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Sustainability
Report

CONTENTS

3

About The Report

7

01
Executive Messages

15

02
About Pentı Çorap

23

03
Sustainability at Pentı Çorap

29

04
Value Creation Model

33

05
Stakeholder Engagement

39

06
Economic Performance

49

07
Social Performance

61

08
Environmental Performance

69

09
Corporate Social Responsibility

73

GRI & SDGs Content Index



ABOUT THE REPORT
(3-4)

3 About the Report

This year has been a tough one for every company and industry. At Penti Çorap, with the ongoing pandemic, we have had to take an extra strong stand for every difficulty that has come our way.

We are a company that deeply cares about setting an example in cultivating a sustainable approach. So, we've made it our mission to help our stakeholders navigate through these unprecedented times with minimum impact.

Thus, we implemented the best economic, social, and environmental sustainability practices throughout the year, which we will explain in detail further on.



This report is our third annual sustainability report of Penti Çorap San. ve Tic. A.Ş., covering the fiscal year of 2020 (1st of January 2020 to 31st of December 2020). This report has been prepared in accordance with the GRI Standards: Core option, and has not been subjected to any third-party verification.

The topic of this report has been determined according to stakeholder engagement and materiality analysis. It comprises every stakeholder in our value chain, including all activities of Penti Çorap subsidiaries, production facilities located both in Turkey and globally, with full transparency.

The issues within this report have been pinpointed via stakeholder communication that took place on various channels. We'd like to thank everybody who took their time and participated in the assessments.

You can contact us via sustainability@penti.com.tr for further information regarding our corporate sustainability and this report.



01

**EXECUTIVE MESSAGES
(7-12)**

7 Executive Messages Chairman of the Board

“



Dear Stakeholders,

At Penti, we have been maintaining our status as an industry leader for many years now. Our high-quality products, innovative processes, and valuable employees are the power behind this success.

With such success comes big responsibility. Thus, we are expected to implement the best business approaches, cultivate the best corporate culture, and execute the most sustainable practices.

We are very proud to state that during the reporting year, and in the midst of a global pandemic, we were able to meet almost every goal that we set out for ourselves and improve our processes, practices, and implementations throughout our value chain with resilience.

We've addressed the new requirements of the pandemic with the utmost agility and flexibility. Hygiene has become one of our primary focuses throughout our operation fields as our employees' health and wellbeing have always been a core priority in our employee-oriented workforce.

As a company that produces products to help women feel better, we continue to empower female employees within our company with new employment opportunities and successful implementations of policies that ease their lives.

We've also continued to support the local economy via employment opportunities created for people who live in areas we operate in and by procuring materials from local suppliers. As always, we've made sure that our entire supply chain is compliant with our ethical and sustainable approach.

Our focus on sustainability got stronger as will be explained in detail throughout this report.

And as we focused on providing more sustainable products, our customer satisfaction has increased as well, showing us once more that we are on the right track.

Alongside every unprecedented situation the year has brought upon us, we've experienced a cyberattack that has given us the chance to demonstrate our flexibility and agility.

We are very proud to announce that, fortunately, our strong infrastructure has prevented any data loss or data theft, and we've implemented top-class precautions to avoid any future incidents.

In light of all the challenges that we've encountered, we have started a successful digital transformation within Penti Çorap which helped us address the new requirements of the pandemic and deploy the best technologies to make us safe, secure, and productive in any way possible.

We'd like to thank all of our stakeholders for being with us through these challenging times. We wish health, peace, and wellbeing for everyone and look forward to meeting again next year in a much better world.

Sincerely,
Sami KARIYO

”

“



Dear Stakeholders,

The year 2020 has been a year in which the entire world has had to cope with an unfortunate situation, COVID-19. Thus, our motto for this year is,

“Resilient: Now more than ever!”

Because the ongoing pandemic and other unprecedented issues that we've encountered during this reporting year have made us nothing but stronger, more determined, and the best of the industry.

First, I'd like to thank our employees for their contributions during these difficult times. They have cultivated every measure and implementation that the year has forced on us with the utmost agility and flexibility, making us more resilient than ever.

As we've implemented these measures, we've ensured a healthy and safe workforce for our employees while keeping our production lines running and customers satisfied.

We are proud to announce that we've never compromised our sustainability approaches during all these shifts in our operations.

We've continued to improve our sustainability approaches in terms of social, economic, and environmental sustainability. We continued to offer value-added high-quality products and processes to all of our stakeholders and support the local economy via employment opportunities and local procurement operations, which took place under our motto **“local for local.”**

We made sure to implement the best policies, cultivate the best corporate culture and provide the best training programs that will help our employees' personal and professional development.

Since 2018, we've made it our mission to annually assess our environmental impact. As we've done so in our former reports, this year's report will demonstrate the success of our sustainability operations with complete transparency.

Aside from every challenge that we've overcome, we were also a target of a cyberattack of a group of international networks that had put many companies worldwide in the same situation. However, we take pride in stating that Penti Çorap's strong core has stood fast against this pity attempt, and we've intervened in the situation at the very beginning, preventing any kind of misfortune.

We would like to ensure that we have implemented every measure and deployed every technology never to give the slightest chance for the repetition of such incidents.

In addition, **emerging requirements such as remote working and social distancing have accelerated our shift to industry 4.0.** This transformation has streamlined many of our processes, helping us serve our employees, customers, and every other stakeholder with improved, faster, and more sustainable products and services.

We hope to make the most of the following year, establishing even better and more sustainable products and processes, and we wish everyone a healthy and safe year.

Sincerely,
Ercan ÖZTÜRK

”



Dear Stakeholders,

At Penti Çorap, our focus is to provide sustainable, innovative, budget-friendly, high-quality, and desirable products. As the reporting year has been a year in which we all were tested, we are very proud to state that our products have not been affected by these challenging times as we have demonstrated an admirable resilience against all challenges.

We maintained healthy relationships with our stakeholders and continued our export operations with minimal impact. We kept our production lines running within every precaution that will provide our employees a safe workplace.

We won 3rd place in the “Great Place to Work Model” survey, where our employees’ overall satisfaction rate increased to 75% in 2020. We’d like to thank our employees for considering us worthy of such an achievement and hope never to fail them.

As an industry-leading brand, we owned up to our stakeholders’ expectations and met our prior goals, continued investment in R&D studies, and emphasized **our approaches on the three pillars of sustainability: social, economic, and environmental**, which will be further detailed within this report.

We continued supporting local development, empowering women, improving customer satisfaction, and setting new benchmarks within the industry. We managed to gain all this success with our unique team of the best of employees, valuable customers, and every stakeholder that forms our unbreakable value chain.

We stood by our motto “local for local” and ensured to procure our materials locally and from suppliers with whom we share the same ethical values and stance against child labor and forced labor. We improved and optimized our resource consumption and energy efficiency to provide products not only good to the eye but also good to our earth and consciousness.

We made the most of an unfortunate situation where we undertook a cyberattack and showed the world our strong IT department and advanced technology deployments, which helped us overcome the attack with zero impact.

Nor this pity attempt neither the worldwide pandemic has stopped us from improving ourselves. On the contrary, it has fueled us to start our digital transformation journey. **We deployed the best technologies that will keep our employees safe from the virus, integrated the best software solutions to secure data and streamline processes, and improved the Penti Management System.**

I aspire to meet again in next year’s report in a world free of the pandemic and with the best of products, processes, and operations to offer all and each of our stakeholders.

Sincerely,
Mehmet KARACALI





02

ABOUT PENTİ ÇORAP
(15-20)

About Penti Çorap Our History

Penti Çorap's founders are two brothers, Mois and Yasef Kariyo, who started our journey in 1950 as two different companies. In 1970, the two companies merged and established "Öğretmen Çorap" with our first production facility in Istanbul, Turkey.

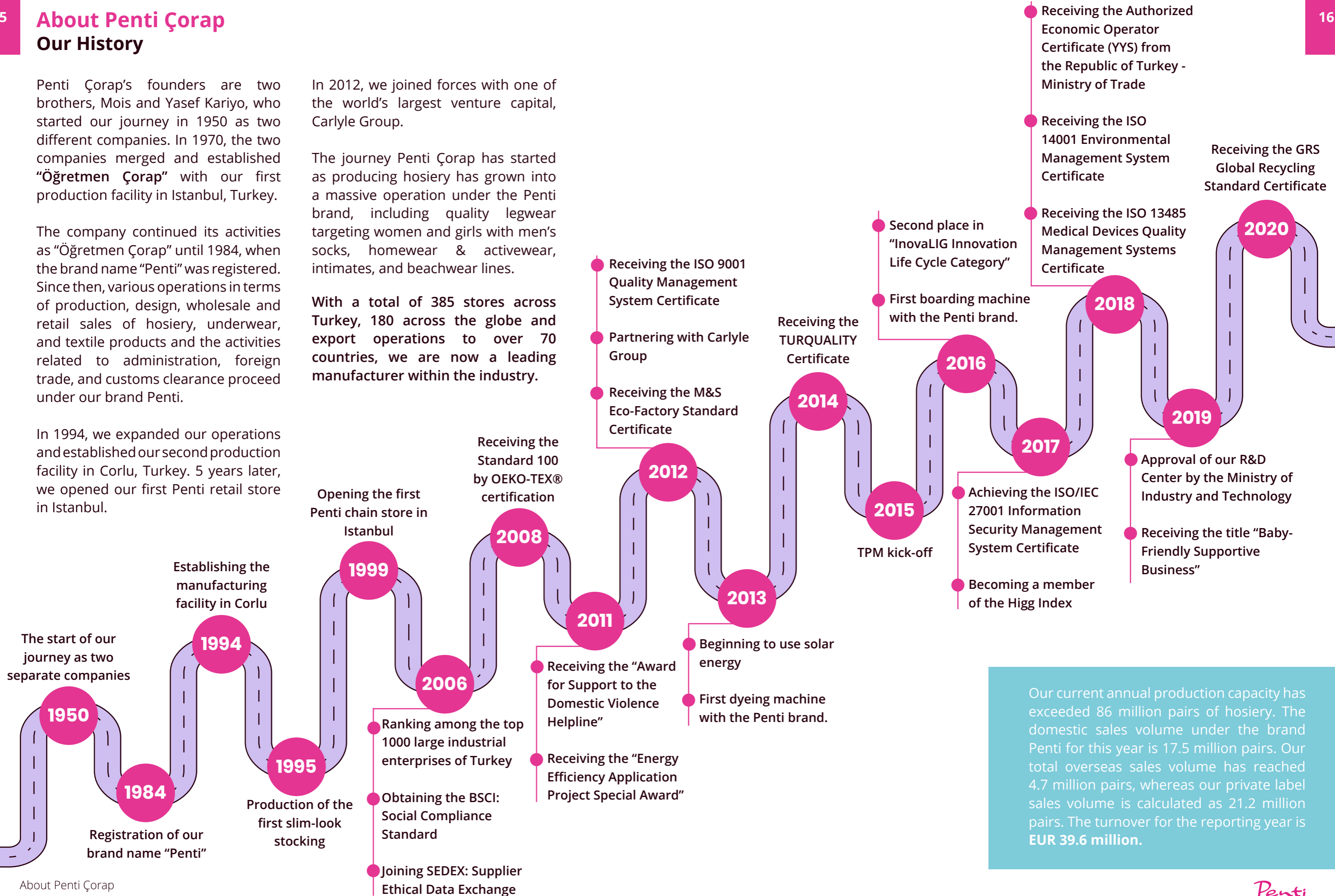
The company continued its activities as "Öğretmen Çorap" until 1984, when the brand name "Penti" was registered. Since then, various operations in terms of production, design, wholesale and retail sales of hosiery, underwear, and textile products and the activities related to administration, foreign trade, and customs clearance proceed under our brand Penti.

