

Integrated Annual Report 2023



We continue our commitment to leaving a more livable world for future generations.

As we grow stronger, we continue to take determined steps
to build a sustainable future.

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About the Report

As Petkim Petrokimya Holding A.Ş. (Petkim), we implement our strategy, aligned with the goal of creating economic, environmental, social, and governance (ESG) value. This strategy adheres to corporate governance principles based on transparency, accountability, responsibility, and fairness. In this context, we strengthen our company's sustainability vision by periodically reporting our performance to our stakeholders. This year, for the first time, we are pleased to present an "Integrated Annual Report" to our valued stakeholders. This report combines our Annual Report with our sustainability performance. Thereby we transparently reveal the connection between our business model, strategy, management approach and environmental, social and economic performance along with our financial performance.

Our Integrated Annual Report has been prepared in accordance with GRI Universal Standards 2021 and GRI Oil and Gas Sector Standards published by the Global Reporting Initiative (GRI), taking into account the IFRS S1 and S2 frameworks published by the International Accounting Standards Board (IASB), which constitute the pillars of the Türkiye Sustainability Reporting Standards ("TSRS"). The principles of the United Nations Global Compact (UNGC), to which we have been a signatory since 2021, were also taken into account in the report content.

For the purpose of this Report, our company's financial and operational performance is discussed from an integrated perspective within the scope of 6 capital elements. The created value and future targets have been clearly, transparently, reliably and consistently presented to all our stakeholders in a manner comparable to the previous reporting period. Our report covers Petkim's 12-month operations realized between January 1st, 2023 and December 31st, 2023.



Message from the General Manager



Dear Stakeholders,

In recent years, Türkiye has been battling numerous disasters such as earthquakes, fires, and floods. At the very beginning of 2023, it faced a major catastrophe. This earthquake disaster, which occurred on February 6, 2023, and affected 11 of our provinces, plunged us all into mourning. I extend my condolences to our nation. We, along with our colleagues, are continuing our aid and support efforts to heal the wounds caused by this disaster that has deeply affected us.

On the other hand, as a strategic organization that is an important indicator of the economic and social cooperation between Türkiye and Azerbaijan, we celebrated both the 100th anniversary of the founding of the Republic of Türkiye and the 100th birthday of Azerbaijan's national leader, Heydar Aliyev, in 2023 with great pride, gratitude, and enthusiasm. In this respect, 2023 has been an unforgettable year, filled with profound emotions shared by our countries.

Despite all the disasters and the economic fluctuations felt globally, we had a successful year through our efforts to sustain our financial results and production figures as a company. As Türkiye's first and only integrated petrochemical company, we continued our growth and profitability in 2023, proving our resilience even in highly volatile environments.

Petkim achieved a total sales figure of TRY 60.4 billion and realized exports sales of TRY 24.2 billion in 2023. **Thanks to our financial results, we have succeeded in being listed within the scope of the "Capital 500 - Türkiye's 500 Largest Private Companies Survey", conducted by the Capital Magazine.**

This year, we have taken our financial and sustainability performance one step further on the grounds of the investments and projects realized. **While maintaining our place as one of Türkiye's largest exporting companies in 2023, we were included in the BIST Sustainability 25 Index with our efforts and sound performance in the field of sustainability.**

We view our sustainable approach, which adapts to changes, as the most crucial factor in our economic success, while prioritizing value creation for our stakeholders and social development alongside our strong financial structure. The petrochemical sector holds a critical position in global energy discussions and stands out as one of the fundamental areas of transformation. As Petkim, we update our strategic decisions according to changing conditions to maintain our leadership position in production and contribute to a sustainable future. In our investment decisions, we prioritize the continuity of integrated production within the industry and the sustainable and efficient operation of our business model. Accordingly, as Türkiye's first and only integrated petrochemical company, which has been operating in the petrochemical field for over 60 years, we continue to lead towards a sustainable future through our investments in environmentally friendly production processes to create sustainable value. Today, with our robust sustainability strategy and international success in digital transformation, we are fully prepared for the future.

We have constantly been improving our performance in energy efficiency and product quality by combining our deep-rooted history in R&D with advanced technologies and we focus on developing new product types in line with market and customer demands. As in previous years, this year we have focused on developing technologies to reduce carbon emissions and investing in R&D and innovative projects aimed at a low-carbon future, in alignment with the European Union's goal of transitioning to a carbon-free economy by 2050. Accordingly, we are actively involved in several projects under the Horizon 2020 - European Green Deal Call. Currently, we are partners in four European Union projects and serve as advisory board members in two projects within the Horizon 2020 and Horizon Europe programs, working in areas such as Carbon Capture, Utilization, and Storage (CCUS), AI-supported sustainable production, and alternative energy sources.

As Petkim, we recognize the incremental significance of sustainability issues for our company's operational and financial performance and we present our future strategies to our stakeholders from a holistic perspective with this Integrated Annual Report that we publish for the first time. With this report, which is a significant milestone for Petkim, we aim to transparently disclose our sustainability-oriented approach and future vision.

As SOCAR Türkiye Refinery and Petrochemical Business Unit, we have taken important steps by switching to an agile business model by 2022. As of 2022, we have effectively expanded this model, which we started in the field in 2021, to all our functions including our administrative units. In 2023, we implemented the defined actions to further enhance the efficiency of our agile business model, achieving positive outcomes in both for our employees and our business performance.

By considering the agile business model as a core culture of our organization, beyond business methodology, we support the development of a culture of collaboration that unites not only around functional goals but also around common goals that will contribute to our company. I believe that our Agile Business Model, in which optimization, human and technology are integrated in line with a certain coordination, will further help the integrated thought system underlying our Integrated Annual Report, which we published for the first time this year, to be easily adopted within the organization.

As in this year, we will continue to strengthen our development, which aims for operational excellence, with our sustainability approach in the coming periods through our strong organizational structure and culture. **I extend my deepest gratitude to our employees, who work alongside us on this journey, and to all our stakeholders in our value chain.**

Sincerely,

General Manager (Acting)
Kanan MİRZAYEV

About SOCAR Global & SOCAR Türkiye

SOCAR Global

SOCAR, founded in 1992, the Azerbaijan State Oil Company SOCAR provides the resources of Azerbaijan, one of the wealthiest countries in the world in terms of oil and natural gas, for global development and benefit. In addition to the exploration, production and processing of oil and natural gas resources, the distribution of oil, natural gas and natural gas condensates, the national and international marketing of crude oil and petrochemical products and the supply of natural gas in Azerbaijan are among SOCAR's operations.

Operating globally with liaison offices in 13 different countries, SOCAR has international trade companies incorporated in Switzerland, Nigeria, Singapore and Vietnam along with asset investments in Georgia, Switzerland, Romania, Türkiye, Ukraine and Greece. The most significant one of the strategic projects executed by the Company on a global scale is in located in Türkiye. The projects implemented in Türkiye reflect SOCAR's international achievements and strong economic contributions.

Fields of activity:

Exploration



Production



Refining and Gas Processing



Petrochemicals



Transfer



Services



SOCAR Türkiye

As Türkiye's largest integrated industry group, we maintain our leading position in the industry. By operating in the petrochemical, refining, natural gas, trade, transmission, and distribution sectors, we play an active role in various fields of activity.

As a subsidiary of SOCAR, Azerbaijan's state-owned oil and gas company, SOCAR Turkey Enerji A.Ş. (SOCAR Türkiye), we are one of Türkiye's largest oil and natural gas companies. As the strongest representative of the economic cooperation between Azerbaijan and Türkiye, we assume a key role in strengthening the trade and investment relations between these two brotherly countries. The Company was incorporated in 2008, following the privatization of Petkim, upon purchasing 51% shares thereof from the Directorate of Privatization Administration ("DPA"). For 15 years, we have been fulfilling our social responsibility not only economically but also through our contributions to employment and production.

We have the distinction of being Türkiye's largest foreign investor and the largest integrated industrial group. Our facility in Aliağa, which houses the majority of our investments, is the first company in Türkiye awarded with the title of "Special Economic Zone (SEZ)". Owing to the projects that we have realized so far, our total investments in Türkiye reached about 18.3 billion American dollars (USD) in 15 years.

In this context, we stand out not only with our leadership in the industry but also as a significant player representing Türkiye's economic power in the international arena. Integrated operations of the Company offer a promising perspective regarding Türkiye's future based on its contributions to sustainable development and economic growth goals.



SOCAR Türkiye, At a Glance

As Türkiye's largest integrated industrial group, we incorporate pioneering companies operating in different industries and maintain our innovative and pioneering position in the market with each of our business units. Following a successful integration process that gathers our companies operating in different business lines, we have been carrying out our business processes in a coordinated and operationally efficient manner. Our integrated structure not only improves our industrial diversity but also strengthens our competitive advantage and bolsters our sustainable growth.

SOCAR Türkiye



Refinery and Petrochemical Business Unit

Petkim

Türkiye's first and only integrated petrochemical producer

STAR Rafineri

Diesel, jet fuel, LPG, reformat and naphtha producer

SOCAR Depolama

Storage and operation

SOCAR Petrol Ticaret

Wholesale and retail sale of fuel oil, air and marine fuels

SOCAR Ar-Ge

Innovative, sustainable, environmentally friendly and market-oriented products and technologies



Natural Gas Business Unit

SOCAR Enerji Ticaret

Natural gas and electricity, trading and sales activities

Bursagaz

Natural gas distribution company

Kayserigaz

Natural gas distribution company

SOCAR Türkiye Doğal Gaz Yatırım

Gas import, gas and energy wholesale trade and gas distribution business activities



Other Operations

Port Operations (SOCAR Terminal and PETLIM)

The largest container terminal and port activities in the Aegean Region

Millenicom

Telecommunication service provider

SOCAR Fiber

Fiber optic line investment for electronic communication

SCR MÜŞAVİRLİK

Design, construction and control works, comprehensive renovation and construction

SOCAR Broker

Insurance, reinsurance and damage consultancy services

SOCAR Gemi Acenteliği

Ship agency services in all accessible ports

TANAP*

The largest link in the Southern Gas Corridor that will transport Azerbaijani natural gas to Europe over Türkiye

*TANAP Shareholder Structure: SGC 51%, SOCAR Turkey Enerji A.Ş. 7%, BOTAŞ 30% and BP Pipelines Limited 12%

About Petkim

In line with our "**Stronger. Together.**" understanding, we are in a leading position in the industry as the first and only integrated petrochemical company of Türkiye. Beyond the supply of raw materials, we support sustainable development, contribute to employment and have a strong impact on the economy. With our integrated structure, we combine the "Stronger. Together." understanding with our industry leadership mission.

We fulfill our environmental and social responsibilities by combining the experience we have attained in the industry through more than 60 years with solid investments in energy efficiency, occupational health and safety, process safety and environmentally friendly production processes.

Besides having achieved Industry 4.0 standards in line with our 'digital thinking' principles, we took part in the "WEF Global Lighthouse Network" in 2020 as the only company nominated from Türkiye.

We have been manufacturing nearly 60 types of petrochemical products, working at full capacity at our 15 main and 6 auxiliary facilities located in Aliağa, İzmir. Owing to our high value-added products such as thermoplastics, fiber and raw materials for the paint industry, we meet approximately 11% of the petrochemical raw material requirements of Türkiye and we supply to approximately 60 countries in the international market. As the company that realizes the highest volume of exports in the Aegean Region, we are proud to make a significant contribution to the economic growth of our country.



Corporate Profile, Vision, Mission and Corporate Values

Corporate Profile

As the first and the only integrated petrochemicals company of Türkiye, we combine the "Stronger. Together." understanding with our mission to lead the industry.

As Petkim, we contribute to the Turkish economy and industry with our experience and know-how attained in over 60 years and our huge production power of strategic importance.

By integrating sustainability principles and values into our way of doing business, we aim to assume a leading role in the search for solutions to global problems. For the purpose of complying with global changes and leaving a more livable world to future generations, we consider our core values and business model in line with sustainability principles and we aim to create an impact in various areas.

Our sustainability performance implemented in 2021 was ranked among the top 10 companies of the world in our category in the global ESG rating which reveals the Environmental, Social and Governance (ESG) performance of our operations. In parallel with the previous years, we accelerated our steps towards the future in 2023 on the axes of sustainability and digitalization and worked with all our strength to improve our performance in these areas. In consequence of all these efforts, we became the first company in the petrochemical industry to be included in the BIST Sustainability 25 Index in 2023.

Vision



To strengthen the Turkish economy with our superior petrochemical products.

Mission



To sustain our development which aims for operational excellence with its strong organization and culture, together with our stakeholders.

Corporate Values



Reliability

We gain trust with our honesty and ethical business practices. Working with standards based on integrity and high business ethics is the essence of our work.



Agility

We anticipate our clients' changing needs, competitive market trends, and opportunities. We embrace change, move forward with resilience, and maintain our business focus even in rapidly changing conditions.



Inclusivity

We follow different perspectives and encourage everyone to cooperate and contribute to achieving common goals.



Passion

We embrace our work. We face both opportunities and challenges in a fast, energetic, and enthusiastic way.



Productivity

We strive to create a safe, reliable, and sustainable environment wherever we operate. We find the most effective and efficient processes for getting things done by focusing on continuous improvement and using our time and resources best.



Liability

We embrace and take responsibility for everything we do in every field we operate in. We keep our promises and fulfill our commitments. We attach great importance to all our stakeholders acting under these values and complying with the relevant laws and rules.

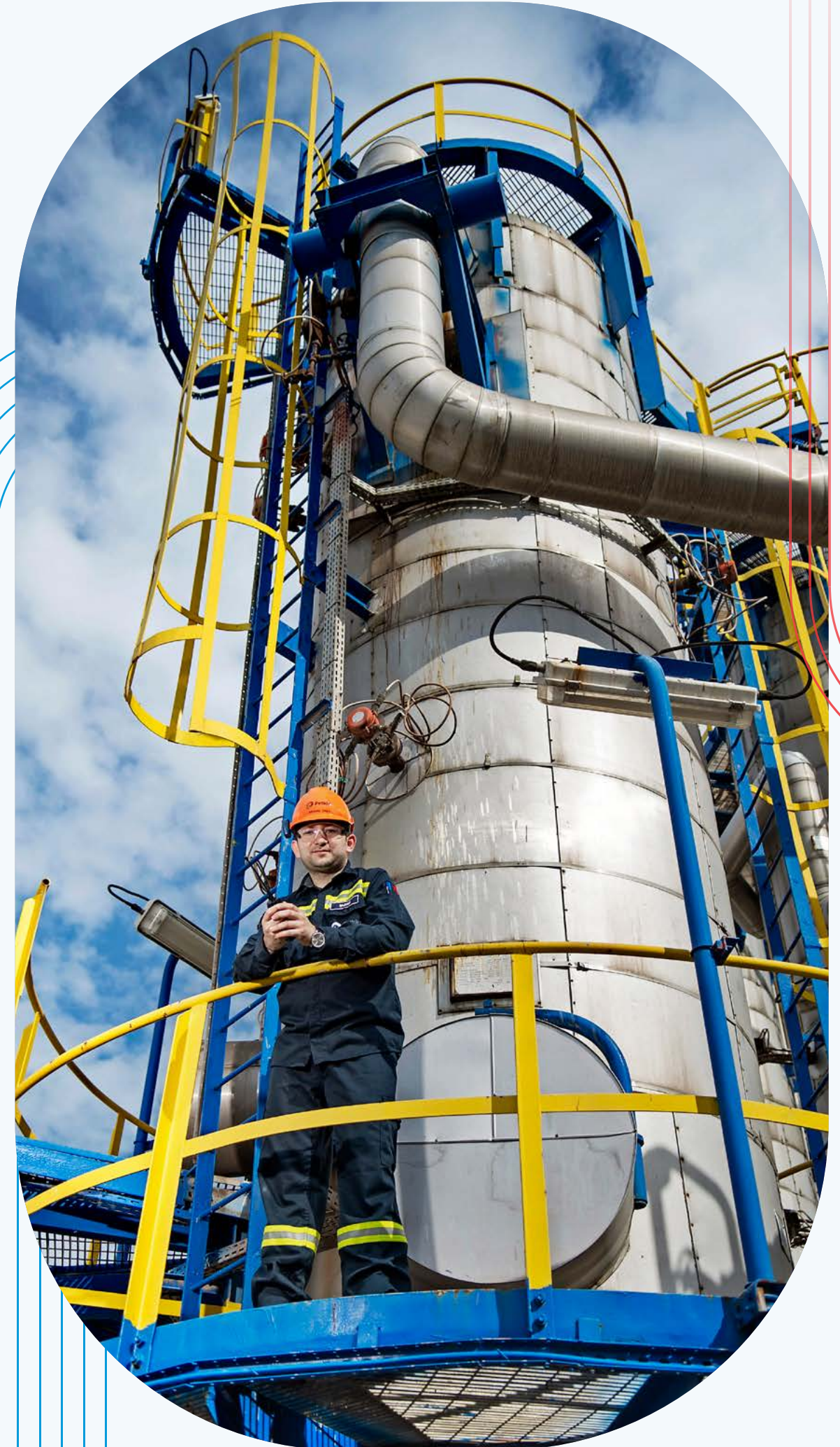
Working Principles

"Human-Centric" Approach: We prioritize humans in all our decisions and adopt human-focused strategies to ensure excellence.

Strategic Game Plans: We value having a game plan. To remain flexible and agile in the face of challenges, we always have our Plan B ready.

High Performance Culture: We are developing a high performance culture that supports continuous professional development.

Our Energy is 'Team Spirit': We are transforming our energy into ambitious collaborations. We seize opportunities to simplify our work and cultivate a constructive team-oriented approach.



Milestones

1965 - 1970

- Petkim Petrokimya A.Ş. was incorporated with a capital investment of TRY 250 million.
- The construction of the Ethylene, Polyethylene, Chlorine Alkali (CA), VCM (Vinyl Chloride Monomer) and PVC plants at the Yarımca, İzmit were completed and test productions were initiated.
- The resolution to establish a second petrochemical complex in the Aliağa region was adopted.

1971 - 1975

- Çanakkale Plastics Processing Plant and Carbon Black, Synthetic Rubbers, Styrene and Polystyrene facilities were commissioned.
- The DDB plant within the Yarımca Complex began its operations. Ethylene and Polyethylene plants were expanded.
- Petkim's capital was increased to TRY 1.5 billion. The foundations of the Petkim Aliağa Complex were laid.

1976 - 1983

- Expansion projects for the VCM and PVC plants at the Yarımca Complex were completed. Caprolactam units were commissioned.
- Petlas Lastik Sanayi A.Ş. was incorporated on 19 August 1976, under the leadership of Petkim.
- The company's capital was increased to TRY 8, 40 and 100 billion respectively on various dates. Auxiliary plants and shared facilities at the Aliağa Complex were completed.

1984 - 1989

- Plants at the Aliağa Complex were commissioned.
- The Aliağa and Yarımca complexes were transformed into subsidiary companies as Alpet A.Ş. and Yarpet A.Ş.
- Petkim was brought within the scope of the state privatization program on 28 May 1986 within the framework of Law No. 3291.

1989 - 1995

- Petkim's capital was raised to TRY 2 trillion in 1990 and then to TRY 3 trillion in 1991.
- Along with the expansion and rehabilitation projects at the LDPE, HDPE, PP and ACN plants of Aliağa Complex and the PVC, PS, CB, SBR, CBR and BDX plants of Yarımca Complex, a significant capacity increase was achieved.

1995 - 1999

- Petkim was awarded a TS-EN-ISO 9002 Quality Assurance Certificate.
- Petkim's capital was increased by TRY 114 trillion to TRY 117 trillion with the difference being covered from the Revaluation of Fixed Assets Fund.

2000-2004

- An additional facility aimed at increasing the chlorine production capacity of the Chlorine Alkali plant to 100 thousand tons per year has been commissioned.
- Petkim's capital was increased to TRY 204.75 billion. As per the Privatization High Council's decree (the "PHC"), the Yarımca Complex was transferred to Tüpraş.
- The production capacity of the HDPE Plant was increased from 66,000 tons/year to 96,000 tons/ year. The production capacity of the PVC factory was improved to increase by 10 thousand tons per year.
- The construction and installation of the Solid-Liquid Waste Incineration Unit began operations in 2003

2005 - 2007

- The highest volume investment over the last 18 years was realized. The production capacity of the Ethylene plant was increased from 400,000 tons/year to 520,000 tons/year, production capacity of the LDPE plant was increased from 190,000 tons/year to 310,000 tons/year and production capacity of the PP plant was increased from 80,000 tons/year to 144,000 tons/year.
- In 2007, 90 million USD was invested in the Steam Production and Electricity Generation units and a 57 MW gas turbine was put into operation. Fuel flexibility was achieved by switching to the use of environmentally friendly natural gas in addition to fuel oil.
- The sale of Petkim to SOCAR & Turcas Joint Venture Group, which submitted the second highest bid within the tender process for the privatization of 51% public shares in the capital structure, was approved based on the decision of the Privatization High Council dated 22.11.2007.

2008 - 2009

- 51% of the public shares of Petkim Petrokimya Holding A.Ş. were transferred to SOCAR & Turcas Joint Venture Group on 30 May 2008 for 2.04 billion USD.
- The land of 1,300 decares owned by Petkim was allocated to STAR Rafineri A.Ş. to establish a raw material refinery. Within the framework of growth plans in the field of logistics, a feasibility and detailed terminal planning project were initiated at Petkim port.
- Technology was renewed to provide raw material flexibility and LPG was began to be cracked together with Naphtha.
- As a result of the Integrated Management System Certification Audit carried out by Turkish Standards Institute (TSI), the ISO 9001 Quality Management System Certificate was renewed and Petkim was further granted the ISO 14001 Environmental Management System and TS 18001 Occupational Health and Safety Management System Certifications.

2010

- STAR Rafineri A.Ş. was granted a license for the realization of a 10-million-ton capacity refinery investment on Petkim's land. Petkim Limancılık Ticaret A.Ş. was incorporated in order to improve the efficiency of port operations.
- The Enterprise Resource Planning Project (ERP) was launched.
- Petkim's capital was increased from TRY 204,750,000 to TRY 1,000,000,000 by bonus issues.
- Petkim's application filed before EMRA to get a license for establishing a Wind Power Plant was approved on the grounds of the EMRA decision No. 2922-16 dated 15.12.2010.

2011

- The groundbreaking ceremony of STAR Rafineri was held.
- Production capacity of AYPE-T Plant was improved by 20%. An agreement was signed for the capacity increase of the ethylene plant.
- The foundations of Heydar Aliyev Vocational High School were laid.
- The Atmospheric Nitrogen and Oxygen plant was handed over to French Air Liquide.
- The land piece located in Yarımca owned by Petkim was sold by tender method.
- After Turcas left the partnership, 51% of Petkim's shares were transferred to SOCAR Turkey Enerji A.Ş.

2012

- A preliminary agreement for operating the container port was concluded by and between Petkim Limancılık Tic. A.Ş., a 100% subsidiary of Petkim, and the Dutch-based company APM Terminals.
- Petkim was awarded the 'National Quality Success Award' given by the Turkish Quality Association (KalDer) and Turkish Industrialists' and Businessmen's Association (TUSIAD).
- The project for to increase the capacity of the Ethylene and PTA plants received the "Strategic Investment Incentive Certificate."
- Petkim, participating in the 'Project for the Improvement of the Energy Efficiency in Industry' contest organized by the Ministry of Energy and Natural Resources with 7 projects that provide an annual income of TRY 58 million and a 140 thousand tons decrease in CO2 emissions per year, was awarded the first prize in the large-scale manufacturers category.
- The construction of the Heydar Aliyev Technical and Industrial Vocational High School was completed and the school was handed over to Aliağa Directorate of National Education.

2013

- Petkim was awarded the grand prize in the "Energy Efficiency in Industry" category of the National Energy Awards.
- Petkim has been the first industrial institution to obtain ISO 50001 Energy Management System Certificate among the large-scale industrial institutions consuming energy over 500,000 TEP.
- Petkim crowned its customer oriented efforts with TS ISO 10002 Customer Satisfaction Management System Certificate.
- An agreement for operating the container port was concluded by APM Terminals.
- Petkim Academy was established.
- Petkim was awarded with four prizes in Successful Industrial Enterprises Award Ceremony which is organized traditionally by Aegean Region Chamber of Industry.
- Excavation works for the Petkim Container Port were initiated.
- Petkim became the exports champion of both the Aegean Region and the Aegean chemical industry by realizing an exports figure of 765 million 751 thousand USD.

2014

- A final agreement was concluded with Alstom for the Petkim Wind Power Plant Project (Petkim WPP).
- Goldman Sachs purchased 30% of the shares worth USD 250 million and became a partner of Petkim Limancılık Tic. A.Ş.
- Production capacity of the Ethylene plant was increased by 13% to 588,000 tons/year, while the PTA plant reached a capacity of 105,000 tons/year from 70,000 tons/year. Consequently, Petkim's gross production capacity increased by 13%.
- Petkim's Corporate Governance Rating was affirmed by Kobirate as 9.01.
- Petkim received the ISO 27001 Information Security Management System Certification developed by TSI (Turkish Standards Institution).
- Petkim became one of the 15 companies listed on the BIST Sustainability Index

2015

- Petkim's new R&D Center was put into service.
- Petkim celebrated its 50th anniversary.
- The production capacity of the PTA factory, which provides raw materials for textile and PET packaging, increased from 70 thousand tons to 105 thousand tons annually.
- Petkim Port was entitled to receive the 'Greenport Certificate' following an inspection carried out by the General Directorate of Maritime Affairs and TSI.
- Petkim was nominated as one of the most digital companies of Türkiye. According to Accenture Digitalization Index of Türkiye, Petkim became the leader of the 'Chemicals and Chemical Products Manufacturing Industry'.
- Petkim was awarded the first prize in the Industrial Energy Efficiency Project Competition organized by the General Directorate of Renewable Energy (GDRE) affiliated to the Ministry of Energy. It was ranked the first in the SEVAP-3 (50,001 TEP and above) category of the competition in which the Company participated with 8 projects and where the projects aimed at improving energy efficiency were evaluated.

Milestones

2016

- The first phase of Petkim Container Terminal with a capacity of 800 thousand TEU was put into service.
- ACN plant has broken the production records of the recent 31 years and was selected as the 'Best Plant' among all Petkim enterprises.
- Realizing an exports figure of 438 million USD, Petkim received the 'The Company with the Highest Exports Figure in the Aegean Region' and 'The First Company with the Highest Exports Figure in the Chemical Industry' awards.
- Petkim Port Management was entitled to receive the 'Greenport Certificate' for the second time.
- The inspection carried out by TSI for the purposes of TS ISO 31000 Risk Management Verification was successfully completed and the Company was entitled to get the certification.

2017

- Realizing an exports figure of 671 million USD, the Company was awarded as 'The Company with the Highest Exports Figure in the Aegean Region' and 'The First Company with the Highest Exports Figure in the Chemical Industry'.
- While the Ethylene Plant reached a 100% production capacity, a record level production of 3.42 million tons was achieved in total with a record breaking capacity utilization of 97% in all facilities.
- The installation of the WPP project with 17 turbines and 51 MW (17x3MW) power has been completed and production has started with a 25 MW electricity generation license.
- The construction of the second phase of Petkim Container Terminal has been completed.
- The Corporate Transformation Program titled 'My Petkim' was initiated.
- The digital transformation move was launched and the Deputy General Directorate of Digitalization and Technology was created.

2018

- Petkim's first international bills, worth USD 500 million, have been quoted on the Irish Stock Exchange.
- A Share Purchase Agreement (SPA) was signed for the sales and the transfer of shares with SOCAR Türkiye for the indirect acquisition of 18% shares in the capital structure of STAR Rafineri.
- Petkim's world-class digitalization project, Ethylene Furnace Optimization Model (EFOM), was launched.
- SOCAR Türkiye Aliğa Head Office Building and STAR Rafineri were opened with an official ceremony.
- The 1,453 hectare land in İzmir Aliğa, owned by SOCAR Türkiye, was declared as the first Special Economic Zone (SEZ) of Türkiye.
- A sponsorship agreement was signed with the Turkish Sports Federation for the Physically Disabled Boccia National Team.
- The second phase of SOCAR Terminal has started its operations.

2019

- With a total production of 3.44 million tons, the highest production figure of all times was achieved and a record was broken in this regard.
- The integration process for SOCAR Türkiye group companies has been completed. With this integration, the subsidiaries of Petkim, STAR Rafineri, SOCAR Türkiye Akaryakıt Depolama and SOCAR Türkiye Enerji Dağıtım were consolidated under the umbrella of the SOCAR Türkiye Refinery and Petrochemicals Business Unit.
- STAR Rafineri delivered the first naphtha produced by SOCAR Türkiye within the scope of refinery-petrochemical integration to Petkim.
- Petkim's Cultural Transformation Program entitled "My Petkim" was popularized to companies in the SOCAR Türkiye Refinery and Petrochemicals Business Unit and started to be rolled out under the name "My Value"
- Petkim was the only company to be selected from Türkiye for the World Economic Forum (WEF) "Global Lighthouse Network" comprising of facilities which best use Industry 4.0 technologies in production.

2020

- A COVID-19 Safe Production Certificate was awarded by TSI upon ensuring a safe working environment during the pandemic. Petkim not only maintained its production without interruption but also contributed to the production of sanitary wares and hygienic masks.
- Petkim was ranked the 3rd in Category 3 (50,000 TEP and above) at the 20th Industrial Energy Efficiency Project Competition.
- Petkim was the company to undertake the highest investment on R&D in the field of Chemicals and Products.
- In order to improve the reliability of STAR Rafineri, electricity supplies for the Utility and Hydrogen Production Units started to be supplied by Petkim.
- Petkim WPP's electricity generation license, which was originally granted for a capacity of 25 MW, was revised to 38 MW.
- The benefit attained from Petkim's integration efforts reached USD 30 million.
- Additional value was created with 31 new projects within the scope of the My Value Program.
- The Agile business methodology ensured a significant improvement in HSE and production performance.

2021

- Petkim was ranked the 8th among 206 companies in the "ESG Rating", where the world's leading institutions are evaluated under the "Environment, Social and Governance" titles in line with its sustainability goals.
- Petkim successfully completed the 'ISO 22301:2012 Social Security-Business Continuity Management System Certification' audit performed by TSI. Thereupon it was granted the new certification.
- Total amount of project proposals implemented within the scope of the My Value Program, which was executed to improve the efficiency and performance, reached 110 million USD.
- Petkim successfully switched to the Agile Working Model for its operations in all plants.

2022

- Petkim was ranked the first in all industries in the "Stars of Export" Awards traditionally bestowed by the Aegean Exporters' Associations (EİB) and became the "Exports Champion" of the chemical industry.
- Petkim ranked in the 22nd place in the Turkish Exporters' Assembly (TİM) Top 1000 Exporters list.
- Petkim was awarded the ISCC (International Sustainability and Carbon Certification) Plus certificate assuring that sustainable production requirements are met.
- Petkim was awarded the Successful Team of the Year Award by the Turkish Quality Association (KalDer) İzmir Branch with its "Capacity Increase and Reduction of Carbon Footprint Project based on 5S Application in the Product Packaging and Storage Areas".

2023

- Petkim repaid its first international bills worth USD 500 million.
- Petkim became the first petrochemicals company to be included in the BIST Sustainability 25 Index.
- Petkim became an indirect shareholder of 12% of STAR Rafineri which is the second largest industrial enterprise of Türkiye.
- Petkim became the "Exports Champion" once again, as in 2022, by ranking at the forefront of the "Stars of Export" list of the Aegean Exporters' Associations.
- Petkim, STAR Rafineri, Bursagaz and Kayserigaz were enlisted in Capital500 within the scope of Capital Magazine's "Largest 500 Private Companies of Türkiye" research.



