

2023

**SUSTAINABILITY
REPORT**



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ABOUT THIS REPORT



As Erte Cosmetics, we have been providing a diverse range of products and services to our customers in both local and international markets for over 20 years, and we continue to expand with a business model that does not compromise on quality. We work in compliance with national and international standards to ensure that our business processes are systematic, transparent, traceable and measurable, and in this context, we integrate sustainability principles into every stage of our business.

This report is the 3rd of our sustainability reports that we have been publishing annually since 2021 and covers our sustainability (environmental, social, governance) strategy, activities and our approach to material issues of importance to our stakeholders for the 12-month period between January 1, 2023 and December 31, 2023.

This report has been prepared in accordance with Global Reporting Initiative (GRI) Universal Standards 2021 with the support of Mikado Sustainable Development Consulting. The report has not been externally audited.

The sustainability priorities identified by our company with an inclusive stakeholder participation are presented under the title "Our Priority Sustainability Issues". The indicators we disclose in the report within the scope of these material issues are included in the GRI Content Index at the end of the report.

Our 2023 Sustainability Report has been prepared in two different languages, Turkish and English, and any questions, feedback and suggestions regarding the Report can be sent to

info@ertecosmetics.com.



MESSAGE FROM THE CHAIRMAN OF THE BOARD

Esteemed Stakeholders,

As Erte Cosmetics, we are pleased to share our third Sustainability Report, in which we have shared our practices in line with our sustainability strategy, with you, our esteemed stakeholders.

As a company that manufactures in Türkiye with significant exports, we design and manufacture our products with sustainability in mind. As part of our corporate responsibility, we continue to evaluate our environmental and social impact, and we make progress in this area on a daily basis. This year, we have once again broadened the scope of our environmentally friendly products by implementing production processes that meet European Quality Standards and Good Manufacturing Practice Standards. With our R&D studies, we continue to develop alternatives that will enable our customers to make sustainable choices.

According to the Global Risks Report published by the World Economic Forum, 5 out of 10 risks threatening the world are risks related to climate change. As Erte Cosmetics, we have become the first company in the Turkish cosmetics industry to invest in renewable energy to mitigate the impacts of climate change.

In our sustainability strategy, which is linked to the United Nations Sustainable Development Goals, our goals for the coming period include increasing our energy efficiency activities and renewable energy investments.

With a circular economy philosophy, we create sustainable packaging solutions for our customers while conducting product life cycle analysis studies. In line with our Zero Waste policy, we evaluate the trends in the cosmetics industry and offer minimalist, gender-neutral and

refillable packaging alternatives made from recyclable or recycled materials.

We continuously support the happiness and well-being of our most important stakeholders, our employees. While contributing to the training and development of our employees within the framework of an ethical and transparent management approach, we prioritize providing them with an inclusive and equal opportunity workplace.

As Erte Cosmetics, we will continue to

present progress in our sustainability strategy and goals, as well as publish our sustainability report every year. We would like to 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

Founded in 2003 as a subsidiary of Erkul Group, our company has since become a leading strategic partner for private label production in the cosmetics industry.

We are one of Türkiye's largest cosmetics manufacturers, with our modern factory and production facilities in Istanbul covering an area of 40,000 square meters and operating with state-of-the-art equipment under hygienic conditions.

Our product range consists of perfumes, personal care, skin care, hair care products and home fragrance products, which we market to 65 countries as well as the domestic market. We manufacture with our own teams in Istanbul and offer full service to all our global customers with our design teams in London and business development teams in Paris.

As Erte Cosmetics, we act on the basis of transparency and responsible management principles at every stage of our value chain. Thanks to this approach, we optimize efficiency in production, reduce potential risks and do not compromise our quality control standards. We produce all our products as per European Quality Standards and Good Manufacturing Practices standards.

The services we offer to our customers with our modern equipment and experienced team can be summarized as follows:

- Primary and Secondary Packaging Design
- Providing Packaging Solutions
- Product Formulation Development
- Regulatory and Claims Testing and Evaluation of Pre-Production Samples
- Filling, Packaging, and Logistics.

As Erte Cosmetics, we analyze the cosmetics market, where we have been operating for a long time, and offer efficient solutions for private label and branded products to meet the needs of consumers. In this context, we provide a comprehensive range of services covering all processes from concept to design, product development, packaging selection and manufacturing.

Geographical Distribution of Markets Served

Our company's export markets include the UK, Europe, Russia, the Middle East, America and South America.





VISION, MISSION AND VALUES



VISION

To be a world of infinite possibilities, without compromising the principles of Quality and Responsibility in anything, anywhere and anytime.

As a value-driven company that aims to democratize beauty, we aim to be a global player and to shape the future of beauty by building trusting and long-lasting relationships with our customers, suppliers and employees.



MISSION

To be the solution partner of world-leading brands with our culture of continuous progress through on-trend innovative initiatives, capacity building investments and price efficiency programs to make beauty more beautiful.





VISION, MISSION AND VALUES

Corporate Management

Our management organization consists of senior executives reporting to the Chairman of the Board and mid-level managers reporting to senior executives. Decisions on any matters by senior executives are made in consultation with the Chairman of the Board.

Our company has a Board of Directors consisting of the Chairman and 2 members of the Board, Human Resources Board, Occupational Health and Safety Board, Request and Complaint Board, Disciplinary Board, Ethics Board, and Sustainability Committee.

