



FOR THE FUTURE

2022 | SUSTAINABILITY
REPORT



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ABOUT THE 2022 SUSTAINABILITY REPORT

Since its establishment in 2003, Erte Cosmetics has been a rapidly growing manufacturer with a diverse and qualified range of cosmetic products and services in many markets around the world. In this context, Erte Cosmetics takes steps to make its business processes more systematic, transparent and measurable and takes national and international sustainability standards as a basis.

This is the second sustainability report of Erte Cosmetics, addressing its sustainability (environmental, social, governance) strategy, activities and approach to material issues of importance to its stakeholders for the 12-month period starting on January 1, 2022 and ending on December 31, 2022.

Mikado Sustainable Development Consulting has contributed to the preparation of the report. The report has not been externally audited. This report has been prepared in accordance with Global Reporting Initiative (GRI) Standards. The sustainability priorities identified by Erte Cosmetics with an inclusive stakeholder participation are presented under the title "Our Material Sustainability Issues".

Erte Cosmetics 2022 Sustainability Report has been prepared in two different languages, Turkish and English.

Any questions, feedback and suggestions regarding the Erte Cosmetics 2022 Sustainability Report can be sent to info@ertecosmetics.com.

ERTE COSMETICS CHAIRMAN OF THE BOARD

Esteemed Stakeholders,
As Erte Cosmetics, we continue to put sustainability at the center of our business processes in line with the goal of leaving a more livable world for future generations. With the consciousness that comes with being an international cosmetics company, we have taken the Sustainable Development Goals as a guide while building our sustainability strategy. We are pleased to share our sustainability practices and goals in line with our strategy with you, our esteemed stakeholders, through our second Sustainability Report.

In order to combat the climate crisis, one of the most significant global risks, and mitigate its impacts, we have been working meticulously in line with the strategies and goals we have established in the areas of greenhouse gas, water, energy and waste management. In this context, we have published our first Corporate Carbon Footprint report, in which we measured our carbon footprint and greenhouse gas emission values for 2022. We continue our efforts to increase energy efficiency and renewable energy investments. In 2022, we started the feasibility studies and launched the solar energy investment that will meet 70% of the energy consumption in Erte Cosmetics facilities as of this year.

Our Zero Waste policy is based on recycling the wastes generated as a result of our production and operational processes into the circular economy and disposing of them in a way that does not cause environmental damage when they cannot be recycled. As Erte Cosmetics, we have initiated product life cycle analysis studies and been evaluating the environmental risks and opportunities that may arise in all our processes.

With our production processes that com-

ply with European Quality Standards and Good Manufacturing Practice Standards, we continue to develop reliable and environmentally friendly product and packaging designs that meet sustainability standards. Moreover, by focusing on sustainable concept studies, we have been expanding the scope of our products with less raw materials and highly effective formulas that do not contain ingredients harmful to human health. In this context, you may find the new products and services that we have developed in

line with the needs and expectations of consumers in domestic and international markets through our R&D activities on the following pages of our report.

We pay utmost attention to improving the welfare of our employees, who have a primary role in actualizing our activities. We are grateful to our employees for their contribution to the value we create together by adopting our sustainability approach. Providing equal opportunities to our employees and empowering female employees within the framework of an ethical and transparent management understanding are material issues for us.

We will continue to publish updated reports as we make progress on our sustainability strategy and goals. We would like to once again extend our thanks to all our stakeholders who have accompanied us during this journey by sharing with us the aim of ensuring the satisfaction of our customers and consumers with our products and services and pioneering the spread of sustainability practices in the industry.

Best Regards,
CHAIRMAN of the Board

Turgut Tepret



ABOUT ERTE COSMETICS

Established in 2003, Erte is a subsidiary of Erkul Group. Erte Cosmetics is a leading strategic partner for contract manufacturing and private brands. Today, Erte Cosmetics has become one of the largest cosmetics manufacturers in Turkey with its modern factory and production facilities built on an area of 40,000 square meters in Istanbul under hygienic conditions with fully automatic machines. Erte Cosmetics is a rapidly growing cosmetics company that exports to 65 countries with its perfume, personal care, skin care, hair care and home fragrance range. Erte Cosmetics, which manufactures with its own teams in Istanbul, offers full service to all its global customers with design teams in London and business development teams in Paris.

Erte Cosmetics acts on the basis of the principle of transparency at every stage of production, from raw material supply to packaging. This approach does not only optimize efficiency, but also ensures the highest standards of quality control. Erte Cosmetics manufactures all its products as per European Quality Standards and Good Manufacturing Practice standards.

With a wide range of high quality, multifunctional filling lines and labeling ma-

chines, state-of-the-art equipment and experienced team, Erte Cosmetics is capable of manufacturing customized products according to the demands of Cosmetics brands. The work conducted within Erte Cosmetics can be summarized as follows:

- Primary and Secondary Packaging Designs

- Offering Packaging Solutions
- Development of Product Formulation
- Regulatory and Claim Testing and Evaluation of Pre-Production Samples
- Filling, Packaging, and Logistics

Erte Cosmetics understands the Cosmetics market and offers efficient solutions for private label, contract manufacturing

and branded products to suit the needs of consumers.

Erte Cosmetics provides full service covering all aspects from concept to design, R&D, packaging selection and manufacturing.

Geographical Distribution of Markets Served by Erte Cosmetics

Erte Cosmetics exports products to the UK, Europe, Russia, Middle East, USA and South America markets.

- ii. Health, Beauty
- iii. Retail, E-Commerce, Direct Sales (Multi Level Marketing)

Erte Cosmetics in Figures

EXPERIENCE	PRODUCTION CAPACITY (unit/year)	PRODUCTION AREA
20 YEARS	100m+	40.000 m ²



VISION, MISSION AND CORPORATE VALUES OF ERTE COSMETICS MISSION

Values



WE ARE RELIABLE AND FAIR

We value our stakeholders opinions on us, and based on our honesty principles we do not make any promises we cannot keep. We do not compromise on honesty, fairness, or integrity under any circumstances.



WE ARE CUSTOMER-ORIENTED

We work diligently to ensure sustainable, trust-based and constructive relations with our customers. We never cease to provide the best services by understanding their expectations and demands to create mutual values.