Highlights of 2023 at Petkim



Environmental

- We executed **21 projects** within the scope of the My Value Program.
- We **prevented the release of 14 thousand tons of CO2 emissions** in 2023.
- We **reduced our energy intensity by 2.21%** compared to 2022.
- We saved **0.2 thousand tons of water** in 2023.
- We **reduced our water consumption by %16 and our wastewater amount by %9** compared to 2022.
- **Our waste amount decreased by 62.3%** compared to 2022.
- We made an **environmental investment of 16.8 million USD** in 2023.
- In 2023, we invested a total of **1.1 million USD in environmental R&D projects**.
- As of 2023, we provided a total of **2,285 hours of environmental training** to our 2,294 employees.
- In 2023, we **registered 6 patents and applied for 20 ongoing patents**.
- **38 researchers** continue their work in our R&D Center.
- We **increased our investment expenditures by 12.5%** compared to 2022 by **spending 4.5 million USD within the scope of our R&D and innovation investments**.



Social

- In 2023, we **increased the number of female employees in our staff by 17%**.
- In 2023, we provided a total of **112,383 hours of personnel training** to employees.
- We provided **90,429 hours of HSE training** in 2023.
- We **invested a total of USD 2.7 million in OHS** in 2023.
- We have become the third company in Türkiye to receive the **"Nutrition-Friendly and Physical Activity-Supporting Workplace"** certificate issued by the Ministry of Health.
- **72%** of our total employees were covered by **the collective bargaining agreement**.
- As of 2023, **85% of our supplier portfolio and 78% of our procurement budget consisted of domestic suppliers**.
- As Petkim, we have **donated TRY 12 million** in 2023 within the scope of the earthquake relief activities of our group companies.



Governance

- We have **reviewed and updated our sustainability priorities** in 2023.
- We were ranked among **the top 25 large and liquid companies with high sustainability performance in the petrochemical industry, whose shares are quoted on Borsa İstanbul**.
- We were **enlisted in Capital500** within the scope of Capital Magazine's "Largest 500 Private Companies of Türkiye" research.
- We became the "Exports Champion" once again, as in 2022, by ranking at the forefront of the **"Stars of Export"** list of the Aegean Exporters' Associations.
- **The percentage of the Board members with cultural backgrounds different from the region where the company headquarters are located was 44%.**
- In 2023, we have provided **digital video training to all our employees covering all ethics and compliance issues including the fight against corruption**.
- We started working on **the Board of Directors' Diversity Policy**.
- In 2023, we **designed a comprehensive earthquake program at Petkim based on organizational resilience**.
- By implementing the project suggestions submitted by our employees within the scope of the My Value Program, we created **a value of 63 million USD in 2023**.



Highlights of 2023

Throughout this year, we have witnessed significant developments regarding our company's sustainable growth, innovation efforts and industrial leadership. We are proud to disclose the major significant issues that we realized in different periods of 2023.



SOCAR Türkiye Received 'Company of the Year' Award from Stevie

SOCAR Türkiye was awarded with the Silver Stevie as the second "Company of the Year" in the "Energy" industry at the Stevie International Business Awards. It became the first company to successfully achieve the 'Agile Transformation' by applying its remarkable 'Agile Business Model'.



SOCAR Türkiye 2023 Analyst & Investor Day

At our "SOCAR Türkiye 2023 Analyst & Investor Day" event held in Aliğa, we hosted corporate investors, bank representatives, and analysts. In the event, which was attended by more than 60 representatives, we made a presentation introducing the STAR Refinery and then answered questions from the audience.



Partnership with Petlim

We increased our share in Petlim's shareholding structure to 93.47%.



UNGC Membership

As Petkim, we have successfully attained the membership to the United Nations Global Compact (UNGC).



New Chairman of the Board

Anar Mammadov, appointed as Vice President of SOCAR, also elected as a Member of the Board of Directors of SOCAR Turkey Energy Inc. and Chairman of the Board of Directors of Petkim Petrochemical Holding Inc., a subsidiary of SOCAR Türkiye group of companies.



Golden Award from w3 Awards

With our renewed corporate website, we have been qualified for the golden award in the "General Websites - Corporate Communications" category of the international award platform w3 Awards.



Awarded for Investor Relations and Financing Transactions

As Petkim, we have been qualified for significant awards in 2023 in the investor relations and finance categories.

- We were granted the "Best Investor Relations Team" and the 2023 World Finance Corporate Governance awards within the scope of the 2023 Europe and Emerging EMEA Equity Awards.
- With the 300 million USD financing facility that we obtained from JP Morgan, we received the "Best Financing Transaction of the Year in the Natural Resources Industry" award from the Bonds, Loans & ESG Capital Markets CEE, CIS & Türkiye Awards.
- At the 12th TÜYİD Summit, during the award ceremony organized in collaboration with Institutional Investor and the Türkiye Investor Relations Association, we secured a significant position as 4th among the 10 companies selected from the BIST 30 companies in the 'Best Investor Relations Program' category.

Corporate Governance at Petkim

Corporate Governance

Recently, it has gradually become important for the companies to do business by considering not only their financial performance but also social and environmental impacts. In this context, our Corporate Governance approach has been structured around our sustainability principles.

Every year, Petkim takes decisions regarding the high-amount transactions with related parties and discloses them to the public within the scope of Capital Markets Board (CMB) regulations.

Our company has a unitary board of directors' structure consisting of a chairman, a vice-chairman and seven members two of whom are women. The chairman and vice chairman do not assume executive roles. The CEO (General Manager) is not a member to the Board of Directors. Members of the Board of Directors are appointed at the General Assembly. Committee members are determined by the Board members appointed after the General Assembly. Regulations within the scope of CMB legislation are taken into consideration regarding the committee memberships. Pursuant to CMB legislation, 1/3 of the Board of Directors must be independent members. Accordingly, there are a total of 3 independent members on the Petkim Board of Directors.

Independent members are appointed in line with the criteria set out in the CMB legislation. The vacant Board member seats are replaced within the scope of the Turkish Commercial Code and submitted to the approval of the General Assembly. Pursuant to the Company's Articles of Association, the Directorate of Privatization Administration ("DPA") has the right to nominate one member of the Board of Directors. Members of the Board of Directors are appointed to serve for three years in accordance with the relevant legislation. However, the General Assembly reserves the right to replace the members of the Board of Directors.

The shares of the board members in the Company cannot exceed 5% throughout the financial year and this issue has been regulated in the independence statements of the independent members.

Shareholders have the right to vote on the appointment and removal of directors; this issue has further been regulated in the Turkish Commercial Code and the Company's Articles of Association.

Average term of office for current Board members is 3 years.

Role	Board of Directors	Date of First Appointment to the Board of Directors
Chairman	Anar Mammadov	15.09.2023
Vice Chairman	Kanan Najafov	09.09.2021
Member	Zaur Gurbanov	09.09.2021
Member	Teymur Abasguliyev	05.09.2022
Member	Mehmet Celal Savaş	05.09.2022
Member	Sibel Uğur	05.09.2022
Member	Murat Zaman	05.09.2022
Member	Bekir Emre Haykır	05.09.2022
Member	Neslihan Tonbul	02.03.2018

In case a Board member serves as a manager or board member or provides consultancy services to another company, the position in question should not cause a conflict of interest and should not disrupt the member's role in the company. Therefore, the board member's undertaking other duties or tasks outside the company has been restricted or subjected to certain rules. The principle governing that the duties of a board member outside the company and the reasons thereof should be submitted to the approval of the shareholders together with the agenda item regarding the appointment at the general assembly meeting where the appointment is discussed, making a distinction between whether such duties are within the group and outside the group, is partially complied with. There are no restrictions on Board members' assuming other duties outside the company. Investors are informed about extra duties undertaken by the members of the Board of Directors outside the company, particularly in the annual reports. Members of the Board of Directors devote as much time to company affairs as their duties require. No change is foreseen in the future management practices of the partnership within the framework of the said principle.

The Board of Directors holds regular board meetings throughout the year and meets extraordinarily when necessary to discuss the development, approval and updating of the organization's purposes, values and mission statements, strategies, policies and goals with regard to economic, environmental and social issues.

Board of Directors' meetings are held meticulously in order to improve the knowledge level of the Board of Directors and the CEO on current economic, environmental and social issues. In addition to these meetings, a detailed 'monthly activity report' covering the issues such as macroeconomic overview, operational and financial highlights, updates on business units and HSE incident rates are periodically prepared and shared with the Board of Directors and managers every month.

The participation rate in the Board of Directors meetings held twice in 2023 was determined as 83%.

Annual General Assembly Meetings

Petkim

Date of Notifying PDP

12.05.2023

Date of the Meeting

07.06.2023

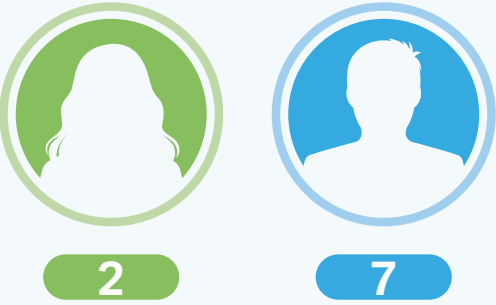
Participation in Board Meetings		
Board Member	Number of Meetings Scheduled	Number of Meetings Held
Anar Mammadov	2	2/2
Kanan Najafov	2	2/2
Zaur Gurbanov	2	2/2
Teymur Abasguliyev	2	2/2
Mehmet Celal Savaş	2	2/2
Sibel Uğur	2	2/2
Murat Zaman	2	0/2*
Bekir Emre Haykır	2	1/2
Neslihan Tonbul	2	2/2

* The relevant Board member could not attend the meeting due to health problems.

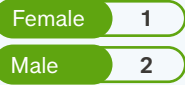
Issues of Competence of the Highest Level Governance Body									
Board Members	Anar Mammadov	Kanan Najafov	Zaur Gurbanov	Teymur Abasgulyev	Mehmet Celal Savaş	Sibel Uğur	Murat Zaman	Bekir Emre Haykır	Neslihan Tonbul
Management in Global Organizations	X	X	X	X	X	X	X	X	X
Finance			X	X			X	X	X
Corporate Governance	X	X	X		X	X	X		X
Supply Chain	X	X		X					
Human Resources, Employee Rights and Remuneration	X	X	X		X	X			
Marketing and Sales	X	X		X					
Sustainable Financing and Investment			X	X			X		X
Strategy and Risk Management	X	X	X	X	X		X	X	
Sustainability		X							X
Audit and Control		X	X	X			X	X	X
Digitalization	X	X	X	X			X		
Employee Rights and Social Security	X		X		X	X			
Industrial Experience	X	X	X	X	X	X	X	X	X
R&D and Innovation	X						X		

Term of Office of the Board Members (Year)									
	Anar Mammadov	Kanan Najafov	Zaur Gurbanov	Teymur Abasgulyev	Mehmet Celal Savaş	Sibel Uğur	Murat Zaman	Bekir Emre Haykır	Neslihan Tonbul
Term of Office of the Board Members	>10	>10	>10	>10	>10	>10	>10	>10	>10

Distribution of Board Members by Gender



Number of Board Members by Independence and Gender Status



Distribution of Board Members by Citizenship



44% of the Board's members have a cultural background different from where the company headquarters is located.

The Board of Directors’ Committees

Deriving our strength from our deep-rooted corporate culture, we adopt a transparent, effective and integrated business approach. The Board of Directors' Committees at Petkim consist of the Early Detection of Risk Committee, Audit Committee and Corporate Governance Committee. The Corporate Governance Committee meeting was held once in 2023. The Audit Committee met 4 times and 6 Early Detection of Risk Committee reports were presented. All Board members participated in these meetings. The committees proceeded through solutions and reports without holding meetings in person and the members were further informed.

- Audit Committee
- Early Detection of Risk Committee
- Corporate Governance Committee

For more detailed information about the committees, please refer to the Board of Directors Activity Report in the Appendix.

Senior Management Remuneration Policy

As Petkim, we adopt a balanced and competitive remuneration policy in all SOCAR Türkiye group companies that we are involved in. The pillars of this remuneration policy are based on market data. In order to compete strongly in terms of talent and qualifications, we closely follow the developments in global and local markets and take the right position in terms of wages and rewarding. The rewarding provided to senior managers comprises of two main components: "Fixed (Base) Wage" and "Variable Wages". Fixed wages paid to senior managers are determined in accordance with international standards and legal obligations taking into account the remuneration policies applicable in the market, the size of the company, long-term goals and individual's positions. An annual "Performance Bonus" is paid in addition to the fixed wage.

For the purpose of assessing the performance of senior managers, compliance with the principles of long-term sustainable improvement as well as Environment, Social and Governance (ESG) policies are also taken into consideration in addition to financial targets.

The Talent Committee meets once a year for the succession planning of the Senior Management. The committee executes an assessment process for all candidates on the succession list and decides unanimously on the short-, medium- and long-term succession plans.

Shareholders have the right to vote on the compensation paid to directors. This right is regulated in the Turkish Commercial Code (TCC) and the Company's Articles of Association. As the General Assembly is authorized to resolve on the distribution of the wages pursuant to Article 394 of the Turkish Commercial Code, a general assembly resolution should be adopted for the distribution of the wages.

Total compensation paid within the scope of Board membership is

USD 409K

Total compensation paid to senior managers is*

USD 2.7M

The General Manager incentive pay is not associated with shareholder returns.

Long-term incentive plans extended for Senior Executives cover a period of 3 years.

*President, Vice President and Group Director.

Corporate Risks, Business Continuity and Crisis Management

Corporate Risk Management

At Petkim, we have adopted a transparent, accountable, fair and responsible risk management process that is compatible with variable business and environmental conditions and pro-actively addresses risks and opportunities that may affect our operations and our stakeholders. We evaluate the risks arising from our current activities along with the risks that may have the potential to affect our operations and future performance in the short, medium and long run and we take relevant precautions and actions accordingly.

Our risk management function takes place at the core of our company's decision-making mechanisms.

We place "risk acceptance, risk mitigation, risk transfer, risk maintenance and risk avoidance" attitudes at the heart of our Corporate Risk Management activities.

SOCAR Türkiye Risk Management Unit, which assumes a key role within the organization to provide support to the senior management and relevant business units, works affiliated to the Board of Directors in accordance with the ISO 31000 Risk Management Standard and other international standards. We refer to the "Risk Appetite Declaration" approved by the Board of Directors in 2020 and examples of best practices around the world. We have developed the Risk Appetite Tolerance Limit Policy, which determines the approach to determining, monitoring and reporting the approved Risk Appetite Statement, in order to support the implementation of the risk appetite concept. This document provides a methodological guidance across the organization to define the implementation of required activities. New metrics were introduced and necessary updates were made in the process of reviewing the 2023 Key Risk Indicators (KRIs) and Exposure Metrics regarding tracking and monitoring efforts to comply with next year's strategic operational goals and planning. Thus, the efficiency, objectivity and independence of the process has been guaranteed.

Our risk management processes are audited by the Early Detection of Risk Committee, on behalf of the Board of Directors, in accordance with the risk profile of our company. Early Detection of Risk Committee provides consultancy and suggestions to the Board of Directors about the early detection and assessment of all kinds of risks that may affect our company, calculating the impact and probabilities thereof, management and reporting these risks in accordance with the company's corporate risk taking profile, implementation of the necessary actions regarding the identified risks and taking them into consideration in decision-making mechanisms and establishing effective internal control systems accordingly.

In this context, target-based risk assessments are made for the purpose of ensuring the necessary actions to be taken in a timely manner to achieve the targets through potential impact analyzes and probability calculations and allowing the relevant resources to be used based on these criteria.

Besides monitoring our risks and opportunities at regular intervals, we further support our decision-making processes from a risk perspective by making situation-specific risk assessments at strategic investment demands that we may encounter in business processes, critical stages of projects and decision moments that may significantly affect operations. The Early Detection of Risk Committee prepared 6 reports evaluating the Committee's performance and the risk management activities undertaken in 2023 and presented them to the Board of Directors. Within the scope of our corporate risk management approach, we discuss our risks under six main headings.



You can review our main risk headings and related processes under the heading "Corporate Risk Management Practices" in the Appendix section of our report.

Throughout the reporting period, in addition to Petkim's traditional risk registry list, we developed our ESG (Environmental, Social and Governance) risk registry including our climate-related risks, in which sustainability risks are fully integrated into the process and updated this registry specifically for Petkim. We re-evaluated the risk headings in our risk registry, which was developed as the end of a comprehensive workshop held with the attendance of relevant individuals from all business units, taking into account the global sustainability agenda, mega trends and current reporting standards such as the Paris Climate Agreement, European Green Deal and Net Zero Carbon. We grouped them under environmental, social and governance headings. The list was developed taking into account the requirements of the ISO 31000 Risk Management System Standard as well as the TSRS Standards. Our assessment includes the short, medium and long term consequences of the risks, their connections with the climate (physical, transition), maturity, severity, probability of occurrence, the measures and actions adopted to manage the risk in the short, medium and long term, emerging opportunities, relevant capital element and also further material issues that may be related to the risk.

You can review our detailed ESG-focused risk and opportunity analysis on the Petkim website.



Business Continuity and Crisis Management

Ensuring the continuity of our operations in a sustainable manner as well as the safety of all our stakeholders in case of a crisis are among our priority issues at Petkim. We follow the business continuity and crisis management issues within the framework of the Business Continuity Management System implemented throughout SOCAR Türkiye. We strive to effectively identify, measure and manage the risks that may arise by evaluating the effects of events, which may jeopardize the continuity of our products and services, in accordance with our risk management processes.

Ensuring the continuity and quality of the services provided during emergencies and crisis periods, managing the risks related to the supply chain and maintaining the continuity of our operations are among our main responsibilities. The Crisis Management Committee of SOCAR Türkiye ensures responsible coordination of business continuity and crisis management at the governance level.

Internal and external audits along with the management reviews specific to Petkim were carried out within the scope of management system activities and it was decided to maintain the ISO 22301 Business Continuity Management System certificate. We further organized trainings and events to raise awareness throughout the organization about business continuity and crisis management. We have finalized the infrastructure and maintenance works for the main and backup data centers based on the uninterrupted continuity of processes.



Digital Platform for Risk Management and Business Continuity

In 2023, we further completed the installation of and commissioned digital tools aiming to digitalize Risk Management, Business Continuity and Legislative Compliance Management processes and to monitor them from a single platform. The benefits derived as a consequence of the projects executed and the digitalization of the processes are as follows:

- Focusing more on the strategic level by optimizing the human interaction and creating functionality that supports business planning,
- Creating instant reports by enabling real-time monitoring of organizational data, processes and activities,
- Ensuring real-time and proactive risk management by reducing time-consuming manual reporting for last-minute tasks,
- Building corporate memory and raising awareness of compliance with legislation,
- Ensuring Internal Audit, Insurance, Capital Expenditures Team, Internal Control, Strategy, IT Continuity and other functions to interact over a single platform,
- Identifying and managing interdepartmental risks and mitigation plans/controls, including the assessment of control processes, in order to assist Internal Control and Internal Audit teams,
- Capturing opportunities and ensuring the evaluation of potential events in addition to risks,
- Determining the obligations on a departmental basis and preventing the sanctions that may be incurred in case these obligations are not fulfilled,
- Helping to ensure data security,
- Providing third-party access to transparent information about risks and other data, resulting in enhanced accountability.

Master Earthquake Program

In 2023, we have designed a comprehensive earthquake program based on organizational resilience at Petkim. The program that we have commissioned allowed us to improve the crisis communication capabilities, local and geographical succession of critical employees, strengthening and renovation of buildings and structures, continuity of services provided from critical suppliers and uninterrupted IT/OT services. Within the scope of these projects, current maturity level was determined and development projects were put forward to reach the targeted levels.

We have developed earthquake response plans for the locations where we operate and our critical operations. Following the internal audit, external audit and management reviews, we carried out company specific integrated earthquake and cyber-attack drills within the framework of comprehensive scenarios.

By raising awareness with the Master Earthquake Program, we aim to prevent the hazards that possible earthquakes could cause to our employees, assets and corporate reputation.

The activities that we have planned to carry out in the future in addition to our existing risk, business continuity and crisis management processes and improvement projects are as follows:

▪ Using the Digital Platform for Risk Management and Business Continuity:

With the risk management digital platform, we aim to make recordings, reporting and monitoring instantly through the system, to ensure integration with systems within the institution, and to evaluate the benefits provided by the system by calculating the total economic impact.

▪ Climate Change Risk Management:

In the future, we plan to develop location-based and physical climate change risk management processes within the scope of risk and opportunity management due to climate change.

▪ Strategic Risk Management:

Within the scope of our strategic risk management efforts, we aim to mutualize performance and risk reporting and to support strategic success from a risk management perspective.

Risk Capacity Project

In 2023, we have restructured the definition of crisis with all our group companies within SOCAR Türkiye. We aimed to improve proactive and reactive crisis management capabilities by enabling the project-related teams to track and manage possible crisis events qualitatively and quantitatively. By pro-actively analyzing the potential for any event to turn into a crisis and our ability to manage the crisis, we have prevented the financial, legal and reputational losses that could be caused by the crisis.

You can access [SOCAR Türkiye's Corporate Risk Management and Business Continuity Policy from here.](#)



Human Rights

At Petkim, our priority is to operate with a human-centered approach to business. In line with our commitment to protect the fundamental rights and well-being of our stakeholders, we reflect our vision of creating an inclusive and fair business environment that respects human rights. In this context, we regularly publish and update the SOCAR Türkiye Code of Ethics on our corporate website and on the QDMS Integrated platform which is accessible to all employees.

We attach utmost importance to diversity, equality and inclusion in our business processes. As a signatory to the UN Women's Empowerment Principles (WEPs), a joint initiative of UN Women and UN Global Compact, since 2021, we demonstrate a strong commitment to gender equality and respect for human rights.

We emphasize diversity, equality and inclusion with the values that we have integrated into our business culture, thereby we aim to offer our employees a business environment enriched with a fair, transparent and equality perspective. In this context, we aim to maximize the potential of each employee by creating a work atmosphere where different identities, genders, races and cultures are respected. Within the framework of the "Our Energy is Diversity" project, we have set out with the aim of implementing the Women's Empowerment Principles by adopting policies based on diversity and inclusion. We aim to create a more equal, fair, transparent and participatory work environment by involving our workforce in the process.

We execute our corporate policies and activities in accordance with the fundamental principles governed by the Constitution of the Republic of Türkiye, the United Nations Universal Declaration of Human Rights as well as main agreements and contracts of the International Labor Organization. We thereby meticulously implement the Human Rights Policy that we have constituted in this direction at every level of our company.

[We transparently disclose our policy and related responsibilities with all our stakeholders on our website.](#)



We further expect our suppliers, customers and business partners to observe the norms in order to ensure that human rights are valued and respected in all operating decisions and processes. We respect employees' freedom of association, unionization and collective bargaining within the framework of respect for human rights. We prohibit forced labor, labor abuse, child labor and stand against discrimination.

Business Ethics and Integrity

As Petkim, we aim for sustainable success by building a strong business ethics culture with adherence to ethical principles. We prioritize integrity and honesty as primary values in all processes of our company and we take these core values as a guide in our relationships with all stakeholders in our value chain.

SOCAR Türkiye Code of Ethics has been constituted based on core values such as trust, agility, inclusion, efficiency, passion and obligation. These codes guide our company's employees, business partners, suppliers and contractors to make the right and ethical choices. As Petkim, we adopt these principles and apply them in all our operations.

SOCAR Türkiye Ethics & Corporate Social Responsibility Committee was established to ensure that the works across SOCAR Türkiye and group companies, including Petkim, are executed in accordance with business ethics and compliance rules. The committee meets regularly under the chairmanship of SOCAR Türkiye CEO. An internal procedure has also been prepared to ensure that the Ethics & Corporate Social Responsibility Committee undertakes its tasks effectively and systematically. This internal procedure is dynamically updated in line with changing needs. The Ethics & Corporate Social Responsibility Committee further undertakes governance tasks to ensure that the corporate social responsibility activities within our company are carried out in accordance with the Code of Ethics and SOCAR Türkiye Values.

As Petkim, we follow certain steps to effectively implement our policy commitments. We allocate responsibilities to business units at different levels in order to effectively fulfill our implementation responsibilities. We further seamlessly integrate commitments into organizational strategies, policies and procedures to achieve strategic integration. Thanks to this integration, we strengthen our sustainable business practices that are aligned with business strategies and supported by operational policies and procedures. We effectively manage and expand external business relationships in order to consistently implement our company's commitments within the scope of external operations. To encourage and promote responsible behavior throughout the organization, we provide comprehensive training programs to guide our employees in understanding and implementing commitments.

[SOCAR Türkiye Code of Ethics, which is applied throughout the group, is available on the Petkim website under Ethical Values & Policies heading.](#)



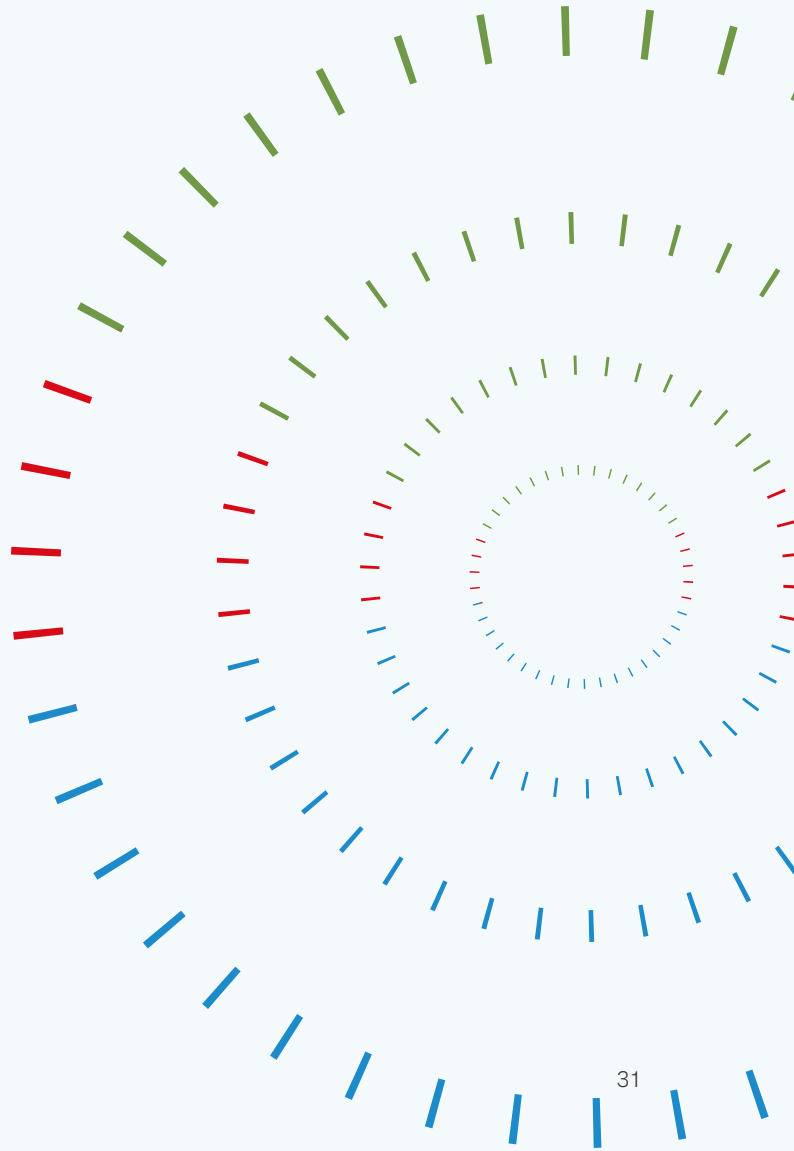
These rules specifically regulate issues such as anti-corruption and anti-bribery, confidentiality of information, conflicts of interest, anti-competitive practices, fight against money laundering, international trade controls, environment, health and safety, ethics line and reporting.

At Petkim, we carry out processes regarding the management of personal data in accordance with national and international data protection standards. Compliance with the Personal Data Protection Law and secondary legislation has successfully been completed in 2023. In this context inventories, policies, procedures, privacy notice were prepared and Data Controllers' Registry Information System (VERBIS) has been updated. Certain activities have been carried out within the company to raise awareness on the protection of personal data.

We provide orientation training entitled "SOCAR Türkiye Code of Ethics and the Protection of Personal Data", which also covers the issue of anti-corruption, to all newly recruited employees of our company. In this respect, we have provided digital video training in 2023 to all our employees covering all ethics and compliance issues including the fight against corruption.

Digital Platform for the Management of Personal Data:

With the Digital Platform for the Management of Personal Data, which we aim to integrate by 2024, personal data processing processes of all departments within Petkim particularly departments such as the Human Resources Department which processes large scale of personal data and special categories of personal data in business processes will be digitalized and improved. This digital system will ensure compliance with the regulations stipulated by the European Union General Data Protection Regulation which is an example of best practices.



Anti-Bribery and Anti-Corruption

We attach utmost importance to ethical values in order to create a sustainable business structure and provide trust to our stakeholders. In this context, we have established certain governance mechanisms to fight against cases such as bribery, corruption, abuse and human rights violations in order to manage potential risks that may have a negative impact on the results of our activities.

Governments, international organizations and financial institutions around the world apply various rules and restrictions such as anti-corruption rules, import and export control rules, economic sanctions regulations and embargoes. As Petkim, we comply with the rules and restrictions implemented by Azerbaijan and Türkiye, the United States of America, the United Kingdom, the United Nations and the European Union, to the extent applicable to the our work and we maintain all necessary trade controls in order to conduct our business activities in accordance with these rules and restrictions under our "Zero tolerance for Corruption" policy.

Compliance Department aims to detect and prevent risks related to bribery and corruption. Our compliance team conducts a business ethics due diligence process to ensure, through a risk assessment, that no potential third party is involved in any bribery and corruption-related activities to the extent possible. Through this process, we evaluate the risk of being exposed to adverse litigation that may expose our managers and employees to direct legal or criminal liability or may have significant financial or non-financial impacts on SOCAR Türkiye group companies.

We further evaluate significant risks such as legal or criminal sanctions that may be imposed as a result of corruption detected due to violation of applicable local and international laws/regulations, important risks such as being banned/restricted from participating in public tenders, administrative audits, investigations and loss of reputation.

Approximate number of business ethics assessments performed regarding the corruption risk over the last three years are as follows:

Operations evaluated against corruption risk	2021		2022		2023	
	% rate	number	% rate	number	% rate	number
	%100	1600	%100	1379	%100	857

The Anti-Corruption and Trade Controls Policy is also available on Petkim's corporate website. This policy addresses corruption issues and international trade controls from a detailed perspective and focuses on the fight against corruption. The policy further defines bribery and corruption, details the company's responsibilities for preventing such conduct and safeguards to protect employees who report bribery and corruption violations. It also covers elements such as deductions, facilitation payments and political contributions.

We have an Ethics Line contributing to the creation of a transparent, fair and ethical working environment by allowing the safe and anonymous notification of violations such as bribery, corruption and unethical behavior within the company. In this context, our employees and/or third parties can make anonymous notifications via e-mail, telephone and letter on issues such as ethical violations and suspicions of bribery and corruption. The Ethics Line is managed exclusively by authorized persons within the Risk and Compliance Directorate. Any retaliation or discrimination against those who raise their concerns in this regard shall not be tolerated. Those who attempt to retaliate or discriminate or those who knowingly make false or misleading statements are subjected to disciplinary action.

There is no confirmed case of corruption within the notifications received by Petkim's Ethics Line in 2023.



Sustainability at Petkim

Economic & Industrial Developments in the World and in Türkiye



Economic Outlook

The year 2023 represents a period filled with extraordinary challenges and opportunities both globally and sectorally. Since 2021, the ongoing battle against rising inflation rates, synchronized worldwide, persists. Simultaneously, the economic slowdown due to the Covid-19 pandemic and the instability brought about by the Russia-Ukraine war have significantly narrowed global trade, disrupting economic balances.

The observed decrease in growth rates worldwide has compelled countries to review and reshape their inflation-fighting policies. During this process, a high-interest-rate policy has transformed into a globally adopted strategy. The implementation of anti-inflationary monetary and fiscal policies has been aimed at combating inflation in the global economy, leading to the slowdown of the world economy and a decrease in trade volume.