In 1994, we expanded our operations and established our second production facility in Corlu, Turkey. 5 years later, we opened our first Penti retail store in Istanbul.

In 2012, we joined forces with one of the world's largest venture capital, Carlyle Group.

The journey Penti Çorap has started as producing hosiery has grown into a massive operation under the Penti brand, including quality legwear targeting women and girls with men's socks, homewear & activewear, intimates, and beachwear lines.

With a total of 385 stores across Turkey, 180 across the globe and export operations to over 70 countries, we are now a leading manufacturer within the industry.



Our current annual production capacity has exceeded 86 million pairs of hosiery. The domestic sales volume under the brand Penti for this year is 17.5 million pairs. Our total overseas sales volume has reached 4.7 million pairs, whereas our private label sales volume is calculated as 21.2 million pairs. The turnover for the reporting year is **EUR 39.6 million.**

Achievement and Certificates



- R&D Center Certificate
- M&S Eco-Factory Standard
- GRS Scope certificate
- Lindex, Laboratory Accreditation Certificate
- M&S Premier Accreditation Scheme
- M&S Quality Management System Auditor
- M&S Product Safety Auditor
- OEKO-TEX Certificate
- Laboratory Accreditation Certificate (Tesco)
- ISO 9001, 14001, 27001
- SEDEX
- Authorized Economic Operator (AEO)
- Gold Award at ITKIB Successful Exporters Awards 2019
- Bronze Awards at 2020 Stevie Awards for Great Employers
- **Top 50 by Number of R&D Center Patents Received in 2020**
- **367th in R&D Investments in Turkey**

Membership and initiatives

We value sharing our know-how and experiences with other stakeholders within our industry. It gives us the opportunity to stay on top of the newest industrial developments, norms, events, and implementations.

Thus, we ensure that we have everlasting memberships with the following associations:



- Corlu Chamber of Commerce and Industry
- Istanbul Chamber of Commerce
- Istanbul Chamber of Industry
- Turkish Clothing Manufacturers' Association
- GS1 Turkey Foundation
- Istanbul Textile and Apparel Exporters Association
- Central Anatolian Exporters Association

Penti Çorap Today

This year we celebrated our 71st year within the industry. Throughout the years, we've gained profound knowledge and know-how, which help us create and implement the best sustainability practices.

With an annual production capacity of over 86 million pairs of hosiery, we are the second largest manufacturer in Europe.

Our brand recognition and brand loyalty rates are 99.6% and 78%, respectively.

We market our products at 385 Penti stores located in Turkey, 3 in Cyprus, 4 in Kazakhstan, 45 in Romania, and 128 franchises abroad. We also export to Europe, UK and USA in private label.

We owe our successful growth to our high-quality products and operations. And to ensure quality, we give high priority to creating and implementing the best practices, policies, projects, procedures, and management strategies.

In addition, we make it our primary focus to remain sustainable throughout our entire value chain. So, all of our activities are based on the three pillars of sustainability:



Economy

Create value-added products, provide employment opportunities, help local development, etc.



Environment

Preserve our already limited natural resources, provide energy efficiency, take responsibility for our impact, etc.



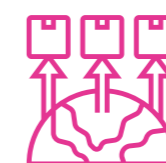
Social Issues

Defend human rights, ensure employee safety, create policies and projects, etc.

We place these three elements at the core of all of our operations and maintain them all across Penti Çorap.



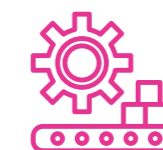
HQ located in Istanbul, Turkey



Export operations to
+70 countries



Production facility located in
Corlu, Turkey



The **2nd** largest
manufacturer in Europe



A family of **830** employees
working at our factory



Annual production capacity
+86 million pairs of hosiery



184 new recruitment
in 2020



EUR 39.6 million
economic turnover in 2020



385 domestic retail stores



17.5 Million pairs
yearly domestic sales volume



52 retail stores abroad



4.7 Million pairs total
overseas sales volume



128 international franchises



21.2 Million pairs
private label sales volume



03

**SUSTAINABILITY AT PENTİ ÇORAP
(23-26)**

Sustainability at Penti Çorap Sustainability Management

At Penti, we place sustainability at the foundations of our value creation-oriented business model. Through our integrated management system, our sustainability goals and strategies are realized under the supervision of the Board of Directors.

The BoD is the decision-making body for all the management and operations-related goals and strategies of Penti Çorap and oversees the committees below in the organization.

The risk committee is responsible for conducting regular risk assessments for the company, the findings are evaluated, and the sustainability-related risks are relegated to the sustainability committee. The Risk Committee and the Sustainability Committee both report to the CEO, acting on behalf of the BoD, on a monthly basis. The Sustainability Committee comprises the CEO, COO, System Process Development IT and Sustainability Director, Factory Production Director, and System Process Development and Sustainability Manager.

At Penti Çorap, long-term risks and opportunities are defined for 5-year periods. The Sustainability Committee monitors the climate change and sustainability risks through our risk management procedures, analyses the current situation and the management processes according to our medium and long-term sustainability goals.



Total Productive Management committees' leaders report on their monthly sustainability activities to senior management. The committee members meet bi-monthly to assess progress on goals and activities of the operational departments. The Factory Management Committee meets and reports on their results and improvements weekly to the senior management. Our sustainability committee oversees and advises on all goals and activities relevant to our sustainability values.

We have 56 employees in the TPM committees, 35% of which are female, and 96% are local to our Corlu production facility. All committee members are selected according to their specialization on the subject in order to maximize efficiency and impact on sustainability.



Sustainability Risks Groups

To cope with the effects of climate change, we develop strategies to adapt to climate change, focusing on flexibility in the company and throughout our value chain.

The risks and management mechanisms we consider in our risk assessments regarding climate change are:

Risk Type	Risk Definition	Risk Management
Current Regulations	Industrial compliance with "The Regulation on the Monitoring of Greenhouse Gas Emissions."	The regulations do not form any risk in the medium term as our installed power is under 20 MW.
Future Regulations	Turkey signed the Paris Agreement in 2016. The goal is to ensure a decrease of up to 21% in greenhouse gas emissions by 2030.	Although Turkey has signed the Paris Agreement and announced its commitment to it, it has not yet allocated industry-based emissions. Our Board of Directors expect an Emissions Trade System to be established in Turkey within a 5-year time period.
Technology	Technological developments and the switch to a low-carbon economy may affect our company.	We implement projects to practice energy efficiency.
Legal Obligations	The possible implementations of the "Carbon Tax" or "Emission Trade System" programs in Turkey will cause changes in energy sources.	Legal risks in Turkey may lead to an increase in carbon prices, which will directly affect product prices.
Market Requirements	Our customers' expectation of low carbon or zero-carbon products constitutes our major market risk. There will be an increase in manufacturing costs due to other financial effects of the market risks and changing input prices.	Legal risks in Turkey may lead to an increase in carbon prices, which will directly affect product prices.
Reputation	At Penti Çorap, changes in consumer preferences, increasing stakeholder concerns, or negative stakeholder feedback are considered reputational risks.	During the above-mentioned impact assessments, Penti Çorap's investor relationships and customer relationships are monitored continuously.
Supply Chain	We predict that our customers will start to request information regarding our products' environmental impacts during processes such as raw material procurement, intermediate product manufacturing, and shipment, as required by the principle of transparency.	In 2050, a severe water shortage is expected in raw material procurement, particularly in the textile industry, as the effects of climate change will start to be experienced more severely. This may cause an increase in raw material costs and serious troubles regarding turnovers and market share for Penti Çorap. Therefore, at Penti Çorap, we recycle and reuse water to reduce water consumption in washing baths, and we aim to reduce the number of chemicals used by 50%.

2020 sustainability motto: "Resilient: Now more than ever!"



The year 2020 has been a year that had a huge impact on all of humanity. As businesses were shut down, employees were laid off, product lines were disrupted, and many people have lost their loved ones, we consider ourselves lucky to remain resilient.

At Penti Çorap, we took every necessary measure, and with agility. We did everything we can to ensure the safety of our employees, keep our product line running, continue serving our customers, and maintain sustainability all across our value chain.

On top of all that, we undertook a cyberattack which, thanks to our strong infrastructure and timely intervention, has been overcome without any casualties.

As this attack has given us a chance to demonstrate our strength, we've implemented new policies and strategies to ensure that we never face such an unfortunate situation again.