Ethics and Compliance

Since 2003, as Erte Cosmetics, we have built a solid relationship based on trust and satisfaction with all our stakeholders and a reputation we are proud of, thanks to our quality and responsible business conduct. In order to maintain these, we have ethical and compliance principles and procedures that we have developed within the company in compliance with the laws. All our employees are obliged to learn and comply with the legal requirements related to their jobs and duties, all company policies, business ethics, code of conduct 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 our suppliers are also specified within this scope.

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

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

To build and maintain this awareness among our

employees, we prepare handbooks, organize presentations and provide trainings. Within the scope of these activities, we frequently remind employees that compliance with ethics and codes of conduct is Erte's humanitarian, not commercial, duty. During the reporting period, ethics training was provided to our management level employees. As Erte Cosmetics, we understand the importance of making ethical business conduct one of the cornerstones of our corporate culture in order to build a strong foundation for our company. In this context, in order to ensure that the Business Ethics, Code of Conduct and Working Principles are adopted and implemented in all activities of the company, an Ethics Board was established by the Chairman of the Board, with 1 Chairman and 2 members. The Ethics Board can be consulted in writing or verbally, but a written application is required for the Board 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 Board or its members while ensuring their confidentiality. The Ethics Board evaluates the applications submitted to it as soon as possible and finalizes them within 2 weeks at the latest, taking into account the legal deadlines. The Ethics Board reports its decisions directly to the Chairman of the Board, taking into consideration the "Erte Cosmetics Business Ethics, Code of Conduct 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

Our company is a member of the following organizations:

- Istanbul Chemicals and Chemical Products Exporters' Association - 2005
- PLAT Private Label Association of Türkiye - 2018
- United Nations Global Compact - 2022

Stakeholder Communication

| STAKEHOLDER GROUP | IMPLEMENTATION TYPE AND FREQUENCY |
|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Employees | Surveys and Research (at various intervals); Training Activities, Internal Communication Platforms (news screens, intranet), Announcements and Postings (regularly); Suggestion and Rewarding System (instant); OHS Committees, Working Groups and Committees (at various intervals); Performance Management and Career Development Meetings, Social Events (at least twice a year); Management Meetings, Communication Meetings, Sustainability Report |
| Suppliers | One-on-One Meetings (upon request); Sustainability Report (annually); Supplier Business Ethics Principles (regularly) |
| Product End Users | Product Labels (regularly), Marketing Communication Activities (regularly); Fair Participation, Sustainability Report (annually) |
| Local People | Compliance System, Sustainability Report (annually) |
| Industry-Specific Actors | Meetings and Discussions, Fair Participation (periodically); Sustainability Report (annually) |
| Local Administrations | Meetings and Discussions, Sustainability Report (annually) |
| Public Institutions | Meetings and Discussions (upon request); Public Audits (at various intervals/instant); Sustainability Report (annually) |
| Non-Governmental Organizations | Memberships (regularly); Meetings and Discussions (upon request); Sustainability Report (annually) |
| Universities and Academics | Scholarship and Internship Opportunities, Mentoring, Sustainability Report (annually) |



SUSTAINABILITY MANAGEMENT OF ERTE COSMETICS



SUSTAINABILITY MANAGEMENT OF ERTE COSMETICS

Sustainability Management

Sustainability, which we have integrated into our entire value chain and stakeholder relations within the framework of our responsible business approach, continued to be one of our top priorities in 2023 as well. Our company has a Sustainability Committee authorized by the Chairman of the Board of Directors. The Committee is composed of the Procurement, Accounting, Quality, R&D, Human Resources, Employer Representative, Sales and Business Development, Occupational Health, Environment and Social Compliance department managers, and decisions on sustainability are taken at the Committee meetings held 3 times a year and reported to the Board of Directors. Our Chairman of the Board of Directors gives final approval of the materiality process and sustainability reports.

Our Sustainability Policy

- As a globalizing Turkish company, we conduct our operations with the vision of sustainable growth.
- We manage our relations with all our stakeholders in compliance with local and international laws within the framework of fair competition and ethical values.
- We develop our products without compromising on quality in light of the needs and expectations of our customers.
- We observe and protect the health and safety of our consumers with a responsible production approach.
- Ensuring occupational health and safety in operational processes within the company is our

priority. Accordingly, we comply with all relevant local and international legislation and ensure the improvement and continuity of management systems.

- We encourage local employment, respect the rights of our employees and ensure equal opportunities.
- We never test on animals and care about the protection of the entire ecosystem.
- With an environmentally responsible producer approach, we integrate efficient resource utilization, recycling and waste management into our business culture. The Process of Determining Sustainability Priorities.

Identifying, monitoring and measuring our most serious impacts on the environment, economy and society, including human rights, and taking measures where necessary form the basis of our responsible business approach. We annually review the sustainability priorities we have identified accordingly and make adjustments where necessary.

We address our sustainability priorities under two headings: strategic importance for the company and importance for stakeholders. While determining strategic importance, we seek the opinions of our senior management, and we determine stakeholder priorities by means of dialogue with our internal and external stakeholders. In addition to these two processes, we also consider the most important sustainability impacts of the cosmetics industry in which we operate.

Preparation

Sustainability issues that can be prioritized have been listed by reviewing sectoral dynamics and relevant internal/external resources. 19 issues were identified that can be prioritized for Erte Cosmetics.

