3, 12.6, 17.6
Responsible Investments		✓	✓						✓	✓		5.5, 7.2, 13.2, 16.6
Social Investments		✓		✓		✓						5.4, 8.3, 10.4
Brand & Reputation					✓			✓			✓	9.5, 12.6, 17.16
Health and Safety of Products & Services				✓				✓				8.8, 12.6
Competent & Qualified Human Resource	✓			✓								4.3, 4.4, 8.2, 8.5

## 1.3 Key Sustainability Investment Areas

### 1.3.1 Environmental Investments

We take important steps together with our stakeholders to control our **environmental impact**. We undertake many projects to reduce energy consumption and lower our carbon footprint. These include our work focusing on energy efficiency, diversification of energy sources, use of renewable energy sources, smart buildings and waste management. Moving our 2023 CDP score up by two notches to B from the previous year is a testimony to our commitment to acting on climate change. In the category scores benchmarking, we secured the highest A rank in both of the “Emissions reductions initiatives and low carbon products” and “Scope 1&2 emissions (including verification)” categories.<sup>3</sup>

#### Energy Efficiency: Replacement of old inefficient cooling equipment

Selecting and deploying more energy-efficient telecommunication network equipment is core to telecommunications sector. Within the fixed network equipment, cooling is one of the major energy consumers and deploying energy-efficient cooling systems at network centres can significantly decrease energy consumption.

Türk Telekom has replaced 315 air conditioners (Computer Room Air Conditioning - CRAC) in 2023, which results in reducing the cooling energy consumption because of better efficiencies and optimised capacity sizing/planning.

The new CRAC units are remotely controlled, have EC fans, inverter compressors and improved cooling cycles. During replacement of old CRACs, Türk Telekom also optimises the AC capacities which results in further energy efficiency. Replacing old units with R-22 refrigerant also helps reduce ozone depletion as new units use refrigerants with zero Ozone Depletion Potential (ODP).

#### Energy Efficiency: Free cooling investments

Türk Telekom is also deploying various free cooling solutions (direct and indirect) at fixed network centres in order to decrease electricity consumption of cooling. Türk Telekom has installed 585 free cooling units in 2023 and achieved a sizeable amount of energy savings.

#### Energy Efficiency: Gigabit Passive Optical Network (GPON) investments

GPON is a type of high-speed network standard for internet access (but also IP television (IPTV), Voice over IP (VoIP), and other digital services), primarily used in fibre-optic broadband services. The GPON standard allows for coverage of up to 20 kilometres between the central office and the end user, making it suitable for both densely populated urban areas and more spread-out rural settings. As opposed to a standard copper wire in most networks, GPON is also c.95% more energy efficient<sup>4</sup>. GPON investments also reduce GHG emissions due to lower need for network maintenance. A copper-based network requires more extensive maintenance than a fibre network; hence generates more GHG emissions and pollution due to more frequent transport. Consequently, decommissioning the copper-based network also has an indirect positive environmental impact. We will continue to invest in GPON projects in 2024 and beyond.

3) [Türk Telekom CDP Score Card](#)

4) GPON structure uses no energy on the site..



## Renewable Energy: Solar

We plan to accelerate our solar investments in the near future, in order to reduce our carbon footprint, contribute to climate risk management, and create financial value. As part of this agenda, Turkish Electricity Transmission Corporation (TEİAŞ) has informed our Company in May 2023 that we have been allocated a 405.8 MWe installation capacity within the framework of the relevant Article 5/1h of the Regulation on Unlicensed Electricity Generation in the Electricity Market. The total installation capacity of 405.8 MWe corresponds to nearly 65% of our total electricity consumption in 2022.<sup>5</sup>

### 1.3.2 Social/Sustainability Investments

In the area of **social/sustainability**, we aim to improve society's access to information through projects promoting digital equality, digital literacy and accessible connectivity for all. Given our position in the industry and nationwide, we are aware that our social influence is widespread and significant. We focus on meeting customer expectations through digital transformation projects.

We also seek to contribute to local economy and support sustainable economic growth while considering economic repercussions. We cooperate with local suppliers and encourage local employment.

As an operator investing in large scale in all districts in Türkiye, we monitor our contribution to development through relevant data including but not limited to increases in the number of homepass, number of mobile sites, number of fixed internet and mobile subscribers and data traffic on our networks.

To measure our impact in less developed areas, Türk Telekom used the “SEDI-2022 Report”<sup>6</sup> issued by the Turkish Republic Ministry of Industry and Technology, which is an objective and science-based analysis of how the 973 districts in Türkiye's 81 provinces rank by the level of socio-economic development.

#### Deploying connectivity in socio economically less developed areas and lowering energy consumption

Türk Telekom is a key player in undertaking investments that are critical to Türkiye's digitalisation journey. We own 78% and 56%<sup>7</sup> respective market shares in Türkiye's wholesale and retail fixed broadband segments. We have been a core contributor to provide access and connectivity to every individual in Türkiye. Fixed internet household penetration reached 74%<sup>7</sup> in Türkiye as of Q4'23 (from 44% in 2015), thanks mainly to Türk Telekom's investments.

Over years Türk Telekom has also led a massive technology transformation in its fixed network from copper to fibre. Having developed 437 thousand out of 562<sup>7</sup> thousand km of Türkiye's entire fibre network according to Q4'23 ICTA<sup>8</sup> report, the Company has single-handedly completed a sizable portion of the work that needs to be undertaken for the fiberisation of Türkiye. 85% of Türk Telekom's total fixed internet subscribers are on fibre packages (vs only 18% in 2015) as of 2023. Through its fibre projects (greenfield and brownfield), Türk Telekom does not only bring the latest technology and higher quality connection to the society but also progresses on its green agenda by significantly lowering the energy consumption on its network.