WE ARE SUCCESSFUL

We acknowledge that it is our duty to continuously seek for better results/

achievements; this makes us who we are and is one of our most important values. Even if our goals may become challenging, having full confidence that we will achieve even in the most difficult conditions without despair, we never give up on our belief that the strength we get from our employees will always lead us to prosperity.



VISION

As a company committed to democratizing beauty, it aims at being a global player and shaping the future of cosmetics based on trust in and lasting relationships with its customers, suppliers, and employees.
We are the world of possibilities with only two non-negotiables; **QUALITY** and **RESPONSIBILITY**, in everything, everywhere and all the time.
As a purpose driven company to democratise beauty, we aim to be a global player and to shape the future of beauty by nurturing trust and lasting partnerships with our clients, suppliers and employees.



WE ARE INNOVATIVE

We know very well that innovation is a journey, indispensable for our sustainable growth. With this mindset, we never stop renewing our business processes elevating our technology, and improving the quality and diversity of our product range by constantly and closely following global trends the developments.



WE RESPECT VALUES

Honoring the dignity of every human be-

ing, we do not compromise from respect, sincerity, or transparency in our relations with our customers, suppliers and every segment of the society, and especially with our employees.

Corporate Management

The management organization of Erte Cosmetics consists of senior managers who are directly reported by mid-level managers and who report to the CHAIRMAN of the Board. Any decisions by senior executives are made in consultation with the CHAIRMAN of the Board.

In the company, the CHAIRMAN of the Board delegates relevant general economic, environmental and social issues to the employer's representative and the Human Resources department. A joint announcement is then made to ensure that the company employees are informed accordingly. If

these topics are relevant to a particular employee, a 1:1 meeting is held between the senior manager of the relevant individual and the CHAIRMAN of the board. The employee is then informed by the senior manager.

Erte Cosmetics has a Board of Directors consisting of the CHAIRMAN and 2 members of the Board, Human Resources Board, Occupational Health and Safety Board, Wishes and Complaints Board, Disciplinary Board, Ethics Board, and Sustainability Committee.

The Sustainability Committee structure includes department managers from Procurement, Accounting, Quality, R&D, Human Resources, Employer Representative, Sales and Business Development and Occupational Health, Environment and Social Compliance Development.



VISION, MISSION AND CORPORATE VALUES OF ERTE COSMETICS MISSION

Ethics and Compliance

Since 2003, Erte Cosmetics has a reputation to be proud of in the industry, in the business world and in the eyes of the customers of the brands it represents. In order to maintain it, every employee takes care in acting in compliance with the laws and ethical rules with a sense of responsibility. All employees learn and comply with the legal requirements of their jobs and duties, all company policies, code of conduct, business ethics and working principles. In this context, Erte Cosmetics Business Ethics, Code of Conduct and Working Principles Handbook is a guide, and the responsibilities and rules of conduct for suppliers are also specified within this scope.

Within the scope of Erte Cosmetics Code of Business Ethics and Working Principles, every employee is expected to:

- Be honest and act with integrity,
- Be sincere and frank,
- Comply with the laws,
- Adhere to ethical principles,
- Be accountable.

Handbooks, orientation presentations and trainings are organized to build and maintain the company values for the employees. They are frequently reminded that it is Erte's humanitarian, not commercial, duty to abide by the rules of eth-

ics and conduct.

Erte Cosmetics knows that internalizing, implementing and disseminating ethical rules is the key legacy of the company for the future and pays attention to carrying this in the rightest way. In this context, Erte Cosmetics CHAIRMAN of the Board has established an ethics board, which consists of the CHAIRMAN and 2 members, to ensure that the Code of Business Ethics, Code of Conduct and Working Principles are adopted and implemented in all organizational activities. The Ethics Committee can be consulted in writing or verbally; however, a written application is required for the committee to respond to the relevant person and/or evaluate the issue. The Board's e-mail address (etik@ertecosmetics.com) is used for questions and notifications. All notifications received are delivered to the Ethics Committee or its members while ensuring their confidentiality. The Ethics Committee evaluates the applications submitted to it as soon as possible and finalizes them within 2 weeks at the latest, taking into account legal deadlines. The Ethics Committee reports its decisions directly to the Chairman of the Board of Directors, taking into consideration the "Erte Cosmetics Code of Business Ethics and Working Principles", laws, social values and corporate values that will form

the basis of its work. Decisions are put into practice with the approval of the CHAIRMAN of the Board of Directors.

Corporate Memberships

- Istanbul Chemicals and Chemical Products Exporters' Association
- Private Label Association of Turkey
- United Nations Global Compact

Awards Won in 2022

Fifth place in the Personal Care Category of 2022 Stars of Export Awards organized by

- Istanbul Chemicals and Chemical Products Exporters' Association.

Recognition of Commitment to the NEXT Code of Practice Standards certification

- in the Customer Awards presented by Next in 2022.





SUSTAINABILITY JOURNEY

SUSTAINABILITY JOURNEY

Sustainability Journey

Guided by its sustainability policy and strategy, Erte Cosmetics continued to carry out its sustainability-related activities in 2022 as well. In this regard, a sustainability committee consisting of representatives of all units under the structure of Erte Cosmetics was established. The Committee held regular meetings and started to implement sustainability-related actions and goals as of 2022.

Sustainability Policy

- As a globalizing Turkish company, Erte Cosmetics has been conducting its operations with the vision of sustainable growth.
- The Company manages its relations with all stakeholders within the framework of fair competition and ethical values as per local and international laws.
- Erte Cosmetics develops its products without compromising on quality in the light of the needs and expectations of its customers.
- Erte Cosmetics monitors and protects the health and safety of its consumers with a responsible production approach.
- Ensuring occupational health and safety within the company during operational processes is a priority. Accordingly, the company complies with all relevant local and international legislation and ensures the improvement and continuity of its management systems.
- Erte Cosmetics encourages local employment, respects the rights of its employees, and promotes equal opportunities.
- Erte Cosmetics does not test on animals and cares about the protection of the entire ecosystem. It integrates efficient resource utilization, recycling and waste management into its business culture with a responsible production approach towards nature.