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

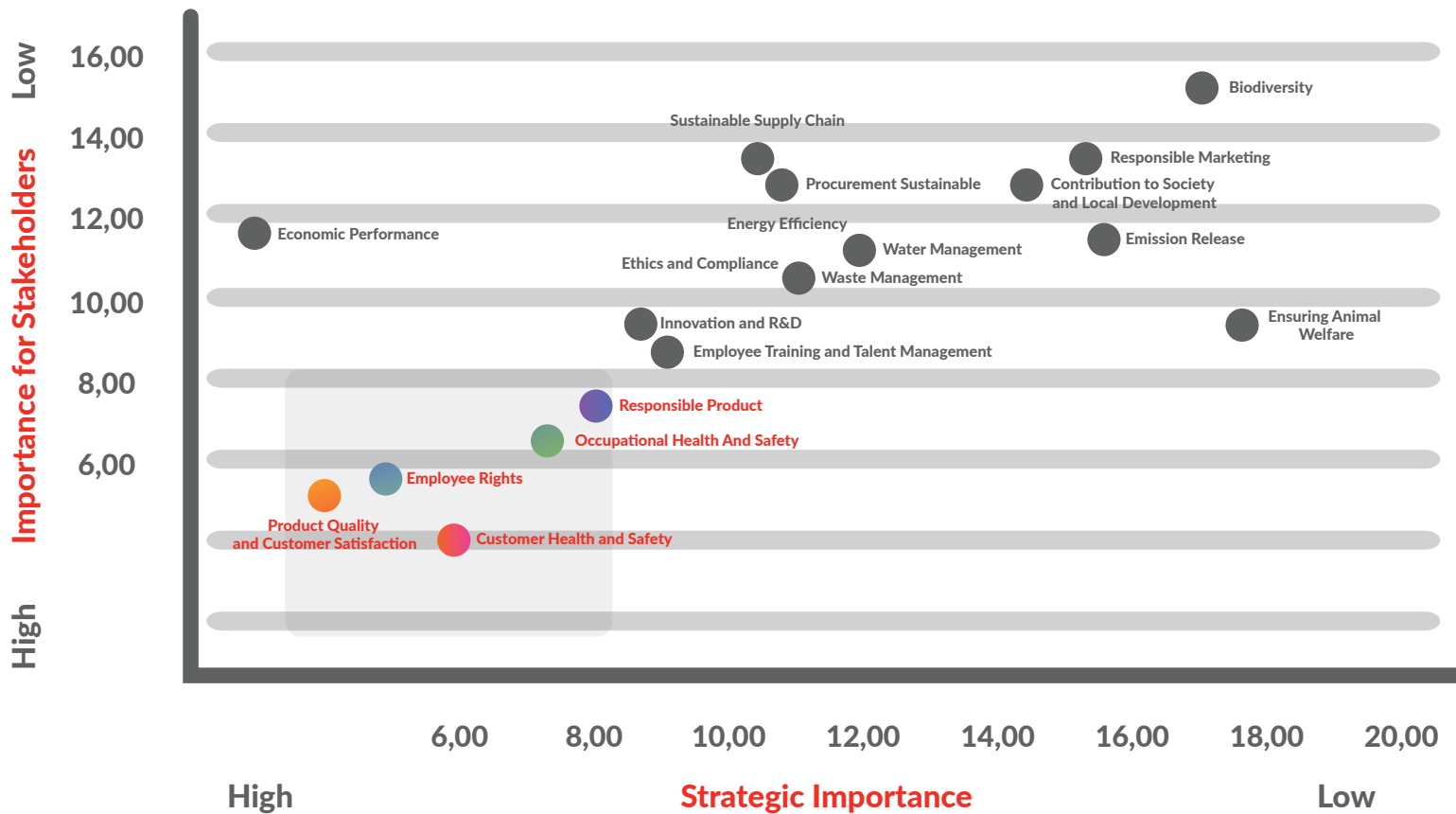
Face-to-face workshops and/or online surveys were conducted with stakeholder groups to learn the sustainability issues that are important for Erte Cosmetics stakeholders and to receive stakeholder feedback. The workshops were attended by 30 stakeholder representatives consisting of 9 senior managers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

Determining the Sustainability Priorities of Erte Cosmetics

Upon consolidating the results obtained from senior management and stakeholders, material issues for Erte Cosmetics were identified and the Erte Cosmetics Sustainability Materiality Matrix was created.



ERTE'S MATERIALITY PROCESS



The Materiality Matrix was created by scoring the strategic importance of the issues and their significance for stakeholders. As seen in the Materiality Matrix of Erte Cosmetics, the high-priority Sustainability issues that emerged in line with the feedback of senior management 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 the responsible management approach become more widespread in the company, awareness will also increase and sustainability priorities may change over time. In addition, new and large investments, as well as changes in the areas of activity, stakeholder groups and their needs may also lead to changes in sustainability priorities. In this context, the results of the materiality analysis were reviewed in 2023 and no need for any change was identified.



ECONOMIC PERFORMANCE



ECONOMIC PERFORMANCE

As Erte Cosmetics, we ensure the development of the industries with whom we collaborate across our value chain, generating economic value and employment in these industries. Our company, which is in a strong position with its activities in the export markets of the cosmetics industry, exports to 65 countries. It has consistently been among the top 10 companies in the Personal Care Products Export ranking in recent years.