5) Electricity consumption amount includes consumption by Türk Telekom, TT Mobil and TTNET.

6) In the “SEDI-2022 Report”, 56 variables that measure socio-economic development are grouped under 8 categories including demographics, employment and social security, education, health, finance, competitiveness, innovation and quality of life. The 973 districts are ranked within a range of 1-6 (most developed to least developed) as per their resulting socio-economic development levels. We consider districts with socio-economic development levels of 5 and 6, where 8.1 mn people, in other words 9.5% of Türkiye's total population live, as most vulnerable and demonstrate how we support these areas through UN SDGs 1, 4, 8, 9, 10, 11 directly or indirectly.

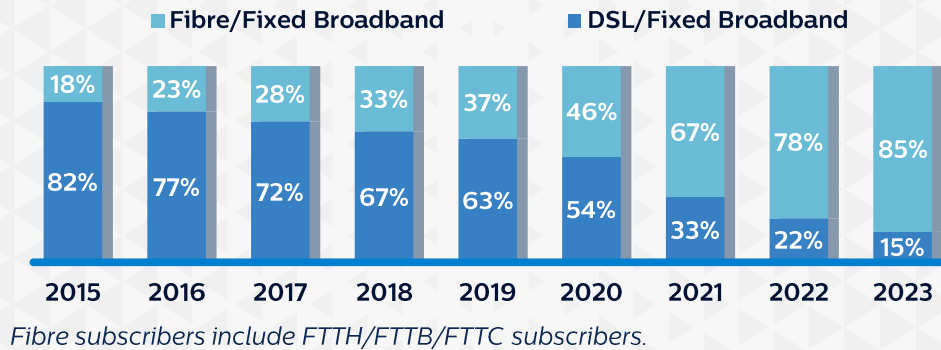
7) By number of subscribers as of Q4'23

8) The Information and Communication Technologies Authority



**Chart 8: DSL and Fibre subscribers' share in total over years**

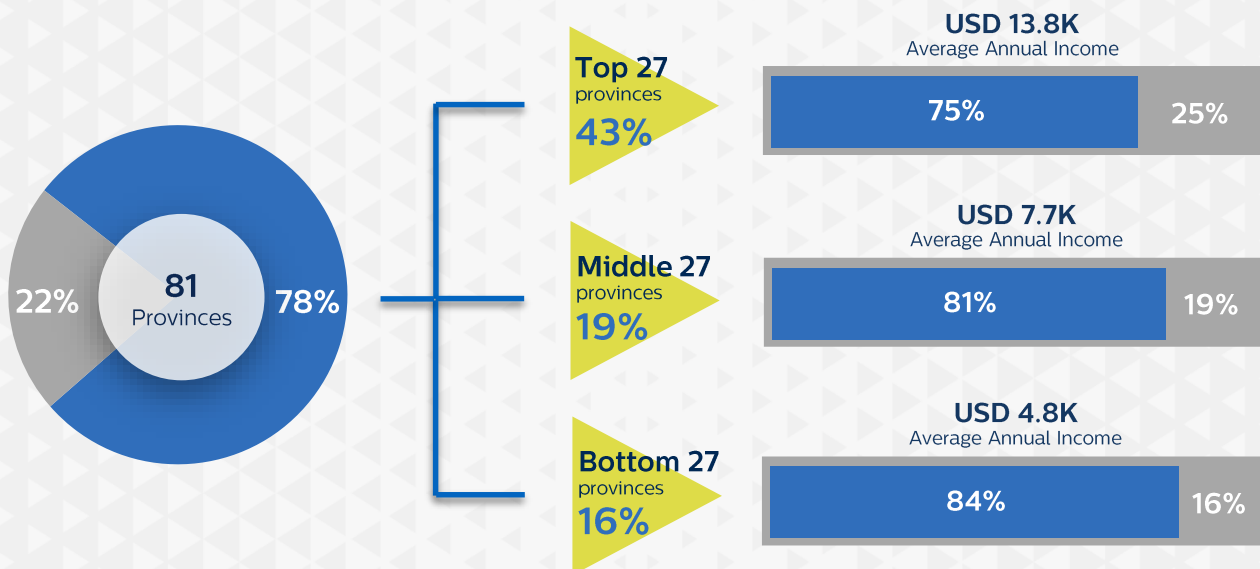
Türk Telekom has transformed its copper network to fibre network to provide higher quality connection to its subscribers which also led to significant savings in electricity consumption



Türk Telekom has been continuously working to increase penetration across the country and reaching out to underserved regions more than any other player. The average annual GDP per capita of Türkiye is USD 10.7K according to 2022 Türkstat<sup>9</sup> data, with only 14 out of 81 provinces having GDP per capita above this average. Türk Telekom's fibre network passes across 81 cities, while the nearest competitor has presence in 28 cities. When we divide the 81 provinces into three tranches by annual GDP per capita (top-middle-bottom), it is quite visible in Chart 9 that Türk Telekom reaches those regions with lower affordability more than any other player.

**Chart 9: Türk Telekom owns 78% of the total fibre length in Türkiye**

Continuously working to increase penetration across the country and reaching out to underserved regions more than any other player



Pie chart (LHS) shows Türk Telekom's vs other competitors' fibre km rollout across Türkiye.

% on yellow triangles shows the split of 78% fibre km built by Türk Telekom across provinces split in three tranches by GDP per capita.