04

**VALUE CREATION MODEL
(29-30)**

Our Strengths

Financial Capital

Manufactured capital

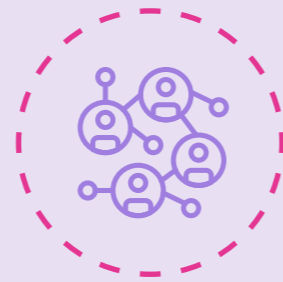
Intellectual capital

Human capital

Social capital

Natural capital

Our Values



Social Values

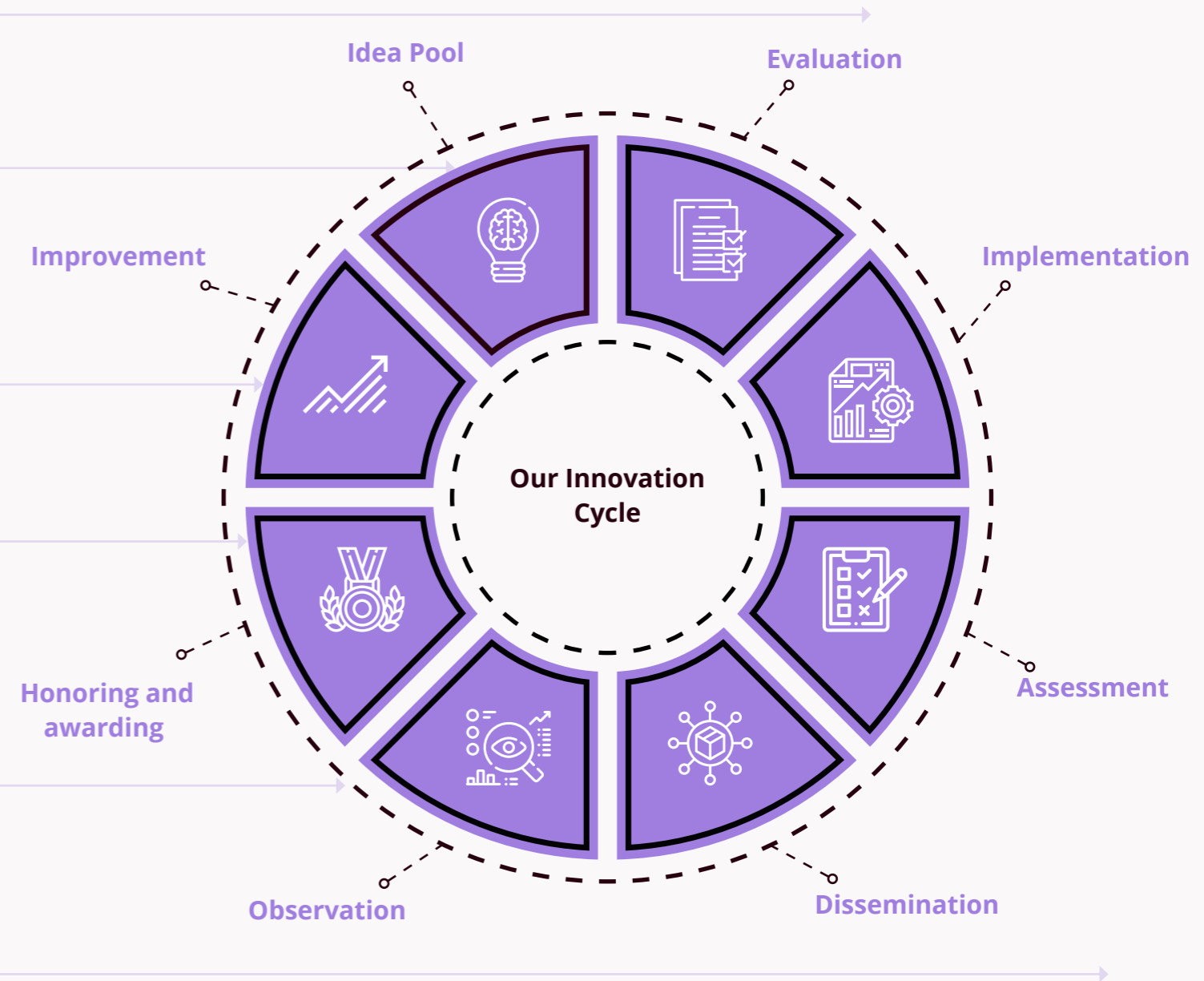


Environmental Values



Economic Values

Our Innovation Cycle





05

**STAKEHOLDER ENGAGEMENT
(33-36)**

Stakeholder Engagement Stakeholder Communication

Whoever is somehow affected by our companies' activities, products, or whatsoever is considered as our stakeholder.

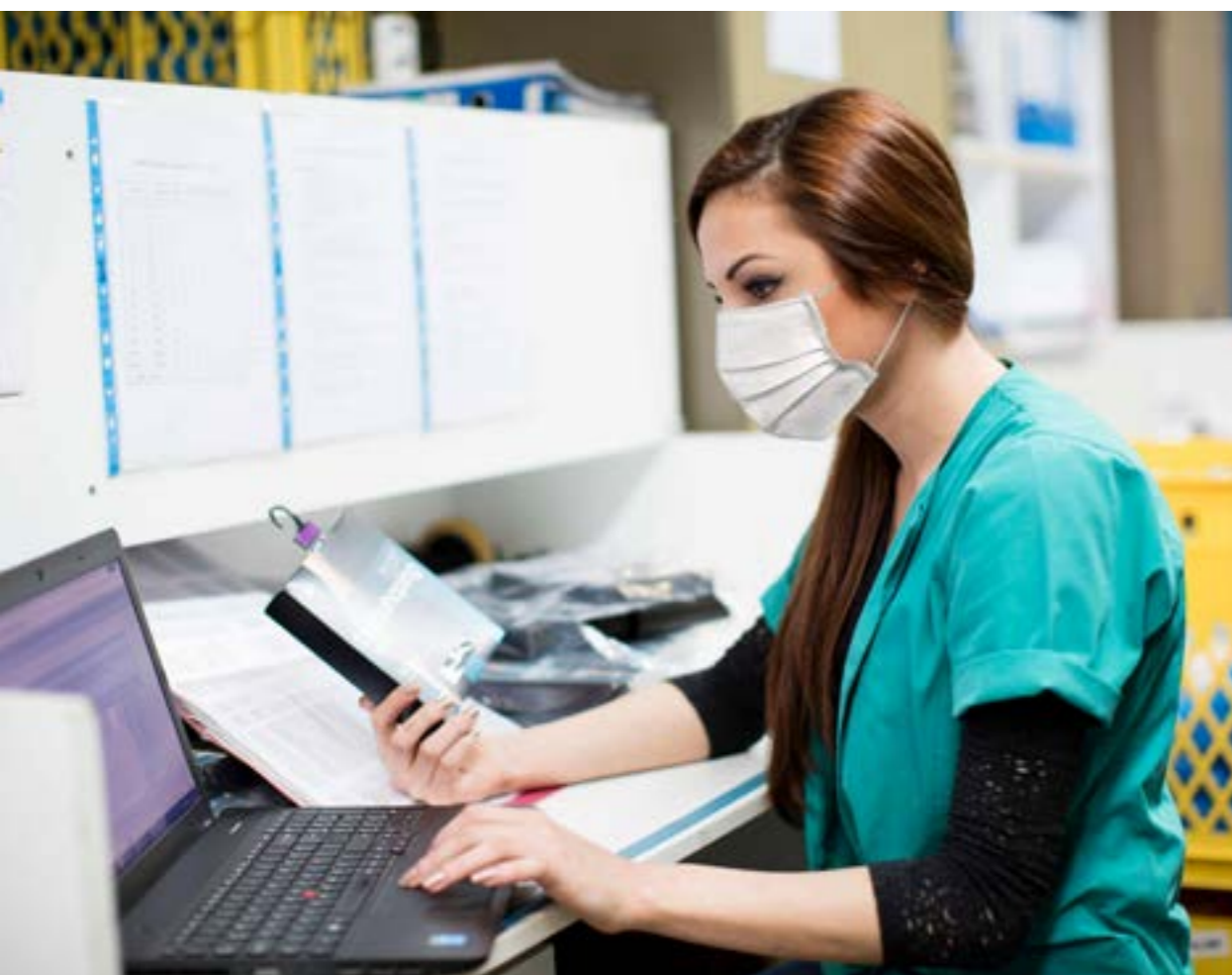
We categorize our stakeholders into two groups, internal and external.

Our internal stakeholders consist of our employees, company management, shareholders, and investors, whereas our external stakeholders include non-governmental organizations, public institutions, certification bodies, society, suppliers, and customers.

In order to be able to understand and address the needs and expectations of all our stakeholders, we ensure open and transparent communication via various channels and mediums.

This engagement also allows us to always be aware and informed of our stakeholders' concerns and opinions.

As always, we conducted surveys to determine the sustainability-related topics that should be handled. Each topic is then categorized according to its priority level, which we'll discuss further in the report.



Stakeholder Engagement

Communication With Our Key Stakeholders

Key Stakeholders	Communication Medium	Engagement Frequency	Stakeholder Needs & Expectations
Employees	Meetings, employee engagement activities, surveys, training	Instant	Better workplace environment, employee rights, performance evaluations, health and safety precautions
Customers	Meetings, audits, newsletter, email, telephone, text, online surveys	Instant	Production capacity, innovative products, sustainable products, trend-setting products,
Supply chain	Meetings, audits, email, telephone, text, online surveys	Instant	Volume increase in procurement, long-term agreements, timely payments
Management and Shareholders	Regular management meetings, regular shareholder meetings, public disclosure platforms, notifications, operating reports	Instant & Regularly	Increasing profit margins and sales, growth, operational efficiency, increasing brand value
Investors	Public disclosure platforms, operating reports, corporate sustainability reports	Regularly	Financial performance, transparency, growth
Certification bodies	Audits, meetings	Regularly	Reporting on standards, compliance to requirements
Business organizations	Meetings, seminars, conferences, online surveys	Regularly	Developing industrial approaches, collective action
Non-governmental organizations	Workshops, projects	As needed	Social and environmental projects, awareness
Governmental bodies	Conferences, Projects, face-to-face meetings, audits	As needed	Adherence to local, national and international law and regulations, compliance to social and environmental regulations, permits, financial assistance, and incentives

Materiality Analysis

We value our stakeholders' opinions. Therefore, we execute detailed analysis to be able to pinpoint the sustainability-related topics that they prioritize. We strategize and implement our sustainability practices according to the results obtained from these surveys. We emphasize the topics that have been determined to be of high priority and share all results, projects, and implementations with full transparency.

102 - 43
102 - 44
102 - 47

Priority

- 1 Biodiversity
- 2 Anti-competitive Behavior
- 3 Freedom of Association
- 4 Security Practices

High Priority

- 5 Energy in the Supply Chain
- 6 Marketing and Labeling
- 7 Training and Education
- 8 Environmental Compliance in the Supply Chain
- 9 Diversity
- 10 Local Procurement
- 11 Equal Opportunity
- 12 Supplier GHG Emissions

Very High Priority

- 13 Covid-19
- 14 GHG Emissions
- 15 Water Discharge
- 16 Direct Economic Value
- 17 Energy Efficiency
- 18 Sustainable Materials
- 19 No Forced Labor
- 20 Indirect Economic Impacts
- 21 Occupational Health and Safety
- 22 Climate Change Risks
- 23 Anti-corruption
- 24 Renewable Energy
- 25 Employee Rights
- 26 Waste Management
- 27 Non-discrimination
- 28 Water Management
- 29 Customer Health and Safety
- 30 Compliance with Environmental Norms
- 31 Employment
- 32 Customer Privacy
- 33 Socio-Economic Compliance
- 34 Local Communities
- 35 Recycled Materials
- 36 No Child Labor
- 37 Labor/management Relations
- 38 Access to Water
- 39 Situation in the Market
- 40 Human Rights Assessment
- 41 Supplier Social Assessment



Numbers represent the order of the topic, not the order of priority.



06

**ECONOMIC PERFORMANCE
(39-46)**

Economic Performance

Economic sustainability is traditionally considered the most widely accepted value for companies to be long-lasting and value-creating institutions for their stakeholders. At Penti Çorap, we give the utmost importance to our economic sustainability as it enables us to continue to contribute directly and indirectly to our stakeholders. We take pride in remaining resilient and maintaining our economic performance through 2020, a year in which the whole world faced unprecedented challenges.