Having expanded its production facilities, Erte Cosmetics continues to provide services at full capacity in 2023. Our investments and improved sustainability performance contribute to local and regional growth.





EMPLOYEE DEVELOPMENT



EMPLOYEE DEVELOPMENT

As a matter of principle, we place a high value on our employees, who are our most important internal stakeholders, working in a reliable, fair, equitable and inclusive work environment. We have developed our corporate policy on this issue in line with the relevant legal regulations, the Global Compact (UNGC), of which we are a signatory, and the United Nations Sustainable Development Goals, and we share it with all our employees within the "Business Ethics, Code of Conduct and Working Principles" handbook.

We attach great importance to the personal and professional development of our employees, who make the biggest contribution to our value chain and bear responsibility, and we carry out programs to support this. Every year, our Human Resources department prepares annual training plans in line with the contributions and feedback of managers and employees.

In 2023, the average training time per employee was 125 hours.



HUMAN RESOURCES POLICY

Developing and maintaining a fair and supportive human resources management approach for our employees, that reflects the values of our organization, lies at the heart of our human resources policy. As with many of our internal processes, our human resources policy attaches importance to employee dialogue and supports open communication with employees.

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 recruit 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 to be able to do our job with great care and in the best way possible by ensuring continuous development owing 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 organizational 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.



HUMAN RESOURCES POLICY

Performance Evaluation

Together, we conduct annual performance evaluations to ensure that our employees realize their potential, to increase productivity and to resolve issues that lead to poor performance in a constructive dialogue-based manner.

As of 2023, all our white-collar employees were included in this study, which previously included only the management level, and performance evaluations were made for a total of 73 employees. As a result, 25 of our employees were promoted internally in 2023.

The main responsibility for planning the entire process, monitoring the implementation stages and analyzing the results lies with the Human Resources department. In this scope, the Human Resources department manages the processes of identifying the areas of improvement required for the effective and efficient management of the implemented system, evaluating new ideas and suggestions related to the process and analyzing the results throughout the company. This performance management system is organized in a way to determine goals and competencies

through a process in which mutual expectations are expressed transparently.

Employee Rights

In addition to the rights defined in the Labor Law No. 4857, which we are obliged to comply with, we offer the following fringe benefits to our employees:

- The right to complementary health insurance covering all employees,
- A one-day birthday leave that employees can use within a period of 3 months starting from their birthday,
- Nursery service for our parent employees,
- In-house English education for our employees

Employee Profile

All of our 330 employees are on the payroll and full-time.

Employee Profile by Gender

| | Female | Male |
|-------------------|--------|------|
| Number | 239 | 91 |
| Percentage | 73% | 27% |

Employee Profile by Age and Gender

| AGE | <30 | 30-50 | >50 |
|----------------|-----|-------|-----|
| Female | 79 | 142 | 18 |
| Male | 10 | 66 | 15 |
| General | 89 | 208 | 33 |
| TOTAL | 330 | | |

Number of Managers by Age Distribution

| Manager | <30 | 30-50 | >50 |
|---------|-----|-------|-----|
| | 0 | 20 | 3 |

Number of Managers by Gender

| Manager | Female | Male |
|---------|--------|------|
| | 11 | 12 |



HUMAN RESOURCES POLICY

Employee Engagement and Satisfaction

As Erte Cosmetics, we strive to provide a working environment where mutual trust is ensured for our employees and where employees see themselves as an integral part of the company's goals and values. Accordingly, we have established communication channels through which our employees can convey their requests and concerns. One of these channels is the employee satisfaction survey conducted once a year. The results of the employee satisfaction survey conducted in 2023 showed that the satisfaction level was 60%.

The results of our employee satisfaction surveys are regularly announced to our employees and monitored by senior management.

Equal Opportunity

We strive every day to develop an egalitarian and inclusive corporate culture and human resources approach within the organization. The determining criteria in processes such as salary, promotion, etc. are the same for all our employees and are organized on the basis of merit. All rules defining Erte Cosmetics' equal opportunity management approach are defined in detail in human resources regulations and procedures.



Emre GÖR
Bulk Production Executive

I have been working as a Bulk Production Executive at Erte Cosmetics for 3.5 years. What distinguishes my company is the value given to employees as well as the board of directors' approach, which supports development at all levels. Sustainability-oriented working principles, production technologies and product tracking system studies that will help to facilitate business processes, and material and moral gains allocated to all kinds of matters that support employees' personal development are among those distinctions I have mentioned. I believe that my company has achieved significant success in producing quality products in addition to the value it gives to employee opinions and what it does for this purpose.



Merve GÖGSU
Quality Executive

I am Merve Gögsu, quality executive. I have been working at Erte Cosmetics for 6.5 years. As Erte Cosmetics, we are a company rising rapidly by adhering to ethical values, adapting to every demand and even directing it towards the better, and by always prioritizing customer satisfaction and quality with innovative ideas. Our technical team, who are able to answer any question, our extensive product knowledge, our experience with quality issues, and our ever smiling faces are some of the most fundamental characteristics that set us apart from other companies. I am proud of our company's support for sustainability and clean energy sources, which considers not only our present but also our future and accepts this responsibility as a duty, and I am happy to share our experience and technical knowledge with our student friends through our internship program and answer their questions about work or the future.