Bar chart (RHS) shows fibre km rollout by Türk Telekom vs competitors in top-middle-bottom provinces by GDP per capita levels. When we divide the 81 provinces into three tranches, by annual GDP per capita we see that the nearest competitor has presence in 17 cities out of the top 27 where the average annual income is USD 13.8K; in 8 out of the middle 27 where the average annual income is USDs 7.7K; and in mere 3 out of the bottom 27 where the average annual income is USD 4.8K.

*Data as of 2022 is used in this analysis for comparability purpose*

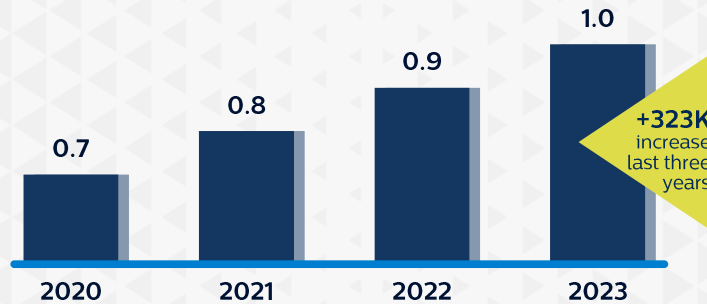
*Source: Turkstat, ICTA, Company data*

9) Turkish Statistical Institute

The SEDI-2022 Report allows us to measure our performance in bringing connectivity to socio-economically less developed areas at a more granular level. In the 343 districts (out of 973 across Türkiye's 81 provinces) that we identified as socio-economically vulnerable, we increased the number of fibre homepass from 671K in 2020 to 994K in 2023.

**Chart 10: Türk Telekom's number of homepass in the socio-economically less developed districts (mn)**

Türk Telekom is ambitious to grow its positive impact on the society and remove digital divide through its social investments



The fibre network also plays a critical role in unlocking the full potential of the upcoming 5G technology for an uninterrupted and high-quality connection experience. Türk Telekom is simultaneously preparing itself to the upcoming 5G transition in Türkiye and has 52% of its LTE mobile base stations connected to fibre, at a ratio comparing favourably to global industry standards.

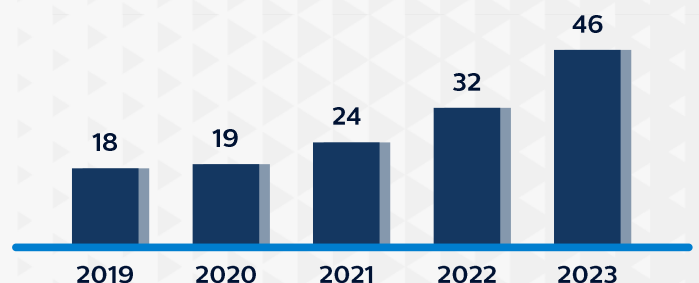
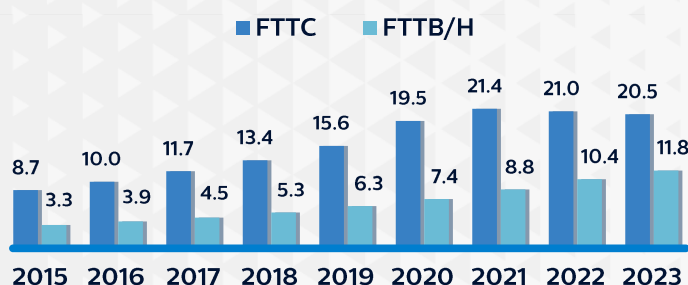
Türk Telekom's fixed internet investments and ability to operate fixed line services at mass scale across Türkiye served critical social purposes throughout the Covid-19 pandemic. Meeting the demand for working from home, remote education, isolation and relocation, and adaptive corporate and institution-specific business solutions in a reasonably fast and efficient manner in a country as geographically wide and as populous as Türkiye was possible thanks to Türk Telekom's expertise and agility in this domain.

Türk Telekom is also keen on further increasing average fixed internet speed of Turkish households to levels close to developed markets. The average package speed of our retail subscriber base increased by 41% year-on-year and 153% since 2019 to 46 Mbps as of 2023 thanks to ongoing investments. The proportion of our total broadband subscriber base using packages with 35 Mbps and above speeds increased from 10% as of 2019 to 51% as of 2023. This has been driven not only by the amplified and urgent need for quality connection for everyone, from households to public institutions and private corporates over the Covid-19 pandemic period but also by the fast digitalisation of a young and growing population over the years.

**Chart 11: Number of homepass<sup>10</sup> by FTTH/B and FTTC**

**Chart 12: Average speed of Türk Telekom's retail subscribers (Mbps)**

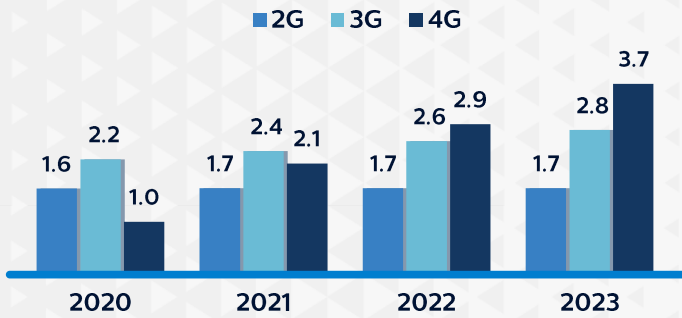
Türk Telekom is determined to increase Turkish households' fixed internet connection speeds



<sup>10</sup>) We have reflected the estimated impact of the February 2023 earthquakes on our homepass numbers. However, the assessment of the earthquake impact on homepass numbers is still work-in-progress; hence the numbers provided may be subject to slight changes.