Türkiye, on the other hand, has pursued a different path from other countries regarding high inflation due to its low-interest-rate policy, alongside the increasing inflation rates in the global economy. However, as of June 2023, the decision of the Central Bank of the Republic of Türkiye to increase interest rates marks the beginning of the country's process of aligning with global economic norms.



Sectoral Overview

The slowdown in growth in the global economy and the contraction in trade volumes also deeply affected the petrochemical industry. The industry has faced unique dynamics and challenges both globally and in Türkiye. The year 2023 further stood out as a year in which not only macroeconomic trends but also sectoral innovations and strategic moves constituted a turning point. In 2023, significant developments were also recorded regarding oil and natural gas prices which are critical elements for the petrochemical industry around the world.

"Geopolitical upheavals have raised input prices, adversely affecting margins in the sector."

There was an excess supply in the petrochemical industry due to the new production capacities introduced in the USA and China in 2023. In order to adapt to increasing supply and slowing demand, the solution was to reduce production capacity. While the global petrochemical business volume decreased to approximately 70%, this rate further dropped to 66% in the USA, to 60% in the Middle East and to 55% in Europe. On the other hand, surprisingly, the highest rates at around 75% were realized in Asia. The fact that the production capacity has been increasing in Asia while Brent oil prices are around 80 USD/barrel on average and while capacity has been reduced all over the world can be explained by China and India importing cheap Ural oil from Russia. The continuation of production at high capacity in Asia at a time when there was excess supply in the industry caused a long-term decline in prices that has never been seen before.

The slowdown in the global economy further reduced the demand for petrochemical products. The excess supply in the sector, combined with high operating rates in Asia, caused petrochemical product prices, which were under pressure for a long time, to remain low. Geopolitical upheavals such as the Russia-Ukraine War and the conflict between Israel and Palestine increased input prices, negatively affecting the margins in the industry. Brent crude oil prices, which were USD 80 per barrel at the beginning of the year, dropped to USD 75 towards the middle of the year and then started to climb again. The price of Brent oil, which reached to USD 100 per barrel particularly during the most furious period of the Israeli-Palestinian conflict, remained around USD 82 throughout the year.

Pursuant to Energy Information Administration (EIA) data, average Brent crude oil price per barrel was USD 19 lower in 2023 compared to 2022. The decrease in oil prices compared to 2022 was mainly attributed to the slowdown in the global economy. Natural gas prices, on the other hand, remained moderate due to the pressure on European and global gas markets in early 2023, favorable weather conditions and timely policy actions. Pursuant to Energy Information Administration (EIA) data, although liquefied natural gas (LNG) prices fell below summer 2021 levels, they returned to pre-pandemic levels by the end of the first quarter of 2023.

The slowdown in the global economy has become more pronounced due to the combination of many factors. Among these, geopolitical events such as the Russia-Ukraine War and the Israel-Palestine Conflict played an important role. This situation led to a contraction in world trade volume in 2023. Although the volume of the trade in services increased by USD 500 billion against a decrease of approximately USD 2 trillion in merchandise trade, the overall trade volume contracted by 4.5%. Anti-inflationary economic policies implemented, the global economic slowdown and the contraction in trade volume, collectively, led to deteriorations in income distribution to the detriment of the middle class which is most sensitive to the demand for petrochemical products. Consequently, one of the most serious decreases in the demand for petrochemical products in recent years has been experienced.

"In the petrochemical sector, product spreads* have significantly narrowed."

The spread applied to petrochemical products have narrowed significantly. Due to the sharp decline in petrochemical product prices towards the end of the first quarter of the year as well as the decrease in input prices remaining limited and showing occasional increases, the ethylene naphtha spread decreased to 40 dollars/ton level in the middle of the year. A slight improvement was then observed in spreads following this decline to historical levels. Spreads started to decrease again while product prices remained flat in the last quarter and input prices increased. The generally low margins in the petrochemical industry showed significant differences on a regional basis.

Keeping abreast of such fluctuations in the market is critical in shaping the strategic decisions of petrochemical companies. Such fluctuations in energy markets at both global and local levels can directly affect strategic planning and risk management, particularly in energy-intensive industries. Negative conditions prevailing in the global petrochemical industry in 2023 have also affected the economic dynamics of global companies.

* Spread is an important concept in the petrochemical sector. Essentially, it represents the difference between the output and input value.

Annual comparisons indicate that volatile oil markets as well as weak economic conditions that put pressure on the market have led to a decrease in profitability, and there are significant differences by geographical region and that there are significant differences in this regard on the basis of geographical regions. Producers engaged in natural gas-based production, particularly in the USA and the Middle East, generally achieved higher margins. In Asia, on the other hand, margins fell to negative values at the beginning of the year, then experienced a recovery in the third quarter of the year and then started to decline again. Margins in Europe, however, generally remained lower compared to other regions. As of the last quarter of the year, an improvement was recorded in the margins of all regions. This recovery was attributed to the effects of the Red Sea crisis rather than structural factors. In particular, the Red Sea attacks that started in October 2023, the consequent temporary increase in freight expenses and the increase in restocking activities were listed among the major factors explaining the increase in margins.

"Compliance with the European Green Deal and Carbon Regulations"

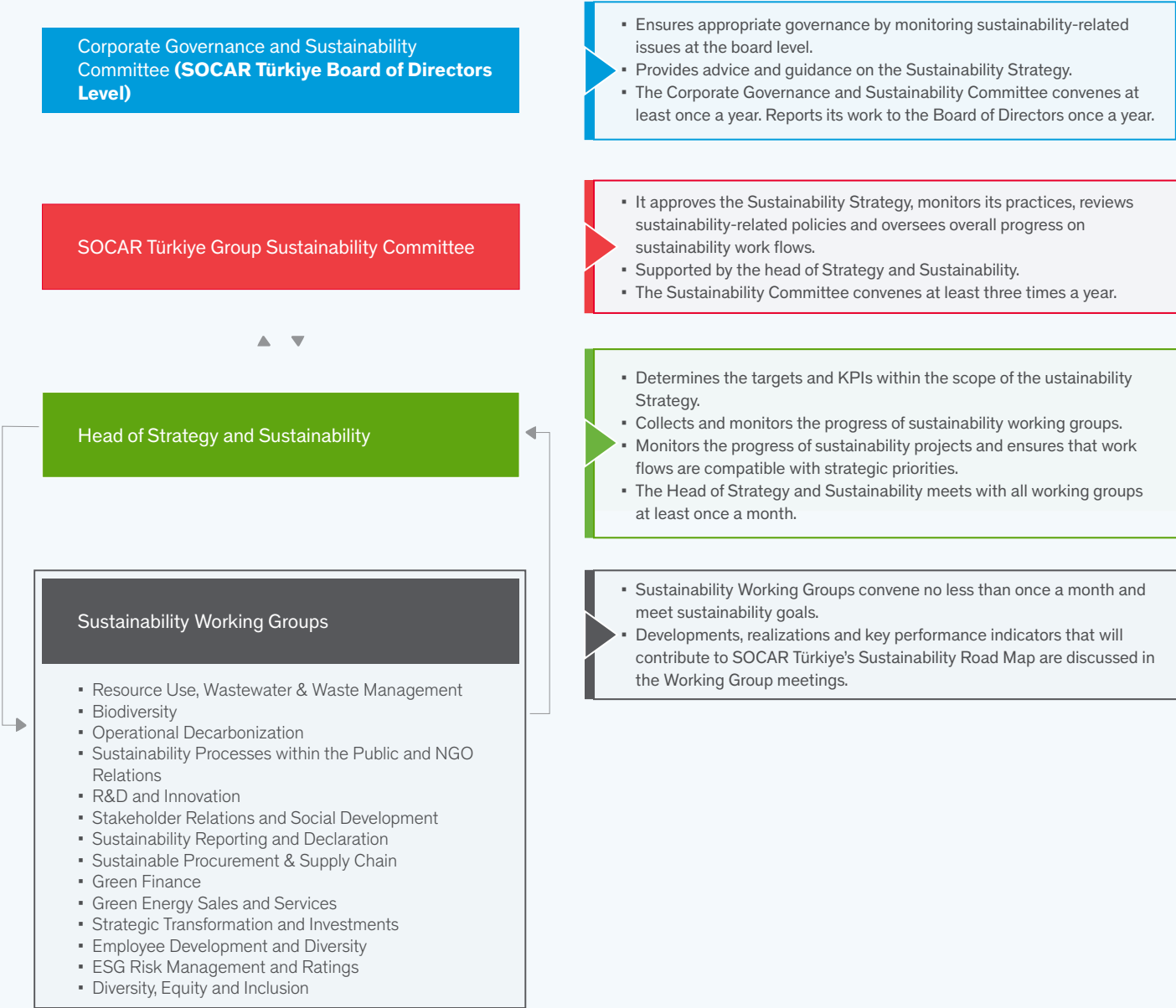
The European Green Deal Strategy, the Carbon tax planned to be implemented at borders and similar international regulations reshape the rules of global trade. Such developments seriously affect energy-intensive sectors, particularly the petrochemical industry. Petrochemical companies operating in Türkiye should further comply with the Green Deal and accelerate green and digital transformation in order to switch to sustainable chemical production. For the purpose of this transformation process, topics such as reducing the use of harmful chemicals, making production processes more transparent and encouraging the use of recycled plastic come to the fore.

This process, combined with the economic contraction and the risk of stagflation, characterized by both high inflation and high unemployment rates, further aggravates the challenges facing the sector. The increase in energy costs is a factor that negatively affects the profit margins and competitiveness of companies by increasing production costs. The EU's Carbon Border Adjustment Mechanism (CBAM), introduced by the European Green Deal, further opens the door to a new era by changing the rules of trade. Therefore, being prepared for the carbon taxes and similar practices to be implemented at the borders, particularly in important export markets such as the European Union, is critical to reduce the risks to be faced by the industry. Hence the Turkish petrochemical industry has been developing strategies compatible with the emission reduction and environmentally friendly practices in order to adapt to these changing conditions and maintain its position in the EU market. These strategies aim to both overcome current challenges and achieve sustainable growth in the future.

Petkim's Sustainability Vision

Sustainability at Petkim

As Petkim, we adopt SOCAR Türkiye's sustainability approach, integrate these principles to our entire business processes and make them our basic strategies in order to support sustainable growth and development. We strive towards fulfilling our environmental, social and economic responsibilities and implementing an integrated service approach at all stages of our value chain. In this context, the service concept that we offer requires full compliance with local and international legal regulations, adherence to ethical business principles and continuous development. Our future efforts include a commitment to contribute to the sustainable growth and development of not only our company but also the communities and environment in which we operate.



Being aware of our social responsibilities, we prioritize human rights, occupational health and safety issues and work to provide a safe and decent work environment for our employees. We support local communities, prioritize the development of domestic suppliers and ensure the participation of our stakeholders by communicating effectively. We aim to improve efficiency by supporting technological development through R&D and innovation and by adopting digitalization in our production processes.

Sustainability Governance

ESG and sustainability activities At SOCAR Türkiye are executed centrally through the Group Sustainability Committee. Sustainability efforts at Petkim are also executed by SOCAR Türkiye Group Sustainability Committee.

The Group Sustainability Committee is chaired by SOCAR Türkiye CEO and co-chaired by the Head of Strategy and Sustainability. The Sustainability Committee, operating under the Executive Committee, is further monitored by the Corporate Governance and Sustainability Committee affiliated to SOCAR Türkiye Board of Directors. The Committee, which convenes at least three times, is responsible for developing the sustainability vision and strategy of SOCAR Türkiye and implementing ESG-related policies and guidelines. Furthermore, various working groups have been commissioned to achieve the set goals. Working groups strive towards the successful implementation of the sustainability strategy in SOCAR Türkiye and its subsidiaries.

This system, which improves the power of our company in risk management, strategic planning, stakeholder relations and achieving sustainability goals, further reflects our commitment to our principles of sustainable development and corporate responsibility.

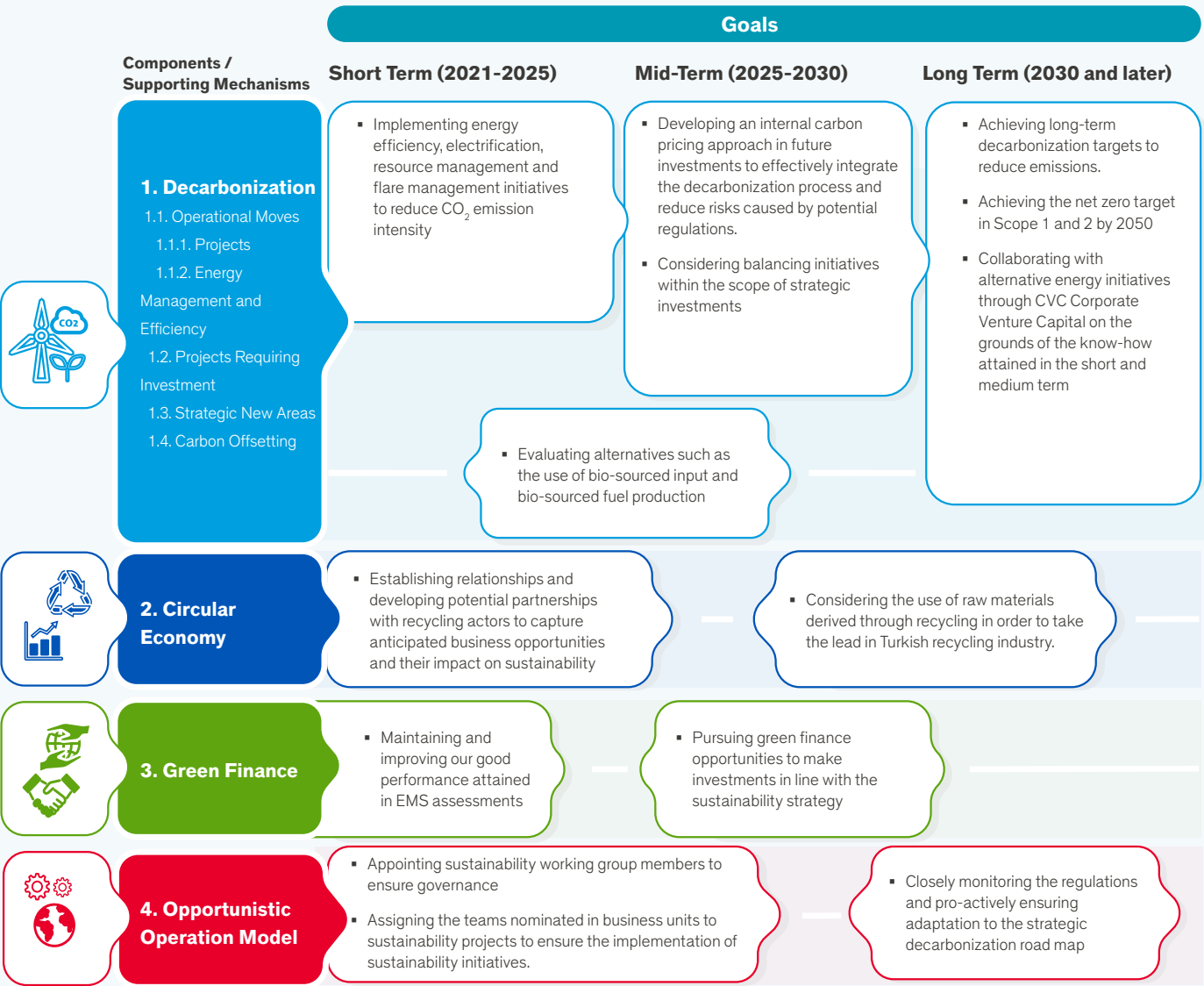
We maintain our activities under the leadership of SOCAR Türkiye Group Sustainability Committee by targeting excellence in environmental, social and corporate governance in line with our strategy and policy and by focusing on creating a positive impact. We progress by regularly assessing our sustainability performance via our working groups supervised by SOCAR Türkiye Board of Directors and the Corporate Governance and Sustainability Committee.



Sustainability Strategy

As Petkim, we have adopted the SOCAR Türkiye Sustainability Strategy which reinforces our mission to support sustainable growth in all industries in which we operate. We aim to effectively manage our social, economic and environmental impacts in line with our strategy. Our strategy further focuses on meeting the expectations of our stakeholders and creating a positive impact within the framework of the United Nations Sustainable Development Goals (SDGs). Effectively managing social, economic and environmental impacts by creating value for people, society and the environment constitutes the pillars of our strategy.

One of the main priorities of our company is to understand the social impacts on society, to ensure fairness in the operations, to respect the employee rights, to support local communities and promote diversity by focusing on the management of social impacts. In this context, we adopt an approach that adheres to fair trade principles, contributes to domestic economies, supports interaction with stakeholders and a fair competition environment in line with the purpose of supporting economically sustainable growth. Environmental sustainability includes minimizing the impacts on natural resources, improving energy and resource efficiency, switching to sustainable practices, reducing carbon footprint and ensuring continuous improvements in waste management. In this context, we minimize the risks arising from the effects of climate change and carry out infrastructure and integration projects addressing environmental and social issues in our production processes.



We adopt the principle of understanding and responding to stakeholder expectations while integrating our strategy into our business processes and we further remain committed to creating a positive impact in line with the Sustainable Development Goals.

Our Materiality Issues in Sustainability

The comprehensive materiality analysis that we conducted in 2022 enabled us to obtain valuable feedback by interacting with our stakeholders. Based on this analysis, we have clearly determined our material issues in environmental, social and governance areas by taking into account the expectations of a wide range of stakeholders from our customers to our employees, suppliers and society.

Thereby we have identified the crucial issues in terms of sustainability and placed our company's strategic focus on a more solid foundation. In 2023, we re-evaluated our material issues so as to reflect the changing social and environmental concerns in line with the global and sectoral trends by further examining the findings of last year's materiality analysis.

We held detailed two-way discussions with our Risk Department on the impact materiality and financial materiality of each material issue that came to the fore as a result of our materiality analysis. We have integrated this analysis in detail in our Risks and Opportunities table. Thereby we had the opportunity to conduct a more comprehensive impact analysis, to identify our weaknesses and to assess our transition to double materiality analysis.

After being approved by the Group Sustainability Committee, priority issues identified were further submitted to the approval of the Board of Directors at the first Committee Meeting held.

Examination of Global and Industrial Trends	Consideration of Strategic Priorities	Evaluation and Approval
<div><ul style="list-style-type: none">Legislation/Legal RequirementsUN Sustainable Development GoalsIndustry Trends & Mega trendsOther Companies/Competitors in the industryGRI StandardsSASB Industry StandardsESG Rating AgenciesWorld Economic Forum (WEF) Global Risks Report</div>	<div><p>The following criteria were taken into account to measure the significance of each topic:</p><ul style="list-style-type: none">Significance/Impact for stakeholdersSignificance/Impact on Petkim's strategy</div>	<div><p>Material issues identified were reviewed by the Group Sustainability Committee and Strategy Team and were re-evaluated within the framework of compliance with Petkim's current business environment, strategic position and current strategic approach to ensure the alignment of key sustainability issues with the business risks and strategic objectives and to integrate them into the materiality assessment.</p></div>

As a result of our 2023 assessment, it was concluded that climate risks, water quality and wastewater management are more critical issues for our business strategy in line with global and industry trends.

Most Important	More Important	Important
Transition to a Low-Carbon Economy and Carbon Technologies	Risk & Crisis Management	Digitalization and Technological Development
Climate Risks	OHS	Employee Engagement and Wellbeing
Energy Efficiency		Sustainable Economic Value
Water Quality and Wastewater Management		Employee Training and Talent Development
Circular Economy and Waste		Compliance with Human Rights Principles
Air Quality		Business Ethics and Integrity

Matrix



Contribution to UN Sustainable Development Goals

The Sustainable Development Goals (SDGs) were established by the United Nations in 2015 as a comprehensive plan and call to action comprising 17 universal objectives and commitments. These goals focus on critical issues such as reducing global poverty, eliminating inequalities, ensuring environmental sustainability, and strengthening peace. The Sustainable Development Goals aim to achieve these objectives by 2030, requiring a universal effort that encompasses not only governments but also companies, civil society organizations, communities, and individuals. With a sense of responsibility towards the Sustainable Development Goals, we implement our Sustainability Strategy at every stage of our value chain. Prioritizing our key SDGs based on global standards set by national and international sector associations and the expectations of our stakeholders, we work to implement initiatives that contribute to these goals.

Contributed SDGs	Sub-Goals	Related Priority Topic	Relevant Capital Item	Relevant Department(s)	Activities/Projects
	3.9 Reducing the number of deaths and illnesses due to hazardous chemicals and pollution	OHS Employee Engagement and Wellbeing	Human Capital	<u>We are Together to Invest in People</u>	HSE Policy
	4.3 Have equal access to quality technical, vocational and higher education 4.4 Substantially develop the relevant skills for decent jobs and entrepreneurship	 Employee Training and Talent Development	Human Capital Social and Relational Capital	 <u>We are Together to Invest in People</u> <u>We Are Together for Social Responsibility</u>	Talent Acquisition and Development Processes GENERATION D Program Citizen Developer Program Business Acumen Simulation Project in collaboration with Ege University "Pocketbook Project" executed in cooperation with the Azerbaijan Ministry of Economy Being a Stakeholder in the "Engineer Girls of Türkiye" Project and Technical Field Trip Our Green School in Bayraklı SOCAR Türkiye Volunteers Platform
	5.1 End all forms of discrimination against all women and girls everywhere 5.5 Ensure full and effective participation and equal opportunities for leadership at all levels of decision-making	Compliance with Human Rights Principles	Human Capital	<u>Corporate Governance at Petkim</u> <u>We are Together to Invest in People</u> <u>We Are Together for Social Responsibility</u>	Human Rights Policy Diversity, Inclusion and Equity Policy Being a Stakeholder in the "Engineer Girls of Türkiye" Project and Technical Field Trip SOCAR Türkiye Volunteers Platform

Contributed SDGs	Sub-Goals	Related Priority Topic	Relevant Capital Item	Relevant Department(s)	Activities/Projects
	6.3 Improving water quality, management of the wastewater and safe reuse	Water Quality and Wastewater Management	Natural Capital	<u>We are Together in the Fight Against Climate Change</u>	HSE Policy
	7.1 Universal access to modern energy services 7.3 Double the rate of improvement in energy efficiency	Energy Efficiency Transition to a Low-Carbon Economy and Carbon Technologies	Natural Capital	<u>We are Together in the Fight Against Climate Change</u> <u>We Are Together for Technology and Innovation</u>	Wenovation Start-up Challenge Aliağa Energy Optimization (AEO) ISO 50001 Energy Management System Refinery and Petrochemical Business Unit Energy Policy
	8.1 Sustainable economic growth 8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation 8.4 Improve resource efficiency in consumption and production 8.5 Full employment and decent work with equal pay 8.8 Protect labour rights and promote safe and secure working environments	Compliance with Human Rights Principles Occupational Health and Safety Employee Engagement and Wellbeing Sustainable Economic Value	Human Capital Financial Capital Produced Capital Intellectual Capital	<u>Corporate Governance at Petkim</u> <u>We are Together to Invest in People</u> <u>We Are Together for Creating Economic Value</u>	Human Rights Policy Diversity, Inclusion and Equity Policy Employee Orientation Principle Corporate Risk Management Policy HSE Policy
	9.4 Upgrade infrastructure and retrofit industries to make them sustainable 9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors	Digitalization and Technological Development	Intellectual Capital	<u>We Are Together for Technology and Innovation</u>	ISO 56002 Innovation Management System Innovation Management Procedure
	10.3 Ensure equal opportunity and reduce inequalities	Compliance with Human Rights Principles Business Ethics and Integrity	Social and Relational Capital	<u>We are Together to Invest in People</u> <u>We Are Together for Social Responsibility</u>	Human Rights Policy Diversity, Inclusion and Equity Policy Being a Stakeholder in the "Engineer Girls of Türkiye" Project and Technical Field Trip SOCAR Türkiye Volunteers Platform
	11.6 Reduce the environmental impact of cities	Air Quality	Social and Relational Capital	<u>We are Together in the Fight Against Climate Change</u>	Decarbonization strategy

Contributed SDGs	Sub-Goals	Related Priority Topic	Relevant Capital Item	Relevant Department(s)	Activities/Projects
	12.2 Sustainable management and efficient use of natural resources 12.4 Sound management of chemicals and all wastes 12.5 Substantially reduce waste generation	Circular Economy and Waste Sustainable Economic Value	Social and Relational Capital Natural Capital Produced Capital Intellectual Capital	We are Together in the Fight Against Climate Change We Are Together for Creating Economic Value	HSE Policy Circular Economy Strategy
	13.1 Strengthen resilience and adaptive capacity to climate-related hazards 13.2 Integrate climate change measures into policies and planning 13.3 Improve education and human and institutional capacity on climate change mitigation	Climate Risks Transition to a Low-Carbon Economy and Carbon Technologies Risk & Crisis Management	Natural Capital	We are Together in the Fight Against Climate Change We Are Together for Technology and Innovation Corporate Governance at Petkim	CO2Focus Project LOUISE Project NEFERTITI Project Circular TwAIn Project ALGAESOL Project Corporate Risk Management Policy Corporate Governance and Sustainability Committee
	14.2 Protect and restore ecosystems	Climate Risks	Natural Capital	We are Together in the Fight Against Climate Change	Biodiversity Policy Biodiversity Assessment Report
	15.2 Halt deforestation and restore degraded forests 15.5 Protection of biodiversity and natural habitats	Climate Risks	Natural Capital	We are Together in the Fight Against Climate Change	Biodiversity Policy Biological Diversity Assessment Report Afforestation Activities
	16.5 Substantially reduce corruption and bribery 16.6 Develop effective, accountable and transparent institutions 16.8 Promote and enforce non-discriminatory laws and policies	Bribery and Corruption Compliance with Human Rights Principles Business Ethics and Integrity	Financial Capital	Corporate Governance at Petkim We are Together to Invest in People	Human Rights Policy Anti-Corruption and Commercial Controls Policy Public Relations Policy
	17.7 Promoting sustainable technologies for developing countries 17.8 Fully operationalize the science, technology and innovation capacity-building mechanism for least developed countries 17.17 Encourage and promote effective partnerships	Digitalization and Technological Development Business Ethics and Integrity Sustainable Economic Value	Social and Relational Capital Produced Capital	Stakeholder Engagement	Stakeholder Engagement Memberships and Collaborations

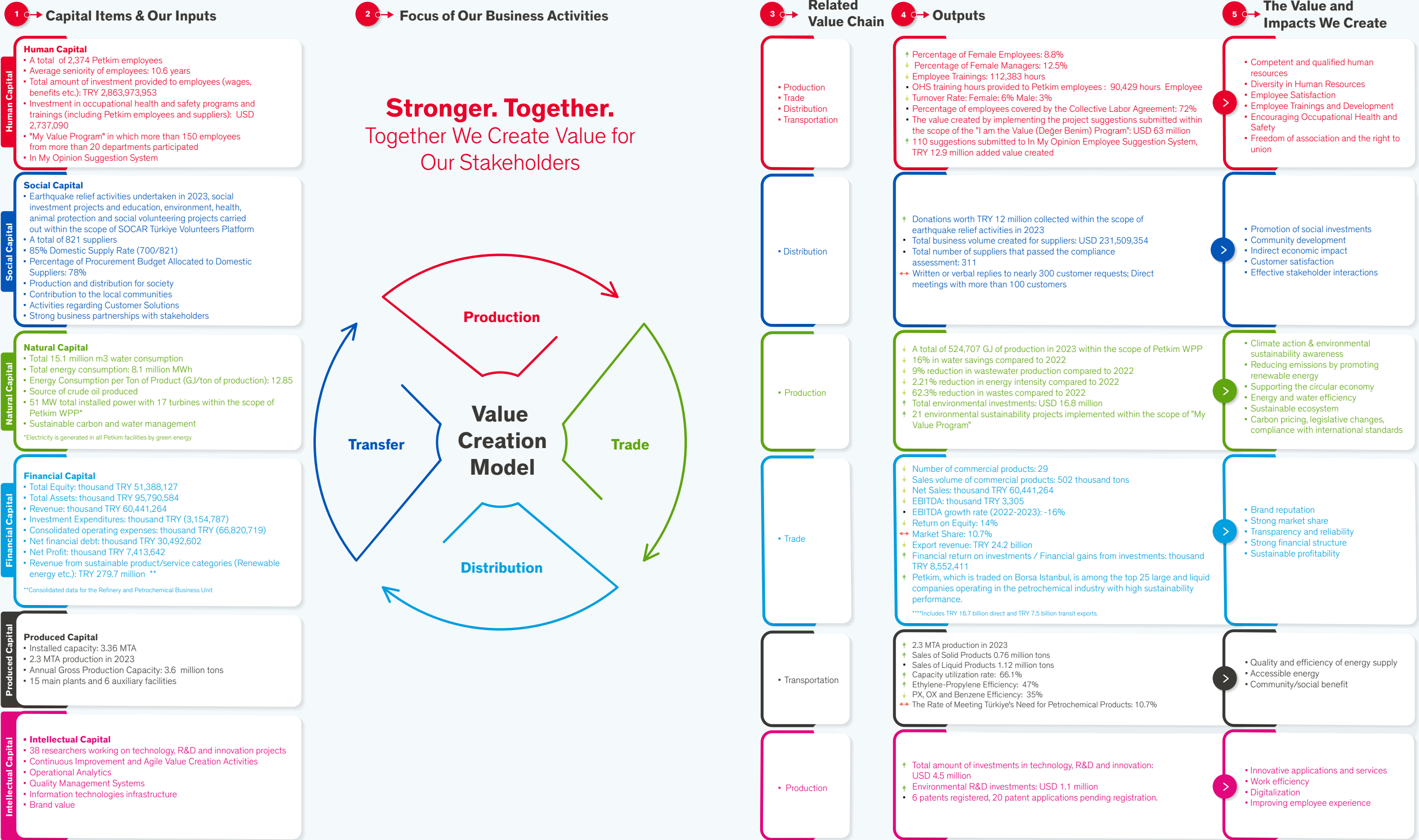
How Do We Create Value?

With our integrated report presented for the first time this year, we as Petkim have aimed to transparently disclose our value creation process and sustainable growth model to our stakeholders. In addition to creating economic value, we are committed to creating a positive impact on society and the environment by adopting both social and environmental sustainability principles with our investments in energy efficiency, occupational health and safety, process safety and environmentally friendly production processes. Acting in line with the principle of "Stronger. Together.", we clearly reveal our value creation process and contribute to the development of our employees with our ethical governance and diversity-oriented policies.

With this transparent and holistic approach, as part of Türkiye's largest integrated industrial group SOCAR Türkiye, we successfully pursue our mission of creating value that is not only focused on profitability but also considering social and environmental responsibilities.



Value Creation Model & Capital Items





Current Policies & Management Systems Certificates

Sustainability Oriented Policies:

- Information Security Policy
- Corporate Risk Management Policy
- Laboratory Management System Policy
- Petkim Integrated Management System Policy
- Asset Management Policy
- Refinery and Petrochemical Business Unit Energy Policy
- HSE Policy
- Biodiversity Policy
- Anti-Corruption and Commercial Controls Policy
- Diversity, Equity and Inclusion Policy
- Human Rights Policy
- Public Relations Policy

Management Systems Certificates

- ISO 9001 Quality Management System
- ISO 14001 Environmental Management System
- ISO 45001 Occupational Health and Safety Management System
- ISO 27001 Information Security Management System
- ISO 50001 Energy Management System
- SO 10002 Customer Satisfaction Management System
- ISO 31000 Risk Management Guide
- ISO 55001 Asset Management System
- ISO 17025 Laboratory Accreditation

Stakeholder Engagement

"Stronger. Together." with transparent and interaction-oriented stakeholder communication

Adopting the "Stronger. Together." understanding, as is the case with all SOCAR Türkiye group companies, our company implements a transparent, participatory and two-way communication approach in stakeholder communication as a basic principle. In this regard, we actively use various channels while communicating with our employees and external stakeholders. We communicate through various tools such as corporate intranet, in-house surveys, e-mail, e-bulletins, corporate TV, posters and banners, reputation and satisfaction research, training practices, performance management system, interviews, working groups, complaint and suggestion systems. We believe that the effective use of these channels contributes to the establishment of stakeholder communication systematics in management systems.