TO A BETTER FUTURE TOGETHER...

Our Esteemed Colleagues,

In order to prepare for a better future starting today, the results of the study, which we conducted with an independent research organization using the strong feedback we received from you, have been announced.

First of all, we would like to thank you all for your participation in this survey and for your sincere and heartfelt answers.

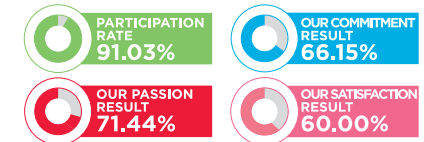
The results of the research are being analyzed in detailed reports, and the action plans that we will prepare from time to time with your participation will be shared with you as soon as possible.

Please be kindly informed.

Sincere Regards,

Turgut TEPRET
Chairman of the Board of Directors

YEARS 2023





OCCUPATIONAL HEALTH AND SAFETY



OCCUPATIONAL HEALTH AND SAFETY

Ensuring occupational health and safety (OHS) principles within the organization is our top priority. In this context, our Occupational Health and Safety Board, which is responsible for the assessment of OHS risks and the smooth operation of processes, holds regular meetings every two months. In the event of an occupational accident, the appropriate action is taken, and the incident is immediately documented and reported to the Social Security Institution. The process leading to the accident is evaluated in detail, the causes of the accident are identified and necessary measures are taken. Occupational accidents are reported monthly, and a total of 2 occupational accidents occurred in 2023.

As Erte Cosmetics, we carry out our operations in accordance with the Occupational Health and Safety Law No. 6331 and ISO 45001:2018 Occupational Health and Safety Management System, and we strive to fulfill all legal and humanitarian requirements. Accordingly, we have a Class A occupational safety specialist and an occupational safety specialist from a ministry-approved Joint Health and Safety Unit (JHSU) within the company. Since flammable-explosive chemicals are the main chemicals of use, fire prevention measures are prioritized. Eye showers are available in all departments and laboratories in the form of aqueous or buffer solutions.

In addition to the mandatory 12-hour OHS trainings we provide to newly recruited employees within the scope of orientation, we periodically provide informative and awareness-raising training to all our employees. We aim to minimize accidents caused by human error by creating annual training and work plans.

Employees are obliged to use protective equipment suitable for their work. Periodic inspections and maintenance of equipment and installations are carried out regularly both by technical personnel and by services received from accredited organizations.

Our OHS Policy

- In order to prevent occupational accidents, injuries, accidents with lost work days, occupational diseases and all occupational safety gaps, we identify and evaluate occupational safety risks and take measures to reduce and prevent risks.
- We develop methods, establish targets, and create management programs to develop a sustainable OHS management system and to continuously improve its performance.
- We provide awareness trainings to ensure Occupational Health and Safety in our facilities, determine OHS rules and require all persons who may be affected by our risks to comply with the rules.

- We set an example by providing a healthy and safe environment for all our employees and all our stakeholders who may be affected by OHS risks.
- We undertake to act in accordance with

the applicable Occupational Health and Safety legislation and other requirements.





SUPPORTING SOCIETY



SUPPORTING SOCIETY

As Erte Cosmetics, we act with the mission of creating value for our stakeholders and care about contributing to social development. By supporting university-industry cooperation, we invest in education to make meaningful contributions to the education life of students and to train qualified employees for our industry. On the other hand, we develop projects to increase culture and arts activities while supporting our employees to take part in social projects through our employee volunteering organization.

With its internship program, our company creates opportunities for university and high school students to gain real work experience, contribute to projects and improve their professional skills. In 2023, we included 13 students in our internship program and helped them take a firm step into their careers.

Within the scope of our social responsibility projects, as Erte Volunteers, we paid a visit to Darülaceze to support the elderly and those in need, as well as to spend time with them. Volunteers who made an impact on the society by taking part in this event continue to plan different projects.

Our company opens its doors to young talents!

In our internship program, our interns will gain real work experience, contribute to projects and have the opportunity to develop their professional skills. As Erte Cosmetics, we aim to help students take a firm step into their careers with our internship program for university and high school students.



Feeding area for stray animals

As Erte Volunteers, feeding areas have been established around our company for our animal friends as part of our social responsibility.

"Re-Birth" Exhibition

The works of young talents were exhibited at Erte Gallery, located inside Erte Cosmetics. In order to support young artists who were exhibiting their work for the first time as well as to boost their self-confidence and motivation as they began their professional careers, Erte awarded 51 works by 47 students through a committee. All of the proceeds from the sales of the works exhibited at the Erte Gallery were given to the students. The exhibition was named "Re-Birth" by Erte Cosmetics officials who perceive their profession as a new life.

Waste-Free Life Workshop

As Erte Cosmetics, we are aware of our environmental, social and economic responsibilities. We aim to build a more livable future by putting sustainability at the center of our business strategies. In this workshop, we brought up the issues of how we could put the zero waste philosophy into practice and how we could contribute to nature through practical applications.

We focus on developing projects that adopt a zero waste lifestyle that contributes to society by taking steps to create a more livable world together for both ourselves and future generations.

Our main focus areas are:

- Minimizing waste
- Increasing energy efficiency
- Social responsibility projects
- Creating a sustainable business culture as part of zero waste with our employees

We continue to move forward with hopeful, determined and responsible steps towards the future.