Sustainability Priorities

Companies should develop their sustainability strategies and reports within the framework of critical and material sustainability issues for the company and the industry. Therefore, it is critical for companies and their stakeholders to identify material sustainability issues.

In setting sustainability priorities, the companies should:

Ensure that the strategically material sustainability issues are identified by decision-makers, taking into account the company's vision and goals; Learn about stakeholders' expectations and priorities by means of stakeholder dialogue and feedback.

Stakeholder engagement is a prominent element of responsible governance, since a company's activities and the way it does business do not only affect its performance but also its stakeholders. In order for companies to be successful in the long term, they need to create values that put their stakeholders and society in general at the center. Prioritizing a stakeholder-inclusive approach helps to identify the issues that contribute to the company's business success today and tomorrow, and aids companies in gaining insight into the issues, expectations and requirements that are important to their stakeholders.

In this context, during the preparation of Erte Cosmetics' Sustainability Strategy, a materiality study was conducted to identify sustainability priorities that are both in line with the company's vision and goals and meet the expectations of stakeholders.

Erte's Materiality Process

A. Materiality Process

Preparation

Sustainability issues that can be materialized were listed by examining industry dynamics and relevant internal/external resources.

For Erte Cosmetics, 19 issues that can be materialized have been identified.

Determining Strategic Priorities

A materiality workshop was held with the Sustainability Committee representing the senior management to determine the sustainability issues of strategic importance for Erte Cosmetics.

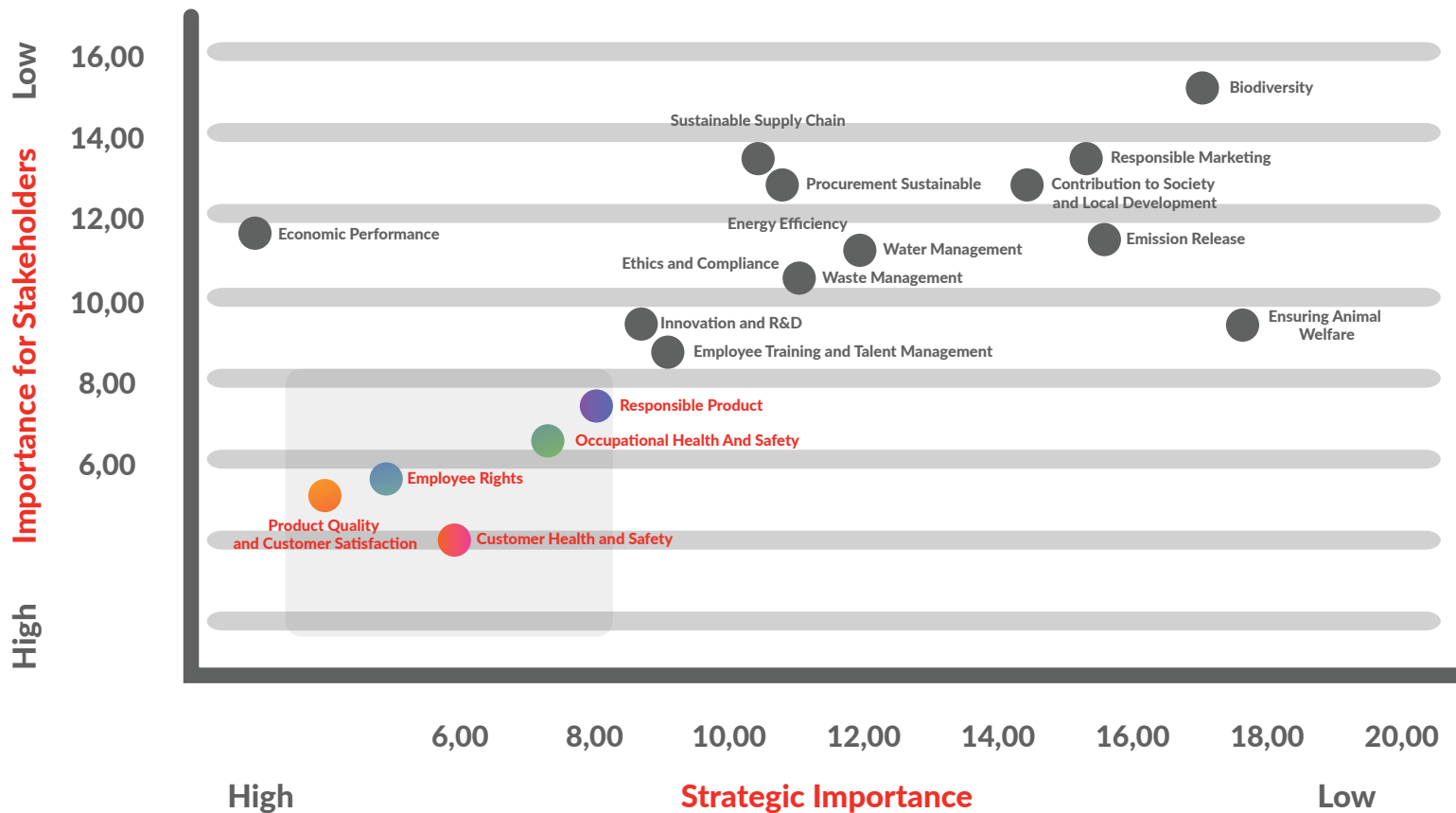
Determining Priorities for Stakeholders

Face-to-face workshops and/or online surveys were conducted with stakeholder groups to learn about sustainability issues that are important for the stakeholders of Erte Cosmetics and to receive stakeholder feedback. The workshops were attended by 30 stakeholder representatives, 9 senior managers and 21 employees. The surveys included 13 stakeholders.

Defining the Sustainability Priorities of Erte Cosmetics

Upon consolidating the results received from senior managers and stakeholders, material issues for Erte Cosmetics were identified and the Erte Cosmetics Sustainability Priorities Matrix was created.