We hold 29% market share in the Turkish mobile market as of Q4'23. As the latest entrant in the three-player Turkish mobile sector, Türk Telekom has been strengthening its market position through its investments at the same time it expands coverage in socio-economically less developed areas. To increase coverage and support high-quality connection in these regions Türk Telekom has not only added 3.3K base stations over the last 3 years but also deployed more capacity. A 126% increase in total mobile network traffic over the same period in the target region is a clear indicator of increasing utilisation of our mobile services; hence, our contribution to socio-economic development of these relatively disadvantaged areas.

**Chart 13: Number of Türk Telekom mobile base stations in the socio-economically less developed districts (K)**



**Chart 14: Total data usage by Türk Telekom mobile subscribers in socio-economically less developed districts (Petabyte)**



98% population coverage in 2023 vs 76% in 2020 in socio-economically less developed areas shows Türk Telekom's commitment to its social investments

## 1.4 Sustainability Governance

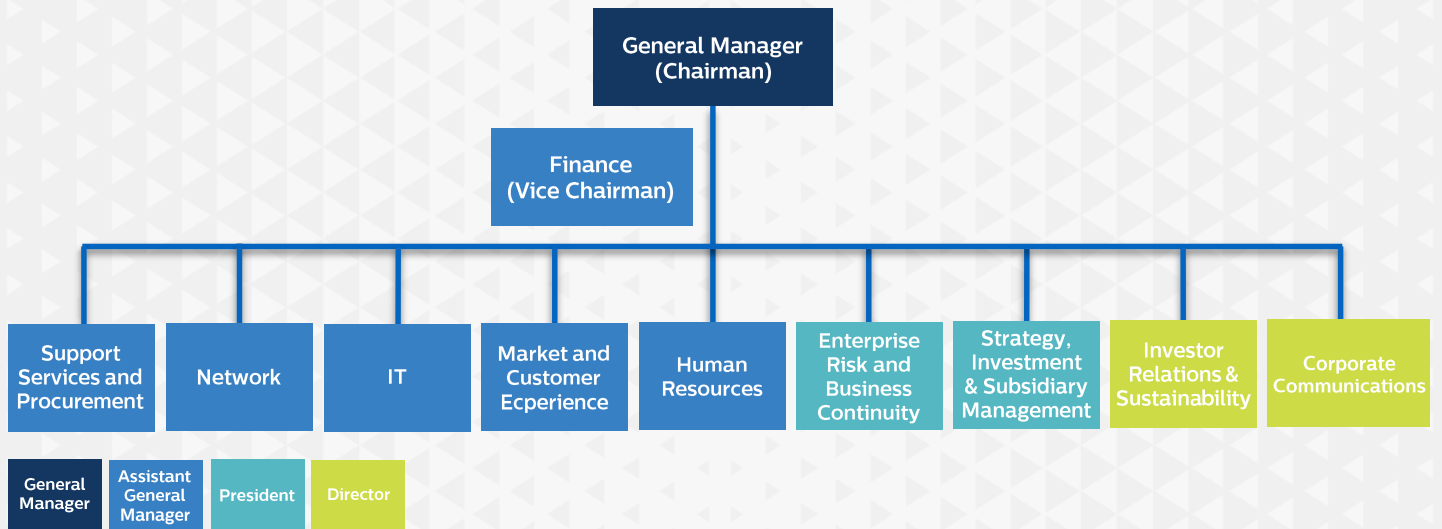
We take a comprehensive approach to our company's risk and opportunity analyses considering the development of the sector and Türkiye's progress and aim to boost the economic impact we make through a multiplier effect. We value transparency and accountability in sustainability governance.

We have established a Sustainability Committee to carry out our sustainability related plans. Reporting to the Board of Directors, the Sustainability Committee is led by the CEO and consists of high rank management representatives. The Sustainability Committee plays an important role in defining the company's sustainability strategies, ensuring the integration of sustainability mindset into all business processes, implementing various initiatives to reach set goals, monitoring the progress towards targets and evaluating the overall sustainability performance of Türk Telekom.

We formed sub-working groups to determine material issues and ensure compliance with the sustainability policy while carrying out operational activities effectively. The overall coordination and reporting of sustainability at our company is managed by the Investor Relations and Sustainability Directorate.



Chart 15: Sustainability Committee structure at Türk Telekom



We report our sustainability performance on a regular basis, engage with our stakeholders and consider their feedback. Furthermore, we aim to achieve better results by collaborating with our stakeholders on sustainability issues.

Progress on our Sustainability Program has recently been added to Türk Telekom's main KPIs taken into consideration in the employee remuneration assessment process in addition to select financial and operational metrics. Our company also sets specific performance goals for related employees in sustainability-related matters and assists them in meeting these goals. The accomplishments of those employees are recognised and rewarded. As a result, we improve our employees' commitment to sustainability strategy and help the company meet its sustainability targets.

## 1.5 Rationale of this Framework

Türk Telekom aims to reinforce its commitment to sustainability and considers the issuance of ESG instruments under this Sustainable Finance Framework as an important element to support its efforts and ambitions, while providing investors with greater transparency over the use of proceeds and environmental/social impacts of the projects financed.

Türk Telekom believes that green, social and sustainable finance instruments are effective tools to channel investments to projects that have demonstrated climate and social benefits and thereby contribute to the achievement of the SDGs.

By issuing green, social and sustainable finance instruments, Türk Telekom intends to align its funding strategy with its mission, climate strategy and sustainability targets.