Visit to Darülaceze

Within the scope of our social responsibility projects, we visited Darülaceze and enjoyed supporting the elderly and those in need and spending time with them. We would like to thank all our volunteers for being with us in this meaningful event. Together, we continue to touch society!



QUALITY, INNOVATION AND R&D



QUALITY, INNOVATION, R&D

The main principle of our company is to meet the changing consumer habits and the needs of the industry with affordable products that feature innovative and sustainable formulation technologies. We manage all our R&D and production processes in accordance with responsible packaging principles that do not harm human and environmental health and comply with international standards. As Erte Cosmetics, we strive to be the indispensable solution partner of our customers by providing continuous and high quality service in the fastest way possible thanks to our expert staff and advanced technical equipment.

We invest in innovation and R&D activities in line with our sustainability goals and innovative strategies. Our manufacturing processes comply with European Quality Standards and Good Manufacturing Practice Standards. Our company has a wide range of highly equipped, functional filling lines and labeling capabilities that increase productivity and product quality.

Thanks to our experienced R&D team, quality control and microbiology laboratories, we are able to develop formulations suitable for every customer. With our Quality, Innovation and R&D departments, we aim to obtain a strong position in the local and global markets by integrating sustainable economy into innovative investments and existing practices.

We make efforts to manufacture new products that satisfy our consumers and enable them to lead a healthy life. The manufacturing is carried out with vegan, natural or sustainable raw materials and bio-solubility is emphasized. After product formulation and customer approval, stability and microbiology tests are performed by our experienced quality control team to ensure product stability throughout its shelf life. Dermatological tests, protective efficacy

tests and performance/effectiveness tests (SPF, UV/ PF, Water Resistance, Usage Test, Ophthalmologic Test, etc.) are conducted by contracted accredited laboratories to support product claims. Once the test processes are completed, the Product Information File is prepared and the Product Safety Assessment report is commissioned. With this report, the raw materials used in the product are evaluated toxicologically and the safety of the product to the consumer is documented.

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

Trends in the cosmetics industry are changing rapidly, and brands are shaping their packaging preferences accordingly. As Erte Cosmetics, we create refillable, minimalist and gender-neutral packaging solutions made from recyclable or recycled materials in line with the latest trends in the industry. Our company, 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.

In 2023, in addition to these processes and practices, we launched our baby products with hypoallergenic formulas especially developed for sensitive skin. All necessary clinical tests of the products were conducted under the supervision of Dermatologists, Ophthalmologists and Pediatricians, and they have been approved as safe for infant health.





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



International Labor Standards Group

DISNEY ILS

ILS Social

Compliance



Smeta

Sedex Members Ethical Trade Audit



Facility Environmental Module

CUSTOMER HEALTH AND SAFETY



CONSUMER/CUSTOMER HEALTH AND SAFETY

As Erte Cosmetics, we observe the health and safety of our consumers and customers throughout our value chain and manage all our processes in accordance with international standards in order to minimize risks and not to compromise product quality. **In this scope, our company has ISO 9001 Quality Management System, ISO 22176 Cosmetics 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 international standards as well as local laws and regulations, we guarantee the quality and safety conditions that our customers expect during the product development process. In this context, we meticulously carry out each stage of our production process, from raw material procurement to packaging. When a new product is added to our product range, our expert team tests the product according to the relevant standards and legislation, and transparently documents and shares the product's compliance with safety and quality standards. We share the product properties and claims identified as a result of these tests and analyses with end consumers on the product label.

We set our quality targets in line with the Quality Management System, taking into account customer requirements, good manufacturing practices, hygiene and occupational safety standards, and we identify areas open to improvement. We regularly review, report and improve our targets to increase efficiency by always prioritizing product safety. During the reporting period, our company completed

the BRCGS CP certification process for quality and product safety and was awarded the certificate. In addition, we have started working to obtain ISO 27001 Information Security Management System and Authorized Economic Operator Certificates. Our goal with the ISO 27001 certificate is to ensure improvements in terms of traceability and security in processes within the scope of information security.

Consumer and Customer Satisfaction

Customer satisfaction is prioritized in all operational processes. Satisfaction evaluations are made once a year with voluntary participation by obtaining feedback from customers through evaluation surveys. Our customer satisfaction surveys continue with our customers who voluntarily participate. No negative feedback was obtained.





RESPONSIBLE SUPPLY CHAIN



RESPONSIBLE SUPPLY CHAIN

As Erte Cosmetics, we consider the criteria of cost, quality, design, manufacturing, technology, performance history, management capability, degree of cooperation, financial performance and the degree of proximity in terms of location in the selection of our suppliers, who are an important link in our value chain. We make our selection by considering whether the suppliers that can meet these criteria manage their environmental and social impacts and their sustainability performance. In this scope, the presence of environmental certificates or eco-friendly production processes, energy and water consumption, waste management, carbon footprint measurements, recycling practices, compliance with general ethical principles, and humane working conditions for employees are also taken into consideration. We make evaluations according to the scoring table prepared by our Quality Control department and finalize the selections in this way. **100% of the new suppliers selected in 2023 met environmental and social criteria (compliance with human rights and OHS principles).**

We communicate our expectations from our suppliers via telephone or face-to-face visits. In this sense, in order to facilitate supplier visits and reduce the environmental impacts arising from transportation, we selected the suppliers in 2023 from loca-

tions close to our company headquarters, in and around Istanbul. In this way, we aim to contribute to local employment and development as well. Again in this scope, we also attach importance to supporting small businesses if they meet our criteria.