MATERIALITY MATRIX



The Sustainability Priorities matrix was created by scoring the strategic importance of the issues and their significance for stakeholders. As seen in Erte Cosmetics' Sustainability Priorities Matrix, the high-priority Sustainability issues that emerged in line with the feedback of senior managers and key stakeholders are as follows:

- Product Quality and Customer Satisfaction
- Employee Rights
- Consumer Health and Safety
- Occupational Health and Safety

As the understanding of sustainability and responsible management approach become widespread throughout the company, awareness will increase and sustainability priorities may change over time. Moreover, new and major investments, changes in fields of activity and changes in stakeholder groups and their needs may also lead to changes in sustainability priorities. In this regard, the results of the materiality analysis were reviewed in 2022 and no changes identified.



ECONOMIC PERFORMANCE

ECONOMIC PERFORMANCE

Erte Cosmetics ensures the development of the industries it cooperates with throughout the production process and creates economic value and employment in these industries. Erte Cosmetics, which is in a strong position with its presence in export markets in the cosmetics industry, exports to 65 countries. It ranked second in the Personal Care Products Export ranking in 2019, and fifth in 2020, 2021, and 2022.

Having expanded its production facilities, Erte Cosmetics continues to serve with full capacity in 2022. It has been contributing to local and regional growth through its investments and improvements in sustainability performance.



28,25%
Growth rate
between
2021-2022

"Dresscode in this office: a smile on your face."



EMPLOYEE DEVELOPMENT

EMPLOYEE DEVELOPMENT

Erte Cosmetics implements development programs supported by different learning tools in order to ensure continuous development, with great care and in the best way possible thanks to the human-oriented nature of the industry in which it operates and the business it conducts. Annual training programs are prepared by the Human Resources Department every year. The opinions of managers and employees are also asked for during the preparation of training plans. In this context, a wide range of trainings such as legal, professional and personal development are provided.

In 2022, the average per capita hours of training provided to full-time female and male employees was 124 hours.

Reaching our company's long-term strategic goals through the achievement of our employees' goals, transforming our company objectives into departmental and then individual and disseminating them to our employees, improving their performances and competencies in line with the goals with the feedback and continuous communication they receive throughout the period.

Only managers were subjected to performance management evaluation in 2022,

whereas all white-collar employees were included in 2023.

In this context, the performances of 12 male and 13 female managers were assessed in 2022, and in 2023, the performance evaluation system has started to evaluate 73 employees. Our employees have been assigned goals by their relevant unit managers.

The main responsibility for planning the entire process, monitoring its implementation and analyzing its results is managed by human resources. Moreover, it is the responsibility of the Human Resources Board to determine the areas of improvement required for the effective and efficient management of the implemented system, to evaluate new ideas and suggestions regarding the process, and to examine the results throughout our company. The implemented performance management system is structured to identify goals and competencies.

Employees' achieving their own goals and the company's long-term strategic goals, transforming company goals into departmental and then individual goals and being disseminated to employees, improving their performances and competencies in line with the goals with the feedback and continuous communication

they receive throughout the period.

Performance Assessment

Only managers were subjected to performance management assessment in 2022, however it was planned to include all white-collar employees in 2023. In this context, the performances of 12 male managers and 13 female managers were evaluated in 2022, and in 2023, the performance assessment system is to start evaluating 73 employees. The employees have been assigned goals by their relevant unit managers.

Human Resources Department is responsible for planning the entire process, monitoring its implementation and analyzing its results. Moreover, it is the responsibility of the Human Resources Board to determine the areas of improvement required for the effective and efficient management of the implemented system, to evaluate new ideas and suggestions regarding the process, and to examine the results throughout the company. The implemented performance management system is structured to identify goals and competencies.



HUMAN RESOURCES APPROACH AND EMPLOYEE RIGHTS

Aware of the importance of investing in people, Erte Cosmetics always strives to make positive changes to improve working conditions. The company's most valuable treasure is its talented, experienced, proactive, and innovative human resources. In this respect, Erte Cosmetics constantly reminds all its stakeholders that it is necessary to comply with superior business ethics and honest working principles. Adding value to its employees and customers, Turkey in particular, and building a unity of mind and benefit together is its most fundamental duty. Aiming for continuous improvement, it adopts the goal of supporting employees who are passionate about their work at every moment. It makes great efforts to develop a stronger corporate culture and human resources management approach that puts employees at the center by implementing the values of the company.

Erte Cosmetics conducts all its domestic and international activities in full compliance with national and international laws and regulations and acts in accordance with universal legal norms. It has supported this declaration in the strongest way by signing the United Nations Global Compact. It adopts integrity in everything it does by demonstrating honest and consistent cooperation with employees, cus-

tomers, suppliers and business partners based on the principle of openness.

Erte Cosmetics contributes to the creation of an environment of trust where people's private lives are respected, and fair, constructive, and different ideas are freely expressed. Ensuring employee satisfaction in the workplace is the most fundamental responsibility of the company. There is a working environment where mobbing attitudes and behaviors are completely rejected and fair treatment and practices apply for all employees in accordance with the principle of equal opportunity, as stated in the Human Resources policy.

Erte Cosmetics employees are expected to work in harmony with their colleagues and supervisors in the workplace and to fulfill their duties in good human relations with private or public persons and organizations they cooperate with. Business continuity and security of employees are protected by fulfilling all legal obligations clearly specified in the Labor Law No. 4857. In order to ensure business continuity, actions are taken to build a safe environment for employees, customers and company resources, to be prepared for extraordinary situations, and to ensure that the company continues its processes and activities with minimum damage.



ERTE COSMETICS HUMAN RESOURCES POLICY

We make great efforts to develop a stronger corporate culture and human resources management approach that focuses on our employees by implementing the values of the company. We are committed to being fair to our employees, building a productive working environment that ensures equal opportunities, sharing our thoughts openly with them, and benefiting from their innovative ideas.

RECRUITMENT

Along with the qualifications and competencies required by the right employee for the right job, the existence of attitudes and behaviors in line with our corporate culture is of vital importance to us. We select and hire candidates who can make the best use of the knowledge they have outside the school they graduated from, who are open to learning and who will work in harmony with their teammates.

TRAINING AND DEVELOPMENT

We implement development programs supported by different learning tools in order to ensure continuous development, with great care and in the best way possible thanks to the human-oriented nature of the industry in which we operate and the business we do.