Economic Impacts

Products



EUR 39.6 million

Economic value created in 2020



72 countries

Exports to a total of

Our products meet the end consumer through three different channels:

- a. Our franchise system allows us to retail all of our products directly to consumers in stores and corners. We present to the consumers both our own manufactured products and products that we vendor from our suppliers.
- b. Our wholesale operations allow us to export our women's nylon hosiery, which is entirely our own production, under our own brand. Our primary customers are distinguished wholesalers in every export country. These wholesalers can deliver products directly to consumers in their own stores and sale points or distribute them to other stores.
- c. We produce women's nylon hosiery for big brands or supermarket chains where they distribute these products under their own brand. These brands offer these products directly to consumers in their own sale points. Under this category, we work with chain stores of all sizes.



Foreign Sales Volume Under the Penti Brand



Domestic Sales Volume Under the Penti Brand



Exported Private Label Volume

In 2020, we also benefited from various government incentives to improve our factory and our contributions to our employees:

- 5% employment support
- R&D support
- Disability employment
- Investment certificate incentive
- 2019-2020 additional employment incentive
- Back-to-work (normalization) support
- Minimum wage support
- Turkish Employment Agency - On-the-job training
- Trainee/Employee cost difference
- Turkish Employment Agency (Short-term employment allowance+Cash wage support)



THE GLOBAL GOALS
For Sustainable Development

Commitment to SDGs

At Penti Çorap, it is of utmost importance that all of our sustainability projects support global sustainable development and that we contribute to social and environmental development with the economic value that we create.

Thus, in order to track and evaluate how our studies and implementations contribute to our sustainability and the sustainable development goals, in 2018, we decided to include the SDGs in our budget planning.

In light of this decision, we analyse our sustainability projects' efficiency and allocate 5% of our annual turnover to projects that contribute to the SDGs until 2025. **During the reporting year, we supported the SDGs with nearly EUR 1.8 million.**

We are looking forward to increasing our impact in such a valuable and important manner and always thrive to implement new projects that will help us achieve our sustainability goals.



	2020		2018 - 2025 Cumulative Goal	
No Poverty	16,941	1%	265,577	2%
Zero Hunger	109,744	6%	921,298	6%
Good Health and Well-being	40,399	2%	243,502	1%
Quality Education				
Gender Equality	84,818	5%	814,039	5%
Peace and Justice, Strong Institutions				
Clean Water and Sanitation	2,744	0%	30,522	0%
Affordable and Clean Energy				
Responsible Consumption and Production	324,624	18%	1,341,990	8%
Climate Action				
Decent Work and Economic Growth	994,669	56%	10,584,967	65%
Reduced Inequalities				
Industry, Innovation and Infrastructure	99,274	6%	1,074,035	7%
Sustainable Cities and Communities	0	0%	373,701	2%
Life Below Water	68,512	4%	622,836	4%
Life on Land	17,240	1%	77,583	0%
Partnerships for the Goals	2,803	0%	2,803	0%
Sustainability Investment	EUR 1,761,767		EUR 16,352,852	
Revenue	EUR 32,604,450		EUR 355,074,212	
SDGs in Revenue		5%		5%

Research & Development Center

At Pentî Çorap, we value innovation, development, and increase in success. Therefore, in 2019, we established Pentî Çorap San. Tic. A.Ş. R&D Center Technology.

The very first year of its establishment, we were 419th in R&D investments within Turkey. In 2020, **we accelerated our studies and became 367th** in the same field. We also became one of the **top 50 companies** which received the most R&D Center patents.

Today, our R&D center is managed by our COO and has a great team of employees for research. To implement our practice and projects most efficiently, we have categorized our R&D strategies as short, medium, and long-term goals.



Economic Performance

Short-term Strategies

- Developing products with competitive quality and value
- Obtaining patents for our value-added products
- Developing human and environment-sensitive sustainable products

Medium-term Strategies

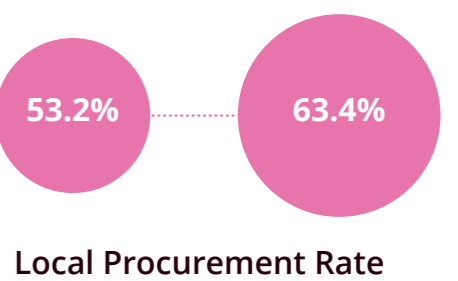
- Developing projects with universities and institutes
- Participating in innovation awareness activities
- Encouraging R&D staff to procure higher degrees
- Allocating budget for activities to follow international innovations
- Certifying our sustainable products
- Publishing annual Sustainability Reports

Long-term Strategies

- Turning projects outputs into value-added products
- Implementing a cradle-to-cradle sustainable process
- Employing more R&D staff

Procurement – Local for Local

As a leader in the hosiery manufacturing industry, we are fully aware that our operations have an important role in supporting local development. Thus, under our motto "Local for Local!", we make sure to procure the materials that we can't produce but still require locally instead of importing them. In 2020, **our local procurement rate increased to 63.4% from 53.2%.**



Local Procurement Rate



Ethical Values

At Pentî Çorap, we have a strong stance for not involving any unethical practice or approach in our business.

With one of our policies being regarding fighting against corruption, we shared our policy with 129 people and with all our customers and auditors that have shown interest in it. Thus, we are proud to state that all our implementations regarding this topic have been successful as we have never encountered any cases related to corruption, bribery, or sort.

Digital Transformation

The 4th Industrial Revolution (industry 4.0), which emerged as a result of the changing and transforming world, increases the role of technology in production, enables the management of production processes with cyber-physical systems, networks, and artificial intelligence, and increases efficiency.

At Penti Çorap, we also attach great importance to all kinds of software deployments that will optimize our management and production systems.

The SAP AFS software, which we plan to use until 2030, contains the variant solution for our production systems in our factory. Its software solution partners are also used in human resources, payroll, finance, and cost accounting. SAP also enables us to manage integration with Penti Giyim in sales, purchasing, and delivery operations. While all additional software support in the production area is developed by the Penti Çorap information technologies team, outsource support can be obtained as our projects expand.

We use Icron software, which is integrated with SAP, in production planning and order management. We succeed in preventing disruption in the production process of nearly 700 models and optimizing this complex system via our software deployments.

Some of our implementations within the scope of digital transformation in 2020 are:

- Datacenter replacement
- e-waybill
- Sewing automation"
- Domain change and new server setup
- Network renewal
- Yarn automation trial
- Penti Management System (PMS)



Penti Management System (PMS)

At Penti, within the scope of our transformation to industry 4.0, we have started to manage our existing implementations such as Total Productivity Maintenance (TPM), Integrated Management system, and all other information technology studies on our open source and Java and IoT based Penti Management System (PMS), which has been developed by our own software team.

With the PMS, we aim to find permanent and systematic solutions to facility and employee issues, increase efficiency and prevent losses and accidents and gain a competitive edge within the industry.

In 2020, the usage rate of the PMS increased to 70%. Our goal in 2021 is for the PMS to be used by 90% of our employees so we can digitally monitor, plan, and forecast all of our workflow processes.

The PMS system, which is the backbone of our TPM management system, enables us to track error cards, suggestions, kaizen, and OPL and facilitates assessing our performance and disseminating our successful applications.

With the Planned Maintenance module within our system, we keep track of the maintenance and repair records of the machines in our factory and create the necessary infrastructure for periodical maintenance operations. This streamlines the intervention of the repair team in case of any malfunctions and tracking feedback from machine operators.

The digital transformation of our management system also enables digital archiving for Penti. Thus, we execute archiving meeting minutes and tracking strategies, decisions, targets, implementations, and developments via the PMS. We can also evaluate feedback with agility and conduct online internal audits and assignments.

Another benefit of the PMS is optimizing our R&D processes. With the Design Form (DF) module, we use the acquired experiences of similar products in the design and development of new products. We keep track of our projects and applications through the R&D center tracking program. By assigning relevant people, we enable product development with a more comprehensive view.

Our human resources department can also monitor employee performance via the PMS. HR processes will be managed fully-digitally on the PMS once the utilization rate, which has increased to 70% in 2020, comprises all of our employees. In addition, our HR management systems were improved with the created training-capability-skill matrix infrastructure. We also created the necessary structure to track COVID-19 positive employees on the PMS.

To overcome the difficulties encountered during the pandemic and continue our contribution to our employees, we created an online training program on the PMS, enabling us to provide continuous and uninterrupted training.

Overall, the PMS has been developed by our in-house team of experts and according to our corporate culture. Not only does it streamline processes and crisis management, but it also provides the required agility, flexibility, and equipment to address emerging topics. Managing all processes and decisions regarding our sustainability on the PMS is also a valuable asset that strengthens our entire operation and value chain.



07

**SOCIAL PERFORMANCE
(49-58)**

Social Performance

Our social sustainability performance is of great importance to Penti Çorap as it demonstrates our contribution to our employees, those who contribute to our value chain, and the local people of the regions where we operate.

Employment

As a textiles manufacturing company, Penti Çorap's most important asset is its human capital. We depend on our employees located in both Istanbul and Corlu to improve our value chain day by day.

Our employees are among the most important stakeholders in our value creation model. We cherish each of our employees and support and protect their legal rights. All of our blue-collar employees (668) work under the collective labor agreement made with the TEKSIF Union. In addition, all of our white-collar employees benefit from "Private complementary health insurance."

Our total number of employees in 2020 is 830 which 63% are female. 80% of our employees are blue-collar (668), 10% of them are grey-collar (83), and 10% of them are white-collar (79) employees.

We also contribute to local development with new employment opportunities. We have 184 new hires in 2020, of which 80% of them are female, contributing to our vast majority of female employees.

We share the joy of our employees who have become parents. Thus, we make sure to have them use their maternity/paternity leaves as they wish and as guaranteed by domestic laws with the insurance of continued employment.