We further communicate with various stakeholders, such as our customers, shareholders, public institutions, media and local community, through corporate website, social media, e-mail correspondence, annual reports, sustainability reports, press releases and announcements, social projects and sponsorships. Concerning the international projects, we report investments in accordance with international performance standards through Social Impact Management and Stakeholder Interactions. We carefully consider and evaluate the feedback provided through ethics issues reporting channels and notification systems that are open to the access of suppliers and local community.

We have also embedded the ISO 10002 Customer Satisfaction Management System Standard within the scope of our integrated management system.

Stakeholders	Relevant Capital Items	Means of Communication	Communication Frequency
National Media (Economy, Business, Energy)	Intellectual Capital, Social and Relational Capital	E-Mail, Phone, Meetings and Face-to-Face Communication	When Needed and Based on a Certain Subject
Local Media	Intellectual Capital, Social and Relational Capital	E-Mail, Phone, Meetings and Face-to-Face Communication	When Needed and Based on a Certain Subject
Government Institutions	Intellectual Capital, Social and Relational Capital	E-Mail, Phone, Meetings, Face-to-Face Communication and Official Correspondence	At Regular Intervals
Business Associations/NGOs (Social, Environmental)	Intellectual Capital, Social and Relational Capital, Natural Capital	E-Mail, Telephone, Meeting, Membership to Associations, Working Groups, Seminars, Conferences, Panels	At Regular Intervals
Customers	Social and Relational Capital, Human Capital	E-Mail, Telephone, Meeting, Website, Customer Visits, Fairs, Surveys	Continuously and Based on a Certain Subject
Financial Institutions and Investors	Financial Capital	E-Mail, Phone, Meeting, Webcast/ Teleconference	When Needed and Based on a Certain Subject
Employees	Human Capital	E-Mail, Telephone, Meetings, Face-to-Face Communication, Working Groups, In-House Communication, In-House Surveys, e-Bulletins, Corporate CCTV, Intranet Portal (SOHO), Trainings	Continuously and Based on a Certain Subject
Syndicates	Social and Relational Capital, Human Capital	E-Mail, Phone, Meetings, Face-to-Face Communication, Official Correspondence	At Regular Intervals
Suppliers	Social and Relational Capital, Human Capital	E-Mail, Phone, Meetings, Face-to-Face Communication, Seminars, Conferences, Panels, Fairs	When Needed and Based on a Certain Subject
Contractors	Social and Relational Capital, Human Capital	E-Mail, Phone, Meetings, Face-to-Face Communication	When Needed and Based on a Certain Subject
Local Communities	Social and Relational Capital	Face-to-Face Communication, Phone, Website and Social Media Channels	When Needed and Based on a Certain Subject
Universities	Intellectual Capital	E-Mail, Telephone, Academic Congress and Seminars, Trainings and Technical Assistance, Sponsorships	When Needed and Based on a Certain Subject
Shareholders	Financial Capital	General Assembly Meetings, One-on-One Correspondence and Meetings	At Regular Intervals
Lenders	Financial Capital	E-Mail, Phone, Meetings and Face-to-Face Communication	When Needed and Based on a Certain Subject
Banks	Financial Capital	E-Mail, Phone, Meetings and Face-to-Face Communication	When Needed and Based on a Certain Subject
Investors	Financial Capital	E-Mail, Phone, Meeting, Webcast/ Teleconference	At Regular Intervals

Memberships and Collaborations

At Petkim, we have adopted becoming a member of a wide network of stakeholders and establishing collaborations as the significant strategies in order to support sustainability, offer innovative solutions and adopt the best practices in the industry. We evaluate and develop our collaborations and memberships in line with the priority issues that we analyze regularly each year.

Organization	Role
Istanbul Chemicals and Chemical Products Exporters' Association (İKMİB)	Board
Istanbul Mineral and Metals Exporters' Association (İMMİB)	Member
Aegean Iron and Non-Ferrous Metals Exporters Association (EİD)	Member
TOBB	Member
Turkish Chemical Industrialists' Association (TKSD)	Board
Aegean Exporters' Association (EİB)	Member
Turkish Quality Association (KALDER)	Board
Turkish Chemical, Petroleum, Rubber and Plastic Industry Employers' Association (KİPLAS)	Board
Turkish Port Operators' Association (TÜRKLİM)	Board
Aegean Plastic Industrialists' Solidarity Association (EGE PLASDER)	Member
İstanbul and Marmara, Aegean, Mediterranean and Black Sea Regions (İMEAK) Maritime Chamber Of Commerce	Member
Türkiye Investor Relations Association (TUYİD)	Member
Rubber Association	Member
Aegean Industrialists And Businessmen's Association (ESİAD)	Member
People Management Association of Türkiye (PERYÖN)	Member
Association of Calibration and Test Laboratories (TÜRKLAB)	Member
Türkiye Cogeneration and Clean Energy Technologies' Association(TÜRKOTED)	Member
World Energy Council (WEC) Turkish National Committee	Member
Supply Chain Management Association (TEDAR)	Member
Packaging Manufacturers' Association	Member
Turkish Wind Energy Association (TWEA)	Member
Technology Development Foundation of Türkiye	Member



We are Together in Production

For a Sustainable Production
Stronger. Together.





We are Together in Production

For a Sustainable Production Stronger. Together.

Throughout our production cycle, we adopt a responsible production approach, based on efficiency, which respects the environment and people. As Petkim, we are moving forward together by pioneering sustainable production in the Turkish petrochemicals industry.

Overview of Petkim Facilities and Products

We are the first and only integrated petrochemical company of Türkiye that manufactures industrial products by focusing on creating sustainable value. As the indispensable raw material supplier of the industry, we not only strengthen the country's economy but also support sustainable development.

As we approach our 60th anniversary in the industry, we have been manufacturing nearly 60 items of petrochemical products within the framework of our "digital thinking" approach, working at full capacity at our 15 main and 6 auxiliary facilities located in Aliağa, İzmir. Owing to our high value-added products such as thermoplastics, fiber and raw materials for the paint industry, we meet approximately 11% of the petrochemical raw material requirements of Türkiye. As the company that realizes the highest volume of exports in the Aegean Region, we are proud to make a significant contribution to the economic growth of our country.

We bring life to numerous industries such as plastics, chemistry, packaging, pipes, paint, construction, agriculture, automotive, electronics, textile, pharmaceuticals, detergents and cosmetics and we export to approximately 60 countries in the international market.

A total of 2,3 MTA¹ production in 2023 Nearly 60 petrochemical products

¹ In 2023, Petkim manufactured 465 kt of Ethylene, 220 kt of PSR, 140 kt of C4, 70 kt of Aroma Oil, 301 kt of Py-Gas, 46 kt of ACN, 13 kt of MEG/DEG, 152 kt of Benzene, 47 kt of OX, 135 kt of PX, 72 kt of PVC, 178 kt of LDPE, 157 kt of LDPE-T, 94 kt of HDPE, 139 kt of PP and 50 kt of PA.

Petkim Facilities

Our Plants				Auxiliary Processing Units			
		Year of Incorporation	Year of Extension	Capacity			
Low Density Polyethylene (Tubular)) Plant		2005	2011	160,000 tons/year	Güzelhisar Dam	1981	- Precipitation Area 450 km ² Average Annual Precipitation: 500-600 kg/m ² Water Level: 63 m (min.), 104 m. (normal), 107 m. (max.) Active Volume: 137 million m ³ Total Storage Volume: 150 million m ³
Plastics Processing Plant (Masterbatch Unit)		1993	-	10,000 tons/year			
Pure Terephthalic Acid (PTA) Plant		1987	2015	105,000 tons/year			
Plastics Processing Plant (Bag Production Unit)		1986	-	3,000 tons/year FFS Roll Film	Water Purification Unit	1983	2005 Capacity: 7,800 m ³ /hour Date of Commissioning: 1983 Date of Extension 2005 Raw Water Pools Storage Capacity: 80,000 m ³
Polyvinyl Chloride (PVC) Plant		1986	1995 2001	150,000 tons/year			
Vinyl Chloride Monomer (VCM) Plant		1986	1993 2000 2003	152,000 tons/year	Demineralized Water Unit	1984	1998 2006 Capacity: 1,700 m ³ /hour Date of Commissioning: 1984 Date of Extension 1998, 2006
Phthalic Anhydride (PA) Plant		1985	2001 1012	49,000 tons/year			
Ethylene Glycol Plant		1985	1995	89,000 tons/year MEG	Wastewater Treatment Facility	1984	- Capacity: 1,670 m ³ /hour 550 m ³ /h Oily Wastewater 120 m ³ /h Domestic Wastewater 1,000 m ³ /h Chemical Wastewater
Acrylonitrile (ACN) Plant		1985	1994	90,000 tons/year			
Polypropylene (PP) Plant		1985	1993 2005	144,000 tons/year	Solid - Liquid Waste Incinerator	2003	- Capacity: 2.26 tons/hour 0.85 tons/h Solid Waste 1.07 tons/h Sewage Sludge 0.34 tons/h Waste Oil
High Density Polyethylene (HDPE) Plant		1985	1993 2001	96,000 tons/year			
Low Density Polyethylene (LDPE) Plant		1985	1993 2001	190,000 tons/year	Port	1984	- Amount of Cargo Handled: 2.7 million tons
Chlorine Alkali (CA) Plant		1985	2000	100,000 tons/year Chlorine			
Aromatics Plant		1985	2005 2011	150,000 tons/year Benzene	Energy Production	1984	2001 2007 Steam Production Plant Capacity: 1,200 tons/h XHS Electricity Generation - Distribution Total Generation Power: 273 MW Capacity Increase: 2001 (TG4), 2007 (Gas Turbine), 2017 (Wind Turbine)
Ethylene Plant		1985	1993 2005 2015	588,000 tons/year			



Operational Excellence

At Petkim, we believe that sustainable success requires continuous development and improvement. With this vision in mind, we contribute to our company's excellence and innovation goals.

Making the right investment decisions in the economic arena and managing resources effectively have critical importance for us. For this purpose, we ensure our Company's resources to be distributed and allocated most efficiently in investment projects. We prepare comprehensive case studies for potential Projects and Investments to help senior management make the best decisions. By analyzing the financial results of each investment and improvement project, we ensure that each project is built on the right financial foundations. We constitute our company's strategy by analyzing new market opportunities, technological trends and potential collaborations; we further encourage sustainable success by supporting the continuous development of our company.

As Petkim, we kept going on our journey of business excellence in 2023, focusing on continuous development and innovation.



Continuous Improvement Activities

Throughout our business excellence journey at Petkim, we aim to increase customer satisfaction and improve our operational efficiency by making systematic and continuous improvements in all our operations and business processes. We base our business processes on a continuous improvement approach. We constantly evaluate our processes by using improvement methodologies such as 5S, particularly "Lean Six Sigma" and we focus on efficiency in current and future business processes.

The "In My Opinion Employee Suggestion System" and "Lean Six Sigma" program, which were previously undertaken by different business units under the umbrella of the Business Excellence, have then started to be carried out under the roof of the Continuous Improvement Department as of 2023.

Within the context of continuous improvement activities, we have further implemented 5S management strategies aimed at improving the efficiency in the reporting year. 5S management strategies were successfully implemented at Petkim in a total of 26 facilities such as laboratories, maintenance workshops, product packaging and storage areas, weigh bridges and pallet centers and an audit system was executed to ensure sustainability.

Lean Six Sigma Day" Event

We hosted the "Lean Six Sigma Day" event held in İzmir, which attracted the attention of professionals and academics working on continuous improvement project and university students. For the purpose of the event, in which more than 100 individuals from more than 10 companies participated, various topics ranging from Lean Six Sigma approaches to sustainable business practices were discussed, successful practices were examined and information was exchanged.

Within the context of this conference, where basic issues regarding efficiency and success in the business world such as "Efficiency and Being Lean in Business Processes", "Sustainability of Lean Six Sigma Approach and Cultural Transformation", "Global Lean Six Sigma Applications", "Obstacles to Operational Transformation and Solution Suggestions" are discussed, domestic and foreign speakers from different industries shared their "continuous improvement" experiences.

The fourth wave Green Belt Program, within the scope of 2023 Lean Six Sigma certification project, was successfully completed. 11 of our colleagues, who completed their training within the scope of this wave, successfully finalized their projects based on the knowledge they acquired throughout the Green Belt training. In 2023, we created USD 1,1 million worth value through our Six Sigma Projects. Fifth and sixth wave Lean Six Sigma Green Belt trainings started with the participation of 30 Green Belt candidates. We have attached utmost significance to Value Stream Mapping and Kaizen studies in our Lean Six Sigma program. Value Stream Mapping executed particularly in the Plastics Processing Plant and Product Packaging areas played a critical role in identifying improvement opportunities and ensured production efficiency.

fikrimce



"In My Opinion (Fikrimce)" Suggestion System

The "In My Opinion Suggestion System", which has primarily been implemented under the umbrella of SOCAR Türkiye and in which we, as Petkim, have also participated provides the opportunity to feed our continuous improvement approach with the valuable ideas of our employees. This platform allows our employees to make significant contributions to our value creation processes by submitting creative and innovative suggestions that will improve our company's operations. In this regard, we further reinforce our employees' sense of belonging. In order to make the "In My Opinion" Suggestion System" even more effective, we are implementing mechanisms for rewarding/encouraging the participation of our employees. Thereby we not only improve our processes but also increase our employees' motivation and engagement to the company. "In My Opinion" Suggestion System" attracted a great deal of attention at Petkim in 2023 and our employees submitted a total of 485 suggestions to the system. As a result of comprehensive reviews by the SOCAR Türkiye Idea Assessment Board, 110 of these suggestions were qualified as "suggestible". Thanks to the "In My Opinion" Suggestion System", we succeeded in adding a total value of TRY 12,9 million to our company in 2023.



Agile Value Creation Activities

Thanks to our culture that focuses on valuing the employees and the human factor, we implement employee-oriented and participatory projects. Within the context of the My Value Program, which we initiated with Petkim in 2016 and later popularized to all our group companies within SOCAR Türkiye Refinery and Petrochemical Business Unit and Natural Gas Business Unit, we bring together multi-disciplinary teams to undertake projects that create added value for our company with team spirit and cooperation.

The My Value Program allows our employees to contribute to the development of our processes by offering improvement-oriented suggestions. In line with the suggestions presented, we aim for sustainable improvements in critical areas such as operational excellence, commercial success and supply chain optimization and we work on various projects such as energy and efficiency, optimization of sales strategies of petrochemical products, logistics and inventory management.



My Value (Değer Benim) Program

As Petkim, we pursue the process of creating value within the context of the My Value Program focused on innovation and continuous development, which celebrates the 7th anniversary of its introduction with the active participation of our employees.

Thanks to successful projects that were implemented in 2023 and provided great gains in categories such as Lean Six Sigma, Agile Transformation and Digitalization besides the My Value Program, we achieved positive effects on operational and financial performance.

In 2023, as part of the My Value Program, which involved more than 150 employees from over 20 departments, we detailed and conceptualized 30 initiatives from among more than 50 project suggestions submitted by our employees. Over 60 participants participated in more than 10 workshops organized throughout this process and more than 70 new project ideas were developed; more than 30 of these ideas have been conceptualized on the My Value Program while others have been detailed and developed on different platforms.

Reflecting our motto of "Stronger. Together.", the My Value Program highlights the ideas of our employees and strengthens the culture of innovation and collaboration within the company.

By implementing the project suggestions submitted in 2023 by our employees, we created a value of 63 million USD.

The project suggestions, worth USD 16 million, submitted by our colleagues within the scope of the Digital Transformation program implemented five years ago with the aim to initiate the transformation and create value at Petkim were also realized in 2023. Throughout this process, the ideas submitted by our employees were meticulously evaluated and two My Value boards were held in 2023 for digitalization projects.

Developed specifically for digital projects, the My Value Program focuses on operational, commercial and supply chain optimization. In addition to the optimization projects in these areas, the redesign of business processes and other process optimization projects that contributed to the digital transformation of the company were also successfully finalized. As part of the My Value Program in 2023, a total of 10 digitalization projects that provide financial benefits to Petkim were presented.

By introducing the Agile Business Model in our company, we have met the requirements of modern business life. By leading this transformation, we have further worked to popularize the "Agile" culture included in our company values.

We have adopted the Agile Business Model as a central management strategy as it improves our adaptation, flexibility and quick decision-making ability reflecting our continuous development goal and dynamic structure which constitute the basis of our company.



Agile Business Model

In 2021, we successfully implemented the Agile Business Model across all our units, expanding from production processes to administrative areas such as finance, procurement, trade, and human resources. As the first and only Refinery and Petrochemical Business Unit to comprehensively adopt this model, we achieved pioneering success in our industry. Through the Agile Business Model, we have achieved significant improvements in critical areas such as reliability, integrity, occupational health and safety, efficiency and employee motivation.

We created field-based teams by focusing on operational efficiency dimension of the Agile Business Model. These teams which come together around a common goal, prioritize and manage their processes together from beginning to the end. Thereupon we ensured cooperation among our employees and created a culture united around a shared goal. Our Teams, which had the opportunity to work more closely with each other, inherently improved employee satisfaction and motivation. Our determination to create a people-oriented environment where everyone's ideas are equally valued has contributed to the sustainable success of our organization.

With the agile approach, we have created an environment where team members can carry out their work more effectively and take decisions faster. As the teams matured and adopted the Agile Business Model, an acceleration was observed in the teams' interaction and taking on responsibility. The insights and skills of each area of expertise played

a key role in improving business processes. Culturally, this transformation has allowed us to create not only a business environment but also a learning environment.

As of 2023, our operational efficiency has improved even more with the increase in the maturity of our teams. With this transformation, we as Petkim, achieved a capacity increase beyond our targets and a reduction in process parameter variabilities. We made improvements by more quickly identifying bottlenecks in our processes and focusing on weaknesses.

Within the scope of our agile business model, we have deployed various digital tools to manage the work lists of 103 agile teams more effectively and to develop team-specific approaches. We have further guaranteed the continuity and effectiveness of this dynamic structure by providing various trainings for to support the continuous learning and development of our employees. Throughout this transformation process affecting over a thousand employees, we have supported the transition to the Agile Business Model by providing more than 300 hours of training.

Communication is another important element that supports the Agile Business Model. We have adopted an approach aiming to strengthen the agile mindset by improving the interaction among employees through constant communication. Thereupon we focus on building a culture of continuous development and learning throughout our organization's journey to achieve its agility goals.

"Agile Connect Day" Event

For the purpose of the "Agile Connect Day" event hosted by SOCAR Türkiye, we came together with agile culture and agile business model professionals from companies that have adopted agile working methods. Bringing together over 150 people including professionals from more than 15 companies that have already adopted the agile business model, academics from 4 universities, and students, the innovative perspective that "agile" approaches provide to the business world and how "agile" methodologies can be effectively applied in the business world were evaluated; relevant information and experience were shared at this event.

The Event, which brought together companies that have already adopted agile business models in the industry, allowed to hold important discussions about industry-specific solutions, best practices and future agile transformations and provided the opportunity to evaluate potential industrial cooperation opportunities.





Quality Management Systems Activities

At Petkim, in accordance with the integrated management system that we adopted and our certifications based on international standards, we transparently, accountably, fairly, and responsibly continue our processes and operations. Furthermore, in pursuit of our goal to manage our processes and activities effectively and with quality, we continued our efforts to obtain certifications for management systems during the reporting period.

We have been modeling and executing our business processes, clearly defining the Responsible, Accountable, Supportive, Consulted, and Informed responsibilities (RASCI) involved in the processes and tracking end-to-end processes. Process maturity analyzes and critical processes are monitored to improve business processes. Furthermore, efforts towards transition to a process-based risk management method throughout the company is still in progress.

While adopting the ISO 9001 Quality Management System to focus on customer satisfaction and service quality at Petkim, we ensure our sensitivity towards the environment and occupational health with ISO 14001 Environmental Management System and ISO 45001 Occupational Health and Safety Management System. We use the ISO 50001 Energy Management System to promote energy savings and adopt the ISO 27001 Information Security Management System to protect our information security. We have applied to get the ISO 10002 Customer Satisfaction Management System certification to ensure our customer-oriented approach and we use the ISO 31000 Risk Management Guide to effectively manage risks. We implement the ISO 55001 Asset Management System to make our asset and resource management sustainable and have applied for ISO 17025 Laboratory Accreditation to ensure the reliability of our laboratory analyses.

In 2023, we conducted our activities in accordance with the requirements of international standards, as specified by a total of 8 management systems and 1 accreditation.

We shared our experience in the Quality Management Systems in the international arena!

At the 64th EOQ (European Organization for Quality) Quality Congress held in Portugal in 2023, we took the floor as a speaker within the scope of the theme "A Systematic Approach for Innovation: ISO 56002 Innovation Management System and Interaction with Other Quality Management Standards" and we shared our experiences with professionals from all over the world.

Quality Day

At the "Quality Day" hosted by SOCAR Türkiye, we met with professionals and academics working in the field of Quality Management Systems. For the purpose of this event, we exchanged valuable information about the future of management systems, the value of integrated systems and the foundations of the Innovation Management System developed by SOCAR Türkiye.

Throughout the conference, where we held pleasant sessions listening to speakers from various sectors sharing their experiences, fundamental issues regarding standardization and success in the business world such as "The Future of Quality Management Systems", "Fundamentals of ISO 56002 Innovation Management System", "New Trends in Process Approach and the Relationship with Quality Management", "Value Created by the Integration of Quality Management Systems" were discussed.

Customer Solutions

At Petkim, we focus on our customers' expectations and offer solutions that will ensure the highest customer satisfaction.

We upload the documents regarding the technical specifications, areas of use and processing conditions of our products on our corporate website, ensure our customers to instantly access them whenever they need; thereby we provide reliable and transparent communication to our customers. During the reporting period, we ensured that approximately 150 documents available on our website were reviewed and updated to ensure they are current.

In 2023, we continued our technical support activities, which are indicative of our customer focused approach. Closely keeping a track of current developments in the industry we kept communicating with our customers in various ways regarding customer demand. We provided solutions to a total of 126 customers, we responded to nearly 300 customer requests in written or verbally and had direct meetings with more than 100 customers.

Within our focus on maintaining product sustainability at Petkim and customer solutions, in 2023:

- We participated in the Plast Milano fair. We introduced Petkim products to customers at the fair and provided technical assistance on issues such as processing conditions, production recipes and product specifications.
- We followed up the customer trials on PETILEN PP AG241, PETILEN PP AG251 and PETILEN EC10-19 products which were developed and launched in 2023. Following the customer trials, we have approved the products and started commercial production.
- We initiated a pilot scheme to develop PP products for extrusion coating applications. We aimed to pursue the product development and transition to the commercial phase based on the outputs to be obtained from customer trials to be carried out in 2024.

- Based on the "ISCC PLUS (International Sustainability Carbon Certification) Certificate" that we were awarded last year, the validity of our certification has been extended for another year. In addition to the renewal of the certificates that we received for our Ethylene and LDPE-T plants last year, the scope of the certificate was expanded with the addition of Aromatics, PP and ACN plants. Owing to this certification, we have affirmed the production of sustainable products by ensuring the use of sustainable raw materials, mass balance and traceability throughout the supply chain.
- We were awarded the certification confirming that we have met environmentally, socially and economically sustainable production requirements and that Petkim suppliers have adhered to sustainable practices after an external audit conducted by a fully independent third-party company.

Product Compliance Activities

Regarding the period subject to this report, we further prepared the "Annual Plant Assessment Report on Product Compliance" addressing issues under 11 titles like the audit of product recipes, the audit of product input suppliers, evaluation of best manufacturing practices, the review of customer feedbacks, traceability, product certifications and records, change management concerning products and production, official statements and declarations of the product, customer audit / cooperation, sustainability and product withdrawal.

We proceeded with the activities on the management of chemicals within the scope of the Responsible Care Global Charter with a focus on sustainability. In this context;

- Requirements within the scope of product sustainability are included within the scope of compliance with GADSL, Cosmetic regulation Biodical, Endocrin, Pesticides, PFAS/PFOS, VOC, TSCA 12B, Regulation (EU) 517/2014 of the European Parliament and of the Council of 16 April 2014 on fluorinated greenhouse gases.
- 11 inspections were carried out within the scope of GMP.
- We provided trainings on Responsible Care @ Global Charter.
- Within the scope of Traceability, 9 product recall drills were conducted with customers for 9 BRC IoP Packaging compliance.
- 3 benchmark studies were conducted with customers and suppliers during the year.



Operational Analytics

Operational Analytics

As SOCAR Türkiye Refinery and Petrochemical Business Unit, we collaborated with Solomon Associates, a leading firm in the global oil and gas industry comparative assessment, to conduct international comparative performance analysis studies based on 2022 data at the STAR Refinery and Petkim Aromatics Plant. The aim was to evaluate the current operational and financial performance and identify areas with potential for improvement.

Hosted by Operational Analytics, the results of these studies were disclosed to the relevant stakeholders with participation of a total of 15 departments and 30 people from Technical Services, Planning and Modeling, Asset Management, Finance and Human Resources business units.

As a result of the Aromatics 2022 study, it was reported that the Aromatics plant has areas requiring improvement in energy efficiency and operational availability values (high downtime and short intervals) compared to its global counterparts.

In the next step of the process, a gap analysis was initiated based on the outputs of both studies with the participation of the same business units. In parallel with this, we continue to work on metrics based on the Solomon methodology in order to internally calculate the developments in the main operational areas and follow them regularly at more frequent intervals.



Change Management Activities

By implementing Change Management with a 'People First' approach, we keep our employees as the focal point in all our business activities.

In today's business world, our company faces challenges such as constantly changing market conditions, technology and customer expectations like other organizations. In order to effectively adapt to these changes and maintain our competitive advantage, we have adopted an effective change management strategy at Petkim.

In 2023, at Petkim, we participated in change projects aligned with our strategic vision to turn our vision into reality and maximize our potential. Simultaneously, we have provided assistance to our employees for understanding and embracing change and contributing to the goals of change by focusing on the human factor. We effectively make use of stakeholder management and we implement a comprehensive change management plan taking into account the needs and concerns of not only internal stakeholders such as employees and different departments but also external stakeholders such as customers and contractors affected by the change.

Business Acumen Programı

As part of the 'Strategic Competency Development Program' initiated at SOCAR Turkey in 2021, the Business Acumen Program is a comprehensive competency development initiative designed to enhance our colleagues' abilities in understanding complex business situations and scenarios, strategic thinking, financial literacy, effective decision-making, and improving business processes.

In 2023, the Business Acumen Program, which graduated its second cohort, with the participation of 71 colleagues from various departments across SOCAR Turkey group companies. 9 teams engaged in intense competition over 8 rounds, using the CESIM business simulation game to manage their companies they created virtually. SOCAR Türkiye Business Acumen Business Simulation enabled our teams, managing the companies they incorporated in the virtual environment, to understand the significance of reviewing all the dynamics within the decision-making mechanism to see the big picture. The practical knowledge and skills acquired through the program have positively affected the results of the projects executed in our company and have further strengthened inter-departmental relations. Focusing on teamwork, leadership and communication skills, this Program acts as a catalyst in maximizing the potential of each colleague by strengthening our collaborative culture. Thereupon our company becomes more innovative, dynamic and motivated.



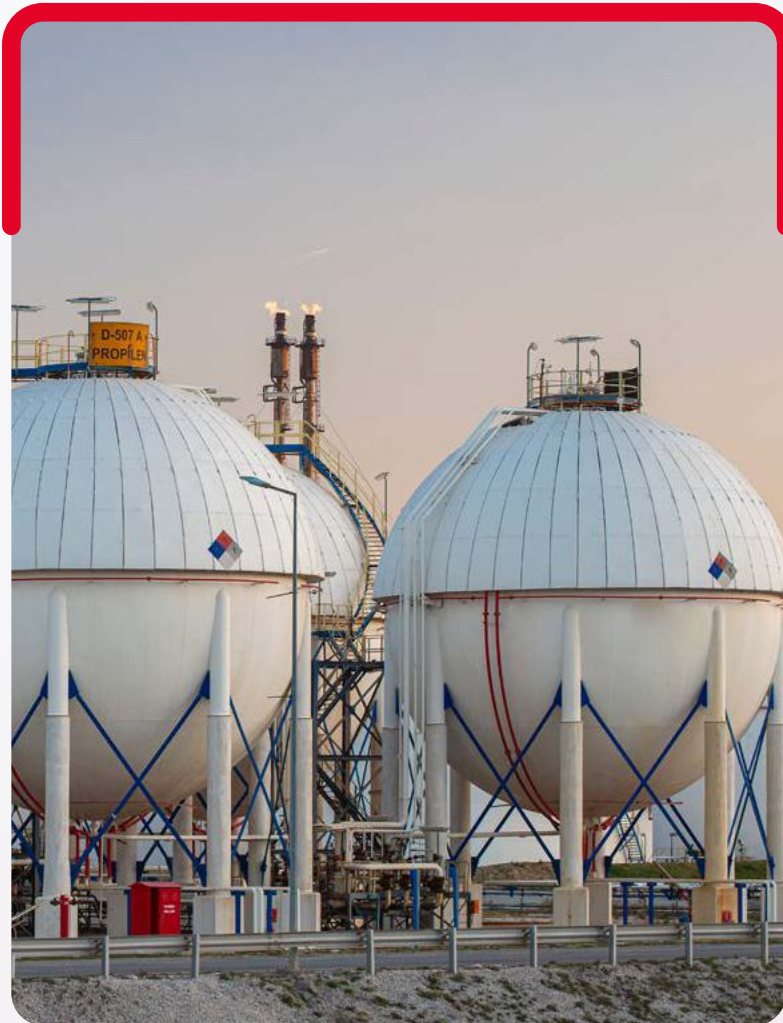


Highlights in 2023

Acquiring an Indirect 12% Share of STAR Rafineri

We have started to reap the fruits of the significant share purchase transactions that we announced in 2018 by the last quarter of 2023. We believe that this partnership with STAR Rafineri will positively affect our financial performance by facilitating access to low-cost raw materials in the future. Petkim's share purchase in STAR Rafineri, which is a significant step supporting full integration, provided advantages to Petkim in terms of both freight and inventory expenses as STAR Rafineri provided all of Petkim's raw materials. Sharing other common services such as maintenance, security, waste disposal and tugboats also offers cost advantages. With this transaction, Petkim has ensured raw material security in the long-term.

STAR Rafineri is expected to regularly pay dividends to Petkim in the medium term. Especially as we have seen this year, during periods of low performance in the petrochemical sector, we believe that contributions from STAR Refinery will provide significant benefits.



Renewal of Raw Material Agreement with STAR Rafineri

By renewing the 20-year agreement with regard to the supply of raw materials signed between STAR Rafineri and Petkim in 2014, we signed a new contract that will provide flexibility to Petkim in the procurement of raw materials in order to ensure Petkim to take the advantage of changing market conditions to the maximum extent.

Under the new contract, Petkim will continue to receive heavy naphtha, light naphtha and reformat supply from STAR Refinery. The quantities of raw materials provided will be determined by mutual agreement between the parties based on the Company's demand. Raw material prices will be set for 12-month periods in accordance with transfer pricing principles. With this contract, Petkim will have the flexibility to source raw materials from STAR Refinery or the market without any constraints based on market conditions. In the second half of 2023, Petkim increased the procurement of raw materials from external sources as required by market conditions, thereby successfully minimizing costs.



We are Together for Creating Economic Value

We strive to strengthen the Turkish economy with our high-quality petrochemical products. We provide continuous support to the growth of the Turkish economy and the increase of employment.





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Sustainable Economic Value Created

At Petkim, we implement sustainable and profitable growth strategies by focusing on creating long-term economic value. We allocate our financial capital to relevant investments in line with our short, medium and long-term strategies.