CAREER MANAGEMENT

We believe that every employee has a talent that they can use in their work. Our aim is to define a favorable environment in which our employees can achieve their career goals, to maintain the principle of equal opportunity in appointments and promotions, and to give opportunities to our internal employees for new positions in our organization.

PERFORMANCE MANAGEMENT

We evaluate our employees with a fair, objective and measurable system in which we all work together towards the same goal for achieving our company's goals, and we guide them when they face difficulties in reaching their business objectives.

OUR FAMILIES

In our efforts to create a stronger corporate culture, we focus our human resources practices on our families, believing that their families are as important determinants of our success as our employees.

Employee Rights

Erte Cosmetics follows the model of always improving the working conditions within the company. In 2022, the right to a one-day birthday leave, which employees can use within a period of 3 months starting from their birthday, was introduced to cover all employees.

Each employee is paid severance pay based on their length of service upon submission of the documents to be obtained from the Social Security Institution during the termination of employment due to retirement.

In order to protect the health of employees, Erte Cosmetics has an infirmary to provide health services within the company and employs a physician 2 days a week (in accordance with the law on workplace physicians). All employees benefit from health services provided by the Workplace Physician. There is also a workplace nurse on duty in the infirmary.

Employee Profile

	Female	Male	Total
Number of Employees	228	81	309
Number of employees on the payroll	228	81	309
Full-time employees	228	81	309

Employee Profile by Age

AGE	<30	30-50	>50
Female	62	150	16
Male	12	61	8
General	74	211	24
TOTAL		309	

Profile of Managing Bodies by Age Distribution

	<30	30-50	>50
Manager	0	11	0

Profile of Managing Bodies by Gender

	Female	Male
Manager	6	5

ERTE COSMETICS HUMAN RESOURCES POLICY

Employee Profile by Gender

Number of Employees	Female	Male
Number	228	81
Percentage	%73,8	%26,2

Employee Engagement and Satisfaction

Erte Cosmetics strives to provide a working environment where mutual trust is ensured for its employees and where employees see themselves as an integral part of the company's goals and values. Accordingly, communication channels have been established through which employees can communicate their requests and concerns. One of them is the employee satisfaction survey conducted once a year. The results of the employee satisfaction survey conducted in July 2022 showed that the satisfaction level was 60%.

In order to improve employee satisfaction, Erte Cosmetics has implemented a career management system to enable employees to achieve their career goals. A job evaluation and grading system has been established to accurately deter-

mine wages and fringe benefits. Complementary health insurance covering all employees and daycare assistance for female employees have been introduced.

Equal Opportunities

Erte Cosmetics strives every day to develop an egalitarian and inclusive corporate culture and human resources approach within the company. It implements the necessary procedures to establish a fair management approach and practices and to create an efficient working environment that ensures equal opportunities. All rules defining Erte Cosmetics' equal opportunity management approach are defined in detail with the human resources management regulations and procedures.



Fatih KESKİN
*Technical Affairs
Engineer*

I have been working at Erte Cosmetics for 1.5 years. Erte Cosmetics is committed to environmental, ethical and sustainable values while manufacturing quality products. It is focused on efforts to reduce environmental impacts in order to contribute to global sustainability and provide eco-friendly products. It also supports sustainability through clean energy and waste management. The company adopts the vision that everyone can make big changes with small actions and instill ethical awareness into all its employees.

I am proud of being able to serve my responsibility for future generations while working at Erte Cosmetics.



Hande DURUAY
Key Account Manager

I believe that the steps taken in line with the decisions made during the 7 years I have been working at Erte Cosmetics have carried us forward.

Our modern working areas provide us with a comfortable and safe working environment. With our customer-oriented approach, we aim at providing the best service to our customers by utilizing state-of-the-art technologies.

Erte Cosmetics works in compliance with all relevant local and international regulations and always prioritizes quality.

I believe that all the work we do to shape our future better will benefit our company and our society in the future.



OCCUPATIONAL HEALTH AND SAFETY

OCCUPATIONAL HEALTH AND SAFETY

Ensuring occupational health and safety principles within the organization is a top priority for Erte Cosmetics. In this context, the **Occupational Health and Safety Board** has been established and it regularly holds meetings at least every two months to evaluate operational risks. In case of occupational accidents, root cause studies are conducted and effort is made to minimize accident rates. Occupational accidents in the workplace are immediately recorded and reported to the Social Security Institution. Occupational accidents are reported on a monthly basis and there were no occupational accidents requiring the use of a report in 2022.

At Erte Cosmetics, operations are conducted in accordance with ISO 45001:2018 Occupational Health and Safety Management System and the best is done to meet all legal and humanitarian requirements. There is a Class A occupational safety specialist and a ministry-approved JHSU occupational safety specialist within the company. The root causes of the identified risks are investigated, communicated to the relevant person and resolved immediately. Since flammable-explosive chemicals are the main chemicals of use, fire prevention measures are prioritized. Informative and

awareness-raising trainings are provided periodically to all personnel. Periodic trainings, especially basic occupational health and safety trainings, are provided to newly recruited personnel. It is aimed to minimize accidents by preparing annual training and work plans. Employees are provided with protective equipment suitable for their jobs. Eye showers are available at each department and laboratory in the form of aqueous or buffer solutions.

Erte Cosmetics provides a healthy and safe working environment for all blue and white collar employees. Periodic inspections are performed and equipment is maintained regularly by both technical personnel and by means of services provided by accredited organizations. Newly recruited personnel are provided with 12 hours of basic occupational health and safety training to learn their legal rights and responsibilities and to be informed about the working environment. Moreover, department-based trainings are also provided in line with the annual training plan.

Occupational Health and Safety (OHS) Policy

- In order to prevent occupational acci-

dents, injuries, accidents with lost working days, occupational diseases and all occupational safety gaps, it identifies and evaluates occupational safety risks and takes measures to reduce and prevent risks.

- It develops methods, establishes targets, and creates management programs to develop a sustainable OHS management system and continuously improve its performance.
- In order to ensure Occupational Health and Safety in its facilities, it provides

awareness trainings, determines OHS rules and obliges all persons who may be affected by our risks to comply with the rules.

- Erte Cosmetics sets an example by providing a healthy and safe environment for all its employees and all stakeholders who may be affected by occupational health and safety risks.
- It undertakes to act in accordance with the applicable legal legislation and other requirements regarding Occupational Health and Safety.