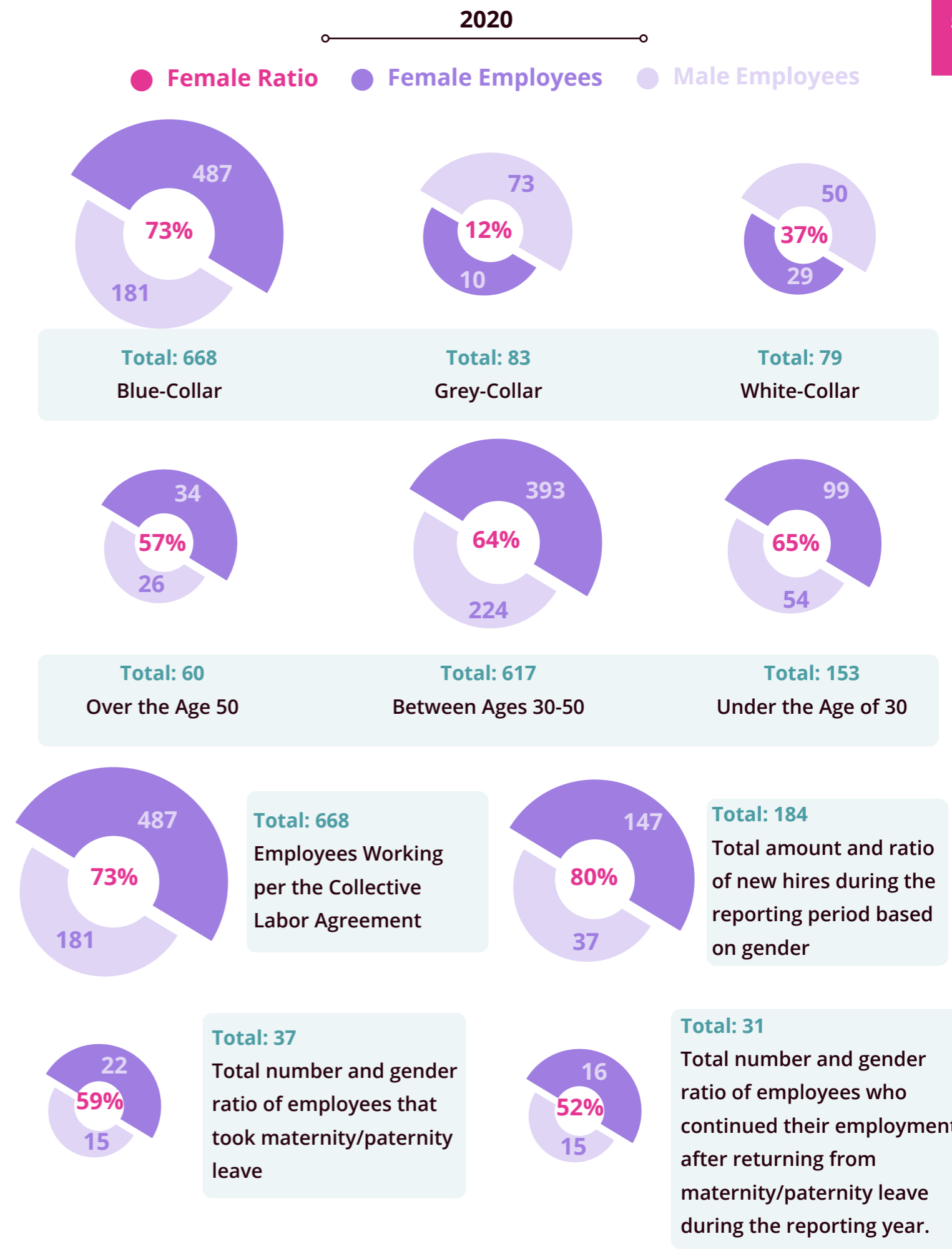
We are glad to have improved our social performance without any compromises in 2020 when we all were tested by a global health crisis.



All of our female employees have the right to use their paid 16 weeks maternity leave within the time period of their choice. They are also entitled to extending this 16-week period by taking unpaid leave. On the other hand, our male employees have the right to a 5-day paid paternity leave.

The number of employees that have taken maternity/paternity leave in 2020 is 37 (22 female and 15 male employees), and 31 of them have returned from their maternity/paternity leave (16 female and 15 male employees).

We offer our employees fringe benefits in terms of food and fuel allowance, daycare support, children's education, religious holidays, education, birth, leave travel, death, and marriage. All data regarding HR are managed in SAP systems.



Baby-Friendly Supportive Business

We aim at supporting our female employees in any way possible. Thus, we make sure to implement the best practices and approaches that will help us do so.

We offer free daycare services and provide scholarships to our employees' daughters who are attending university. We make sure that our employees benefit from their entitled maternity benefits, giving them the confidence and reassurance that they'll be able to continue their employment.

Great Place to Work

Companies that aim to cultivate an employee-oriented and trustworthy corporate culture can facilitate innovation and increase their economic performance via high employee satisfaction. At Penti Çorap, our primary focus is to provide a safe, respecting, and caring workplace for our employees. Therefore, we are proud to have taken part in the Great Place to Work® survey in 2020 and to be considered among the best employers in Turkey.

With the Great Place to Work Model, we get to evaluate our employees' opinions of Penti Çorap and benchmark our company's performance with other companies in Turkey and globally.

This year's Great Place to Work survey also evaluated companies' response to the difficult conditions created by the COVID-19 pandemic, which entered our lives in 2020 and seems to continue to affect our personal lives and the business world in the future, under the title "Care in Action COVID-19."

Our implementations have gained us the "Baby-Friendly Supportive Business" title awarded to us by the program "Breastfeeding Promotion and Baby-Friendly Health Facilities."

As an industry leader with a female employee ratio above the average of Turkey, we are proud of empowering women. We will continue to create more employment opportunities for female employees while facilitating their time in our company.



Despite the difficult working conditions encountered throughout the year, our employees' overall satisfaction rate increased to 75% in 2020. We also were selected as the 3rd best company in Turkey within the 2,000-5,000 employee classification in the Great Place to Work Model.

The survey results show that our management of the pandemic crisis has been effective as 88% of employees have stated that management has cultivated an approach that protects employees against the negative effects of the pandemic. In addition, 85% of employees stated that they trust the decisions of senior management during the pandemic, and 82% stated, "I think we're working together, supporting each other in this process."

Occupational Health and Safety

At Penti Çorap, it is our responsibility to provide our employees a healthy and safe work environment. Therefore, we make sure that we have implemented every reasonable preventive measure and equipped our employees with the necessary training. We ensure that our employees are aware of occupational health and safety risks via warning and caution signs placed throughout our factory and administrative building.

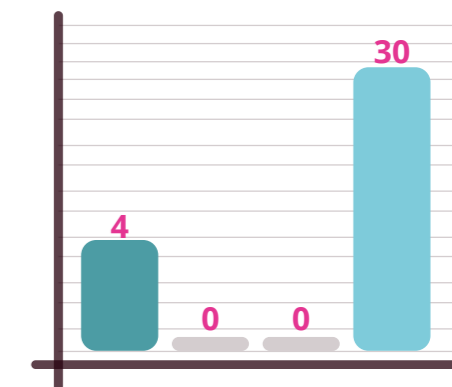
Every incident has a negative impact on our employees' health and wellbeing, work efficiency, and our company reputation. Therefore, it is our primary focus to implement the best strategies to mitigate risk.

We manage incidents based on our internal regulations and policies created per national and international norms.

We regularly record the numbers of near-misses and work accidents, the impact rate of incidents, the number of lost days and absenteeism, and the factory's total risk score. We also monitor our progress in terms of meeting our goals very closely. We are glad to announce that there hasn't been any incident involving death in the past 3 years (2020, 2019, and 2018).

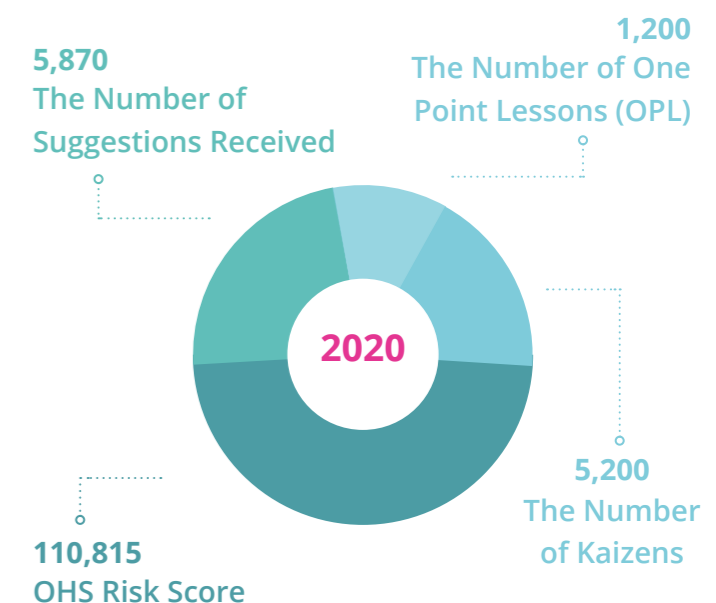
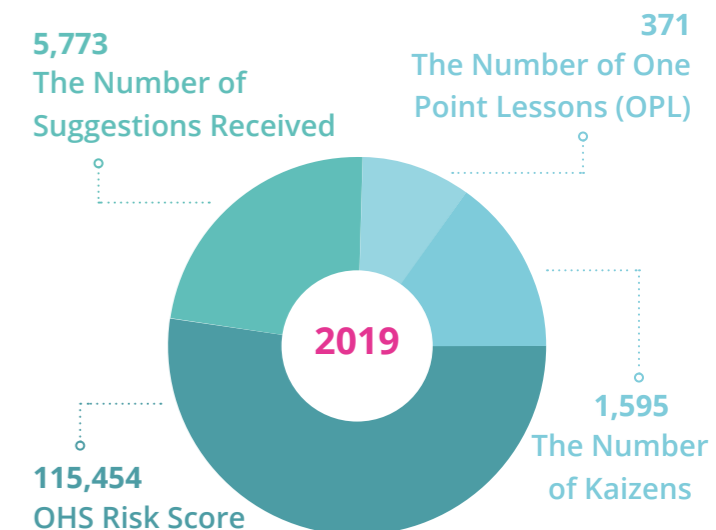
To meet our "Zero Breakdown" and "Zero Error" goals, we implement TPM (Total Productive Maintenance) in our factory, which helps us mitigate risk and prevent incidents from occurring. In 2020, we managed to decrease our OHS score to 110,000. This shows a 77% improvement in our OHS score compared to the base year of 2015.

The OHS Risk analysis is prepared with the department manager based on information acquired from people working within the department. In addition, we have an "OHS near-miss and SHE module" within the Total Productive Management system, which reports risk and is monitored closely. Every 3 months, the OHS board holds a meeting in which a workers' representative is included.



- Total number of accidents involving injury
- Total number of lost days
- Total number of cases of occupational disease
- Total number of accidents involving death

2020 Data Based on TPM Activities in The Factory



COVID-19 Measures

There isn't a person, country, industry, or company that hasn't suffered from COVID-19's adverse effects. As the pandemic has spread across the globe at an unprecedented speed, everyone has created new ways and measures to cope with it.

Unfortunately, in 2020, we had a total of 55 cases of COVID-19 in our facilities. However we have recorded no lose lives and no workforce related operational stops.

In March, at the very beginning of the pandemic, we had to shut down all our facilities between **28.03.2020 - 31.05.2020** to prevent the spread of the unknown virus. During this time, we formed a comprehensive COVID-19 contingency plan. We update and revise this plan in accordance with the new requirements and updates regarding the pandemic.

We executed an investigation to implement the best pandemic measures. During the investigation, rest areas, the cafeteria, and transports have been determined as places with a high risk of infection.