In addition to their compliance with our company's quality standards, we support our suppliers in obtaining certain quality certifications requested by our customers, such as SC, SEDEX, ISO, and FAMA. In the reporting period, we did not conduct any environmental and social impact assessments for our existing suppliers.





2023

ENVIRONMENTAL MANAGEMENT



ENVIRONMENTAL MANAGEMENT

As Erte Cosmetics, we comply with all relevant environmental laws and regulations in the process of managing our environmental impact, and we carry out voluntary measurement, monitoring and mitigation activities to reduce our negative impacts. In this context, in addition to the ISO 14001 Environmental Management System Standard, which is one of our guiding documents, we address our activities and commitments within the scope of both our sustainability policy and our environmental policy and share them transparently with all our stakeholders.

We employ environmental engineers and receive services from a ministry-approved consultancy firm. To date, we have not been subject to any criminal sanctions for non-compliance.

Our Environmental Policy

- We undertake 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

As Erte Cosmetics, we set short-, long- and medium-term environmental goals. We measure and improve our performance to increase our efficiency on the way to our goals. Our short-term goal is to increase the knowledge and awareness of all our employees about environmental legislation and the management of our environmental impact. In 2023, each employee received 7 hours of training.



Our medium-term goal is to reduce the amount of waste to the maximum extent and to spread recycling practices throughout the company. To this end, we have a company-wide waste minimization policy that all our employees must comply with.

Roof-top solar energy panels were installed in 2023 in order to obtain the energy used by our facility from renewable sources, which is one of our long-term goals. 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.

Energy Management

As Erte Cosmetics, one of the most important pillars of our environmental management policy is to increase energy efficiency while reducing energy consumption in all our operations. In order to support these efforts and manage our processes in accordance with international standards, we continued our efforts to obtain ISO 50001 Energy Management System certification during the reporting period. We measure and report our energy consumption to see our



ENVIRONMENTAL MANAGEMENT

progress and clearly identify areas where we need to intervene.

Among the practices we have developed to ensure energy efficiency in our facility buildings are air conditioning in areas such as the cafeteria that operate in certain time periods, instructing automatic shutdown during the day and after working hours to prevent unnecessary energy consumption, turning off the fan coil system used for heating in the summer months, and preventing energy loss by repairing leaks in the compressor lines in the factory area.

The amount of energy obtained with our solar energy investment consisting of 975 solar panels installed in 2023 was 377,720 kWh/year, and 234,111 kg CO₂/year emissions were prevented. This amount is equivalent to planting 4,419 trees. Solar panels meet 70% of our company's energy needs, and we aim to increase this ratio to 100%.

Greenhouse Gas Emissions

We measure our corporate carbon footprint and make the necessary improvements to reduce it in order to do our part in the fight against climate change, one of the most important global risks that requires urgent measures, and to contribute to Türkiye's 2053 net zero target.

Within the framework of global climate policies, international agreements, and national and international commitments, we carry out our operations by keeping our activities that may cause greenhouse gas emissions under control. In 2023, our greenhouse gas emissions calculated in accordance with the ISO 14064-1:2018 standard amounted to 6,340.08 tons CO₂e. The table below shows our Scope 1, Scope 2 and Scope 3 emissions. Our detailed Corporate Carbon Footprint report is available on our website. (<https://ertecosmetics.com/sustainability/>)



Energy and Fuel Consumption within the Company (Joule)

| Energy Consumption | 2022 | 2023 |
|--------------------------------------------------------|------------|------------|
| Fuel consumption (Vehicles + Generator) (Diesel) | 8832,36 | 10469,23 |
| Fuel consumption (Vehicles) (Gasoline) | 3576,8 | 3266,89 |
| Fuel consumption (Natural gas) (kwh) | 383426 | 425890,33 |
| Fuel consumption (Natural gas) (m3) | 27312 | 30295 |
| Electricity Consumption (kwh) Block A | 1059989 | 1102232,53 |
| Electricity Consumption (kwh) Block C | 799437,105 | 527897,61 |
| Purchased heat/steam/cooling | - | - |
| Self-generated electricity, heating, cooling and steam | - | 51696,18 |
| Energy sold (electricity, heating, cooling and steam) | - | - |

2023 yılı enerji tüketim verileri ise yukarıdaki tabloda yer almaktadır.

Total CO₂ Emissions

| Category | Total Emissions (tCO ₂ e) | |
|--------------|--------------------------------------|--------------|
| | 2022 | 2023 |
| Scope 1 | 162,33 | 123,45 |
| Scope 2 | 818,14 | 714,82 |
| Scope 3 | 21.544 | 5501,36 |
| Total | 22.455 | 6.340 |

After our company moved to its new building in 2021, fixture purchases continued in 2022, and therefore, the carbon footprint for 2022 was high. In 2023, it has fallen to the levels it should be according to our production amounts.