CONTRIBUTION TO SOCIETY

In line with its sustainability strategy, Erte Cosmetics acts with the principle of creating value for employees, the environment, and society. There are ongoing projects to increase employment in a way that directly supports sustainable development, to provide qualified contributions to the education life of students via university-industry cooperation, and to support culture and arts activities.

Community Investment Efforts

Erte Cosmetics supports art and young artists as a social responsibility project to contribute to the development of society. Awarding 51 works of art by 47 students through a committee, Erte Cosmetics exhibits the works of young talents on the Galeria Erte platform to ensure that they are recognized worldwide. One of the main missions of the project is to increase the confidence and motivation of young

artists who will exhibit their works for the first time as they embark on their professional careers. Perceiving professional life as a new life, Erte Cosmetics officials named the exhibition "Re-Birth". The revenue from the sale of the artworks exhibited at Galeria Erte goes directly to the students.

Erte Cosmetics regularly offers internship and recruitment opportunities every year for students studying at vocational high

schools. Within the framework of university and industry cooperation, internship opportunities are provided to university students during the summer semester. Erte Cosmetics aims at cooperating with secondary and higher education institutions, organizing seminars with the relevant department managers at these institutions and enabling students to visit the company and get to know the industry during their education.





QUALITY, INNOVATION AND R&D ACTIVITIES

QUALITY, INNOVATION AND R&D ACTIVITIES

The main principle of Erte Cosmetics is to meet the changing consumer habits and the needs of the industry with affordable products that feature new generation and sustainable formulation technologies. All R&D and production processes are managed in accordance with responsible packaging principles that do not harm human and environmental health and comply with international standards. Erte Cosmetics, which provides continuous and high quality service in the fastest way possible thanks to its expert staff and advanced technical equipment, strives to be an indispensable solution partner of its customers.

Erte Cosmetics invests in innovation and R&D efforts in line with its sustainability targets and innovative strategies. The manufacturing processes are in compliance with European Quality Standards and Good Manufacturing Practice Standards. The company has a wide range of highly equipped, functional filling lines and labeling capabilities that increase productivity and product quality.

Thanks to an experienced R&D team, quality control and microbiology laboratory, Erte is able to develop formulations suitable for every customer. Quality, Innovation and R&D departments aim at obtaining a strong position in the local and global markets by integrating sustainable economy into innovative investments and existing practices.

Efforts are made to manufacture new products that satisfy consumers and enable them to lead a healthy life. The production process is carried out with vegan, natural or sustainable

raw materials. After product formulation and customer approval, dermatological tests, protective efficacy tests and performance/effectiveness tests (SPF, UV/PF, Water Resistant, Use Test, Ophthalmological Test, etc.) are conducted in contracted accredited laboratories to support product claims. Once the test process is completed, the Product Information File and the Product Safety Assessment report are prepared. With this report, the raw materials used in the product are evaluated toxicologically and the safety of the product for the consumer is documented.

Erte also focuses on concept studies to develop reliable and high quality products that meet sustainability standards. In this context, products with highly effective formulas that use less raw materials, do not produce environmental waste and do not contain ingredients harmful to human health are developed under the Minimalist / Less is More approach. Moreover, water-free cosmetic products (shampoos, conditioners, body balms, etc.) have been developed, resulting in both environmental and human health gains.

Trends in the cosmetics industry are changing rapidly and brands are shaping their packaging preferences accordingly. Erte Cosmetics creates refillable, minimalist and gender-neutral packaging solutions manufactured from recyclable or recycled materials in line with the latest trends in the industry. Erte Cosmetics, which has been working to reduce the use of plastic for a long time, prefers to use Post Consumer Recycled Material (PCR) in products where possible.





ISO 9001:2015

Quality Management System



ISO 14001:2015

Environmental Management System



ISO 22716:2007

Cosmetics Good Manufacturing Practise



ISO 45001:2018

Occupational Health and Safety Management Systems



DISNEY ILS

ILS Social Compliance



FDA REGISTRATION

U.S Fda Drug Registration Certificate



Smeta

Sedex Members Ethical Trade Audit



Covid19 Safe

TSE Covid Safe Production Certificate

CONSUMER/CUSTOMER HEALTH AND SAFETY

CONSUMER/CUSTOMER HEALTH AND SAFETY

Erte Cosmetics has ISO 9001 Quality Management System, ISO 22176 Cosmetic Good Manufacturing Practices, ISO 14001 Environmental Management System, ISO 45001 Occupational Health and Safety Management System, and Sedex social compliance certificates. By meeting the criteria of compliance with laws and necessary regulations, it ensures the quality and safety conditions that its customers expect during the product development process. In this context, special attention is paid to each stage of the production process, from raw material procurement to packaging, and not only efficiency optimization, but also the process of testing and evaluating each new product in accordance with the relevant standards and legislation is performed by an expert team.

In the laboratories established for product quality and safety, both R&D studies and safety tests of finished products are performed. Quality targets are set in line with the Quality Management System, taking into account customer requirements, good manufacturing practices, hygiene and occupational safety standards, and areas open to improvement are identified. Product safety is always prioritized and targets are regularly reviewed, reported, and improved to increase efficiency.

Erte Cosmetics manufactures quality and healthy products based on hygiene and sanitation in its production facilities in order to be the industry leader. Safety assessments are performed on all products in accordance with their use before they are placed on the market and reports are

shared with customers. After all necessary verifications, tests and analyzes, the product is presented to the consumer in packaged form.

Consumer and Customer Satisfaction

Customer satisfaction is prioritized in all operational processes. Satisfaction level is evaluated once a year with voluntary participation by obtaining feedback from customers through surveys.





RESPONSIBLE SUPPLY CHAIN

RESPONSIBLE SUPPLY CHAIN

Erte Cosmetics considers cost, quality, design, manufacturing, technology, performance history, management capability, degree of cooperation, financial performance and the degree of familiarity in the selection of its suppliers, which are an important part of the value chain. Erte Cosmetics makes its decisions by taking environmental and social impacts into consideration and sees it as one of its main goals to include its suppliers in these environmental and social criteria. Suppliers' business ethics and sustainability performance also play a key role among the selection criteria. In this context, the existence of environmental certificates or eco-friendly production processes, energy and water consumption, waste management, carbon footprint measurements and recycling practices are also taken into consideration.