Penti Factory Precautions Against COVID-19

- **Body temperatures are regularly checked for each employee at the beginning of each shift.**
- **Markers are clearly placed throughout the factory to enable social distancing.**
- **The cafeteria is re-organized, enabling us to have meals with social distancing. All tables are separated, and only two people are allowed to sit at a table for four.**
- **Floor markers are also organized to enable social distancing at meal ques.**
- **Cutlery in packaging is given separately for each person during meals.**
- **Hand sanitizers are placed in almost every passage within the factory.**
- **Hand and desk sanitizers are distributed to offices for regular use.**
- **Offices are disinfected regularly every day. Domestic air conditioners are forbidden to use.**
- **Drinking water is cleansed regularly.**
- **Using face shields over face masks is made mandatory in crowded production areas.**
- **All luminaires are now with photocells in the whole factory.**
- **Factory transports are sanitized, and their capacity is reduced by 50% to provide social distancing. Face masks are made compulsory in transports.**
- **To prevent spreading the infection in case of a possible infection and to identify people who have contact with the patient, employees are asked to eat at the same table every day and commute in the same seat.**
- **We provide 100% clean air with UV central AC systems. Tests conducted in the USA and the EU have shown that UV rays have mortifying effects on viruses. Thus, we installed a central AC system at our facilities in air transition areas. It is designed to kill the COVID-19 virus that can be carried with the air.**

We also organized online seminars to help our employees cope with the state of emergency during the pandemic:

- **Anxiety management during COVID-19 seminar**
- **Child mental health during COVID-19 seminar**

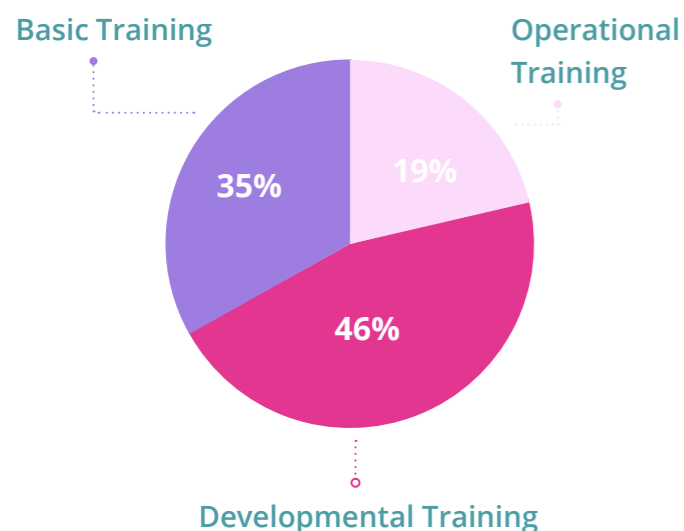


Training

The path to quality products and efficient manufacturing processes is through knowledgeable and competent employees. Therefore, we prioritize the training of our employees and ensure that they are given every chance to improve their productivity while improving their technical, social, and administrative skills. These training are categorized as basic, operational, and developmental training.

The average training duration during the reporting year is 6 hours per employee. The training program is vastly constituted of TPM training. TPM training includes production system improvements, occupational health and safety, one-on-one training in the training room, and improvement in systemic work. We also provide training on personal development. Because of the pandemic, there were disruptions in our 2020 face-to-face training program as the suitable training has been executed online.

As a part of our digitalization efforts in 2020, we developed an online training program on our Penti Management System. Thus, not only have we created a permanent solution to overcome the challenges in training during the pandemic, but we also made our training program more accessible by our employees.



Sustainability training attended by our employees:

- Chemicals Management & Impact of COVID-19 on wastewater
- Science-based production and efficiency at times of crisis
- Primark: Chemicals and Pollution Management training
- EU Green Deal, Climate Change and its impact on Turkey
- Primark: Requirements of Environmental Management Systems training
- Textiles Exchange: Sustainability Solutions in Textiles

Prevention of Child Labor and Forced Labor

Employee Rights and Equal Opportunity

We guarantee to protect all and every right of our employees with internal regulations in accordance with national and international norms and to:

Respect the personality and honor of every employee, not inflict corporate punishment, and not allow any verbal, physical, or psychological harassment or coercion,

Comply with the current laws and regulations in the determination of working hours and to act upon the principle of voluntariness for overtime work,

Distribute payments for regular and overtime work in accordance with laws and the collective labor agreement and to provide employees with the fringe benefits included in the collective labor agreement,

Employ individuals based on their work-related competencies, regardless of their race, language, religion, ethnicity, political views, color, pregnancy, age, marital status, or gender and to execute salary, fringe benefit, and promotion procedures accordingly,

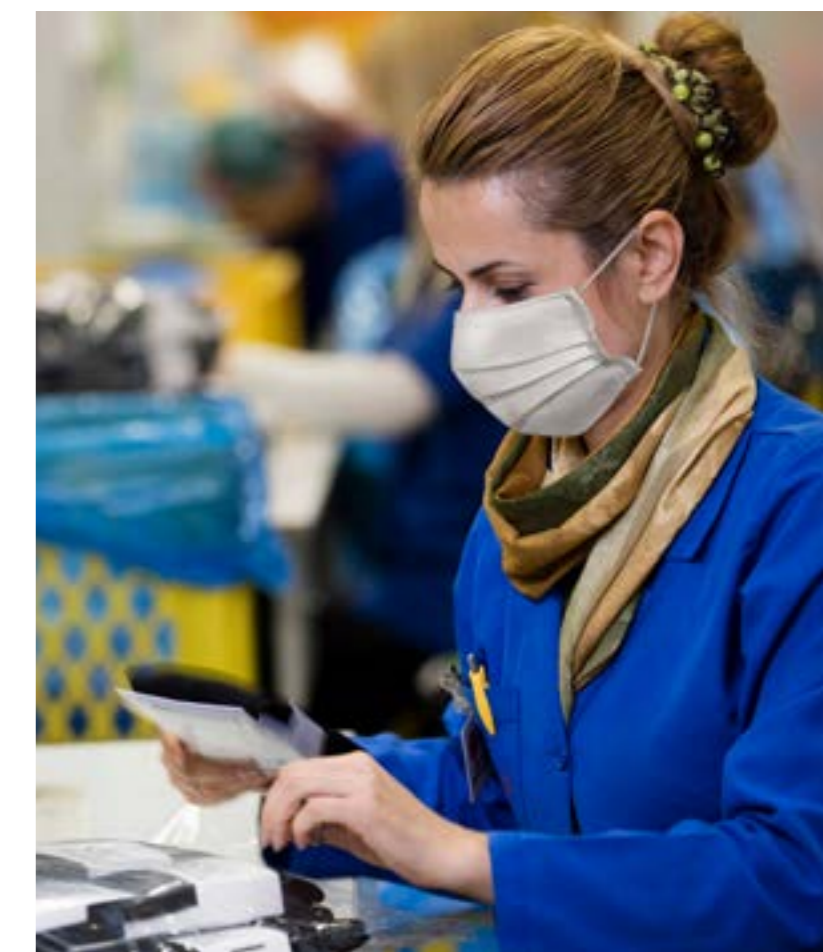
Respect employees' right to collective bargaining with the authorized union.

We will fight against unethical approaches such as child labor and forced labor to the fullest extent. Thus, we hereby guarantee to:

Avoid forced labor in our company and throughout our value chain and have zero tolerance for such circumstances,

Abide by the procedures and principles guiding child and youth employment and to not employ child and young workers,

Assess the social compliance of our suppliers, act upon assessment results through action plans and gradually increase social compliance levels.



Customer Satisfaction and Privacy

Our customers' satisfaction is of significant importance for us. Thus, we always strive to produce high-quality and sustainable products. We evaluate our customers' feedback that we acquire from our customer satisfaction system and utilize them to improve our production processes.

Customer privacy, which is considered a great extent of customer satisfaction, is also a critical topic for us.

On July 31, 2020, we found out that we had become a target of a cyberattack organized by international networks that many institutions around the world have also encountered. We have overcome it with great agility and resilience.

With the great contributions of our information technology, cybersecurity teams, and our stakeholders with which we receive cybersecurity services, we immediately intervened in the attack and prevented them from accessing our systems.

After a detailed review and analysis of all our systems that may have been subjected to the cyberattack, we created the Penti Çorap Cyber Attack Emergency Action Plan, updated our GDPR (the law on the protection of personal data) measures, and gave GDPR awareness training to all our employees who are authorized to access and process personal information. We informed all of Penti Çorap's current and former employees of the ongoing responsibility.



Some of the measures taken under our updated GDPR policy are as follows:

- Existing risks and threats regarding processed personal data have been identified,
- Employees are subject to periodic training regarding personal data security,
- The roles and responsibilities of employees regarding personal data security are identified in their job descriptions.
- Confidentiality agreements are applied.
- Disciplinary arrangements, including data security provisions, are created for employees.
- Unnecessary personal data is destroyed in accordance with the personal data retention and destruction policy and the regulation regarding the deletion, destruction, or anonymization of personal data.
- Data processors and others with whom the data is shared commit to a written contract regarding the protection of personal data and data security, or new arrangements are applied to their existing contract.
- Data processors are aware of data security – either by contracts signed with data processors or by the provisions placed in their existing contracts.
- Data processors are periodically audited for data security.
- Gateways are deployed against attacks from media such as the Internet.
- Firewalls are deployed.
- Systems containing personal data are accessed by using a username and a strong password.
- An authority and control matrix has been created for employees.
- Access logs are logged regularly.
- Data masking measures are applied when necessary.
- Penetration tests are executed.
- Attack detection and prevention systems are deployed.



08

ENVIRONMENTAL PERFORMANCE
(61-66)

Environmental Performance

At Penti Çorap, we believe that environmental sustainability is our responsibility to the world we live in. It is essential for us to continue our operations and expand our positive impact. Our integrated management system prepared according to our environmental policy covers and manages all of our operations, activities, services, and products, along with our suppliers in various stages of our value chain from design to manufacture to retail, in accordance with the ISO 14001 standards.

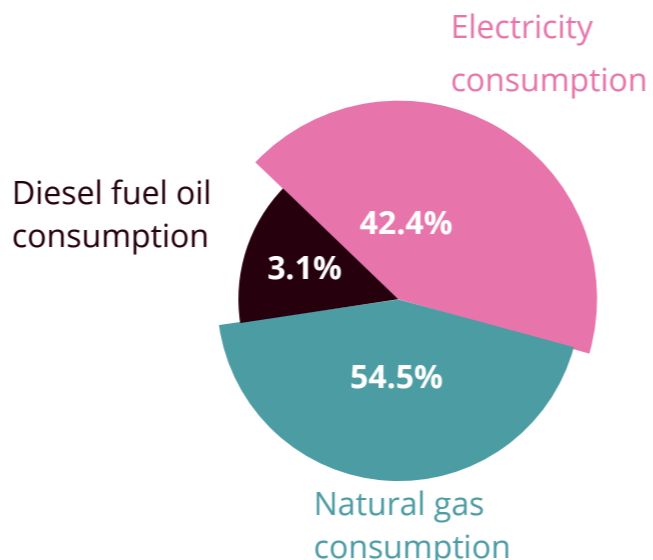
Energy

Energy is one of the most important inputs for our production process as it ensures vertically integrated production lines. Energy production from conventional energy resources has a direct effect on climate change that threatens our very existence in the future as a business as well as people. Therefore, at Penti Çorap, we prioritize increasing the energy efficiency of our systems through R&D and adopting new technologies while also transitioning to the production and consumption of renewable energy at our facilities.