## 2. Türk Telekom Sustainable Finance Framework

Türk Telekom has established this Sustainable Finance Framework (“Framework”) under which it intends to issue:

- ▶ Green Bond(s)/Sukuk(s)/Loan(s) – where proceeds are used to finance/refinance projects under ‘Eligible Environmental Green Categories’
- ▶ Social Bond(s)/Sukuk(s)/Loan(s) – where proceeds are used to finance/refinance projects under ‘Eligible Social Categories’
- ▶ Sustainability Bond(s)/Sukuk(s)/Loan(s) – where proceeds are used to finance/refinance projects under ‘Eligible Green Categories’ and ‘Eligible Social Categories’

Türk Telekom’s Framework is aligned with the International Capital Market Association (ICMA) Green Bond Principles (GBP) 2021 (with June 2022 Appendix I)<sup>11</sup>, ICMA Social Bond Principles (SBP) 2021 (with June 2022 Appendix I)<sup>12</sup>, ICMA Sustainability Bond Guidelines (SBG) 2021<sup>13</sup>, Loan Market Association (LMA) Green Loan Principles (GLP) 2023<sup>14</sup> and LMA Social Loan Principles (SLP) 2023<sup>15</sup>.

The Framework is structured according to the following 5 core components of the above principles and guidelines as well as the recommendations to appoint external review provider(s):

- 1 Use of Proceeds
- 2 Process for Project Evaluation and Selection
- 3 Management of Proceeds
- 4 Reporting
- 5 External Review

The framework contributes to the UN SDGs and may be amended from time to time to reflect market developments, with the aim of adapting to, and aligning with, best market practices on a best effort basis. A new Second Party Opinion will be obtained for a revised or updated Framework.

### 2.1 Use of Proceeds

Türk Telekom commits to allocate an amount equivalent to the net proceeds of Sustainable Financing Instruments issued by Türk Telekom under this Framework to finance and/or re-finance, in whole or in part, Eligible Green and/or Social projects (collectively “Eligible Projects”) which meet the eligibility criteria of the following Green and Social Project categories as defined below.

Eligible Projects that are refinanced up to 36 months prior to the issuance of the Sustainable Financing Instruments will apply.

Eligible Projects may be owned by Türk Telekom or Türk Telekom’s subsidiaries. Any co- or jointly financed Eligible Projects will be prorated for Türk Telekom’s share only. Any Eligible Projects owned by Türk Telekom’s subsidiaries will be prorated for Türk Telekom’s share of ownership. To avoid double counting of environmental and social impact, Türk Telekom will not include Eligible Projects from subsidiaries which may issue their own Sustainable Financing Instruments.

11) ICMA Green Bond Principles (2021) (with June 2022 Appendix I): <https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles-June-2022-060623.pdf>

12) ICMA Social Bond Principles (2023):

<https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Social-Bond-Principles-SBP-June-2023-220623.pdf>

13) ICMA Sustainability Bond Guidelines (June 2021): <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf>





14) LMA Green Loan Principles (February 2023):

[https://www.lma.eu.com/application/files/8916/9755/2443/Green\\_Loan\\_Principles\\_23\\_February\\_2023.pdf](https://www.lma.eu.com/application/files/8916/9755/2443/Green_Loan_Principles_23_February_2023.pdf)

15) LMA Social Loan Principles (February 2023):

[https://www.lma.eu.com/application/files/9416/9755/3230/Social\\_Loan\\_Principles\\_23\\_February\\_2023.pdf](https://www.lma.eu.com/application/files/9416/9755/3230/Social_Loan_Principles_23_February_2023.pdf)

## 2.1.1. Eligible Green Projects

Eligible Project Category	Eligibility Criteria	Contribution to UN SDGs
<b>Environmental Objective: Climate Change Mitigation</b>		
<b>Renewable Energy</b>	<p><b>Investments or expenditures related to the construction, development, installation or procurement of renewable energy:</b></p> <ul style="list-style-type: none"> <li>Solar Photovoltaics (PV)<sup>16</sup></li> <li>Onshore wind<sup>17</sup></li> <li>Hydropower which meets any of the criteria below<sup>18</sup>: <ul style="list-style-type: none"> <li>Lifecycle GHG emissions of below 100gCO<sub>2</sub>e/kWh</li> <li>Power density greater than 5W/m<sup>2</sup></li> <li>Electricity generation facility is a run of river plant and does not have an artificial reservoir</li> </ul> </li> <li>Geothermal (Lifecycle GHG emissions of below 100gCO<sub>2</sub>e/kWh)<sup>19</sup></li> </ul>	
<b>Energy Efficiency</b>	<p><b>Investments or expenditures related to new or existing network infrastructure and buildings to improve cumulative energy efficiency by at least 30%:</b></p> <ul style="list-style-type: none"> <li>Modernisation, replacement and upgrade of network equipment and network technology</li> <li>Software and automation solutions to reduce power consumption including, Smart Energy Management System, machine learning and artificial intelligence applications based on energy demand and consumption</li> <li>More efficient cooling solutions for RAN sites and data sites (e.g. CRAC, free cooling); change of site layout (indoor to outdoor)</li> <li>Deployment of specific energy efficiency installations including more efficient network equipment, heating, ventilation, air conditioning units, refrigeration, lighting and electrical equipment in buildings to improve energy efficiency</li> </ul> <p><b>Investments or expenditures related to new or existing data centres to improve power usage effectiveness (PUE):</b></p> <ul style="list-style-type: none"> <li>Improve PUE of existing data centres to below 1.4, for example for centres that use chiller + crah (Computer room air handler) technologies and of new data centres to below 1.2 using, for example, highly efficient cooling solutions (e.g. Indirect evaporative cooling (IEC) technologies)</li> </ul> <p><b>Investments or expenditures related to fixed-line and mobile network projects to reduce energy consumption, including:</b></p> <ul style="list-style-type: none"> <li>Gigabit Passive Optical Network (GPON) Investments</li> <li>Deployment of Fibre to the Home (FTTH), Fibre to the Building (FTTB) or Fibre to the Curb (FTTC) to replace copper-based networks</li> <li>Deployment of 5G technology and network infrastructure which can enable significant efficiency compared to older generations in terms of energy consumption per data traffic transmitted</li> </ul>	  