We keep on shaping the future and supporting the innovation and change in our industry with the investments realized in cooperation with SOCAR Türkiye group companies. We have determined occupational health and safety, process safety and business continuity of our plants as priority issues in our investments realized during the term subject to this report. We implemented our projects quickly by regularly holding investment board meetings and making the necessary reporting. We further prioritized the projects with high added value as a result of technical and financial analyses while determining investment budgets throughout the year. Thereby we have used the resources in the most appropriate way possible and we have allocated the budgets to the most appropriate investment options. We have monitored the realization of the projects on a continuous and monthly basis. In the light of Petkim's short, medium and long-term investment strategies determined by taking into account the cash flow, investment expenditures for 2023 amounted to TRY 3,154,787 thousand.

We renewed our critical equipment to ensure the continuity of the plants' operations and improve business efficiency. We realized new investments to provide sustainable economic value, to improve the profitability, to strengthen our company's operations in Aliağa and to achieve the goals determined within the framework of the "My Value Program".



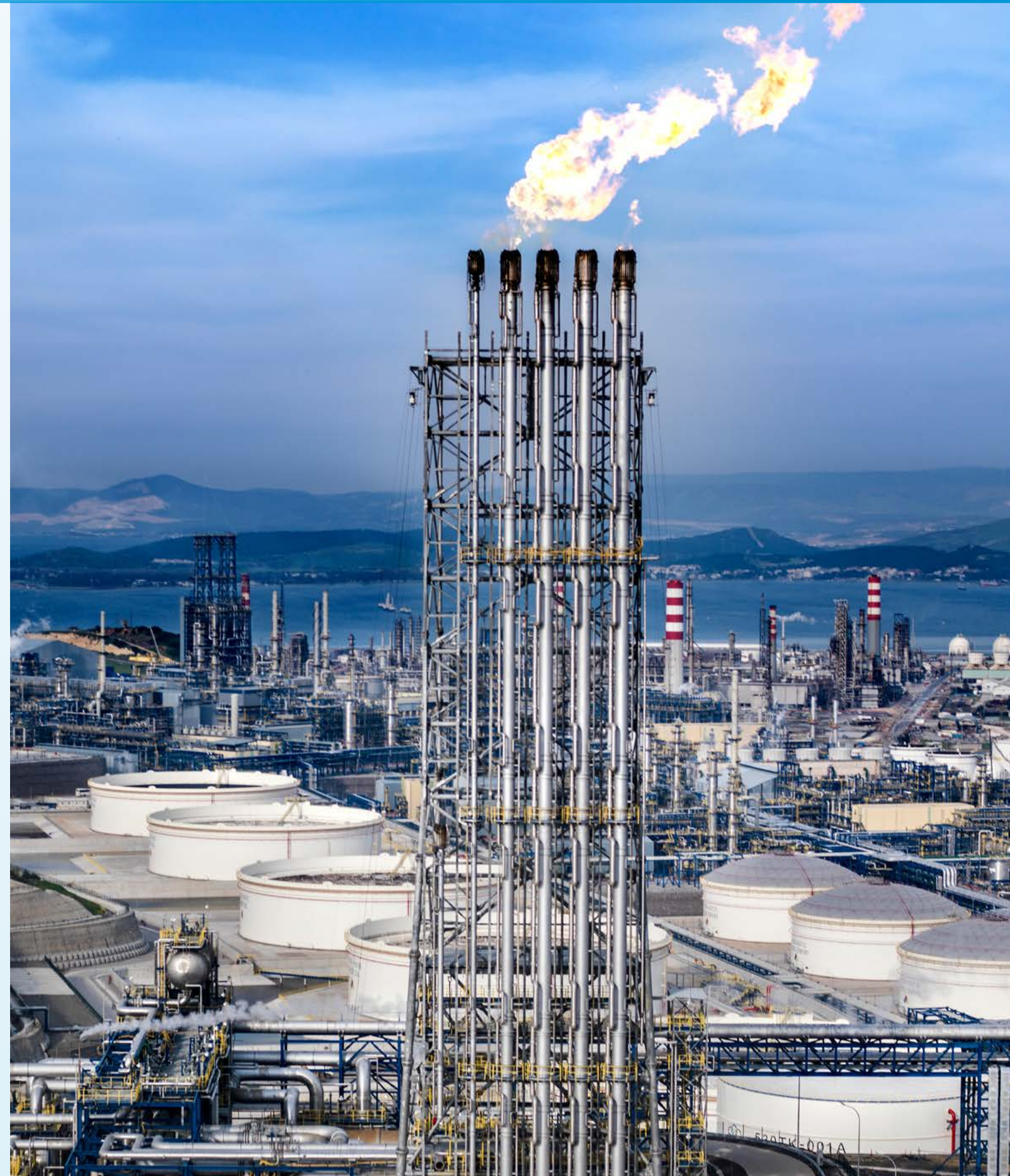
Detailed information on the My Value Program is available under the "Operational Excellence" heading of our report.

Owing to our focus on creating sustainable economic value, our total sales revenue in the reporting period reached out to TRY 60.4 billion while total exports were realized as TRY 24.2 billion.

While our sales from production in 2023 were 1,379 thousand tons, our commercial product sales were realized as 502 thousand tons. Total sales were 1.88 million tons in quantity and our sales revenue was TRY 60.4 billion.

We made 56% of our sales to 1,415 customers in the domestic market. Our commercial product sales volume, which was 1,164 thousand tons with 39 commercial products in 2022, decreased by 57% in 2023 to 502 thousand tons with 29 products. While the revenue derived from commercial product sales amounted to TRY 14.6 billion, it constituted 24% of the total sales amount for all products. We further realized a total of TRY 24.2 billion export sales, including TRY 16.7 billion of direct exports and TRY 7.5 billion transit sales.

As Petkim, we have actively taken part in index and global sustainability rating platforms that demonstrate sustainability performance. In this context, we have been striving to improve our sustainability performance. As of 2023, we were qualified to be ranked among the top 25 large and liquid companies traded on Borsa İstanbul with high sustainability performance by exceeding all sustainability score levels required under the main headings.





Sustainability Indices and ESG Rating Agencies	Scores
BIST Sustainability Index (Refinitiv)	76.73 (Grade: A-)
S&P Global	33 (same as Industry Average)
FTSE Russell	2,5
Fortune Türkiye and Criff Türkiye	Grade A (Excellent Sustainability)

We are the first petrochemical company to be listed in the BIST Sustainability 25 (XSD25) Index.

Economic and Administrative Performance (TRY thousand)	2022	2023
Revenues*	100,586,640	68,993,675
Revenue from Sustainable Product Categories (Renewable Energy etc.) ²	263,294,730	279,754,379
Economic Value Distributed**	(100,695,706)	(66,820,719)
Economic Value Retained***	201,282,346	135,814,394

*Revenues are calculated by adding up net sales and financial returns on investments/financial gains from investments.
** Economic Value Distributed is the sum of consolidated operating expenses, total tax and similar liability payments, dividend payments and employee benefits (salary payments, fringe benefits, etc.)
*** Economic Value Retained is the income-distributed economic value amount.

² Consolidated data for the Refinery and Petrochemical Business Unit

Tax Approach

We transparently undertake our tax practices at Petkim with our focus on creating sustainable economic value. We pay our taxes regularly and in full, in accordance with all regulations of national and international tax legislation within the framework of SOCAR Türkiye Tax Policy.

SOCAR Türkiye Tax Unit acts as the unit responsible for constituting Petkim's tax and accounting policies, as in all group companies, for determining the requirements and preparing the procedures needed to carry out the transactions in accordance with the legal regulations. SOCAR Türkiye Tax Unit annually reviews the tax strategies and submits them to the approval of the heads of relevant business units, the Chief Financial Officer and vice presidents. Procedures, instructions and circulars prepared by our tax and accounting teams shape our tax strategies.

The following activities are involved at the core of our tax management strategies at Petkim:

- To manage the tax liabilities of our group companies within the scope of compliance with national and international tax laws;
- To constitute the tax policy of our group companies and to carry out all necessary work to manage the tax issues;
- To raise and develop tax awareness in all projects of our group companies and to provide all kinds of technical assistance in this regard;
- To make use of the necessary instruments and strategies in determining the tax that our company is obliged to pay within the framework of legal legislation and practices permitted by the authority;
- To manage tax incentives;
- To identify, manage and eliminate tax risks.

In order to fully comply with tax legislation, processes subject to legal reporting have been examined by external auditors or experts such as Certified Public Accountants and an independent report is obtained annually from an authorized third-party auditor.

Tax Penalties

73 fines were imposed within the scope of Customs Law No. 4458. Total monetary equivalent of these penalties is TRY 33,584.98.

³ Indicates the Supplementary Earthquake Tax paid in accordance with Law No. 7440 and the Corporate Tax payments of our companies over the income statements based on the Tax Procedure Law. The company applies the supplementary taxes and exemptions in accordance with the current tax legislation and the law.

The optimal tax management executed by SOCAR Türkiye and its group companies further has a positive impact on the company's cash flow.

We provide trainings, make announcements and other activities in order to raise awareness about tax strategy and practices and to improve the tax compliance culture within Petkim in connection with the processes defined by procedures within the framework of our understanding of tax management.

Corporate tax amounts that we have paid by Petkim over the last three years is presented below. These amounts indicate the corporate tax amounts paid by our companies over their income. Indirect taxes are not included in these amounts.

Petkim Tax Payments (TRY)	2021	2022	2023
Total	1,136,880,000	0	13,583,343 ³



Financial Performance

Thanks to our wide production capacity and strong product range, we, as Petkim, have met the customer demands without interruption in 2023 and realized a successful and profitable year by achieving high commercial sales and export income. Pursuant to inflation accounting applied data, we realized a total of TRY 60.4 billion sales in 2023. Furthermore, our net profit in 2023 was recorded as TRY 7.4 billion. Our earnings before interest, depreciation and tax (EBITDA) for 2023 was TRY 3,305 million.

1.88

million tons

► Total Sales Amount

0.76

million tons

► Solid Product Sales

1.12

million tons

► Other Product Sales (Liquid)

24.2

TRY billion

► Exports

60.4

TRY billion

► Net Sales Revenue

14.6

TRY billion

► Commercial Product Sales

3.2

TRY million

► Investment Expenditures for 2023

7.4

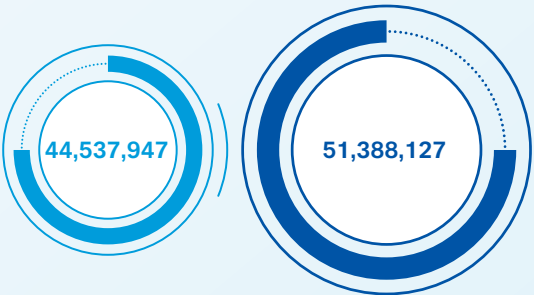
TRY billion

► Net Profit

Total Equity (TRY thousand)

2022

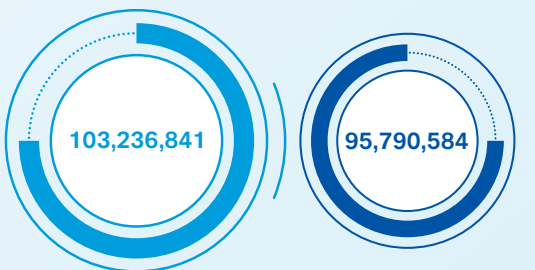
2023



Total Assets (TRY thousand)

2022

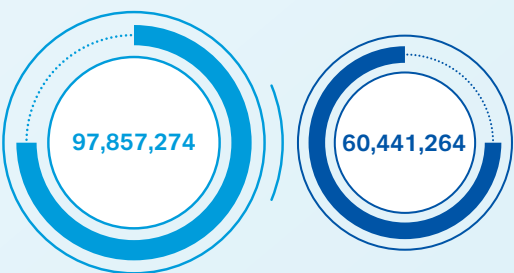
2023



Revenue (TRY thousand)

2022

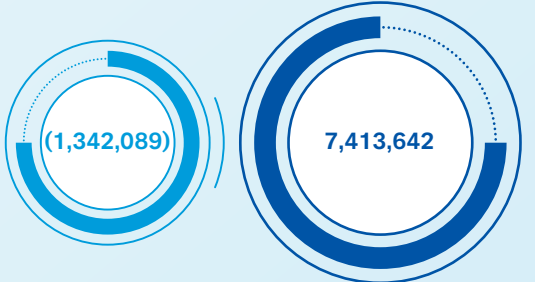
2023



Net Profit (TRY thousand)

2022

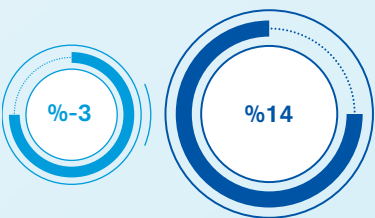
2023



Return on Equity (%)

2022

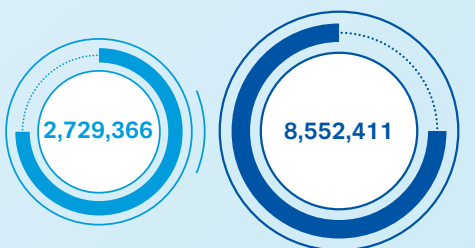
2023



Financial return on investments / Financial gains from investments (TRY thousand)

2022

2023





Highlights of 2023

Our Financial Results for 2023

We reached a total of TRY 60.4 billion sales in 2023. Despite the contraction in the profit margins of the petrochemical industry, we closed year 2023 with a net profit of TRY 7.4 billion due to the synergy from the Refinery-Petrochemical integration.

Petkim Export Star

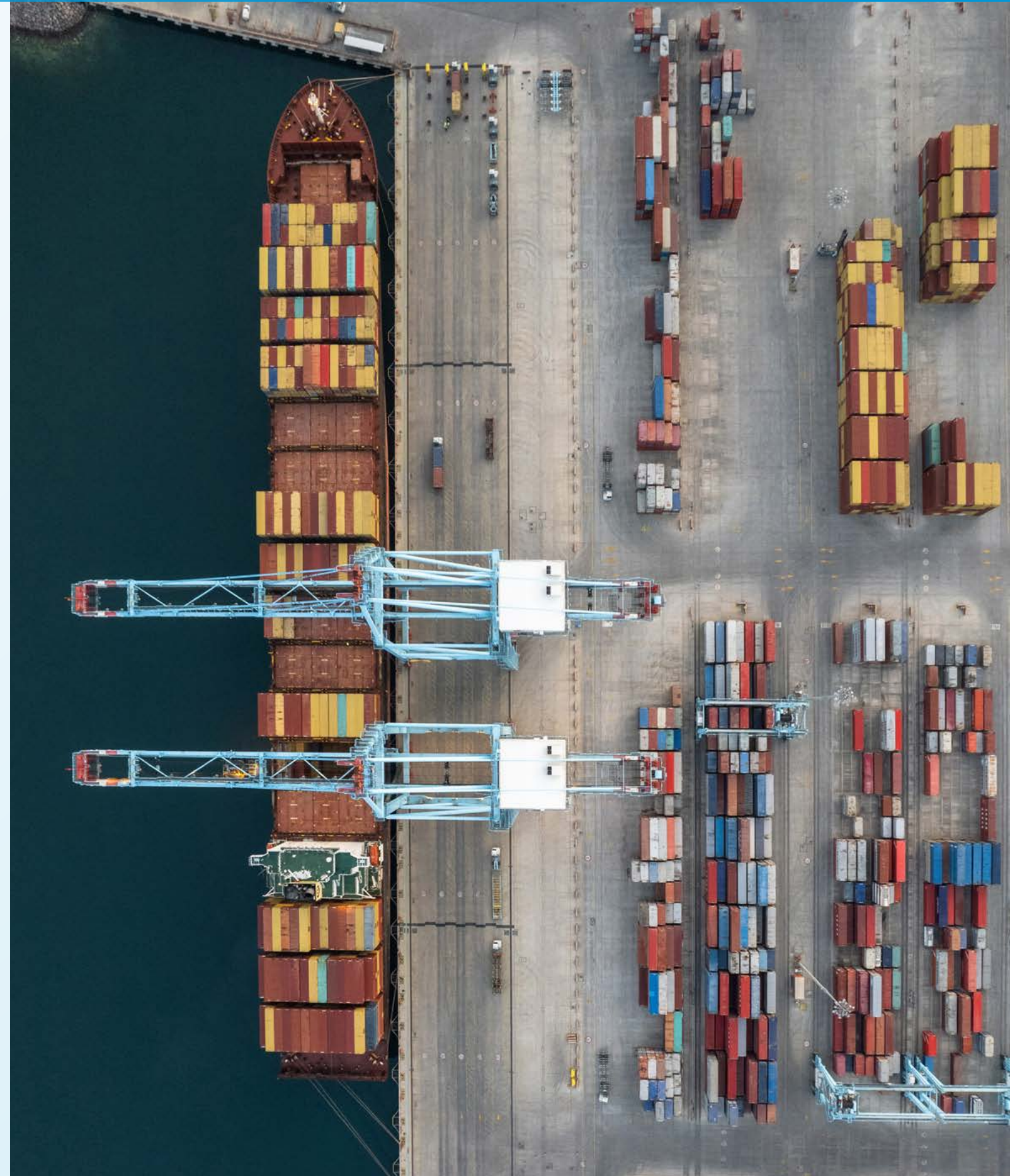
In 2023, we maintained our position as the Aegean's largest exporter and the leader of the chemical industry in the "Stars of Export" list of the Aegean Exporters' Associations. We became the export champion again with direct exports of 16.7 billion TRY.

We are on the Capital500 List

We were enlisted in Capital500 within the scope of Capital Magazine's "Largest 500 Private Companies of Türkiye" research. We stood out in this prestigious list together with Bursagaz and Kayserigaz, two of the SOCAR Türkiye group companies, by drawing attention with our strong financial performance and achievements.

We are in the BIST Sustainability 25 Index

As Türkiye's first and only Integrated Petrochemical Company, we have strengthened our sustainability performance, increased our score to 70.03 and became the first petrochemical company to stand out in the BIST Sustainability 25 Index.



We are Together in the Fight Against Climate Change

We attach utmost importance to the fight against climate change and effectively manage the environmental impacts of our business processes.





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We implemented 37 sustainability projects between 2021-2023 within the scope of our the My Value Program. Owing to these projects, we have saved 33.2 thousand tons of water and reduced our CO₂ emissions by 110 thousand tons.

The Fight Against the Risks Related to Climate Change

We prioritize environmental protection in our operations and activities. In this context, we attach utmost significance to the fight against the climate change and we effectively manage the environmental impacts of our operations. Within the framework of SOCAR Türkiye sustainability principles, we have adopted approaches such as the optimal use of the resources, switching to energy efficiency and clean energy sources. We have further developed a holistic and preventive environmental strategy aiming to minimize environmental impacts. In this regard, we try to add value by focusing on areas such as R&D projects, sustainable technologies and environmental investments. In 2023, we allocated approximately USD 16.8 million to environmental investments and USD 1.1 million to environmental R&D studies.

We manage our environmental activities with a total of nine quality systems including the ISO 14001:2015 Environmental Management System. S.A.FE (SOCAR Aims for Efficiency) Management System, which is used by all SOCAR Türkiye group companies, consists of 4 fundamentals, 16 principles and 100 expectations regarding HSE issues and covers environmental activities.

We base the operations within our company on environmental issues and we further control and measure our impacts by making analyzes on this issue. Being able to easily access to our environmental performance indicators not only helps us to achieve our continuous improvement goals and to act on these issues more quickly, but also helps us to direct our work accordingly.

We strive to increase knowledge and experience through the environmental training that we provide to our employees. As of 2023, we provided a total of 2,285 hours of environmental training to our 2,294 employees.

Water and wastewater analyses, emission/immission measurements, waste management, control of marine pollution, continuous review of environmental impact assessment analyses, efficient and effective operation of the wastewater treatment plants and hazardous waste incineration plants, building an environmental culture within the company, management of chemicals and monitoring the greenhouse gas emissions have been considered among the works that we carry out in this context. We insert an additional clause to the agreements that we conclude with our suppliers stipulating that each contractor's compliance with HSE requirements, including environmental issues, will be evaluated at the end of the work and that in case of non-compliance with the environmental obligations specified in our [HSE Policy](#) we will review whether the relevant supplier will be awarded another contract based on the score received.

As of 2023, we have increased our compliance with legal requirements to 100%. We have not been subjected to any penalties for any environmental violations within the scope of our operations.





Best Practices

Within the framework of the efforts of the Ministry of Environment, Urbanization and Climate Change to carry the EU Directive on Integrated Pollution Prevention and Control (IPPC) to the national level, we contributed to "Determination of Industrial Emissions Strategy of Türkiye in Accordance with Integrated Pollution Prevention and Control (DIES)" as the chemical industry representative. For the purposes of this project, we worked on industrial compliance analysis and determination of requirements. We have undertaken both desk and field studies together with experts from the Ministry and professionals from the industry. Within the scope of our works, we evaluated the harmony and investment requirements of our industry.

Environmental Expenditures	Unit	2021	2022	2023
Environmental Investments and Expenditures	USD	6,492,370.00	14,588,060.00	16,762,570.00 ✓
Environmental R&D Expenses	USD	876,500.00	1,600,000.00	1,100,000.00 ✓
Environmental Consultancy, Measurement and Analysis Expenses	USD	1,711,180.00	2,725,520.00	3,716,420.00 ✓
Environmental Training Expenses	USD	0	0	6,056.28 ✓
Environmental Penalties	USD	3,162.00	240,380.00	0 ✓

Environmental Training	Unit	2021	2022	2023
TOTAL Number of Personnel	Persons	3,197	2,298	2,294 ✓
TOTAL Training Hours	Hours	2,705.50	2,232.50	2,285.00 ✓

Energy Efficiency

Considering the energy requirements of the petrochemical industry, as Petkim, we are aware that energy efficiency efforts covering our processes are of critical importance. In this context, we attach utmost significance to improving the energy efficiency of our production processes. We regularly implement 'Energy Efficiency' projects that aim to use our resources in the most effective way possible by applying ISO 50001 Energy Management System standards. Each year, we develop high value-added projects and implement them in the field.

With our [Refinery and Petrochemical Business Unit Energy Policy](#) along with our mission, vision, corporate values and basic principles, we are committed to effectively manage energy consumption and develop long-term, sustainable and safe production methods with high energy efficiency. We prioritize improving energy performance when designing our facilities, systems and processes. Thereupon we provide our raw materials, products and services with effective energy efficiency. We improve our processes through continuous internal audits and aim to popularize the use of renewable energy in electricity generation through our wind energy investments.

We aim to make energy savings permanent by establishing long-term relationships with energy users, and we regularly report the determined targets and results. Thanks to effective planning, we constantly improve our energy efficiency and ensure its sustainability; thereby we reduce our energy expenses and strengthen our leading position in the industry.

As a result of our capacity increase application submitted to EMRA within the scope of Petkim WPP investment, we have upgraded our installed capacity of electricity of 38 MWe to 43.8 MWe together with our relevant internal stakeholders. We have successfully completed and were granted a certification for the reactive power tests of Petkim WPP performed by TEİAŞ (Turkish Electricity Transmission Corporation) and an accredited company. Our production process, which was increased to 51 MW with a supplementary decree in 2022, continued at 43.8 MWe/h as the validity of the decree expired as of 1 October 2023. Approved by the International Renewable Energy Certificate (I-REC), Petkim WPP with 17 turbines and a total installed power of 51 MW, has the capacity to produce approximately 200 GW of electricity annually. This data means that we have prevented an average of 100 thousand tons of CO₂ emissions from being released to the atmosphere every year due to our energy generation.

Non-Renewable Energy Consumption	Unit	2023 Target
Petkim	MWh	10,529,132.00

Total non-renewable energy consumption as of 2023 remained below our expectations and we consumed approximately 2.4 million MWh less energy.

The installation of the SCADA system, which covers Petkim's entire electrical system, was completed and remote monitoring and control opportunity was provided. We further improved our electrical reliability by activating differential protection relays in our plants.

We transfer some of the HS that we have produced to STAR Rafineri in order to improve our reliability and make the most of our different cost structures. We have developed a modeling that allows us to dynamically adjust the amount of HS that we transfer. Thanks to this modeling, we provide energy optimization to minimize our total steam and electricity expenses compared to electricity market prices, natural gas prices and boiler efficiencies.

Within the scope of our efforts to increase alternative renewable energy sources, we further implement feasibility projects for solar power projects that can be installed on the roof tops of the buildings in our plants, Çayağzı, Güzelhisar Dam and raw water pools.

Best Practices

We heat the combustion air entering the boilers with our air heaters and economizer in order to reduce our energy consumption. We then release the hot gases from our boilers into the atmosphere through our chimneys. To prevent the sulfuric acid corrosion in chimneys, we need to keep our chimney temperatures above the dew point and we regulate this using LS steam in our air heaters. When we burn natural gas, our flue gas temperature is usually around 120°C. With the increase in the temperature between June-October, we completely turn off the LS steam in our air heaters as our flue gas temperature remains constant at 120°C. In our project, we have worked on finding a solution to reduce the amount of LS in our air heaters during the winter months. We calculated our flue gas dew point and optimized the amount of LS to be slightly above this dew point. With the savings we obtained from LS, we saved on gas and contributed to our sustainability by reducing carbon emissions.



Best Practices

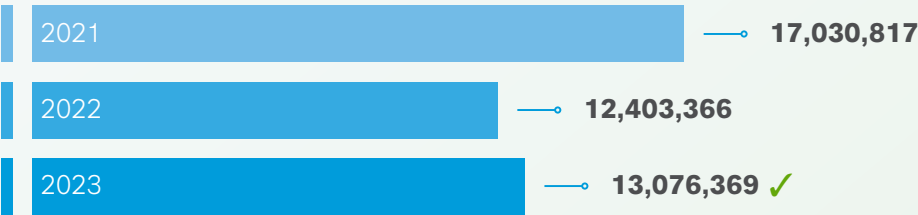
We further use the steam we generate in our steam production plant in our ethylene facility. We use two methods to adjust this steam to the desired operational conditions. In the first method, we not only bring the steam to suitable conditions but also generate electricity through recovery turbines. In the second method, we adjust the steam to the desired conditions using the K-201 compressor in our ethylene plant. Analyzes have revealed that adjusting the steam with the K-201 compressor is more efficient. Within the scope of our project, we aim to maximize the steam by adjusting it in the K-201 compressor and to reduce the amount of steam provided from the recovery turbines. Accordingly, by reducing the production amount in our recovery steam turbines, we aim to save the fuel spent for this process and reduce 6,000 tons of CO₂ emissions per year with a further fuel savings of 0.2 tons per hour.

Energy Consumption (GJ)

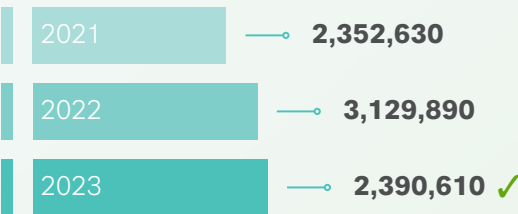
Natural Gas (GJ)



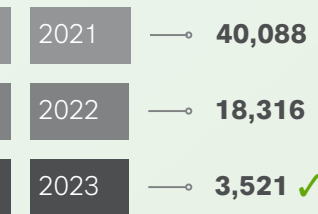
Fuel Gas (GJ)



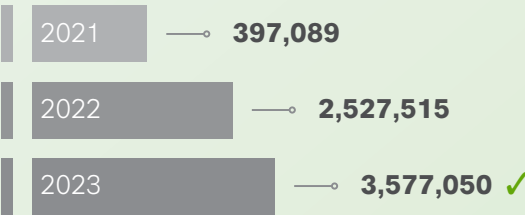
Combustible Gas (GJ)



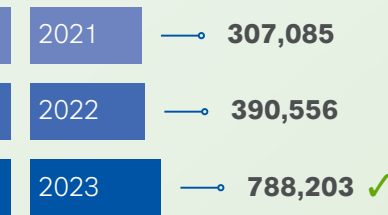
Aeration Gas (Vent Gas) (GJ)



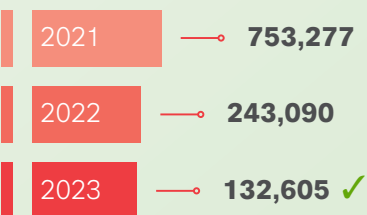
Diesel (GJ)



Hydrogen (GJ)



Electricity Consumed (GJ)





Air Quality

All operations we carry out in the Refinery and Petrochemical Business Unit reflects our respect for people and the environment. Protecting the natural environment is our main priority in our energy operations. In this regard, we are committed to reduce greenhouse gas and pollutant air emissions and improve air quality by adopting an environmentally friendly approach. We periodically monitor, report and calculate our emissions. We aim to reduce CO₂ by 40% in our Scope 1 and Scope 2 emissions by 2035 and then to be net zero by 2050.

Our strategies to reduce emissions include various actions such as improving energy efficiency, integrating renewable energy sources and optimizing our waste management processes. We maintain our efforts to meet and exceed environmental standards by constantly updating our air quality monitoring systems and emission control technologies. By collaborating with all our stakeholders, we act with awareness of our responsibilities and develop effective solutions to improve air quality. Thus, as Petkim, we aim to stand out not only with our industrial achievements but also with our environmental responsibility awareness.

Within the context of our My Value Program, we carried out a total of 21 sustainability projects at Petkim in 2023 and reduced CO2 emissions by 14 thousand tons.

Following the assurance audit in 2022, we have taken steps to calculate our greenhouse gas emissions in line with international standards. In accordance with the ISO 14064-1 Corporate Carbon Footprint Standard, we recalculated our greenhouse gas emissions for 2022 and 2023 as Scope 1 and Scope 2. We aim to further calculate our Scope 3 emissions by 2024.

Best Practices

With the Continuous Emission Monitoring System (CEMS) integrated into the plants/units in our SOCAR Türkiye Refinery and Petrochemical Business Unit, our flues with a thermal power of 50 MW and above and the Petkim Waste Incineration Flue are monitored online by the Ministry of Environment, Urbanization and Climate Change. We evaluate our compliance with the legislation by checking this data against daily reports. We monitor real time CEMS data through the DCS system and can intervene quickly thanks to the alarm system developed for situations that exceed the specified limits. Owing to this system, we support process optimization and prevent exceeded limits.

We calculate and monitor the greenhouse gas emissions of SOCAR Türkiye Refinery and Petrochemical Business Unit on a monthly basis. Accordingly, we can evaluate the changes in resource flows and our emission reduction opportunities on a monthly basis.

We support the Voluntary Emission Reduction certification process implemented by the Global Carbon Council (GCC) in order to expand the impact of renewable energy generated at the Petkim Wind Power Plant and to certify the greenhouse gas emission reduction achieved at the international level.

Greenhouse Gas Emissions	Unit	2021	2022	2023
Scope 1	Ton CO ₂ e	1,889,432.49	1,838,002.77	1,950,750.15 ✓
Scope 2	Ton CO ₂ e	92,067.21	29,725.58	16,207.32 ✓

Greenhouse Gas Density	Unit	2021	2022	2023
Petkim	Ton CO ₂ e/Tons output	0,586	0,860	0.858

Air Emissions (Petkim)	Unit	2021	2022	2023
NO _x	Tons	2,227.16	2,040.92	1,446.40
SO _x	Tons	1,040.96	631.68	942.29
CO	Tons	794.54	377.00	351.10
PM	Tons	10.64	7.35	13.16
VOC	Tons	0.93	0.05	1.05
Other ⁴	Tons	0.56	0.45	0.76

⁴ Sum of HAP, POP, TOC, Heavy Metals.





Water Quality and Wastewater Management

We consider the water consumed during our operations and activities as one of the significant environmental impacts. We strive to use water, which has already become a limited resource worldwide, in the most efficient way possible; we further reduce clean water consumption in our facilities through recycling projects. Our current operations include some processes that require high water usage. Therefore, it is very important for us to optimize the water used in all our business processes. We promptly take action as soon as possible to detect and eliminate the leaks in fire extinguishing, process and cooling water systems in our facilities and plants. We periodically monitor and record water usage and we carry out improvement works in this regard. Our water consumption, which was 17.5 million m³ in 2022, decreased to 15.1 million m³ in 2023 with a decrease of approximately 16%. There are no incidents reported this year related to water and wastewater management.