In 2020, our total energy consumption was 32.5 Million kWh. Notably, it is about 22% lower than our consumption in the previous year, as our production facilities have been shut down for over two months due to measures against the spread of COVID-19 before we restarted our operations in June 2020.

Our 2020 total electricity consumption was 13,766,965 kWh, our natural gas consumption was 17,716,355 kWh, and our diesel fuel oil consumption was 987,492 kWh.

As for the energy intensity of our products, we have consumed 3.35 kWh of electricity and 4.22 kWh of natural gas for the production of a dozen hosiery, slightly less than our previous per a dozen product consumption amount.



We are also producing solar energy through our on-the-ground solar panels at our facility. With which we are constructing our energy policies, comparing the efficiency of renewable energy production at our facility versus efficiency of investment in energy projects in the medium and long term. According to the results of our observations of our production and energy trends and regulations, we plan to redirect our investments to where they are most beneficial to both Penti Çorap and our world.

Water

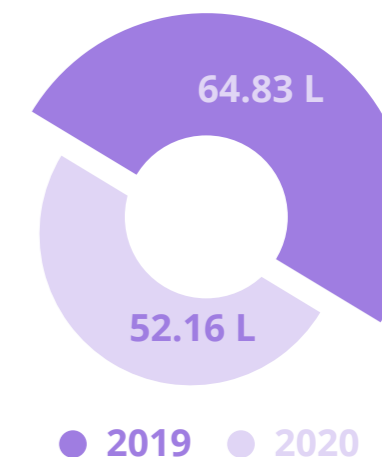
Water is the source of life on Earth. It is a natural resource that is under threat of climate change in some areas of the world, such as our country of operation. According to scientific studies, Turkey is expected to experience a period of drought in the next two decades. At Penti Çorap facilities, we care about our water consumption and aim to increase our usage efficiency while reducing our total consumption of water.

In 2020, we consumed 178,100 tonnes of water in our operations.

Our average water consumption per dozen of products dropped to 52.16 liters, with a 20% reduction in usage compared to the previous year.



Average water consumption per a dozen product



At Penti Çorap facilities, we use fresh water withdrawn from the underground. While we consume this water in our operational processes as well as our domestic use, such as in the kitchens, it is consumed most intensely in our dye-house for the coloring of PA, cotton, and PES products, for the last touch and creation of effects on the product.

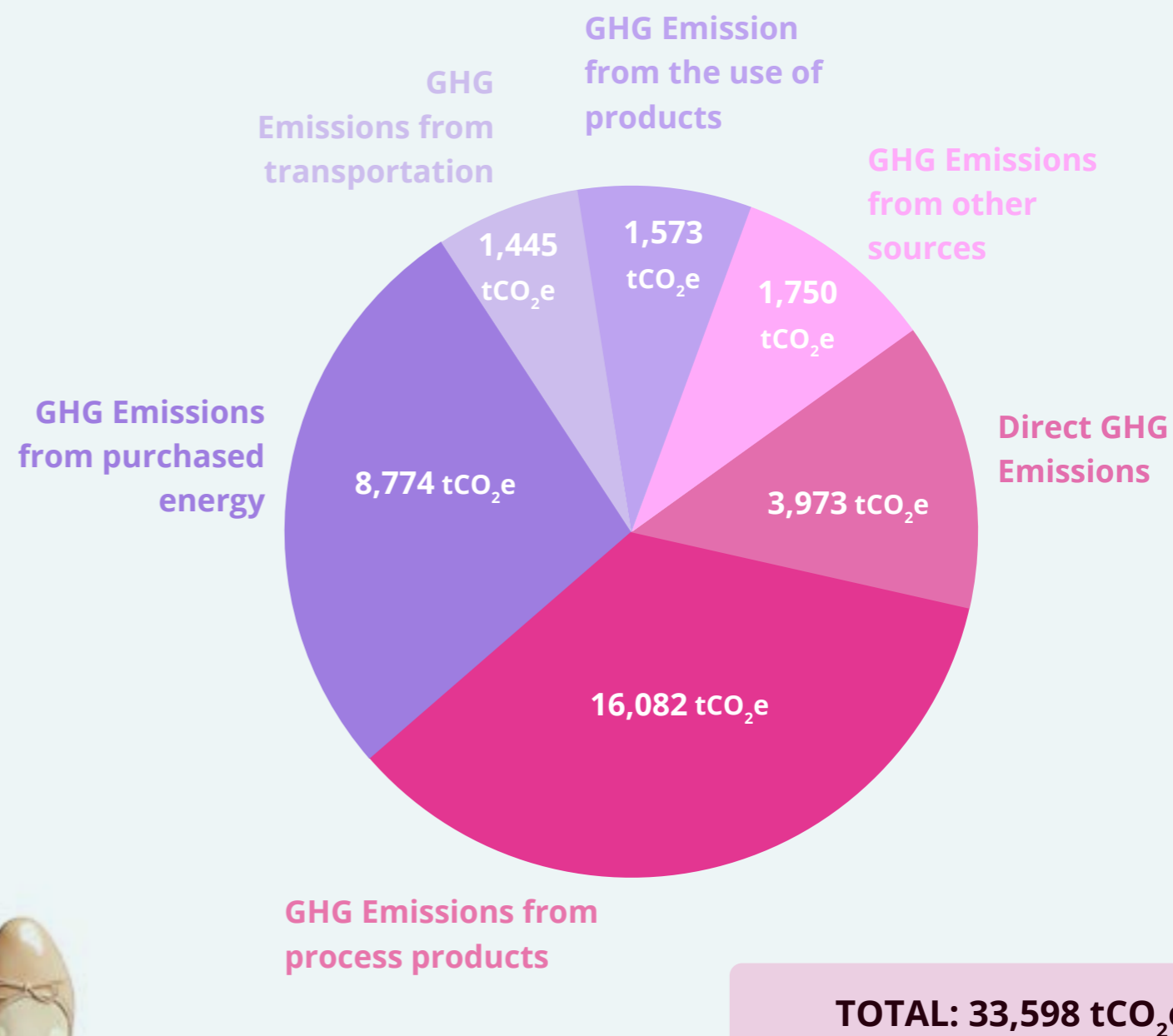
At this stage, our water is contaminated with chemicals used in the dyeing process, even though we are only using chemicals that are approved by international textiles standards such as ZDHC and Bluesign. In cases where our chemicals are not officially approved, we demand Compliance to the Standards documents from our suppliers to ensure quality and sustainability throughout our supply chain. The contaminated water is transferred to our wastewater treatment plant that is compliant with all the national environmental management standards before our wastewater is discharged into the environment.

The risks born from climate change are becoming inescapable each day, as the world witnesses one extreme weather event after the other, as droughts and wildfires take a different land under hostage every year, causing the destruction of millions of fertile land, home to numerous animal species as well as people.

The Greenhouse Gas (GHG) emissions from industrial production have been the primary driver of the imbalance of atmospheric gases. The Intergovernmental Panel on Climate Change (IPCC) has been meeting with world governments in order to establish a system to track and limit GHG emissions to a level that protects the habitability of the planet while allowing the growth of our populations and economies. The Kyoto Protocol, followed by the Paris Agreement in 2016, and the European Green Deal are all international agreements that aim at the same outcome of climate neutrality by 2050.

At Penti Çorap, we believe in taking responsibility for our business activities. In the reporting year 2020, we have continued our annual carbon footprint studies by adopting the latest version of the ISO14064-1:2018 standard and we calculated our direct and indirect GHG emissions.

As a result of our calculations, we have observed minimal change in our direct emissions and indirect emissions from imported energy, compared to Scope 1 and 2 emissions from the base year 2018. However, the comprehensive approach of the new ISO 14064-1 standard has revealed our real indirect emissions in Scope 3. Our GHG emissions in 2020 is total to 33,598 tons of CO₂ equivalent.



Waste

Waste management is a significant piece of our environmental management system at Penti Çorap. We follow and organize our waste management approach according to our "Zero-Waste" policy, which requires a reduction in the total waste generated in any and all activities of the company, development, and reorganization of systems to minimize wastage on the production line, and regular evaluation of generated waste according to amount and type of waste, recycling, and recovery potential.

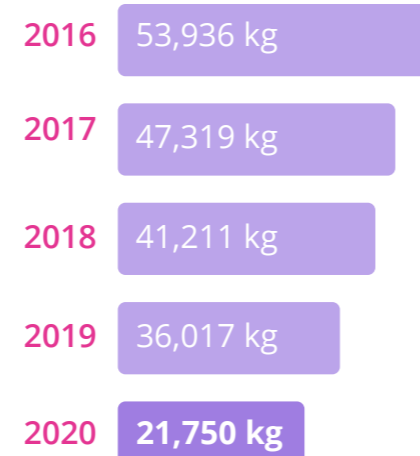
Non-hazardous waste that may be recovered through our own systems are separated as materials to be used. Hazardous waste is sent to waste disposal companies to be processed before disposal, and recyclable waste is recycled through authorized institutions. We pay utmost attention to how waste generated under our responsibility is treated in the most environmentally friendly way possible after it has left our facilities.

We value repurposing waste in all of our operations. As part of our cradle-to-cradle processes, our nylon textiles waste is reused as raw material in component manufacturing for the automotive and children's toy industry. Cotton and polyester waste are reused as filling materials in the furniture industry. All of our paper and nylon packaging materials are directly recycled.

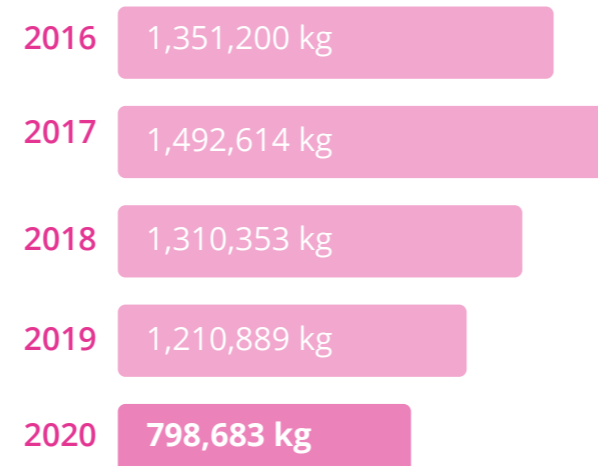
In the reporting period, we have sent 21.7 tons of hazardous waste to be processed, we have generated close to 798 tons of non-hazardous waste and recycled 42 tons of plastic waste.