<sup>16</sup>) Solar power plants in Türkiye with a project area of 20 hectares and above or an installed capacity of 10 MWm and above are Subject to an Environmental Impact Assessment (EIA) as per the Environmental Impact Assessment Regulation published on 29th July 2022

<sup>17</sup>) All Wind projects in Türkiye are Subject to an Environmental Impact Assessment (EIA) as per the Environmental Impact Assessment Regulation published on 29th July 2022





<sup>18</sup>) All Hydropower projects in Türkiye are Subject to an Environmental Impact Assessment (EIA) as per the Environmental Impact Assessment Regulation published on 29th July 2022

<sup>19</sup>) All Geothermal projects in Türkiye are Subject to an Environmental Impact Assessment (EIA) as per the Environmental Impact Assessment Regulation published on 29th July 2022



Eligible Project Category	Eligibility Criteria	Contribution to UN SDGs
<b>Environmental Objective: Climate Change Mitigation</b>		
<b>Energy Efficiency (cont')</b>	<p><b>Investments or expenditures related to digital products and services to enable customers to reduce their energy consumption<sup>20</sup>:</b></p> <ul style="list-style-type: none"> <li>IoT solutions and Artificial Intelligence (AI) applications such as modelling and optimisation software to reduce emissions and energy use.</li> <li>Potential technologies include: microgrid monitoring and optimisation model aiming to minimise energy usage and optimisation model that recommends for example eco-friendly transportation operations, supplier selection, and carbon trading mechanisms</li> <li>Research &amp; Development on smart metering</li> </ul>	
<b>Clean Transportation</b>	<p><b>Investments or expenditures related to low-carbon passenger transportation and related infrastructure:</b></p> <ul style="list-style-type: none"> <li>Electric vehicles with zero direct emissions</li> <li>Electric transportation infrastructure (e.g. electric car charging stations)</li> </ul>	 
<b>Environmental Objective: Pollution Prevention and Control</b>		
<b>Pollution Prevention and Control</b>	<p><b>Investments or expenditures to promote waste prevention, reduction, reuse or recycling and reduce emissions from refrigerant gases:</b></p> <ul style="list-style-type: none"> <li>Customer electronic device waste recovery and recycling programs</li> <li>Waste sorting, collection, recycling, and reduction programs for non-hazardous waste including network waste, IT equipment and other office waste</li> <li>Switching of refrigerant gases to lower GWP refrigerant gases</li> <li>Recovery and reutilization of refrigerant gases during repair and maintenance</li> <li>Recovery and recycling of refrigerant gases from decommissioned AC equipment</li> </ul>	

20) This will only include projects where Turk Telekom can report on the quantitative environmental impact, i.e., one or more of the impact indicators listed under section '2.4 Reporting' of this Framework.

Eligible Project Category	Eligibility Criteria	Contribution to UN SDGs
<b>Social Objective: Digital Inclusion and Access to Education</b>		
<b>Access to Essential Services (Digital Inclusion and Education)</b>	<p><b>Investments or expenditures to enhance digital inclusion:</b></p> <ul style="list-style-type: none"> <li>• Deployment, extending and optimisation of mobile (3G/4G/5G) or fibre optic network for populations in less developed areas<sup>21</sup> at risk of digital exclusion</li> <li>• Investments to enhance access to digital solutions or support the development of digital skills for all women, elderly, people with disabilities, those affected by earthquakes</li> </ul> <p><b>Investments or expenditures to enhance access to education services and related infrastructure:</b></p> <ul style="list-style-type: none"> <li>• Investment in providing telecom services, educational programmes and vocational training for women and disadvantaged people such as those with special needs or disabilities (mobility, cognitive, hearing, vision and speech), including deployment of adaptive products and services for customers</li> </ul> <p><b>Target Population:</b> Populations in less developed areas of Türkiye<sup>21</sup>, elderly people (ages 65+), people with disabilities, all women, veterans, children and youths (ages &lt;24)</p>	   

21) To determine less developed areas Türk Telekom used the “SEDI-2022 Report” issued by the Turkish Republic Ministry of Industry and Technology, which is an objective and science-based analysis of how the 973 districts in Türkiye’s 81 provinces rank by the level of socio-economic development. Within the scope of the research, the 56 variables that measure socio-economic development are grouped under 8 categories including demographics, employment and social security, education, health, finance, competitiveness, innovation and quality of life. The 973 districts are ranked within a range of 1-6 (most developed to least developed) as per their resulting socio-economic development levels. Türk Telekom considers districts with socio economic development levels of 5 and 6, where 8.1 mn people, in other words 9.5% of Türkiye’s total population live, as most vulnerable and demonstrates how it supports these areas through UN SDGs 1, 4, 8, 9, 10, 11 directly or indirectly.

### 2.1.3 Exclusions

Any financing and/or re-financing related to the following projects will be excluded:

- ▶ Fossil fuel extraction, processing and distribution
- ▶ Fossil fuel transportation
- ▶ Fossil fuel related power generation
- ▶ Alcohol
- ▶ Gambling
- ▶ Tobacco
- ▶ Weaponry and defence related equipment

### 2.2 Project Evaluation and Selection Process

Türk Telekom has established a Sustainable Finance Working Group (“SFWG”) comprising of the following departments:

- ▶ Finance (includes Treasury, Investor Relations & Sustainability, Financial Planning and Analysis)
- ▶ Technology
- ▶ Support Services and Procurement
- ▶ Human Resources
- ▶ Risk and Compliance
- ▶ Marketing and Customer Experience
- ▶ Corporate Communications
- ▶ Strategy, Investment and Subsidiary Management

The SFWG will carry out the Project Evaluation and Selection process to ensure that the proceeds of the Sustainable Financing Instruments are allocated to projects which meet the eligibility criteria set out in Section 2.1 Use of Proceeds.