We play a leading role in protecting the environment and using natural resources consciously by adopting sustainable practices in wastewater management. By using innovative technologies and investing in wastewater treatment and reuse, we make significant contributions to the protection of water resources. As Petkim, we purify our wastewater in our wastewater treatment plants in accordance with the discharge criteria before discharging to the receiving environment. Our wastewater amount decreased from 6.5 million m³ in 2022 to 5.9 million m³ in 2023, representing a decrease of approximately 9%.

Within the context of our My Value Program, we implemented out a total of 21 sustainability projects at Petkim in 2023 and saved 0.2 thousand tons of water.

Best Practices

We ensure the continuity of production and meet the utility needs of our plants with our water production and wastewater treatment systems. These systems further create social value by providing the water needs of other organizations.

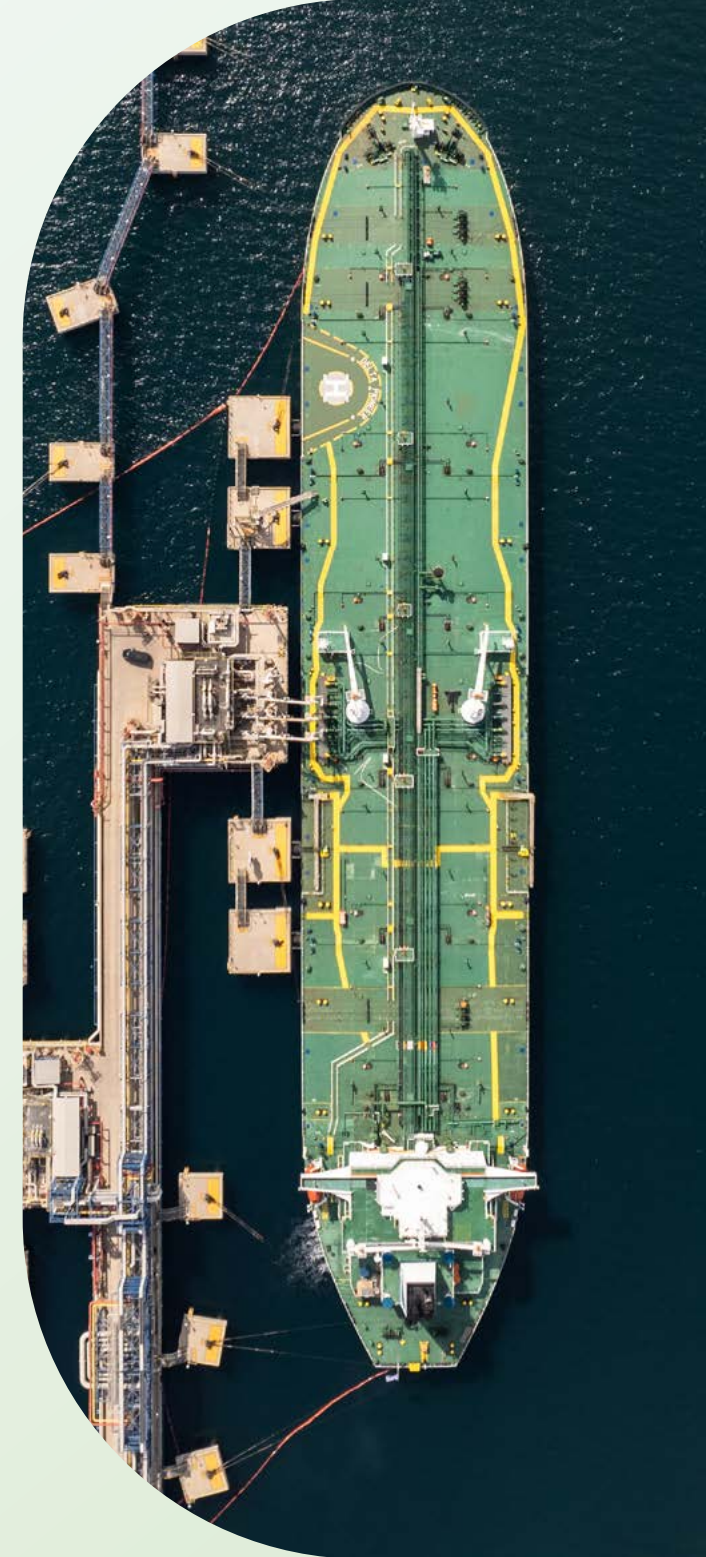
Through the modification in the Demineralized Water Unit, we have provided the necessary connection for DEMI water transfer between Petkim and STAR Rafineri. The preliminary projects for line completion are still in progress, on the other hand, we have finalized the planned amendments to the cooling tower cells. As a result of these processes, our cooling efficiency improved and the amount of water lost decreased.

With our DCS Upgrade project, we have started to work in the field to take our production monitoring and continuity to a more modern and reliable level. Thanks to the investments realized, we have achieved a performance increase in the compliance table that governs our discharge quality; we further reduced the flows to our wastewater treatment facilities with the measures taken in our plants. We have advanced projects and practices aimed at reducing the use at source.

In line with the goal of extending the useful life of Güzelhisar Dam, we have implemented three main sustainability-oriented projects and a main study evaluating these projects by focusing on water recovery. As a result of our evaluations, we decided to prioritize the use of water with lower pollution loads. Within the framework of the protocol we signed with İzmir Water and Sewerage Administration ("İZSU"), we have initiated the necessary field work to activate the common emergency line.

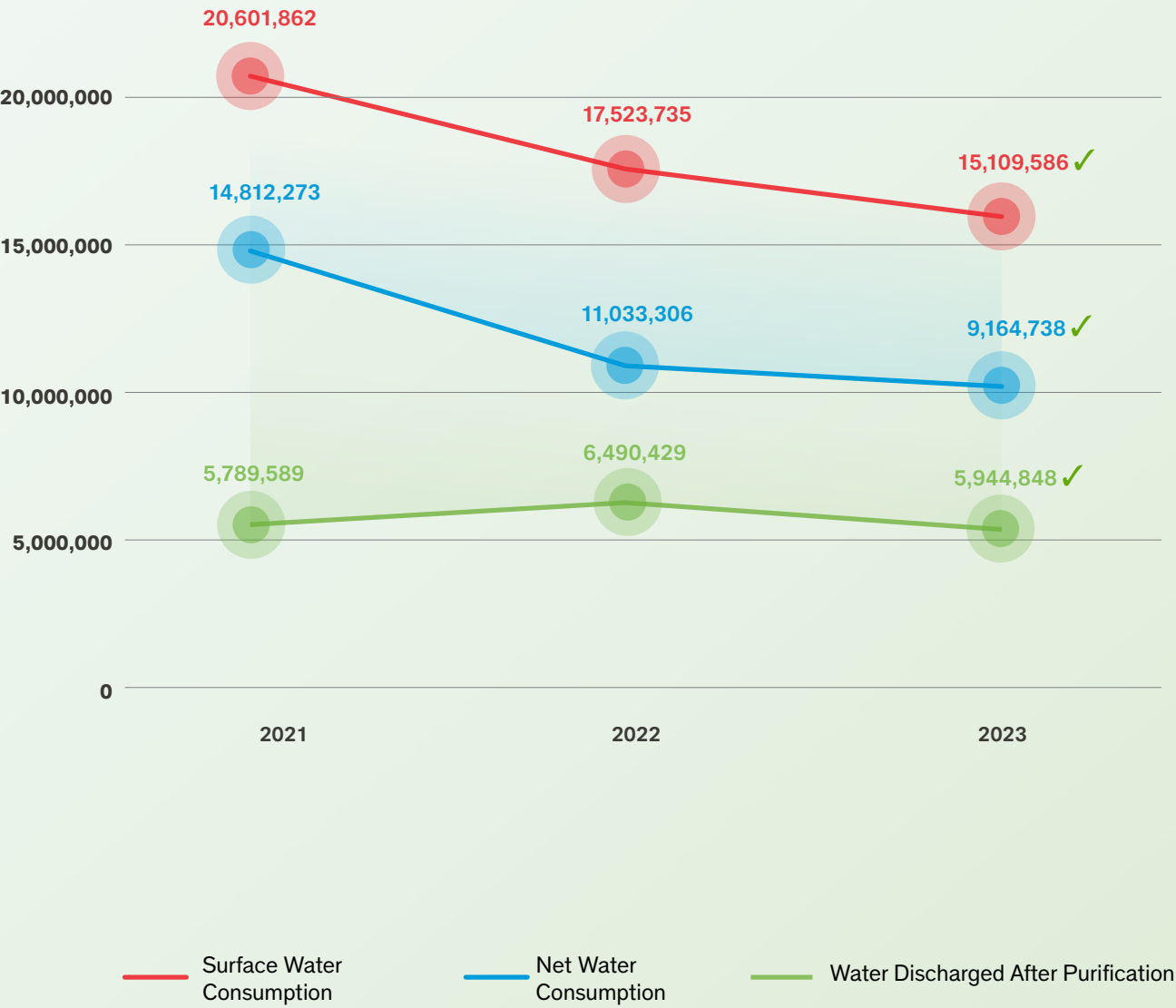
As part of our efforts to decrease the use of natural resources in 2023, we reduced the amount of water used from Güzelhisar Dam by nearly 8% (approximately 2,000,000 m³). Within the framework of our collaboration with the General Directorate of State Hydraulic Works (DSİ), we have prevented water loss in addition to improving the dam and water retention capacity.

With the online measurement systems that will be installed at the wastewater discharge points of our Petkim plants, we aim to improve the treatment performance of our Wastewater Treatment Plant by instantly measuring the quality of wastewater.





Water and Wastewater Consumption





Circular Economy and Waste

With our desire to go beyond legal obligations, we focus on continuously monitoring and improving environmental performance indicators. This approach allows us to reduce our waste generation and improve recycling rates. Additionally, we proactively work to reduce the use of natural resources and adopt the zero waste principle. We prioritize the use of domestic and renewable resources in alignment with our sustainable development and growth policy.

A Waste Management Procedure has been prepared and published covering Petkim, STAR Rafineri and SOCAR Storage facilities along with active contractors. In line with these procedures and plans, we collect waste by separating it by category at its source. We manage all our waste in line with regulatory requirements and industrial waste management plans and we further send most of the waste generated to recycling facilities to be recycled into the economy. The amount of our wastes, which was approximately 254 thousand tons in 2022, decreased by approximately 62.3% in 2023 to nearly 96 thousand tons.

Within the scope of waste management, our contractors are constantly monitored through daily site checks, weekly meetings, monthly HSE team inspections and annual contract revisions. Wastes other than process wastes are collected at daily intervals and separated at source through collection systems developed in 7 different categories. Other process wastes are also separated at the source and managed separately. The waste collection frequency of the wastes is monitored by occupancy sensors installed in the containers and determined accordingly. All data on managed waste is tracked through a software and all our waste processes are monitored with monthly KPI reports. We conduct Environmental Impact Assessments for all processes and sub-processes in the field, including waste generation and management processes, and examine in detail the possible risks concerning the wastes arising from each process.

We formalized our efforts in our circular economy and waste management studies with the 'Zero Waste Certificate' we received from the Ministry of Environment, Urbanization and Climate Change.

Best Practices

We made use of the best practices in the industry such as the use of robots, pool cleaning and sludge dehydrating with Geotube in our Waste Treatment and Disposal Units. By using the Geotube, we dewatered approximately 7030 tons of treatment sludge with an efficiency of over 90% in 2023 and reduced the amount of sludge to 552 tons. With the decrease in our waste sludge amount, we reduced our indirect emissions from transportation by reducing the number of sludge transfers from 470 to 36 trips.

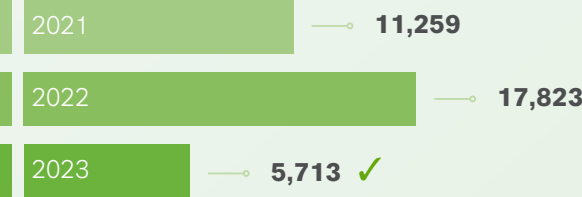
Best Practices

We implemented a zero waste management system in the plants/units affiliated to our Refinery and Petrochemical Business Unit in order to reduce the amount of waste generated due to our activities and increase the recycling rate. Thanks to this system, we separate the wastes other than process wastes into 7 main categories at their source, manage them in accordance with their types and return them to the economy.

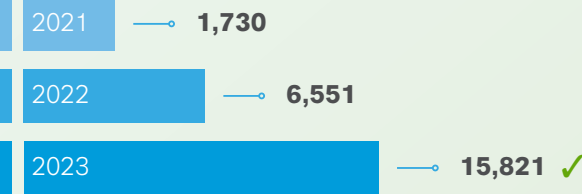


Amount of Hazardous Waste (Tons)

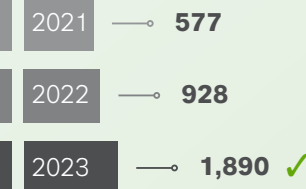
Recycle (Tons)



Landfill (Tons)

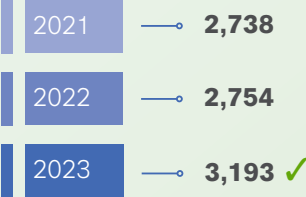


Incineration (Tons)

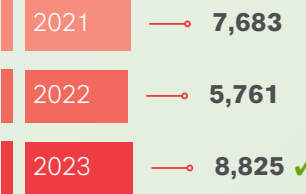


Amount of Non-Hazardous Waste (Tons)

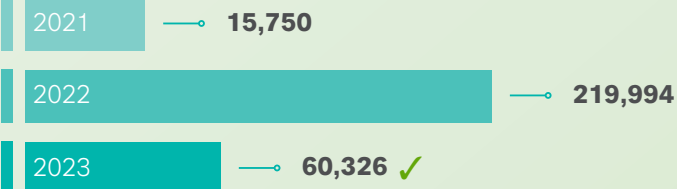
Reuse (Tons)



Recycle (Tons)



Landfill (Tons)





Biodiversity

As Petkim, we are well aware that natural diversity in ecosystems is of critical importance for the continuity of life in the world and sustainable development. Together with all our stakeholders within SOCAR Türkiye, we believe that protecting biodiversity is our common duty.

We have adopted all the commitments stipulated in the ["SOCAR Türkiye's Position on Biological Diversity"](#) document. In parallel with our industrial activities, we strive towards preserving the biodiversity in the regions where we operate.

In 2022, biodiversity surveys were conducted in the terrestrial and marine environment of the special industrial zone by SOCAR Türkiye Refinery and Petrochemical Business Unit to which Petkim is affiliated with the participation of local and international experts. A Biodiversity Assessment Report was prepared at the end of these surveys.

The field studies allowed to identify the areas with potential significant impacts on local ecosystems and biodiversity and SOCAR Türkiye Biodiversity Action Plan was developed accordingly. As a part of SOCAR Türkiye, we take care to act in accordance with the Biological Diversity Action Plan in all our operations.

Environmental Impact Assessment (EIA) Reports are prepared in compliance with local legislation for our projects. These reports further evaluate our impacts on biodiversity (flora and fauna). While preparing EIA reports, we seek the commitments from all relevant stakeholders including local communities. These reports are publicized on the Ministry's website.

Best Practices

Within the context of the biodiversity project initiated for the purpose of considering to utilize Güzelhisar Dam as a carbon sink, we have identified the endemic species found in this region and selected sustainability-oriented species that can be used in our afforestation activities.



We are Together to Invest in People

With the awareness that our employees are one of our most important capital assets, we act in line with our motto of "Stronger. Together." We pursue our operations with a business culture that respects human rights and prioritizes employee engagement and satisfaction.





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Human Resources Approach

As Türkiye's first and only integrated petrochemical company, we consider our valuable Human Resources capital as the fundamental driving force behind our ongoing success. The unique value that each of our employees adds to our company is one of the key factors that will lead us into the future. Believing that the high performance demonstrated by our employees directly impacts the success of our company, we always prioritize their development and motivation.

We prioritize providing an inclusive, equal, transparent and fair working environment that respects human rights with the awareness of being a responsible employer. Under the guidance of our Board of Directors and relevant committees, we set out with the principle of hiring the right candidate for the right position and we keep on with a human resources process believing in equal opportunity in line with our principle of “Stronger. Together.” regardless of religion, language, race, ethnicity or sexual orientation differences. You can read about the works that we undertake in this regard under the Human Rights heading.

As Petkim, aligned with SOCAR Türkiye's standards, we develop strategies that value employee engagement and development, prioritize occupational health, safety, and environmental elements. Within this framework, we employ qualified human resources who are experts in their fields.



Human Rights





Collective Bargaining Agreement

At Petkim, we aim to provide a healthy work environment within the framework of dialogue-based compromise to ensure the well-being of our employees. We keep on with this process with the participation of representatives, internal and external stakeholders, senior management and our direct employees.

In accordance with Article 27 of the Trade Unions and Collective Labor Agreement Law No. 6356, there are Chief Workplace Representatives and Representatives working under the Petrol-İş Union (Petroleum, Chemical and Rubber Workers' Union of Türkiye) in our workplace. These representatives undertake the responsibilities of ensuring the cooperation, labor peace and harmony between employees and employers, protecting the rights and interests of employees and providing assistance to implement the working conditions stipulated in laws and collective bargaining agreements.

Union representatives express their opinions on HSE-related issues, submit proposals, apply new technologies and evaluate the effects of selected work equipment, the working environment and the health and safety conditions of employees. Union representatives further have the right to make suggestions to the employer and request that necessary measures be taken to eliminate the source of the danger or reduce the risk arising from the danger.

We further address significant issues such as the rights and welfare of technicians and foremen, working conditions, health issues and the use of Personal Protective Equipment (PPE) in collective bargaining agreements, negotiations and agreements. By ensuring the participation of our union representatives in our monthly OHS committee meetings, we attach utmost significance to their opinions and feedback and maintain our open communication policy.

Petkim	2022				2023			
	Manager	Expert	Technical Staff	Technician and Foreman	Manager	Expert	Technical Staff	Technician and Foreman
Total number of employees by roles	14	265	309	1,761	19	317	326	1,712

We adopt an approach that strengthens the employer-employee relationship and considers the benefits of both parties throughout the processes aimed at improving the quality of life of our employees and we respect the right of our employees to unionize. In this regard, all of our blue-collar employees and 72% of our total number of employees are covered by the collective bargaining agreement. We inform all our employees about the amendments within the negotiation processes and we distribute booklets specifying the new conditions to our employees.

The new term Collective Bargaining Agreement was concluded with Petrol-İş, our authorized union, on March 24, 2023, as a result of our joint will, to be valid for three years.

Our joint working group, consisting of participants from our union, contributed to the negotiation process on the Collective Bargaining Agreement in many financial and administrative aspects including wage protection, wage justice, wage improvement, wage models, and strengthening of the basic wage.

The negotiations for the new term Collective Bargaining Agreement exemplified the finest of modern industrial relations, enhancing the unity and solidarity among our colleagues and contributing to our dialogue-based culture with employee-focused outcomes and developments that consider the needs of the business.

Petkim	2022		2023	
	Male	Female	Male	Female
Number of disabled employees	39	8	39	8

Employee Rotation by Gender	2022		2023	
	Male	Female	Male	Female
Number of newly recruited employees	52	23	86	43
Number of leaving employees	90	12	60 ✓	12 ✓
Employee turnover rate	4%	1%	3% ✓	6% ✓

Gender Equality

We believe that social progress and our corporate success are closely tied to the employment and career development of our female employees in the business world. We meticulously adopt the principles of diversity, equality and inclusion in order to encourage women's participation in the workforce and strengthen their professional lives in line with our understanding of "Stronger. Together.".

As of 2021, SOCAR Türkiye has become a signatory to UN Women and UN Global Compact's Women's Empowerment Principles (WEPs).

As Petkim, by adhering to WEPs principles in this direction, we take concrete steps in our human resources processes within the framework of "SOCAR Türkiye Human Rights Policy and Guiding Principles" and "SOCAR Türkiye Diversity, Equality and Inclusion Policy" in order to ensure our female employees to have equal opportunities in the business world and to support their advancement in their career paths.

Within the scope of our "Our Energy Is Diversity" approach, we act meticulously in the recruitment and promotion processes giving priority to practices that will strengthen the professional positions of our female employees. As a result of the efforts undertaken in this context,

We have increased the number of our female employees by 17% in 2023.



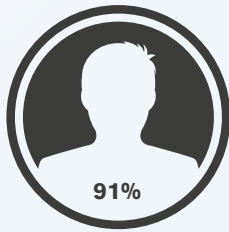
ENERJİMİZ
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Percentage of Employees by Gender as of 2023

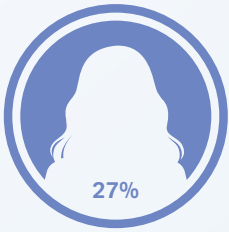


209 ✓

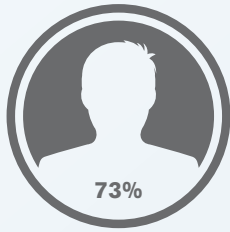


2165 ✓

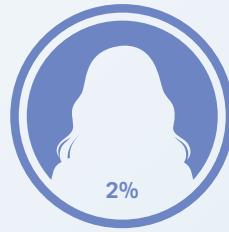
Percentage of White Collar Employees by 2023



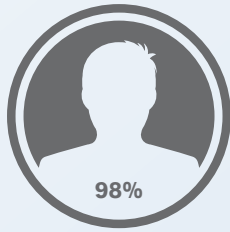
178



484



31



1681

Petkim	2022		2023	
	Male	Female	Male	Female
Number of total employees	2,171	178	2,165	209
Number of junior managers	111	35	121	41
Number of middle level managers	51	6	256	14
Number of senior executives	5	0	5	0
Number of members on the Board of Directors	7	2	7	2

We aim to provide our employees a safe, fair, open to development and participatory working environment. In this regard, we implement procedures that will ensure our employees to benefit equally from all the rights offered. Within the context of our remuneration policy, we apply the principle of equal pay for equal work and eliminate gender-based wage differences. We aim to develop the careers of our employees equally through the trainings provided for our male and female employees.

Remuneration	2022			2023		
	Local Minimum Wage	Entry Level Wage		Local Minimum Wage	Entry Level Wage	
		Male	Female		Male	Female
Rate of standard entry-level wage by gender ⁵ compared to local minimum wage	6,471	111%	111%	13,414.5	105%	130%

We offer 20 weeks paid leave to our female employees who give birth and 10 working days of paternity leave to our employees who become fathers. We provide additional benefits to our employees who have school-age children and we extend our female employees further benefits such as monthly nursery allowance and extra paid leave during menstrual periods. We provide the necessary assistance to our female employees so that they can maintain their maternity roles and professional lives in harmony and we implement policies that will facilitate their integration into business life during pregnancy and the postpartum period.

Maternity Leave and Rate of Returns to Work (persons/year)	2022		2023	
	Male	Female	Male	Female
Total number of employees entitled to maternity leave	125	10	111 ✓	9 ✓
Total number of employees taking maternity leave	125	10	111 ✓	9 ✓
Total number of employees returning to work after maternity leave ends	123	7	109 ✓	12 ✓
Total number of employees who returned to work after maternity leave ends and are still working 12 months after returning to work	167	5	120 ✓	7 ✓

⁵ Full-time wage in the lowest employment category



Employee Engagement and Wellbeing

We act with the awareness that our employees are our strongest assets and we become "Stronger. Together." with our employees. We implement various practices to provide a safe, fair and healthy working environment for our employees while continuing our business activities and we continuously work to improve our processes. To sustain our company's success, we adopt a corporate culture focused on maintaining high levels of employee engagement, satisfaction, and motivation and we take corresponding actions. In this context, we periodically conduct surveys and focus group studies to measure and improve employee engagement and employee experience. We conduct satisfaction surveys every two years in order to measure the employee satisfaction. Within the context of the most recent assessment, the score of the Refinery and Petrochemical Business Unit, to which we are affiliated as Petkim, was determined as 72%. Based on these results, we aim to repeat this assessment in 2024 and analyze our current situation in detail.

We design various leadership programs tailored for different levels of roles, equipped with measures such as long-term incentive systems, competitive compensation policies, and succession programs, aiming to attract, motivate, and retain skilled and talented employees in our organization. We develop various actions and policies with these objectives in mind. We also embrace these principles for our managers.

We hold a Talent Committee meeting once a year for our management succession planning. The committee evaluates all candidates on the succession list and develops short, medium, and long-term senior-level backup plans.

We follow the global, national and industry practices and trends concerning the fringe benefits, performance bonuses and wages that we provide to our employees; we further support the implementation of a wage policy that will maintains the welfare of our employees.

Under our policy, we consider individual and collective goals and key performance indicators determined by senior executives with their teams and managers when assessing individual performance. In measuring individual performance, compliance with the principles of long-term sustainable improvement as well as Environment, Social and Governance (ESG) policies are also taken into consideration in addition to financial targets.

We provide a wide range of fringe benefits to improve the welfare of our employees. These fringe benefits include bayram allowance, funeral allowance, service and transportation assistance, company vehicle for senior executives, private health insurance, life insurance, seniority incentives, birthday, marriage, newborn and circumcision gifts, back-to-school allowance and monthly nursery support for female employees. Further benefits extended include uniforms and gift cards for service personnel, vocational qualification assistance (in accordance with the procedure), housing allowance, family allowance, child allowance, food and clothing allowance, shift bonus, overtime payment, natural disaster assistance, incentive bonus for union membership above the Turkish Labor Law.

In addition to our fringe benefits, in order to support the social lives of our employees and strengthen our social benefits; we offer leave rights beyond legal limits. In this context, we aim to foster the difference of Petkim employees everyday with the practices exceeding the legal limits specified in the law covering the paid leave extended in case of becoming a foster family and adopting a baby/child, maternity leave, marriage leave, paternity leave, funeral leave and menstrual leave (1 day per month) for female employees.

With the "Employee Assistance Program" that we launched in 2020 and received positive feedbacks, we offer expert support to our employees and their first-degree relatives on medical, psychological, legal issues, healthy nutrition, baby care, ergonomics, technology use, veterinary and financial matters. We attach importance to making these services accessible at any time through online platforms and we take care to ensure that they contribute to improving the quality of life of our employees.

Apart from title and position changes, we act with an approach based on the principle of equality and substantial justice without discrimination on grounds such as gender, religion, language and ethnicity. We guide our employees through training and policies to provide feedback when any non-compliance is encountered within our ethical processes. Through the "Ethics Hotline" which is offered as an integrated facility for all SOCAR Türkiye group companies, to which Petkim is affiliated, our employees can submit their complaints and feedback anonymously through official correspondence, e-mails, telephone and similar communication channels. Incoming notifications are regularly reviewed by SOCAR Türkiye Compliance Department and complaints are referred



to the relevant units to be resolved as soon as possible. Throughout the reporting period, no complaints were registered via the "Ethics Hotline" by our employees and external stakeholders.

We make use of diversified tools other than the "Ethics Hotline" for our employees to raise their concerns and provide feedback. Taking support from Human Resources Business Partners (HRBP), we conduct practices such as one-on-one meetings, interviews for diversified purposes, culture surveys and focus group studies addressing our employees. In the light of the feedback received, we figure out critical determinations and restructure our remedial strategies to improve employee satisfaction and loyalty.

By observing the principles of decent work and humanly living, we provide various benefits to improve employee engagement, and in this regard, we take care to provide equal rights in all our operations. In order to keep the motivation of our employees at the highest level and thereby to improve employee engagement by maximizing efficiency, we implement rewarding systems that recognize and appreciate the value-added behaviors and professional efforts of our employees. We aim to support the continuous development of our employees by encouraging successful performances and efforts, to strengthen team spirit by providing a positive atmosphere in our work environment and to ensure that our employees are more committed to their jobs.



Talent Acquisition Process

As Petkim, we act with the awareness of the strategic importance of having a qualified workforce that will ensure the continuity of our success. We manage our recruitment processes effectively in order to recruit a qualified workforce in line with our company's values. Strictly adhering to the principle of the right candidate for the right position, we actively use diversified recruitment channels and internal reference systems.

By meticulously applying principles of equality, inclusion and diversity in our recruitment processes, we ensure that each candidate is evaluated fairly and without discrimination. We evaluate our candidates objectively with diversified assessment tools such as competency-based interviews, potential analyses, technical interviews, talent exams, case studies and foreign language proficiency exams, and we further strive to determine a selection process that will bring in the most suitable candidate to our team.

We are well aware of the significance that will be added to our company's success by bringing in young talents. In this regard, we attach importance to events such as career days and university activities where we will have opportunities to meet young talents. We offer internship programs that aim not only to bring young talents to our organization but also to contribute to the professional and personal development of university students. Within the scope of our internship program, we take care to assign a mentor to each intern who can guide them in their career paths. At the end of the internship program, we expect our interns to present a project that reflects real business life, so that they can experience the dynamics of the business world more closely by applying their theoretical knowledge in practice.



Performance Management

We have introduced our Performance Management System to evaluate the performance of our employees, whom we consider as the source of our success, and to provide professional development in this direction. This system allows us to observe the harmony between the strategic goals we have determined in line with our company's vision and the performance of our employees.

For the purpose of measuring the effectiveness and efficiency of our employees, we set individual performance targets for our employees. We nourish these goals throughout the year with feedback, mid-term and year-end assessments, and we evaluate our employees' ability to achieve their strategic and individual business goals in line with our company's vision with measurable, concrete data.



Within the scope of our Performance Management System, we attach utmost importance to the commitment of our employees to our company's corporate values in addition to monitoring how well they comply with their performance targets. For the purposes of our year-end evaluations, we give 50% weight to our employees' rate of achieving their determined performance targets, while on the other hand, we assess their compatibility with our corporate values out of 50%.



Employee Training and Talent Development

We are well aware that each of our employees has a significant role in the way we do business and in our impact on the future. We know that the success that we have ultimately achieved is the result of the strong performance of our employees, and we strive to work to develop and support their talents. In this context, we strive to develop projects that will improve the motivation of our employees and strengthen training processes with our internal company activities.

We focus on our corporate values and take care to ensure that our employees work in the right positions in line with their own areas of competence.

Talent Management Process

We support our employees to improve their performance by focusing on their own competencies in order to reveal their potential. Contributing to the career management of all our employees and supporting them to achieve higher performance through these development programs are among our top priorities. The active role of our leaders in this process is among the factors that strengthen our company's sensitivity to social responsibilities, our commitment and our values.

While organizing the processes within this scope, we determine our strategic approach to the organizational structure regardless of individuals. We manage this process, in which we evaluate the future trainings of our employees, in a digital environment with a professional approach. We ensure our employees to receive feedback regarding our Talent Management analyzes and thereby contribute to shaping their plans for the future. This approach not only improves our company performance but further contributes significantly to strengthening our employee engagement. While planning our new recruitment processes, we ensure that our employees benefit from our adaptation and orientation programs prepared according to their compliance with the job.

We offer our orientation program with the participation of our employees with different roles from all locations. This process further includes e-learning trainings, field visits and buddy support. We provide on-the-job trainings in the field for our employees who have changed their positions or have started their new jobs.

One of the most significant factors affecting the training and development processes that we implement in our company is providing different perspectives and ensuring a visionary development. Though our Occupational Health and Safety trainings are always at the forefront, we further organize legally required trainings and projects and vocational training processes that will enable our employees to gain professional qualifications.

In order to support the career development of our employees, we apply performance assessments, career development programs and training needs analysis to all our white-collar employees. We plan new trainings in line with needs analysis, performance assessment results, career planning, developments in our industry and our goals and we carry out these processes with our stakeholders who are experts in their fields. All our organizations are prepared to cover the roles at all organizational levels and to reflect our corporate culture and are implemented towards the adoption of a common leadership culture.