We assess our waste in several categories in order to dispose of properly:

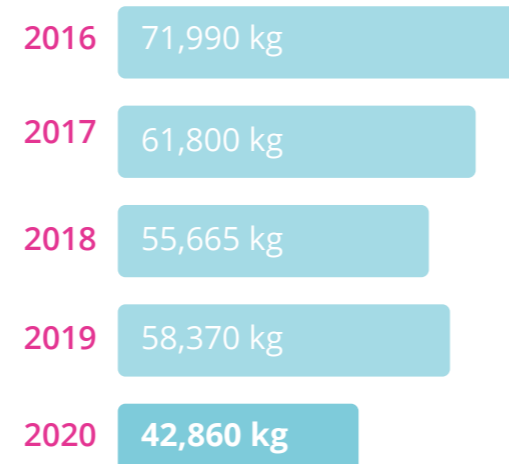
Hazardous Waste



Non-hazardous waste



Plastic waste sent to recycling



Materials

Materials are the most important ingredients in the manufacturing process. And as a globally leading manufacturer of hosiery, we believe that increasing our use of sustainable materials without ceding on the quality of our products is important to establish a more sustainable hosiery industry.

To achieve more sustainable production, we aim to cultivate cradle-to-cradle manufacturing operations, reduce our wastage in the manufacturing line, and recover materials that may be used elsewhere in the circular economy. We inform our suppliers of our intent to procure materials with higher recycled input and recyclability potential.

In 2020, 1% of our procurement of raw materials for thread production had been made on sustainable materials.

We also aspire to increase sustainable materials used for product packaging. In 2020, we used over 6 million parcels and boxes made from 100% recycled paper.





09

**CORPORATE SOCIAL RESPONSIBILITY
(69-70)**

Corporate Social Responsibility

Cooperation Protocol with the Namık Kemal University

We have signed a protocol with the Namık Kemal University to cooperate on academic and technical education. As part of the project, NKU students from the Vocational School of Higher Education, Civil Engineering, Construction Technology, and Building Control departments have started to study Penti Çorap production facilities. They are working on projects that control the structural security and soundness of our industrial facilities as part of their higher education programs.

Webinar on Child Mental Health During COVID-19

Pandemic has incrementally changed the way of life that we have been used to. As we have started to adapt to remote working, our children have also been struggling with the change in their lives, away from their friends and playgrounds. We have organized the webinar "Child Mental Health During COVID-19" for our parent employees to help them manage the effects of the pandemic on their children.

Career Mentorship to Corlu IMKB Science High School Students

We have contributed to Corlu IMKB Science High School Career Days. Four of our employees with different engineering backgrounds gave career mentorship to students through introducing industrial, mechanical, electrical, and textiles engineering areas and how that education contributes to their role at Penti Çorap.

Webinar on Anxiety Management During COVID-19

At the beginning of the pandemic, we observed that the transition to life during the COVID-19 pandemic was difficult for our employees. The uncertainty surrounding the pandemic has made us all anxious. We have organized the webinar "Anxiety Management During COVID-19" for our employees, who are struggling with adapting to the uncertainty of COVID-19.

Day of sharing with the Turkish Education Association

We have responded to the call from the Turkish Education Association to support them on the first day of the Day of Sharing in Turkey. As Penti Çorap, we took on supporting the continuous education of several students. #educationchanges

Seminar on Violence Against Women

Violence against women is an untenable issue that we take a strong stand against. In February 2020, we invited the Istanbul representative of the We Will Stop Femicide Platform, Fidan Ataselim, to give a seminar on the issue. She has explained the state of femicides in Turkey and what can be done when faced with violence to the 43 seminar attendees.

Breast Cancer Awareness Seminar

As a company whose majority of employees are female, we feel responsible for ensuring we are all educated on women's issues. At the beginning of March 2020, we organized a "Breast Cancer Awareness Seminar" with Opr. Dr. Hakan Sunal at Optimed Hospital. 41 of our employees attended the seminar and were informed of the risks and discovery methods of breast cancer.





GRI & SDGs CONTENT INDEX
(73-78)

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



GRI Standard	Disclosure	Page/Answer
GRI 101: Foundation 2016		
GRI 102: General Disclosures 2016		
Organizational Profile		
	102 - 1	4
	102 - 2	15
	102 - 3	19, 20
	102 - 4	19, 20
	102 - 5	4
	102 - 6	19, 20
	102 - 7	19, 20
	102 - 8	49, 50
	102 - 9	15
	102 - 10	No significant change has been observed.
	102 - 11	25
	102 - 12	17
	102 - 13	17
Strategy		
	102 - 14	7 - 12
	102 - 15	25
Ethics and Integrity		
	102 - 16	44
	102 - 17	44
Governance		
	102 - 18	23, 24
	102 - 19	23, 24
	102 - 20	23, 24
	102 - 22	23, 24
	102 - 26	23, 24
	102 - 32	23, 24
Stakeholder Engagement		
	102 - 40	34
	102 - 41	49
	102 - 42	33, 34
	102 - 43	33 - 35
	102 - 44	35, 36

**GRI 102:
General Disclosures 2016**

Reporting Practice		
	102 - 45	4
	102 - 46	4
	102 - 47	35
	102 - 48	No significant change has been observed.
	102 - 49	There are no changes in reporting.
	102 - 50	4
	102 - 51	4
	102 - 52	4
	102 - 53	79
	102 - 54	4
	102 - 55	73 - 78
	102 - 56	4
GRI 102: General Disclosures 2016		
GRI 200: Economic		
Economic Performance		
	103 - 1	39, 40
GRI 103: Management Approach 2016	103 - 2	39, 40
	103 - 3	39, 40
GRI 201: Economic Performance 2016	201 - 1	39
	202 - 2	25
	202 - 4	39
Procurement Practices		
	103 - 1	44
GRI 103: Management Approach 2016	103 - 2	44
	103 - 3	44
GRI 204: Procurement Practices 2016	204 - 1	44
Anti-corruption		
	103 - 1	44
GRI 103: Management Approach 2016	103 - 2	44
	103 - 3	44
GRI 205: Anti-corruption 2016	205 - 1	44
	205 - 2	44
	205 - 3	44
Anti-competitive Behavior		
	103 - 1	44
GRI 103: Management Approach 2016	103 - 2	44
	103 - 3	44
GRI 206: Anti-competitive Behavior 2016	206 - 1	44

GRI Standard	Disclosure	Page/Answer
GRI 300: Environmental		
Materials		
GRI 103: Management Approach 2016	103 - 1	66
	103 - 2	66
	103 - 3	66
GRI 301: Materials 2016	301 - 1	66
	301 - 2	66
Energy		
GRI 103: Management Approach 2016	103 - 1	61
	103 - 2	61
	103 - 3	61
GRI 302: Energy 2016	302 - 1	61
	302 - 2	61
Water and Effluents		
GRI 103: Management Approach 2016	103 - 1	62
	103 - 2	62
	103 - 3	62
GRI 303: Water and Effluents 2018	303 - 1	62
	303 - 2	62
	303 - 3	62
	303 - 4	62
Emissions		
GRI 103: Management Approach 2016	103 - 1	63, 64
	103 - 2	63, 64
	103 - 3	63, 64
GRI 305: Emissions 2016	305 - 1	63, 64
	305 - 2	63, 64
	305 - 3	63, 64
	305 - 4	63, 64
Waste		
GRI 103: Management Approach 2016	103 - 1	65
	103 - 2	65
	103 - 3	65
GRI 306: Waste 2020	306 - 1	62, 65
	306 - 2	65

GRI 400: Social		
Employment		
GRI 103: Management Approach 2016	103 - 1	49 - 51
	103 - 2	49 - 51
	103 - 3	49 - 51
GRI 401: Employment 2016	401 - 1	49 - 51
	401 - 2	49 - 51
	401 - 3	49 - 51
Occupational Health and Safety		
GRI 103: Management Approach 2016	103 - 1	52
	103 - 2	52
	103 - 3	52
GRI 403: Occupational Health and Safety 2018	403 - 1	52
	403 - 2	52
	403 - 3	52
	403 - 4	52
	403 - 5	52
	403 - 9	52
	403 - 10	52
Training and Education		
GRI 103: Management Approach 2016	103 - 1	55
	103 - 2	55
	103 - 3	55
GRI 404: Training and Education 2016	404 - 1	55
	404 - 2	55
Diversity and Equal Opportunity		
GRI 103: Management Approach 2016	103 - 1	50, 56
	103 - 2	50, 56
	103 - 3	50, 56
GRI 405: Diversity and Equal Opportunity 2016	405 - 1	50, 56
Non-discrimination		
GRI 103: Management Approach 2016	103 - 1	56
	103 - 2	56
	103 - 3	56
GRI 406: Non-discrimination 2016	406 - 1	56

GRI Content Index

GRI Standard	Disclosure	Page/Answer
Freedom of Association and Collective Bargaining		
GRI 103: Management Approach 2016	103 - 1	49
	103 - 2	49
	103 - 3	49
GRI 407: Freedom of Association and Collective Bargaining 2016	407 - 1	49
Child Labor		
GRI 103: Management Approach 2016	103 - 1	56
	103 - 2	56
	103 - 3	56
GRI 408: Child Labor 2016	407 - 1	56
Forced or Compulsory Labor		
GRI 103: Management Approach 2016	103 - 1	56
	103 - 2	56
	103 - 3	56
GRI 409: Forced or Compulsory Labor 2016	409 - 1	56
Customer Privacy		
GRI 103: Management Approach 2016	103 - 1	57, 58
	103 - 2	57, 58
	103 - 3	57, 58
GRI 418: Customer Privacy 2016	418 - 1	57, 58

Sustainable Development Goals Index

SDGs	Page
1  No Poverty	40, 44, 49, 50
2  Zero Hunger	49, 51
3  Good Health and Well-being	51, 52, 53, 54
4  Quality Education	55, 69, 70
5  Gender Equality	50, 51
6  Clean Water and Sanitation	62, 65
7  Affordable and Clean Energy	41, 42, 61
8  Decent Work and Economic Growth	25, 39, 40, 44, 56
9  Industry, Innovation and Infrastructure	25, 43, 45, 46
10  Reduced Inequality	34, 44, 55
11  Sustainable Cities and Communities	51, 53, 54, 69, 70
12  Responsible Consumption and Production	23, 24, 25, 44, 52
13  Climate Action	25, 61, 63, 64
14  Life Below Water	62, 65
15  Life on Land	65, 66
16  Peace, Justice and Strong Institutions	41, 42, 57
17  Partnership for the Goals	17, 33, 34, 41, 42, 69, 70

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