The SFWG will be chaired by Investor Relations and Sustainability Director.

#### Key roles of the SFWG include:

- ▶ Coordinate with other departments to identify and select Eligible Projects for inclusion and ensure compliance with eligibility criteria set out in Section 2.1 Use of Proceeds
- ▶ Assess any known material risks of negative environmental or social impacts to ensure that while an environmental and/or social objective is achieved, it is not done at the expense of other material environmental and/or social objectives in line with Türk Telekom’s environment and social risk assessment procedures
- ▶ Review proposed Eligible Projects to determine their continued compliance with the Sustainable Finance Framework to approve allocation of proceeds every 12 months throughout the life of the instrument
- ▶ Exclude or replace Eligible Projects if an Eligible project is sold, postponed, divested from, deemed to be no longer eligible under the criteria of the framework or subject to a significant ESG controversy
- ▶ Review the management of proceeds and facilitate reporting
- ▶ Manage any future updates of the Framework and Second Party Opinion
- ▶ Meet every 12 months and as necessary to review the framework



## 2.2.1 Environmental and Social Risk Assessment for Türk Telekom Investments

Managing opportunities and risks associated with economic, environmental, social and governance factors extends to all levels of our organisation, starting from the Board of Directors (as mentioned in Section 1.4). We integrate climate risks into our company risk management process and take strategic decisions by assessing their implications for our business processes, including the projects financed with the proceeds of Green/Sustainability bonds.

We follow and fully comply with national and international requirements. In addition to following legal regulations, we act in full compliance with the ISO 14001 Environmental Management System standard at all our sites.

We create systems to ensure responsible use of natural resources and their continuity. For example, our renewable energy investments are among our activities undertaken both to manage physical climate risks such as temperature and precipitation and the risks of transition to a low-carbon economy through current and future legal regulations and to create climate opportunities by increasing operational efficiency and reducing fossil fuel use and Scope 2 emissions through renewable energy sources.

One of the pillars of social development is the equal and fair use of communication tools by each individual. While telecommunication industry's failure to offer widespread and equal access to technology and communication tools risks digital and socio-economic divide, opportunities for digitalisation and innovative technologies play an important role in the transition to an information society as well as to low-carbon economy. As Türk Telekom, we believe we play an instrumental role in mitigating the risks mentioned above in addition to increasing our operational efficiency by adopting new technologies, offering sustainable solutions to our customers and improving our services.

Our sustainability-oriented investments focus on renewable energy, energy efficiency solutions, waste management, protection of water resources, meeting the needs of the society, increasing social welfare, strengthening brand reputation and brand value, managing ethical values at the highest level and making purpose-oriented collaborations. Sustainability-oriented investments also provide an important strategy for risk management, reputation management and competitive advantage. Such investments have the potential to provide financial returns while supporting the principles of environmental sustainability, social welfare and good governance.

**Chart 16: ESG related risks for Türk Telekom**

		Strategic Risks		Financial Risks		Operational Risks	
		Reputation Risk	Technology Risk	Physical Risk	Policy Risk	Market Risk	
Operational Risks	Environment and climate change risk	▶	▶	▶	▶		
	Unsustainable financial performance	▶	▶		▶	▶	
Financial Risks	Failure to provide a working environment that respects human rights	▶			▶		
	Occupational Health and Safety Risk	▶	▶	▶	▶		
	Ineffective management of social responsibility activities	▶			▶	▶	
Strategic Risks	Lack of sustainability awareness and commitment	▶		▶	▶	▶	
	Failure to position as a company beneficial to society	▶	▶	▶	▶	▶	

## 2.3 Management of Proceeds

The net proceeds of the Sustainable Financing Instruments will be deposited as part of the general Treasury account and earmarked for allocation in a Sustainable Financing Register. Türk Telekom intends to allocate these proceeds to an Eligible Project Portfolio, selected in accordance with the Use of Proceeds criteria and evaluation and selection process presented above.

Türk Telekom will ensure that so long as the Sustainable Financing Instruments are outstanding, the balance of the tracked net proceeds should be periodically adjusted to match the allocations to Eligible Projects made during that period. During the life of the Sustainable Financing Instruments, if the designated projects cease to comply with the eligibility criteria or are withdrawn, the net proceeds will be re-allocated to other Eligible Projects as soon as reasonably practicable and in any case, within 12 months.

Türk Telekom will commit to, on a best-effort basis, allocate the net proceeds from the Sustainable Financing Instruments to Eligible Projects within 24 months from issuance date of the Sustainable Financing Instruments in accordance with Section 2.2 Process for Project Evaluation and Selection.

Pending full allocation of net proceeds to Eligible Projects, any unallocated funds will be held in cash and cash equivalents and managed per Türk Telekom's general cash management policies. For the avoidance of doubt, unallocated funds will not be allocated to greenhouse gas intensive or controversial activities as per the exclusion criteria of the Framework.

## 2.4 Reporting

Türk Telekom commits to publish a report on the allocation of net proceeds and impact metrics within one year from issuance of the Sustainable Financing Instrument and annually thereafter until full allocation of the net proceeds, and as necessary in the event of material developments. This report will be made available on Türk Telekom's website.