Development practices that we provide to our employees:

- Leadership Factory (Leadership Program for Mid-Level Managers)
- IMD Pathfinders Journey (Leadership Program for Senior Executives)
- Sabancı University Mini MBA Program
- Mentoring Programs
- Business Acumen Business Simulation Program
- Internal Trainer Program
- Gen-D (Generation Digital)
- Competency Assurance Management System (CAMS)
- Talent Development Action Plan (Be Shadow)
- Diversity, Equity and Inclusion (DEI) Programs
- Field Development Program

In line with all these efforts, as Petkim, we invested USD 345 in trainings per employee and provided a total of 112,383 hours of training, which averages to 47.34 hours per employee. In order to reflect our ethical standards and values and in line with our principles of equal opportunity, diversity and inclusion, we included four of our employees in the workshop organized by SOCAR Türkiye. Adhering to anti-corruption and ethical principles, we provided trainings to a total of 125 employees in this context.

Petkim	2023			
	Manager	Expert	Technical Staff	Technician and Foreman
Total hours of training provided to employees	1,252.5 ✓	21,068.9 ✓	20,123.5 ✓	69,938.9 ✓

SOCAR Türkiye Academy

We embrace the SOCAR Türkiye employee culture and attach importance to the personal and professional development of our employees in line with the understanding of "Stronger. Together.". In 2023, we supported the development of the 'SOCAR Türkiye Academy' platform, which was implemented by SOCAR Türkiye. Starting from 2024, we will begin its implementation.

"SOCAR Türkiye Academy" is a development platform that aims to provide our employees with the new competencies and qualifications necessary to advance their careers. This platform is a comprehensive learning organization that will be implemented in all SOCAR Türkiye group companies. With this platform, we aim to maintain and improve the overall success of our institution by contributing significantly to the development of our employees.



Continuing Professional Development (CPD) Program

Another project developed within SOCAR Türkiye and in which we will participate as Petkim is the Continuous Professional Development (CPD) program.

With this program, we aim to contribute to the personal and professional development of our employees.

CPD platform will allow our employees to regularly record their professional developments. In our Human Resources processes, CPD platform will serve as a valuable input in critical processes such as talent management, career planning, and performance evaluation. The CPD platform, which will be available to our white-collar employees by 2024, includes systems that will encourage each of our employees to reach the determined CPD target scores and reward these achievements. With this platform, our employees will be able to earn points for many successful activities such as writing academic articles, learning a foreign language, participating in leadership development programs and attending conferences.

With the CPD platform developed by integrating ever-advancing technology and increasing digitalization initiatives into our own organization, we aim to ensure our training processes to reach a more systematic structure.





Occupational Health Safety and Environment Approach

We have adopted an Occupational Health, Safety and Environment (HSE) Management that is safe, sensitive to the environment and human rights and reflecting our understanding of ethical values and continuous development. We develop our HSE systems with a continuous improvement approach by following the best practices in the industry. We keep on with our production activities on the grounds of [SOCAR Türkiye HSE Policy](#) and require our employees and contractors to adapt to this working culture.

As a company holding ISO 45001 and ISO 14001 certifications, we continue our HSE activities in accordance with international standards. In this regard, internal audits, second-party supplier audits and third-party independent audits were duly performed in our reporting year. As Petkim, we disclose up-to-date information about our international assurance standards on [our website](#) and use our website effectively as a tool to enlighten the public.

We constantly monitor, inspect and make improvements to our production processes from an HSE perspective. Within the context of the HSE Management System, we implement diversified programs that will raise awareness within our processes such as Legislative Compliance Management, Process Safety Management, Emergency Management, Incident Investigation Process Management, Contractor Management.

We aim to provide a safe working environment by using tools such as HSE Observation and Reporting Program, Periodic Field Inspections (PFI) Program and HSE Risk Analysis.

Within the scope of HSE, we go beyond the legal safety requirements and focus on high-tech HSE projects. Prominent projects during the reporting year include the use of video analysis technology in storage areas and the digitalization of the Work Authorization System.

As Petkim, we undertake various protective measures and perform regular measurements and analyzes in order to protect the health and safety of our employees. In this regard, we spent a total of USD 2,737,090 in 2023.

Our HSE performance has been reviewed and closely monitored periodically by our senior executives and Board of Directors. In this regard, we organize weekly, monthly and quarterly meetings to discuss HSE related issues with the participation of senior executives, business units, Risk Committees and the Board of Directors. Our employees have the right to suspend work when they witness any violation/non-compliance or refuse to work when they think it is dangerous to do so within the scope of our HSE Policy and legal legislation.



Petkim			
Accident Statistics (Petkim Employees)	2021	2022	2023
Number of Accidents ⁶	8	12	3 ✓
Number of Fatal Accidents	0	1	0 ✓
Number of Recordable Work-Related Illnesses	0	0	0
Number of Days Lost due to Incidents	323	0	0 ✓
Total Hours Worked	4,469,506	4,640,009	4,531,857
Total Recordable Incident Rate (TRIR) (per 200,000 working hours)	0.36	0.56	0.13 ✓
Occupational Disease Rate (per 200,000 working hours)	0.00	0.00	0.00 ✓

Petkim			
Accident Statistics (Petkim contractors)	2021	2022	2023
Number of Accidents ⁶	12	8	14
Number of Fatal Accidents	0	0	0
Number of Recordable Work-Related Illnesses	0	0	0
Total Hours Worked	3,737,814	6,756,949	6,345,575
Total Recordable Incident Rate (TRIR) (per 200,000 working hours)	0.64	0.24	0.44

⁶ Injuries requiring intervention beyond the First Aid.



HSE Management System

At Petkim, we prioritize our HSE processes while fulfilling our environmental and social responsibilities within the framework of sustainability and operational excellence. In this regard, as we carry out our production activities, we consistently monitor the effectiveness of our SAFE (SOCAR Aims For Efficiency) HSE Management System, which is designed following the best global HSE practices.

"SAFE" includes 4 Fundamentals, 16 Principles and 100 expectations that determine Petkim's practices within the scope of HSE practices. We support our "SAFE HSE Management System" with a documentation hierarchy consisting of corporate guidelines, procedures, specifications and instructions. Thus, we aim to manage our practices systematically and consistently. We aim for excellence and continuous improvement in occupational health, safety and environmental issues.

We evaluate the compliance of all activities that we carry out with Occupational Health, Safety and Environment Legislation. In this context, we systematically and coordinately manage the SAFE HSE Management System, Integrated Management Systems and all our other processes. In 2023, we achieved successful results from independent audits performed within the scope of ISO 45001 Occupational Health and Safety Management System and ISO 14001 Environmental Management System. In accordance with the requirements of ISO 45001 / ISO 14001 and the SAFE HSE Management System, we identify HSE risks in our processes, review them periodically and monitor the necessary actions to be taken.

The SAFE HSE Management System is a system that we have developed considering the issues beyond legal requirements, in line with global industry practices, by making use of various international resources and standards. The list of legal requirements, international standards and guidelines reviewed and taken into account within the SAFE HSE Management System is as follows:



List of followed legal requirements:

- Occupational Health and Safety Law No. 6331
- Social Security Law No. 5510
- Environmental Law No. 2872
- Labor Law No. 4857
- All HSE legislation and regulations

List of international standards and guidelines taken into account within the scope of the SAFE HSE Management System:

- OSHA Occupational Safety and Health Administration Standards
- IFC International Finance Corporation's OHS Standards
- Equator Principles
- ISO 45001 Occupational Health and Safety Management System
- ISO 14001 Environmental Management System
- The International Convention for the Prevention of Pollution from Ships (MARPOL)
- IMO Standards



SOCAR Türkiye Golden HSE Rules

As Petkim, we have constituted SOCAR Türkiye Golden HSE Rules based on the lessons acquired through high-risk activities in the industry. These rules refer to the risks encountered statistically in our daily operations and the basic measures that should be implemented to effectively manage these risks. We aim to popularize occupational health, safety and environmental protection awareness to all our employees through our golden rules, thus maintain an accident-free working environment.



Process Safety Management

Process Safety Management System is referred to as our approach to adopt a proactive management based on safe operating principles to keep hazardous substances under control in order to ensure operational continuity and efficiency and to prevent events with potential for energy release. This approach includes intrinsically safe design principles, engineering, maintenance and operating practices aiming to minimize risks such as fire, explosion and environmental damage.

Process Safety Management System covers of the following topics.

- Process Safety Management and Organization
- Performance Management and Continuous Improvement
- Operational Discipline
- Inspections, Observations
- Process Safety Leadership Coaching
- Process Safety Culture and Talent Development Program
- Process Safety Information (Process and Equipment Design Information, P&ID etc.)
- Process Hazards Analysis (What-if Analysis, HAZOP&LOPA etc.)
- Process Safety Management of Change (MOC) - Technology & Facilities
- Pre-Startup Safety Review (PSSR)
- Standard Operating Procedures
- Incident Investigation and Reporting
- Competency Development
- Emergency Response and Planning

We consider international standards and current requirements while structuring our Process Safety Management within the framework of our vision of building a pioneering Health, Safety and Environment (HSE) corporate culture in the industry. Main sources that we have used as reference when developing our Process Safety Management System include the CCPS (Center for Chemical Process Safety) Guide – Risk-Based Process Safety, the USA's OSHA (Occupational Safety and Health Administration) Process Safety Management Standard and Turkish legislation. We aim to keep the safety of both our employees and our environment at the highest level by constantly updating our processes with the information acquired from these sources.

We perform a process hazard analysis by carrying out the Process Safety Management of Change (MOC) process prior to making any planned changes to existing equipment, materials, process control systems, operating systems or application/work management in our sites. Process Safety Management of Change (MOC) process confirms that the design subject to change contains all the necessary details, has been evaluated in terms of all necessary engineering and administrative disciplines, has been affirmed to be technically correct, has been recorded in all relevant documents and relevant systems and has been included in the programs and software and that all planned actions have been completed before the change is commissioned or used.

In 2023, we completed the digitalization efforts of our MOC process and organized training for those who use this system.

We manage our Pre-Startup Safety Review (PSSR) process to verify that all checks are realized before the changes are implemented in the field and commissioned and to ensure the safety of all items that need to be checked. We carry out field reviews and evaluation of checklists with the participation of relevant disciplines.

We carry out the necessary activities and implement approval processes in line with the "Safety Systems By-pass Procedure" in our fields for all operations of the Refinery and Petrochemical Business Unit, to which we are affiliated as Petkim, where any equipment or component malfunction occurs in the process protection systems/safety systems, protective/preventive maintenance measures are disabled due to compulsory reasons or whose efficacy is partially amended. When it is necessary to disable or bypass safety systems, we have digitized the process to ensure that risk analyses are conducted to identify potential hazards, and that necessary precautions are taken to maintain safety and reliability during the bypass period. This digitalization has made the management, monitoring, and documentation of the process much more effective.

Operational HAZOP (Hazard and Operability Analysis) & LOPA (Layers of Protection Analysis) analysis have been performed in Refinery and Petrochemical facilities. We further ensure the execution of HAZOP & LOPA analysis for many projects developed within the scope of optimization for the Refinery unit, flexibility in the production and for projects developed in line with the need for integration and modernization of Petrochemicals.

In order to investigate the root causes of process safety incidents occurring in facilities and to determine the measures to be taken to prevent similar incidents from occurring again, we classify incidents in line with SOCAR Türkiye procedures, establish incident investigation teams and coordinate incident investigation processes.

We prepare and develop standards in line with the principles of the SAFE HSE Management System and the best practices of the industry and organize training for the implementation thereof. In line with the aim of constantly improving the HSE culture, we prepare bulletins on Process Safety issues and organize trainings on different topics within the scope of the Process Safety Management System.



HSE Risk Management

As Petkim, we systematically evaluate and manage the HSE risks that our production activities may bring with. As a company classified as "Very Hazardous", we carefully carry out our risk assessment and management processes going beyond the requirements stipulated by the legislation. HSE-specific risks are prioritized by our Board of Directors and reviewed periodically at the following meetings.

- Weekly Administrative Meetings
- Monthly Ex-Com Meetings
- Quarterly Board Meetings
- Business Units' Monthly HSE Meetings
- Annual Management Review Meetings
- Quarterly Risk Committee Meetings

For the purpose of the HSE Risk Management process, we determine the results of risk assessments and the corrective and preventive measures to be taken by our expert employees using various tools and we meticulously document these data.

Hazard Identification and Risk
Management Instruments

- SOCAR Türkiye Corporate HSE Risk Matrix
- SOCAR Türkiye Corporate Hazard Assessment and Risk Management (HARM) Application
- HAZOP, HAZID, QRA analysis
- Hazard Recognition Program

Incident Management Tools

- SOCAR Türkiye HSE Incident Investigation and Reporting Application
- Root Cause Analysis (RCA)
- Determination of corrective actions to prevent recurrence of the incident by the Incident Investigation Team
- Incident Tracking System (HSE Synergi-Life) softwares for tracking the closing verifications of corrective actions

We apply our risk assessment process for a wide range of transactions such as the implementation of new projects, asset purchase and sale transactions, amendments to existing operations and decommissioning of facilities and handle these transactions with a systematic approach.

We archive the documents regarding the risk assessment processes performed as these documents are considered as an important resource for determining our future occupational health, safety and environmental strategies. These documents assume a key role particularly in critical risks as well as the management and decision-making processes. We regularly re-evaluate these risks on a quarterly basis and report the findings to the Risk Committee. As of 2023, we have begun to update the risk assessment templates of all our business units, aiming to further improve the efficacy of our processes.

Emergency Management

We pro-actively evaluate the risks that may occur in our sites and we make comprehensive plans in this regard. We effectively make use of our vehicles and systems that provide 24/7 service within the scope of the management of emergency preparation, firefighting, response to gas leaks and rescue operations.

In the Aliğa Special Industrial Zone, there are numerous systems and tools dedicated to the management of emergencies. Active warning systems have been established across the peninsula, and emergency management systems have been implemented to instantly detect emergencies and safely shut down all facilities. In addition to the facilities, we also have systems and marine vessels aimed at ensuring coastal safety. In the event of pollution, a trained and expert team, along with marine vessels, are ready to intervene on the sea surface 24/7. These measures reflect our commitment to protecting the environment and minimizing the impact of potential emergencies.

Another dimension of being prepared to prevent emergencies in our region and across our services, and to manage situations with minimal impact when they do occur, is the preparedness of our employees for such circumstances. For this purpose, we conduct regular drills.

Work Authorization System

We ensured the smooth operation of the Work Authorization System in all our facilities and units that experienced incidental shutdowns, planned shutdowns and commercial shutdowns throughout 2023. We provided a safe process management with a total of 52,997 activities permitted under the control of the Facility Security Department addressing Hot Works, Entry to Confined Spaces, Lifting Operations, Excavation Works, Energy Insulation, Rescue Control and Radiography Works.

Fire Fighting

We have been taking significant steps for firefighting within the framework of our emergency management. We support projects aiming to improve firefighting systems in our production facilities. We carry out Fire Brigade Compliance Report Inspections and get the necessary certifications for the fire response capacities of our refinery units. Within the scope of risk assessments, we have insurance audits performed with regard to emergency response and firefighting systems. We carry out our production processes with a proactive approach, always prioritizing a safe working environment. In this regard, we implement measures to protect the safety of our working environment by ensuring the surveillance of fire trucks when undertaking high risk processes within the scope of field work.

We perform fire and rescue drills under various scenarios with our employees with the participation of local municipalities and other institutions. For the purpose of these drills, we use advanced equipments such as high-capacity monitors, foam trailers and fire trucks. We constantly review the calibration of fire and gas detection equipment and meticulously have the periodic checks of Fire Fighting and Emergency equipment performed in collaboration with our Operations and Maintenance teams.

We provide fire safety trainings to our employees and benefit from the knowhow and experience of international experts for this purpose. In 2023, we organized a well-attended Firefighter Week event to raise awareness of fire safety and highlight the significant roles of fire brigades.

In 2023, we assumed a key role in ensuring regional security by intervening in the forest fires in Aliğa and a factory fire in the industrial zone as quickly and effectively as possible. We further contributed to the prevention of a possible major disaster by intervening in a fire that broke out in a natural gas line in Manisa.

HSE Best Practices

As Petkim, we maintained our efforts to provide a safe work environment for our employees and to further improve HSE awareness in 2023. In addition to ongoing programs, we have further initiated several new applications. Some of these applications:

HSE Observation and Reporting Program

At Petkim, our employees are empowered by our HSE Policy to reject unsafe work and to identify and implement solutions for carrying out necessary tasks safely. It is of vital importance for our employees to act with this awareness of responsibility and to comply with the requirements of our HSE Management System for the well-being of people and a healthy environment.

HSE Observation and Reporting Program allows our employees to notify and report unsafe behaviors, conditions and near-miss accidents that exceed the limits set by our SAFE HSE Management System. This reporting contributes to taking corrective and preventive actions and significantly supports the provision of a safe working environment by helping to prevent possible accidents.

In this regard, we attach importance to the opinions and participation of our employees and we encourage them to identify, observe and report a possible HSE problem.

Root Cause Analysis (RCA) Program

Our research team, appointed after an incident or accident, thoroughly examines the reasons underlying the incident or accident using the root cause analysis technique. The visible and systemic causes of the incident/accident are thereby determined allowing to take the corrective/improving actions to eliminate or reduce the possibility of recurrence. In order to make this process systematic and consistent, we provide our research team members "Root Cause Analysis" that we have developed internally.



Periodic Field Inspection (PFI) Program

With our Periodic Field Inspection (PFI) program, we aim to conduct regular field tours to effectively monitor the implementation of HSE practices and compliance with HSE requirements at our sites. We also aim to systematically address the findings observed. With our Periodic Field Inspections, we take a proactive approach to prevent potential accidents and near-miss incidents through the resolution of identified findings, action management, and periodic reporting. In 2023, within the scope of the program, in addition to routine PFI inspections, we conducted a total of 650 inspections, including those focused on Lock Out-Tag Out, PPE, Falling from Height and Road Safety. We continued to reward teams that demonstrated good performance under the program in 2023.

Road Safety Program

Within the scope of the Road Safety Program, further retained in 2023, we provided Safe Driving Techniques Training to a total of 1,582 employees, 1,228 of whom are blue collar workers and 354 of whom are white collar workers, in addition to 684 contractor employees. We performed 20 Road Safety Inspections. We checked 148 bicycles used in the Refinery and Petrochemical Business Unit area. Within the scope of the Road Safety Procedure, we checked the compliance of the vehicles in the Petkim site with the standards defined in the relevant procedure. We carried out the arrangements concerning the intersections, parking lots, pedestrian paths and traffic signs.

Radiation Safety Program

In 2023, under our ongoing Road Safety Program, we provided Safe Driving Techniques Training to a total of 1,582 employees, including 1,228 blue-collar and 354 white-collar workers, as well as 684 contractor employees. We conducted 20 Road Safety Inspections. We performed checks on 148 bicycles used in the Refinery and Petrochemical Business Unit area. As part of the Road Safety Program, we ensured the compliance of vehicles on the Petkim site with the vehicle standards defined in the procedure. We also made adjustments to intersections, parking areas, pedestrian paths, and traffic signs.

Elektronik Work Authorization (E-Permit) Project

With the project of transferring the work authorization system in the Refinery and Petrochemical Business Unit, which is otherwise carried out manually and with paperwork, to the digital environment, we aim to save time and labor and strengthen the effective field control mechanism. We aim to minimize personnel errors by ensuring the application to be monitored online via tablet and computer systems. We kept on with the project meetings, workshops and software designs in 2023. User acceptance testing was performed in the last quarter of 2023. We plan to launch this application by 2024.

HSE Synergi Life HSE Reporting Program

Owing to the HSE Synergi Life HSE Reporting Program, we can monitor, manage and report all processes related to HSE on a single common platform. With this software, we can report and analyze HSE key performance indicators, record observations, actions, risk assessments, track HSE audits and legal compliance and further manage HSE incidents and investigations. In the initial phase of the program implementation, the application, which was previously available only to our HSE employees, was opened to all our white-collar employees in 2023. We made user guidelines and training videos accessible through the internal communication platform SOHO. We provided trainings to our white-collar employees in exclusive sessions. Within the scope of Synergi Life Administration, we provided live support throughout the year to ensure that our employees quickly adapt to the program and to improve their effective use.

Video Analytics Program

With the aim of integrating artificial intelligence into our HSE culture, we launched and commissioned the "Video Analysis Technology" project in Petkim Product Packaging and Storage as well as Material Storage areas.

Occupational Health Services

As Petkim, we attach utmost significance to the health of our employees and accordingly we offer comprehensive health services in our facilities.

There is an ambulance and emergency medical team available to work 24/7 at our sites. At least once a year, we provide a detailed periodic health screening and medical examination to all our employees including chest radiography, respiratory function test, blood and urine tests. We not only provide on-site health care services to our employees with our full-time workplace physicians and health care personnel, but also offer private health insurance opportunities to all our white-collar and blue-collar employees.

Thanks to 24/7 accessible Employee Support Program, which is an outsourced service available to all our employees, our employees can receive external expert support on many issues such as psychological counseling, medical counseling, ergonomics, newborn care and healthy nutrition consultancy.

We care about the health of our employees and undertake all analyzes and inspections accordingly. We regularly subject the drinking water points in our company to microbiological and chemical analyses. We quarterly conduct third party Food Safety and Hygiene Inspections in all cafeterias at our sites.

In order to support the physical health of our employees, we offer the opportunity to benefit from the gyms available in our head quarter building and from the dietitian services on a weekly basis. By organizing social events and health-oriented physical activities, we encourage our employees to participate in these activities and promote healthy living. In line with these efforts, we earned the "Nutrition-Friendly and Physical Activity-Supporting Workplace" program certificate from the Ministry of Health. We became the third company in Türkiye to have this certificate.

We further attach utmost importance to communication activities aimed at improving the health consciousness and awareness of our employees. We inform our employees on topics such as desk top exercises, Ramadan-specific nutrition tips, glucose level monitoring, workplace hygiene, breast cancer awareness, skin health and heat stress management by publishing bulletins and organizing seminars. With these projects we carried out in 2023, we facilitate our employees' access to the information and tools they need to live a healthy life.

Toxicological Analysis Based Chemical Risk Assessment Program

Thanks to this program, a proactive approach has been adopted by determining the exposure levels of our employees exposed to chemicals used in our workplaces, by taking the necessary remedial measures and preventing any diseases. As part of the program, detailed analyzes were performed for measuring the exposure of employees particularly in our high-risk units. At the end of these analyses, no negative case was identified and an important step was taken to protect the safety of our working environments and the health of our employees.

Water Safety and Legionella Management Program:

The program we have implemented has allowed:

- To identify critical areas within the water system of our facilities that may pave the way for the development of waterborne pathogens such as Legionella,
- To prepare procedures that will minimize the risks of serious epidemic diseases that may occur as a result of microbiological contamination including Legionnaires' disease,
- To determine the processes required to resolve any anomalies or problems that may be encountered,
- To define the necessary remedial and preventive actions and monitoring methods.

With this program, we aimed to ensure the safety of the water used in our facilities and the sustainability of healthier working environments.



HSE Trainings

Within the scope of our HSE policy, we aim to continuously strengthen our employees with the knowledge and skills that will enable them to work safely in the workplace at Petkim. We implement comprehensive training and communication strategies in order to improve the competencies of our employees on HSE issues, to effectively communicate the latest updates to our practices and procedures and to raise awareness within the framework of protecting the health of our employees.

The 16-hour compulsory occupational health and safety training stipulated in the Occupational Health and Safety Law No. 6331 being in the first place, we offer our employees a wide range of trainings from maritime HSE practices to process safety, from working at height to first aid. We further support the development of our employees with Behavior Based Safety (BBS) Trainings, Root Cause Analysis (RCA) and certified Automatic External Defibrillator (AED) trainings.

We further inform our employees about environmental issues such as reducing our carbon footprint, waste management, emission management, debris management and wastewater management and we raise awareness in reducing our environmental impact.

As of June 2023, we have initiated a new training program that will cover both our own employees and the employees of our contractors. Within the scope of Safe Pass - Induction-(EMS Module 1), which includes face-to-face classroom trainings and field applications, we provided 16,464 person/hours of training to approximately 2,352 company employees. We revised the scope of the Work Authorization System information and application trainings in non-routine activities and provided trainings to our relevant company employees and contractors' employees.

Throughout 2023, we further organized various HSE trainings in accordance with the annual plan under the leadership of the Facility Safety Department. These trainings include topics such as emergency and rescue, crisis center awareness and firefighting at factory areas. We further conducted a total of 9 drills during the year in order to raise the awareness of our employees on Health, Safety and Environment (HSE) and to ensure that they are better prepared for incidents.

As Petkim, we provide trainings on critical issues such as hazard analysis and risk management addressing also the employees of the contractor companies. Within the scope of the Road Safety Program that we initiated in order to raise the safety and health standards of our facilities, we place health, safety and traffic signs and improve driving safety with the vehicle tracking system. We organize Defensive Driving Trainings for all our employees, including contractors' employees.

In order to improve the HSE awareness of our employees, we publish videos, announcements and bulletins on HSE on Corporate CCTVs and provide information through HSE boards.



We improve the safety awareness of our employees through activities such as the Behavior Based Safety (BBS) Program, All Accidents Are Preventable Program, Emergency Level 1 and 2 drills in our facilities, Periodic Field Inspections (PFI) and Management of Change (MOC) applications.

With all these actions, we aim to continuously develop organizational knowledge and awareness on HSE.

	2023
Occupational Health Safety and Environment Training	Duration of the Training (hours)
Total hours of training provided to employees	90,429.50 ✓



Responsible Supply Chain

We attach utmost significance to taking concrete steps by reflecting our sustainability approach in every aspect of our company. It is of critical importance that our supply chain, which is one of the main drivers that ensure the continuity of our operations, reflects our understanding of sustainability. By focusing on responsible supply chain management principles, we consider environmental, social and economic impacts.

We strive to implement the processes in all of our operations in accordance with the Constitution of the Republic of Türkiye, the United Nations Universal Declaration of Human Rights and the main conventions issued by the International Labor Organization. We respect core values and adhere to a framework of business ethics that complies with universal standards throughout our entire supply chain.

We oblige all companies in our supply chain to comply with SOCAR Türkiye Code of Ethics and Anti-Corruption and Trade Controls Policies. In this context, we expect our suppliers to comply with the rules we have determined on human rights, HSE and anti-corruption. We evaluate all parties with whom we have commercial relations in line with SOCAR Türkiye Compliance Procedures by subjecting them to the SOCAR Türkiye Compliance Process and the approval by the Compliance Department.

We aim to minimize our environmental impacts and reflect our social responsibility by prioritizing compliance with sustainability standards in our supply chain processes such as supplier selection and material procurement as well as production processes. By collaborating with our stakeholders, we aim to build a supply chain based on ethical values. When signing contracts with our suppliers, we review certain environmental and social processes in accordance with the specifications of work required in our sites.

We monitor and evaluate our suppliers and we implement certain development practices in order to ensure the development of our supply chain in line with Petkim's sustainability vision.

Contractor Management

We provide a fair and ethical working environment that is respectful of human rights and reflects our approach to diversity, equality and inclusion for our contractors, who are integral links in our supply chain. In this regard, we expect our contractors to comply with SOCAR Türkiye Compliance Procedures and SOCAR Türkiye Code of Ethics. Within the scope of HSE, we require service providers/contractors' personnel operating in our sites to receive mandatory training before entering the operation area. We further perform annual field inspections together with the Procurement Department and with the participation of other relevant departments. In 2023, we performed 59 inspections for 34 contractors within the scope of compliance assessments. We report defects identified during field inspections to service providers/contractors so that corrective measures are implemented. We take necessary actions in accordance with the procedures for service providers/contractors that are deemed non-compliant.

We apply a pre-qualification (PQ) procedure for purchases over USD 500,000. At the proposal stage, we expect our prospective contractors to submit their HSE Policy, ISO 45001 Occupational Health and Safety Management System and ISO 14001 Environmental Management System certificates and practices, risk assessments, emergency response plans, number of accident reports and information about their quality management procedures under the main framework of HSE and Quality Management. We provide an entry level training and field orientation covering emergency procedures within the scope of HSE.

In 2023, our total number of contractor personnel was 2,230.

Within the scope of contracts concerning SOCAR Türkiye Refinery and Petrochemical Business Unit, managed by progress payments, we require the contractor to submit their Social Security Institution declarations and relevant documents. We further performed 59 inspections for 34 contractors operating in our work sites by our HSE and Service Procurement Cost Control Team. At the end of the audits we performed in 2023 and the observations realized within the framework of the sustainability approach, no incompatibilities were identified in our supply chain.





Competency Assessment and Contractor Audit Procedure

Within the scope of the procedure, the audits to be executed for the contractors during the year are defined. Total Audit Score consists of the scores given by Procurement, Requesting Unit, Quality and HSE teams. The contractor is expected to remedy/correct the deficiencies identified in these inspections. A written notification is served to the relevant supplier to correct/ remedy the identified deficiencies. On the basis of total audit score, suppliers with scores "70" and above are considered "Successful" while those with scores below "70" are considered "unsuccessful". Whether the corrective actions determined in accordance with the 2nd and 3rd party audit results are fulfilled within the time period extended to the contractor is confirmed by the procurement personnel or the 3rd party company appointed for this purpose. Penal sanctions defined in the contract are applied to contractors who do not compensate for their deficiencies within the specified period. The contracts of suppliers who cannot increase their scores within the specified periods may be terminated.

According to the SOCAR Special Industrial Zone Türkiye Refinery and Petrochemical Business Unit OHSE-S Specification, we expect service providers to implement the following items:

- The Service Provider's own employees and its Sub-Contractor's employees should participate in the trainings to be provided by SOCAR SIZ Refinery and Petrochemical Business Unit within the scope of Occupational Health, Safety and Environment. The Service Provider should convey to its own employees and its Sub-Contractor's employees the information that may be provided by SOCAR SIZ Refinery and Petrochemical Business Unit on this subject in temporary periods.
- Service Provider's employees should participate in Occupational Health and Safety Trainings (HSE) to obtain an ID card. Service providers are responsible for ensuring its employees receive OHS training and for recording this in the passport.

Supply Chain Structure

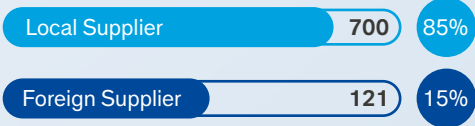
As part of our supply chain structure, we manage our procurement processes in an integrated manner with the subsidiaries of SOCAR Türkiye. As of 2023, the Refinery Petrochemical Business Unit, to which we are affiliated as Petkim, was merged with the Corporate Procurement Team. As a result of this merger, our procurement processes were aligned and we have achieved an improvement in our operational efficiency. While service and material purchases are realized within SOCAR Türkiye, technical procurement operations are managed by us at Petkim. This arrangement ensures that the selection and timing of the right equipment are handled by our expert employees.

Main Procurement Category	<ul style="list-style-type: none">▪ Procurement of equipments and spare parts;▪ Procurement of chemicals and catalysts;▪ Procurement of Services
Types of Procurement	<ul style="list-style-type: none">▪ Long/short term service procurement contracts,▪ Price/quantity based framework contracts.▪ Spot-based purchase orders.
Supplier Structure	<ul style="list-style-type: none">▪ Domestic small-medium-large scale companies▪ Foreign small-medium-large scale companies

Selection of Local Suppliers

In our responsible supply chain structure, we support local development by expanding our local supplier base. In this context, we particularly focus on working with local suppliers in our purchases of crude oil and non-raw materials. The Refinery Petrochemical Business Unit, which we are affiliated as Petkim, has launched Local Manufacturing Service. Through this service, we ensure that spare parts and equipment originally sourced from foreign companies are procured from local manufacturers. With this strategy, in 2023, we have comprised 85% of our supplier portfolio and 78% of our procurement budget from local suppliers.