In 2022, 25% of supplier selections were evaluated based on environmental criteria. Considering factors such as energy consumption, water use, waste management, carbon footprint, air and water pollution, no supplier has a negative performance.

In 2022, 25% of supplier selections were evaluated based on social criteria. Issues such as working conditions that comply with human rights and practices regarding employee rights are included in the inspection criteria.

To evaluate the environmental and social performance of suppliers, a preliminary assessment is performed based on the specified criteria, and the industrial importance, business volume, risk level, and past inspection results of suppliers are also taken into consideration.

The frequency of supplier inspections is determined depending on the risk level and performance of the suppliers. For instance, high-risk suppliers may be inspected more frequently, and low-risk and high-performing suppliers less frequently. Usually, an annual or biannual inspection schedule is prepared. Inspectors visit the supplier's facility to conduct the inspection, which includes document review, site visits, interviews and observations. The report prepared as a result of the inspection includes the supplier's environmental and social performance, any non-compliances identified and recommendations. The report is forwarded to the supplier and they are informed to prepare an improvement plan when necessary.

For Erte Cosmetics, there are many factors affecting the success of supply chain management, including security of supply, cost optimization, customer satisfaction, and meeting sustainability standards. Each criterion is supported by strategic planning, operational excellence, and continuous improvement efforts.

Stakeholder Opinion

Bülent KONCA

Deputy General Manager at MG International Fragrance Company



ERTE COSMETICS is a company which we take pride in implementing many joint projects together for more than 10 years and where our cooperation and friendship grows stronger and stronger everyday. It is a company that encourages and inspires entrepreneurs in its country, which has succeeded in transferring its vision of human, environment and high technology to its facility and industry. It continues to contribute to the increase in the export figures of Turkish cosmetics by adding new countries to its portfolio with great cosmetic projects every day, to set an example as Turkey's leading facility by wearing its epaulettes on its shoulders in many areas such as regulations, clean and renewable energy use, sustainable and responsible production, unconditional customer satisfaction and social responsibility projects, and to make us, its companions in the industry, proud.

I sincerely hope that they will represent the value of Turkish products by growing on the international platform with brand new projects in the future, and I would like to thank ERTE COSMETICS FAMILY for trusting us as a solution partner in this journey.

Best Regards



ENVIRONMENTAL MANAGEMENT

ENVIRONMENTAL MANAGEMENT

Erte Cosmetics complies with all environmental laws and regulations in its operations and production processes and periodically follows national and international standards in this context. Erte has the ISO 14001 Environmental Management System Standard and does its business accordingly. Erte employs an environmental engineer and obtains services from a ministry-approved consultancy firm. It has not been subjected to any criminal sanctions to date. It aims at reducing its environmental impact and continuously improving its performance while establishing its sustainability and environmental policies. It shares its commitment in this context with all its stakeholders by means of both its Sustainability Policy and Environmental Policy.

ERTE Cosmetics Environment Policy

Erte Cosmetics promises:

- To reduce energy consumption and ensure energy efficiency in order to protect natural resources and reduce environmental pollution, to comply with relevant legal regulations, to fulfill compliance obligations and to continuously improve the environmental management system to increase environmental performance,
- To support and increase the use of renewable and sustainable raw materials,

- To reduce waste rates and the negative environmental impact of waste,
- To work to reduce pollution processes at the production sources,
- To fulfill our commitments, being aware of our responsibility to the environment, to lead the environmental management system by the senior management and to ensure that all these processes are secured.

Environmental Goals

While Erte Cosmetics' short-term goal is to ensure the continuity and expand the scope of the trainings provided to all employees on environmental legislation, its medium-term goal is to reduce the amount of waste to the maximum extent and to spread recycling practices throughout the company. One of its long-term goals, the incorporation of renewable energy technologies into its

operations and the ability to generate its own energy, will be initiated with the rooftop solar energy system installed in 2023. With this installation, Erte Cosmetics will be able to meet 70% of its electricity consumption from renewable energy. In addition to these practices, other environmental goals include the treatment of wastewater and its use for garden irrigation, and the collection of rainwater from the roof gutters of the building and its use for cleaning and garden irrigation.

Environmental Trainings

In 2022, a total of **313 hours** of environmental training was provided for 1 hour/year for all personnel and 10 minutes/month for temporary waste storage managers (2 people).



ENERGY MANAGEMENT AND EMISSIONS

Energy Management and Emissions

Erte Cosmetics strives to reduce energy consumption and ensure energy efficiency in all its operations. For this purpose, it measures and reports its energy consumption. Furthermore, applications are performed to ensure energy efficiency in buildings. Within the scope of the measures taken in this context, air conditioning is planned in areas that operate in certain time periods such as the cafeteria, automatic shut-down is instructed during the day and after working hours to prevent unnecessary energy consumption, the fan coil system used for heating is turned off in the summer months, and energy loss is prevented by repairing leaks in the compressor lines in the factory area.

Erte Cosmetics aims at completing the energy efficiency ISO 50001 Energy Management System certification process in 2023. Furthermore, the renewable energy investment, for which feasibility studies were initiated in 2022 and which aims at meeting 70% of energy consumption, was put into practice in 2023. The amount of energy obtained from the solar energy investment consisting of 975 solar panels is 614,690.00 kWh/year and 435,131.00 kg CO₂/year emission is prevented. You may find on the table below the 2022 energy consumption data of Erte Cosmetics.

Energy Consumption

Energy Consumption GJ	2022
Electricity	6.693,93
Natural Gas	1.380,33
Diesel	-
Production quantity (tons)	1.527,29
Energy use per unit of production	5,29

Emissions

In order to combat climate change, one of the most important global risks, Erte Cosmetics calculates its corporate carbon footprint and makes the necessary improvements to reduce its carbon footprint. Within the framework of global climate policies, international agreements, national and international commitments, it conducts its operations by keeping its activities that may cause greenhouse

gas emissions under control. In this context, Erte Cosmetics' Corporate Carbon Footprint report, which reports its greenhouse gas emissions for 2022 in accordance with the ISO 14064-1: 2018 standard, is available on its website. Erte Cosmetics Scope 1, Scope 2 and Scope 3 emissions are shown in the table below.