### 2.4.1 Allocation Reporting

The allocation report will include:

- ▶ Total amount of Eligible Projects and breakdown across Eligible Project Categories
- ▶ Total amount of proceeds allocated to Eligible Green or Social Projects
- ▶ Total amount of proceeds allocated per Eligible Green or Social Project Category
- ▶ Share of proceeds for refinancing vs. new financing
- ▶ Total amount of unallocated proceeds
- ▶ Brief descriptions of Eligible Projects including project locations, target populations (for social projects)

## 2.4.2 Impact Reporting

Türk Telekom commits to report on the actual environmental and/or social impact arising from the financing of Eligible Green and Social Projects where feasible and on a best effort basis. Where not feasible to report on the actual impact, Türk Telekom will provide the expected environmental and/or social impact. Türk Telekom expects its annual impact reporting to be integrated with its allocation reporting described above, and will reflect, on a best effort basis, the recommendations contained in ICMA's June 2023 Harmonised Frameworks for impact reporting for green and social bonds.<sup>22</sup>

The report may also provide information on the methodology and assumptions used for the calculation of the impact metrics. Where feasible, the impact report may include:

Eligible Project Category	Impact Reporting Metrics
<b>Green Project Categories</b>	
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>• Total installed capacity (MW)</li> <li>• Annual renewable energy generated (MWh/GWh)</li> <li>• Annual GHG emissions avoided or reduced (tCO<sub>2</sub>e)</li> </ul>
<b>Energy Efficiency</b>	<ul style="list-style-type: none"> <li>• Annual GHG emissions avoided or reduced (tCO<sub>2</sub>e)</li> <li>• Annual energy savings (MWh)</li> <li>• Savings in energy consumption per data traffic or per subscriber (MWh/GB or equivalent unit or subscriber)</li> </ul>
<b>Clean Transportation</b>	<ul style="list-style-type: none"> <li>• Number of low carbon vehicles or Share of low carbon vehicles in total fleet</li> <li>• Number of usage of EV charging stations per annum</li> <li>• Total minutes of usage of EV charging stations per annum</li> <li>• Total unit charging per annum (MWh)</li> <li>• Annual GHG emissions avoided or reduced (tCO<sub>2</sub>e)</li> </ul>
<b>Pollution Prevention and Control</b>	<ul style="list-style-type: none"> <li>• Number of electronic waste recovered or recycled</li> <li>• Waste reduced/avoided (tonnes)</li> </ul>
<b>Social Project Categories</b>	
<b>Access to Essential Services (Digital Inclusion &amp; Education)</b>	<ul style="list-style-type: none"> <li>• Number of people connected to fibre optic network</li> <li>• Number of people connected to mobile network</li> <li>• Increase in network coverage or Increase in mobile base stations or Increase in mobile network traffic in target areas</li> <li>• Number of people who gained access to digital solutions</li> <li>• Number of people who benefited from education programs</li> <li>• Number of people who benefited from vocational training programs</li> </ul>

<sup>22</sup>) ICMA Harmonised Framework for Impact Reporting for Green Projects:

<https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Handbook-Harmonised-framework-for-impact-reporting-June-2023-220623.pdf>

ICMA Harmonised Framework for Impact Reporting for Social Projects:

<https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Harmonised-framework-for-impact-reporting-for-social-bonds-June-2023-220623.pdf>



## 3. External Review

### 3.1 Second-Party Opinion (Pre-Issuance)

Türk Telekom has appointed S&P Global Ratings to assess this Sustainable Finance Framework and its alignment with the GBP, SBP, SBG, GLP, SLP and issue a Second Party Opinion.

The Second Party Opinion will be made available on Türk Telekom's website.

### 3.2 Verification (Post-Issuance)

Türk Telekom will obtain and annually seek independent assessment and verification of the tracking and allocation of funds in connection with the issuance of a Sustainable Financing Instrument Use of Proceeds Financing Instrument from an independent, qualified provider of third-party assurance or attestation services (appointed by Türk Telekom) (Assurance Provider), who will provide a verification assurance report (Verification Report).

## 4. Disclaimer

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There can be no assurance or representation that the use of an amount equal to the net proceeds of any Sustainable Financing Instrument for the allocation to an Eligible Project will be implemented as anticipated or within a specific timeframe, nor can there be any assurance that such financing will be completed within any specified period or at all, or with the result or outcome as originally expected or anticipated by Türk Telekom. If the use of proceeds of a Sustainable Financing Instrument is a factor in an investor's decision to invest, they should consult with their legal or other advisers before making an investment and must determine for themselves the relevance of such information for the purpose of any investment in the Sustainable Financing Instrument. No assurance or representation is given that the use of such proceeds will meet any present or future investor expectations or requirements as regards any investment criteria or guidelines, particularly regarding any direct or indirect environmental, sustainability, or social impact of any projects or uses related to the financed businesses and projects. There is currently no single globally recognized or accepted set of definitions or standards for what constitutes a "green," "social," or "sustainable" project or asset. No assurance or representation is given that the use of proceeds will accord with any specific definition, standard, or consensus that may develop over time. No assurance or representation is given that the Sustainable Financing Instrument meets any evolving standard for such instruments or that any projects funded with the proceeds will meet investor expectations regarding performance objectives, or that any adverse impacts will not occur during the implementation of any projects.

No assurance or representation is given as to the suitability or reliability for any purpose of any third-party (second party) opinion or certification related to the Framework or any Sustainable Financing Instrument, in particular whether any Eligible Projects fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall it be deemed to be, incorporated in and/or form part of this Framework. Any such opinion or certification should not be considered as a recommendation by Türk Telekom or any other entity to engage in any specific Sustainable Financing Instrument. Prospective investors are responsible for determining the relevance of any such opinion or certification, the information it contains, and the credibility of the provider for the purpose of any investment in such financing instruments.