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Waste Management and Circular Economy

As Erte Cosmetics, as in other areas, we adopt an integrated approach in waste management in accordance with the relevant legislation and our sustainability policy. Our waste management policy, which is shaped in accordance with the requirements of our ISO 14001:2015 Environmental Management System certificate and according to the principles of circular economy with a continuous improvement strategy, is successfully implemented in all our departments. In this scope, waste management activities at our head office have been certified with the Zero Waste Certificate. Due to the importance we attach to increasing the knowledge and awareness of our employees on waste management, we organize training on this subject. During the reporting period, we organized a Waste-Free Life Workshop with Nil Ormanli.

We sort the process wastes generated during the production process at the source, collect them in temporary storage areas and send them to licensed companies for disposal, as well as record them in the waste management system of the Turkish Ministry of Environment, Urbanization and Climate Change. As Erte Cosmetics, we aim to ensure raw material efficiency in order to reduce our potential environmental impacts arising from waste generation, thus minimizing waste generation as much as possible in our operations. In addition, we prioritize increasing our recycling and reuse rates. We dispose of

non-recoverable waste through appropriate methods.

In this context, all wastes are sorted according to their types, 80% of which are 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. To date, our company has not experienced any leakage in its production processes.

In all our operations, the amount of waste generated as a result of company activities is regularly measured and monitored. Our 2023 waste amounts and disposal methods are summarized in the table below.

In the process of recycling waste back into production, we distill the alcohol used during production and use it to clean the bottles of cosmetic products. The 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 2,000 batches per year are produced with zero waste in the building where alcoholized products are manufactured. In our personal care products, industrial wastewater generated in all areas (laboratories, filling areas and the manufacturing department) is collected at a single point and regularly sent to a licensed disposal facility.

| Type of Waste and Disposal Method | 2021 | 2022 | 2023 |
|--------------------------------------------------------------|---------------|---------------|---------------|
| Hazardous Waste (Tons) | | | |
| Recycled Waste (Recycled packaging, waste sent for recovery) | 244911 | 3684 | 5077 |
| Hazardous waste sent to the Incineration Plant | 120 | 375 | 155 |
| Hazardous waste sent to Interim Storage | 2477 | 10589 | 45526 |
| Hazardous waste sent to Sanitary Landfill | - | 2 | - |
| Total hazardous waste | 247508 | 14650 | 50758 |
| Non-hazardous Waste (Tons) | | | |
| Recycled Waste (Recycled packaging, waste sent for recovery) | 76950 | 80120 | 22730 |
| Waste and Packaging Waste Sent to Solid Waste Landfill | 101235 | 94180 | 123390 |
| Total Non-hazardous Waste | 178185 | 174300 | 146120 |
| Grand Total | 425693 | 188950 | 196878 |



ENVIRONMENTAL MANAGEMENT

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 the processes, all pollutants released into the air, water and soil from raw material extraction to disposal, including the energy used, are taken into account.

In the product life cycle analysis, environmental risks and opportunities that may occur in all processes of our 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 a 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 with-

out subjecting them to physical, chemical or biochemical methods.

- Recovery 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 operations in the recovery or recycling process.
- End-of-life treatment/final disposal has been defined for waste that cannot be recovered/recycled and is sent to disposal facilities.





ENVIRONMENTAL MANAGEMENT

Water Management

As Erte Cosmetics, we adopt and implement a responsible water management approach in line with our sustainability policy and in accordance with ISO 14001 Environmental Management System requirements. The mains water supplied to the company by İSKİ 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 order to reduce water consumption in the production process, waterless cosmetic product groups are also included in our product range.

Our company's comparative water consumption data for the last 3 years, including the reporting period, are as follows. Compared to the previous year, our water consumption decreased by 10%. Our 2023 Water Footprint Inventory Report was prepared.

Water Footprint

In order to achieve the goals set for water use and water safety, a Water Footprint Inventory Report was prepared for 2023 for our organization according to ISO 14046:2014 Water Footprint Standard.

The purpose of the report is:

- To present the amount of blue and gray water obtained from calculations on water use and water discharge for 2023,
- To establish a fully consistent, accurate, transparent validation process that is in line with the activities in order to achieve the goals.

The table below shows our blue and gray water footprint. Our detailed Water Footprint Inventory Report is available on our website (<https://ertecosmetics.com/sustainability>).

| Total Water Consumption (Megaliter) | 2021 | 2022 | 2023 |
|-------------------------------------|--------|-------|-------|
| Block A | 8.784 | 5.805 | 5.143 |
| Block C | 6.628 | 4.043 | 3.715 |
| Total | 15.412 | 9.848 | 8.858 |

| | Branch | Source | Data Source | Data Validation | Total (m3/year) |
|------------|----------------|----------------|--------------------|---------------------------|-----------------|
| Blue Water | Erte Cosmetics | Mains Water | Meter Consumptions | Meter Consumption Records | 12758,95 |
| | | Packaged Water | Bill | Bill Check | 113,96 |
| | | | | TOTAL | 12872,91 |

| | Branch | Source | Data Source | Data Validation | Total (m3/year) |
|------------|----------------|-----------------------|--------------------------------------------------------------------------------------|------------------|-----------------|
| Gray Water | Erte Cosmetics | Domestic Wastewater | The calculation of wastewater is based on the amount of wastewater per person. * | Estimated method | 1,93 |
| | | Industrial Wastewater | The calculation of wastewater is based on the values of industrial wastewater bills. | Bills | 226,73 |
| | | | | TOTAL | 228,66 |



CONTRACT MANUFACTURING & PRIVATE LABEL

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