Total Emissions

Category	Total Emission (tCO ₂ e)
Scope 1	162,33
Scope 2	818,14
Scope 3	21.544
Total	22.455

ENVIRONMENTAL MANAGEMENT

Water Management

In accordance with its sustainability policy and in compliance with the requirements of ISO 14001 Environmental Management System, Erte Cosmetics adopts and implements a responsible water management approach. The city water supplied to the company by ISKI is used for domestic purposes (sink, cleaning and dishwashing) and during the process (as deionized water). All wastewater generated in the process is sent to a licensed disposal company, and feasibility studies are ongoing for the construction of a treatment plant for the production facility in the coming years. In addition, waterless cosmetics product groups were launched in the second half of 2022 to reduce water consumption in production processes.

Water consumption values for Erte Cosmetics in 2022 indicate that much more water was used in 2021. Since the facility moved to its new buildings in 2021, water was used during commissioning for reasons such as fire extinguishing lines and leakage control in water installations. Moreover, the construction site and the buildings were cleaned in 2021. In 2022, the water consumption rate decreased by 64% compared to 2021.

Waste Management and Circular Economy

Erte Cosmetics adopts an integrated approach to waste management in accordance with the relevant legislation and sustainability

policy. In accordance with the requirements of ISO 14001:2015 Environmental Management System and shaped according to the principles of circular economy with a continuous improvement strategy, waste management is successfully implemented across all departments. In this context, the waste management activities conducted at Erte Cosmetics HQ received a Zero Waste Certification.

Total water consumption (Megaliters)	2021	2022
Block A	8.784	5.805
Block C	6.628	4.043
Total	15.412	9.848

Due to the new establishment of production facilities, data is available as of 2021.

Waste generated during the production process are sorted at the source, collected in temporary storage areas, sent to licensed companies and recorded in the waste management system of the Turkish Ministry of Environment, Urbanization and Climate Change.

Erte Kozmetik aims at ensuring raw material efficiency in order to reduce its potential environmental impacts arising from waste generation, thus minimizing waste generation in its operations as much as possible. Additionally, it prioritizes increasing recycling and re-

use rates. Non-recoverable waste is disposed of through appropriate methods. In this context, all waste is sorted depending on its type and 80% of it is recycled and used as input for other industries. Compulsory financial liability insurances for hazardous substances and hazardous waste are also renewed every year in line with the principle of waste management. No leakage has occurred during Erte Cosmetics production processes to date.

In all operations, the amount of waste generated as a result of company activities is regularly measured and monitored. The amount of waste generated by Erte Cosmetics in 2022 and disposal methods are summarized in the table below.



ENVIRONMENTAL MANAGEMENT

Type of Waste and Disposal Method (tons)	2021		2022	
	Block A	Block C	Block A	Block C
Hazardous Waste				
Recycled Waste (Recycled packaging, waste sent for recovery)	243,212	1,699	0,763	2,921
Hazardous waste sent to Disposal Facility (Incineration)	0,01	0,11	0,375	
Hazardous waste sent to Interim Storage	0,815	1,662	5,311	5,278
Hazardous waste sent to Sanitary Landfill			0,002	
Total hazardous waste	244,037	3,471	6,451	8,199
Total operational hazardous waste (tons)	247,508		14,650	
Non-hazardous Waste				
Recycled Waste (Recycled packaging, waste sent for recovery)	15,050	61,900	4,550	75,570
Waste and packaging waste sent to landfill (packaging waste, waste sent to landfill)	62,640		94,180	
Total operational non-hazardous waste (tons)	139,590		174,300	
Overall Total (tons)	387,098		188,950	

In the process of recycling waste back into production, Erte Cosmetics distills the alcohol used during production and uses it to clean the bottles of cosmetic products. Boiler, filling machine, and equipment used for alcoholized products are cleaned with alcohol without using water. The alcohol released here is distilled and purified in the distillation machine and taken back to the tanks to be used for cleaning purposes. In this way, an average of 2000 batches per year are produced with zero waste in the building where alcoholized products are manufactured. In personal care products, industrial wastewater generated in all areas (laboratories, filling areas and manufacturing department) is collected at a single point and regularly sent to a licensed disposal facility.

Raw materials with high biodegradability and plant-based raw materials are prioritized in all R&D studies. Additionally, it is aimed to reduce the amount of plastic packaging used and increase the amount of recyclable materials with the waterless cosmetic products developed.

Erte Cosmetics Life Cycle Analysis Studies

Life cycle analysis is a process that starts with the procurement of raw materials used in the manufacturing of the product and covers the relevant production, shipment, consumer use and disposal of all wastes generated after use. While determining the environmental impacts of processes, all pollutants released into the air, water, and soil from raw material extraction to disposal, as well as the energy used, are taken into account.

Life Cycle Assessment Phases from Raw Material Production to Disposal



In Erte Cosmetics product life cycle analysis, environmental risks and opportunities that may occur in all processes of the company have been taken into consideration.

Erte Cosmetics Life Cycle Stages

Raw Material Procurement: The process of personal care and alcoholized product production starts with the purchase/shipment of raw materials.

Shipment: It includes the environmental parameters that (may) occur during the shipment of raw materials to the company.

Product Manufacturing: Analyzed on line basis in the relevant environmental impact assessment document.

Usage: Energy and water consumption was analyzed.

Waste: This process is considered as recovery/recycling and end-of-life treatment and final disposal.

- Recycling is the reuse of the components of solid waste (paper, glass, plastic, etc.) by sorting them based on their characteristics without subjecting them to physical, chemical or biochemical methods.
- Recycling is the reuse of the components of solid waste generated during the operation by turning them back into raw materials through physical, chemical or biochemical methods.
- Erte Cosmetics prioritizes the utilization of all wastes generated during the operations in the recovery or recycling process.
- End-of-life treatment/final disposal has been defined for waste that cannot be recovered/recycled and sent to disposal facilities.



CONTRACT MANUFACTURING & PRIVATE LABEL

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