Number of Suppliers



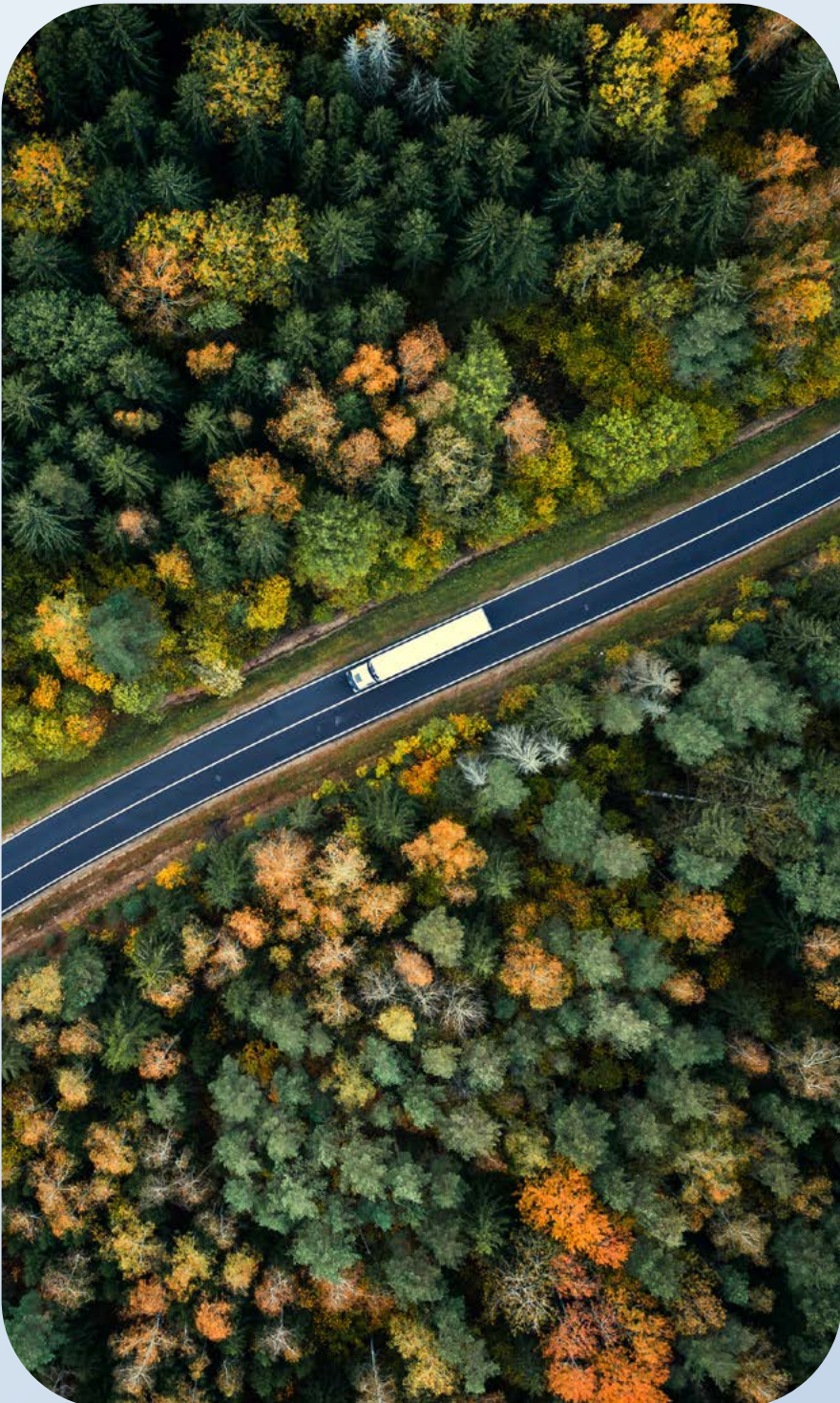
Green Procurement Policy

Green Procurement Policy was prepared at SOCAR Türkiye in 2022 and published within the organization. Based on this policy that we have implemented at Petkim, we aim to consider issues such as preservation of resources, energy consumption, prevention of pollution and protection of human health, if possible, at the purchasing stage.

We regulate the issues regarding energy efficiency and the use of materials requested in the Procurement Requests (PR) of SOCAR Türkiye group companies and Petkim in the Green Procurement Policy, MM Procedure for Evaluating Price Offers, MM Inventory Availability Control and PR Procedures and ensure relevant transactions to be realized accordingly.

In line with the Green Procurement Policy, we prefer products that consume less energy in the production process and the suppliers that use renewable energy in their production process for Petkim's procurement transactions.

The number of suppliers we have included in our portfolio through Smat (Intergraph Smart Materials) in 2022 is 195. The number of suppliers we have included in our portfolio through Smat in 2023 is 233.



We Are Together for Technology and Innovation

We develop innovative solutions to shape a sustainable future and generate projects to accelerate our technological development. We work together and become stronger to overcome the challenges facing our society and industry.





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Digitalization and Technological Development

One of the three strategies identified to shape the vision determined by SOCAR Türkiye in accordance with its sustainability mission is Digital Transformation. This topic is also among the most important values for Petkim. For the purpose of both improving our efficiency and contributing to our sustainability goals by increasing our impacts within the scope of optimization, we are working to strengthen our operations and to set new targets for 2023.

Accordingly, we manage all our requirements for projecting the ideas that we produce, strengthening our adaptation to the organization and digitalizing our processes under the leadership of the Transformation Group Team. Occupational Health and Safety, our corporate processes and production stages, being in the first place, we strive to develop mechanisms that will improve our energy efficiency in multiple units, support us to reach our goal of zero accident, increase the satisfaction of our customers, enable the improvement of all our other processes and to implement the projects for which we have established the infrastructure.

Being aware of the power of digitalization, our company strives to follow new technologies in all of our corporate and production processes and to bring these values into our company portfolio. In line with these efforts, we have undertaken projects on subjects such as Video/Image/Audio Processing, Process Mining, Chatbot, IoT (Internet of Things), GIS (Geographic Information System), SelfService Analytics, Drones (Unmanned Aerial Vehicles).





Project Earth

We have continued to work hard throughout 2023 to achieve our goals for the Project Earth, the most comprehensive SAP transformation initiative in our industry. This project aims at the digital transformation of the applications that manage our business processes as well as the integration of processes and organizational structures. With the completion of the first phase, we have already started to run our SAP solutions through a central system. Moving on to the second phase of the project in 2023, we successfully concluded the analysis and design processes, 269 workshops, 817 sessions and 122 business unit scenarios. We continue to work on the project to take the next step, which is to upgrade our system.



Steam to Carbon Generation Project

As part of our artificial intelligence-focused efforts, we have successfully implemented the "Steam to Carbon Generation" project in our Hydrogen Production Unit (HGU). With this project, we are enhancing the efficiency and product quality of hydrogen in refinery operations, while also making significant contributions to industrial sustainability.

The Hydrogen Production Unit is a critical unit that converts natural gas into hydrogen through steam reforming and water-gas shift reactions. It consists of three main components: Steam Converter, MTS Reactor and PSA unit, which increase gas utilization and enable more reliable and effective refinery operations.

With the "Steam to Carbon" project, we aim to reduce hydrogen production costs by taking the steam-to-carbon ratio as a central decision variable. The project utilizes advanced analytic models and optimization methods that can adapt to changes in hydrogen demand and identify the most optimal steam-to-carbon ratio. In a two-stage process, models are first deployed for critical factors such as natural gas feed, and then the most cost-effective steam-to-carbon ratio is determined based on these predictions. Through this strategy, we make the hydrogen production process more cost-effective and efficient.

Aliağa Energy Optimization (AEO) Project

Our significant initiative, the Aliağa Energy Optimization (AEO) project, which is focused on artificial intelligence, brings together our sustainability and digital transformation goals. Through this project, we aim to effectively manage all energy flows in various pressure levels of steam collectors and wind energy plants within the energy production and conversion facilities located in the Aliağa peninsula, including the STAR Refinery and Petkim. Using artificial intelligence, we optimize the balance between energy sources and consumption points, planning how much and how steam will be generated and transferred between different pressure levels with smart methods. With this approach, we aim to increase energy usage efficiency while reducing operational costs. As a result of this project, we were awarded the bronze medal in the Innovative Achievement in Sustainability category at The Middle East & North Africa Stevie Awards 2023.



**s.e.d.a.****GEN:D**

SOCAR Energy Digital Assistant (s.e.d.a.): First Artificial Intelligence Supported Chatbot Application of SOCAR Türkiye

As SOCAR Türkiye, we are aware of the role of artificial intelligence in digital transformation and aiming to meet the needs of our business units while enhancing employee satisfaction, we launched the first artificial intelligence-supported chatbot application, called s.e.d.a.+, in 2023. This innovative chatbot was developed using conversation-based artificial intelligence technology, allowing interaction with users through natural language and deep learning techniques.

Initially, through a review with our HR department, scenarios were developed for key HR processes such as leave requests, payroll inquiries, visa document preparation and HR procedures to provide quick access. These scenarios define the services offered to employees through the chatbot. In 2024, we aim to further expand the application by integrating our Corporate Support Services into this system. We consider these developments as significant steps advancing the digital transformation of SOCAR Türkiye, Petkim and other group companies, enabling our employees to manage their work processes more effectively.



Digital Competency Development Programs

GENERATION D (GEN-D): Digital Competency Development Programs

Implemented in line with SOCAR Türkiye's digital transformation vision, the GENERATION D program aimed to enhance internal digital capabilities successfully graduated its first cohort of 36 participants in 2023. Under the program, our employees receive training in areas such as digital transformation in energy and petrochemical sectors, machine learning, artificial intelligence, hyperautomation, data visualization, data-driven decision-making, and design thinking. Additionally, they continue to generate new project ideas that enrich our digital strategies.

Based on participant feedback and the diligent efforts of the project team, the content and structure of the program were redesigned for the 2023-2024 period. The renewed digital competency development program welcomed 25 new participants for its second phase. During this process, the program received recognition from three different international award platforms in 2023:

- "Best Advance in Competencies and Skill Development" category at Brandon Hall Group Excellence Awards
- "Innovative Achievement in Human Resources" category at The Middle East & North Africa Stevie Awards 2023
- "Award for Innovation in Human Resources Management, Planning & Practice" category at The Middle East & North Africa Stevie Awards 2023

Citizen Developer Program and RPA Projects

The Citizen Developer Program, which started in 2021 and continued until 2023, aimed to ensure employees to receive training in robotic process automation (RPA) and to integrate this technology into their work. For the purpose of the trainings provided to employees from different business units, participants learned to automate their business processes and developed their own projects. The aim of the program is to improve the efficiency of business processes along with the technology skills of employees.

Within the framework of digital transformation projects, our Robotic Process Automation Center of Excellence (RPA CoE) team provides assistance in areas such as process selection, training, technical support and follow-up of projects. Thanks to the program expanded in 2023, the number of active Citizen Developers reached 64 and 26,340 person/hours were saved with our smart automation projects.



Digital Transformation in Our Business Units

We are leveraging the power of technology to reshape our business processes and adapt to the requirements of the digital age. Through our digital transformation processes, we are contributing to the efficiency of our workflows and our position in the industry.

OHS Activities

Occupational Health and Safety is one of our priorities observed in our field operations. Having started in 2022, we aim to achieve our goal of zero accidents by making use of digital technologies such as video analysis technology, image processing, machine learning and artificial intelligence throughout 2023. We have already completed a series of steps from camera selection to scenario development and team training, ensuring the safety of our employees more effectively.

In 2023, we made significant progress in areas such as occupational health and safety, maintenance-repair and communication. We have successfully finalized the pilot schemes of innovative solutions such as wearable technologies, RF Badge and RTLS (Real Time Location System) systems, smart safety shoes and gas detectors. Our operational sites also include working environments where our employees work under high risk conditions such as flammable and explosive materials and intense magnetic fields. In the face of these challenges, we have strengthened our emergency response capability by focusing on technologies that can detect employee immobility and location particularly in emergency cases such as gas leaks or falls.

We will continue to further develop and expand these projects to meet the needs of our field units throughout 2024. We believe that this strategic approach will contribute to our goal of improving the safety of our workplace and the well-being of our employees.

Finance and Corporate Risk Management Applications

In 2023, we successfully implemented a series of digital transformation projects to strengthen our financial operations and risk management and we have continued to work on the projects which we had previously initiated. One of these is the GRC module we developed for the automatic management of authorizations in organizational and role changes. This module facilitates system updates.

We further strengthened the internationally award-winning Middle Office project which was developed to manage financial risks more effectively with new integrations. While reducing the errors and increasing the transaction speed with automatic calculations and risk management, we further strengthened compliance with international standards and decision making processes. The project which we started last year and have developed throughout this year was deemed worthy of three international awards in 2023.

With the Corporate Risk Management (ERM) Module, we have digitalized the CRM process and started monitoring and reporting legal compliance and risk management through a single system. We have integrated corporate management, risk management and compliance activities by combining Operational Risk, Legal Compliance and Business Continuity Management on a single platform. Through the DAS Cockpit Project, we have optimized financial documentation and reporting processes by managing E-archive invoices electronically.

Owing to all these projects, we have improved our operational efficiency and strengthened our strategic risk management capacity by digitalizing our financial processes.



Procurement and Supply Chain

We are conducting various digital transformation initiatives at Petkim with the aim of increasing the efficiency of our procurement and supply chain processes, reducing risks, and strengthening integrations.

Credit Management Automation: We have implemented an innovative solution that focuses on reducing risks and automating our credit management processes.

Expansion of ASNAK Platform: By expanding the ASNAK platform, which improves our logistics operations, we have minimized human errors and delays and ensured the tender data to be automatically transferred to the system.

Insurance Policy Order and Pre-Registered Invoice System: We have developed an exclusive system that aims to allow our insurance team to manage transactions faster and more smoothly.

Integration of Customs Consultancy: Following the change of the company from which we receive customs consultancy services, we have successfully finalized the smooth transfer of the processes and the integration with the new company.

Ethylene Coil Life Cycle Tracking: We have developed a project optimizing the management of high-cost coils and monitoring the usage characteristics based on supplier-based data.

SMAT System Improvements: Through innovations and integrations, we have made our SMAT system even more efficient. These projects, strengthening our digital infrastructure, play a critical role in achieving our operational excellence and sustainability goals.

These comprehensive projects allow us to approach our operational excellence and sustainability goals step by step while strengthening our digital infrastructure.



Transition to a Low-Carbon Economy and Carbon Technologies

By embracing 'Stronger. Together.', we enhance sustainable projects in SOCAR Türkiye R&D through Petkim's rich R&D history.

We strive to integrate our R&D and innovation projects into every scope of our work; thanks to this goal, we know that we will provide benefits in many areas as well as reduce our environmental impacts. Within the scope of the environmental responsibilities of SOCAR R&D Center and all group companies operating in the energy, refinery, and petrochemical industry, we aim to take part in the R&D and innovation projects within the scope of Horizon Europe which supports the European Union's transition to a carbon-free economy by 2050.

Currently, SOCAR R&D takes part in a total of 5 European Union projects in the fields of Carbon Capture, Usage and Storage (CCUS), solar energy technologies, artificial intelligence sustainable production, and alternative energy sources within the Horizon 2020 and Horizon Europe Programs. SOCAR R&D further has 2 projects that are deemed eligible to be financed by TÜBİTAK (The Scientific and Technological Research Council of Türkiye) and SAYEM (Industry Innovation Network Mechanism).

NEFERTITI

EU-supported NEFERTITI aims to develop an innovative system that will use solar energy to convert Carbon Dioxide (CO₂) and water (H₂O) into valuable chemicals such as ethanol (C₂H₅OH). This system converts CO₂ into valuable products usable for energy and transportation. The project uses new catalysts and sunlight-harvesting technologies in special reactors fed by solar energy. Thereby it contributes to the environmentally friendly production of valuable chemicals and the development of photo-catalytic technologies. Launched in 2021, the project is planned to be completed by 2025.

Circular TwAIIn

Circular TwAIIn, an initiative supported by the European Union, aims to improve production and energy efficiency by using artificial intelligence in the chemical industry. This project proposes ways to reduce the costs and the environmental impact by monitoring the energy use and production in a real production facility. It further aims to improve the working conditions of the facility with digital twin technology. Thus, it offers facilities the opportunity to achieve higher efficiency at less cost.

The Circular TwAIIn project aims to help the manufacturing industry remain sustainable and competitive by developing the artificial intelligence platform throughout the transition to Industry 5.0. This platform ensures sustainability through digital twins and allows companies to adapt to the new industrial era. Launched in 2022, the project is planned to be completed by 2025.

LOUISE

Supported under the European Commission's HORIZON 2020 Grant Programme, LOUISE is an initiative that aims to offer an innovative approach to solid waste management. This project, developed based on the chemical cyclic combustion of solid waste, aims to capture CO₂ naturally and utilize waste energy. The project aims to develop an innovative process for the conversion of solid waste-derived fuels by providing a portable, storable, or ready-to-use concentrated CO₂ flow and to demonstrate this process before the commercialization phase. The LOUISE project aims to make a significant contribution to innovation and sustainability efforts by providing sustainable and environmentally friendly solutions for waste management and energy production.

Sustainable Aviation Fuel Production Project

This project aims to produce sustainable aviation fuel by developing waste carbon dioxide (CO₂) and hydrogen (H₂) with new catalyst and process methods. This initiative, which is based on providing sustainable fuel options for the aviation industry with an environmentally friendly approach, aims to utilize waste CO₂ and benefit from renewable energy sources by using hydrogen energy. The process aims to reduce the carbon footprint of the aviation industry and contribute to environmental sustainability.

CO2Fokus Project

CO2Fokus offers a more efficient dimethyl ether (DME) production process, reducing the mass and heat transfer limitations by using a catalyst and reactor systems produced with 3D printing technology in the reaction of CO₂ with hydrogen (H₂) in flue gas. This new generation fuel is a low-emission diesel alternative. The project demonstrates the potential of solid oxide cell-based technologies and 3D printed reactors in the search for sustainable energy solutions and aims to minimize environmental impact through the utilization of industrial waste CO₂.

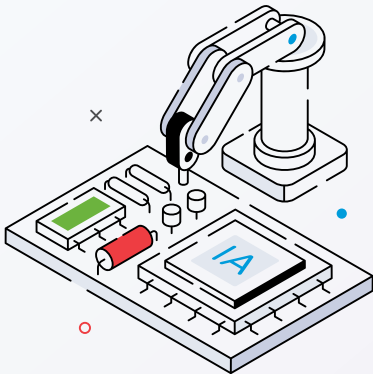
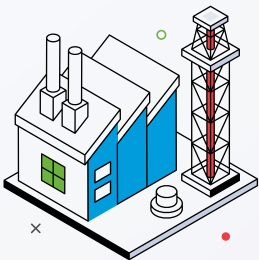




R&D Activities

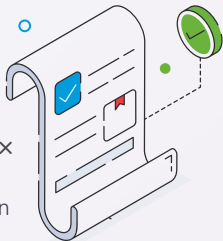
Total Area

1200 m²



Technology, R&D and Innovation Investment

4,5 Million USD



Patent Registration

6

Patent Applications Pending Registration

20

We are well aware that our R&D projects are of critical significance not only for today but also for the future. For this reason, we highlight our awareness of R&D and innovation studies and ensure that the right action is taken while determining our working mechanisms.

Established in December 2019, SOCAR Turkey Ar-Ge ve İnovasyon A.Ş. benefits from the 54 years of R&D experience of the Petkim R&D Center (which was established in Petkim Yarımca facilities in 1969) in the petrochemical industry. This center, which was commissioned to help SOCAR Group companies achieve their vision, hosts the development of many projects that will contribute to the future. Through an open innovation model, active university-industry collaborations are maintained.

We further strengthened our R&D potential by being entitled to receive the R&D Center certificate issued by the Ministry of Industry and Technology in June 2020. The main purpose of incorporation of SOCAR Ar-Ge ve İnovasyon A.Ş. is to contribute to improving the efficiency of production processes by providing environmentally friendly products, digital technologies, and sustainable products to all our stakeholders in our value chain following economic and social responsibilities.

SOCAR R&D Center affiliated with the Refinery and Petrochemical Business Unit comprises of 6 laboratories (Rheology, Catalyst, Polymer Characterization, Environment and Biotechnology, Chemical Analysis, and Chromatography) constructed on an area of 1,200 m², a pilot facility of 400 m² (polymer processing, polymerization, chemical process operations and catalyst testing systems) and office buildings.

SOCAR R&D Center started to carry out its activities in 2020 with the "Order-based R&D model" within the Refinery and Petrochemical Business Unit. The R&D center's fields of activity include sustainability, energy transition, circular economy, process optimization, new product and application area development, and digital transformation.

SOCAR R&D Center, certified for its compliance with the ISO 56002 Innovation Management System standard in 2023, became the first industrial company to be certified worldwide in this field. The Innovation Management Procedure, developed to support our open innovation strategies, has been implemented as a requirement of the Innovation Management System. In line with our open innovation strategies within the scope of the procedure, we carry out joint projects with different parties (universities, technology transfer offices, other industrial companies, national/international research centers, European Union R&D clusters) for joint venture, development projects, and publications.

14% of R&D revenues over the last 4 years were obtained from open innovation projects.

We have been enhancing our investments in R&D activities and collaborating with more researchers each year.

	2020	2021	2022	2023
Total R&D Investments (Million USD)	1.5	3.1	4.0	4.5
Total Number of Researchers	20	22	34	38

Within the scope of our hard work and efforts in line with the determined targets, we managed to carry out a total of 20 order-based R&D projects between 2020-2023.

Thanks to open innovation activities, we have achieved;

- Improvements in operational costs (personnel expenses): by assigning joint personnel to some tasks of the projects.
- We have further achieved
- Capital savings: cut down the costs by sharing laboratory/pilot facility equipments.



ALGAESOL Project

ALGAESOL aims to produce sustainable aviation fuel (SAF) in one step with a new solid catalyst using algal lipids. This project, executed with the support of the European Union and the participation of seven leading institutions and organizations from Norway, Spain, Denmark, Greece, Türkiye, and Czechia, is an exemplary international cooperation in the field of sustainable energy.

The project, which will make a significant contribution to the efforts towards reducing the carbon footprint of the energy industry, aims to play a critical role in achieving our company's net zero targets. Funded by Horizon Europe, ALGAESOL aims to advance sustainability norms in the aviation industry by pioneering green energy innovations.

Research on Alternative and New Generation Catalysts for PP and HDPE Production

This initiative aims to discover new generation catalysts for the production of polypropylene (PP) and high density polyethylene (HDPE) and to determine optimal mixtures aiming to maximize the energy and reaction efficiency of these catalysts. The main purpose of the project is to reduce the costs and minimize environmental impacts to economically and environmentally carry out the production processes.

LDPE Autoclave Reactor Modeling and Optimization

This project aims to improve the production efficiency of the reactor in the Low Density Polyethylene (LDPE) production facility by using detailed chemical reaction modeling techniques. Focusing on improving the design and operational conditions of the reactor, it aims to make LDPE production more effective and environmentally friendly.

Development of Thermal Stability and Plasticizer Absorption Properties of PVC S27

This initiative aims to maximize production efficiency by improving heat transfer performance and plasticizer absorption capabilities in PVC reactors. Owing to the new formulas developed, the processing properties and final product quality of PVC has shown a great improvement.

Thanks to R&D and innovation activities,

- The potential of postgraduate and PhD students working for the partner company to join the future human resources of our company following the completion of the project (Formerly three postgraduate and PhD students studying in the partner university started working for SOCAR R&D over the last 3 years) has been determined,
- Innovative and bottleneck-relieving ideas for common problems were shared,
- Value has been created by submitting futuristic research areas/ inventions/technologies (e.g. opportunity to become a partner in 6 EU HEUROPE-financed projects on circular economy, sustainability, and energy transition: NEFERTITI, ALGEASOL, CO2Fokus, CIRCULAR TwAI, CARMOF, LOUISE).



We Are Together for Social Responsibility

We act in line with the awareness of our social responsibilities by prioritizing the welfare of society and environmental sustainability. In this regard, we aim to make a difference and offer solutions to social problems through projects and work together.





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Corporate Social Responsibility

We consider sustainability and social contribution not only as an option but also as a corporate responsibility. Being aware of this responsibility, we act with the "Stronger. Together." motto. This motto guides us on our journey to protect the environment, to support our communities and to build a sustainable future. We design and undertake our corporate social responsibility projects with this understanding. Thus, we aim to lead positive changes not only in the business world but in all areas of society.

The Corporate Social Responsibility (CSR) Procedure constituted by SOCAR Türkiye has been implemented in all group companies, including us, as of 2021. This new procedure has further strengthened our efforts as a company to improve our social and environmental impact. As SOCAR Türkiye group companies, we implement significant projects addressing social and economic development in various industries. As Petkim, we are also a part of this vision and we undertake projects particularly in the fields of environment, health, education and sports. As SOCAR Türkiye and its group companies, we have contributed to education by providing access to education to nearly 10 thousand students in 11 schools that we have had constructed on our behalf in İzmir, Adana, Kars, Ankara and Kocaeli. We undertake our projects in collaboration with public institutions, non-governmental organizations and local governments, when necessary. We believe that collaborations enable us to use resources more effectively and that diversity in perspectives and areas of expertise add richness to our projects. These collaborations further expand the impact of our projects and improve their sustainability.

We reflect our sense of responsibility in every step we take and show our contribution to society with concrete figures in 2023: We have donated TRY 12,202,529.71 in 2023 within the scope of the earthquake relief activities. We further allocated significant resources to our corporate social responsibility projects in line with the United Nations' Sustainable Development Goals. These investments indicate our commitment not only to economic success but also to a sustainable future.





Earthquake Relief Activities

The earthquake that hit our country on 6 February 2023 caused destruction in 11 provinces and a significant number of casualties. We feel deeply in our hearts the great agony for the earthquakes in which thousands of our citizens lost their lives and were injured. While the destruction and losses caused by this natural disaster deeply shook the hearts of each of us, it also reminded us once again of the importance of solidarity and cooperation as a society. Immediately after the earthquake, SOCAR Türkiye and group companies promptly took action without delay and strived towards healing the social wounds and supporting the affected people. We would like to express our gratitude once again to our colleagues who stood by us and supported us in all our work.

Relief activities carried out after the earthquake:

- We supported search and rescue efforts in Antakya with 19 colleagues from our Aliğa location.
- We supported search and rescue operations in Kahramanmaraş with 6 colleagues from the Bursagaz Search and Rescue Team (BURAK).
- We delivered containers to the region as a contribution for meeting the shelter needs of our citizens.
- We became the fuel sponsor for a mobile caravan that meets the basic hygiene needs and psychosocial counseling needs of women and children affected by the earthquake in earthquake regions.
- SOCAR Türkiye Volunteers organized an employee aid campaign and made donations to charities. With the support of our volunteers, we collected supplies and sent them to the earthquake-affected area with aid trucks.
- With donations from our SOCAR Türkiye colleagues' meal cards, we provided daily lunch support for approximately 1000 people in Kilis for 18 days.
- We provided free fuel support for ambulances, fire trucks, AFAD, and other organizations' search and rescue vehicles.
- We established a support fund for AFAD, the Turkish Red Crescent, relevant governorates, municipalities, and selected foundations and associations.
- We supplied and delivered essential items such as tents, generators, food, hygiene products, heaters, and other basic necessities to the region.





Projects Undertaken in 2023:

Business Acumen Simulation Project in collaboration with Ege University

The project we initiated for the Business Department at Ege University includes two business simulations on topics such as 'Global Competition' and 'Marketing.' These simulations were purchased from an international company and presented to a total of 60 students across two classes. In 2023, we expanded the project by collaborating with 9 Eylül University, assisting 95 students in applying their theoretical knowledge into practice and enhancing their decision-making skills.

Being a Stakeholder in the "Engineer Girls of Türkiye" Project and Technical Field Trip

Throughout 2023, we continued to provide scholarship support to 10 students and English language education to five students as part of Türkiye's Engineer Girls initiative. Petkim and our affiliated group companies further hosted female students who aim to pursue a career in chemical engineering in our production facilities in Aliğa. The students had the opportunity to closely get to know our production processes while they also met with their mentors consisting of SOCAR Türkiye Volunteers.

"Pocketbook Project" executed in cooperation with the Azerbaijan Ministry of Economy

As part of our project supported by the Azerbaijan Ministry of Economy and AZPROMO, popular career books from the UK were translated into Azerbaijani. Through the 'Pocketbook' project, books covering various areas from management to personal development were digitally and freely available on the website www.pocketbook.az for Azerbaijanis aspiring to advance in their careers. These books received great interest from readers.



Our Green School in Bayraklı

With the support provided by Petkim, the Bayraklı Azerbaijan People's Republic 100th Year Primary School was constructed and equipped with renewable energy systems. This green school stands out as the first state school with the capacity to generate its own energy from renewable sources.





SOCAR Türkiye Volunteers

In addition to the projects that we undertake as Petkim, we further play an active role in SOCAR Türkiye Volunteers. SOCAR Türkiye volunteer program, which was implemented in 2021 with the initiative of its employees, covering all group companies, is guided by the United Nation's Sustainable Development Goals. This program, which is based on volunteerism, highlights the suggestions and ideas of our employees and offers them the opportunity to directly influence projects. SOCAR Türkiye Volunteers platform, which brings together more than 500 volunteers from all group companies, focuses on the social responsibility projects concerning education, environment, health, sports, animal protection and social issues.



Education Projects:

Book Donation Campaigns

As SOCAR Türkiye Volunteers, we organized book donation campaigns for Mimar Sinan Vocational and Technical Anatolian High School in Kayseri and İzmir Aliğa Petrochemical Secondary School. For the purpose of these campaigns, we collected 205 books to be donated to the new library of Mimar Sinan Vocational and Technical Anatolian High School and 365 books to be donated to the library of Aliğa Petrochemical Secondary School. We further supported the renovation of Aliğa Petrochemical Secondary School.



Charity Run

At the Marathon İzmir event held on May 7th, we ran for the benefit of girls affected by the earthquake, thanks to our cooperation with the Koruncuk Foundation (Turkish Foundation for Children in Need of Protection). We met with the children at a breakfast in Urla before the race and organized various workshops for them.

Collaboration with Tohum Autism Foundation

On April 23rd, National Sovereignty and Children's Day, we partnered with the Tohum Autism Foundation to support autistic children affected by the earthquake in Kahramanmaraş by providing educational kits. Together with our colleagues from SOCAR Türkiye Volunteers, selected through a draw, we personally delivered these kits to the children in Kahramanmaraş.

Collaboration with SOBE Foundation

On behalf of our employees who completed the GENERATION-D training program, we supported the special education of 16 autistic children affected by the earthquake through the SOBE Foundation (Selçuklu Autism Individuals Education Foundation).

Collaboration with Bulgurcu Foundation

On June 23rd International Women Engineers Day, we helped female engineering students who were victims of the earthquake. We created a scholarship fund for these students in cooperation with Bulgurcu Foundation. For the purpose of "SOCAR Türkiye Young Women Engineers Earthquake Relief Program", we helped students pursue their education. As SOCAR Türkiye Volunteers, we support students in career and personal development through the Bulgurcu Foundation's mentoring program.





Environment Projects

November 11th National Afforestation Day Donation OGEM-VAK Sapling Donation Campaign

On the occasion of November 11th National Afforestation Day, we have undertaken the maintenance of the Kayserigaz Memorial Forest of 10,500 saplings in cooperation with Kayserigaz and the General Directorate of Forestry. As SOCAR Türkiye volunteers, we have further contributed to this area by planting new saplings.

Lifetime Sustainability Transformation Workshops for the Future of the World

For the purpose of emphasizing the significance of teaching sustainability awareness to children at an early age, we initiated "Lifelong Sustainability Workshops for the Future of the World" in collaboration with the Aegean Contemporary Education Foundation (EÇEV). This project aims to bring sustainability to families and homes, to help it internalized and to teach the sustainability concept to children together with their families. The issue of sustainability was discussed in detail with a total of 165 students and 40 parents who participated in the two-day workshops.

Coastal Cleaning in Aliağa Çayağzı with Turmepa

We organized a coastal cleaning event together with Turmepa (Turkish Marine Environment Protection Association) in order to achieve zero waste goal and to fight against the climate change in Aliağa Çayağzı. For the purpose of this event, we contributed to the protection of our seas by collecting 710 kg of waste.

SOCAR Terminal «Blue Climate Ambassadors» Project in Collaboration with Turmepa

We support the Blue Climate Ambassadors project, which was launched in cooperation with Turmepa, Wista Türkiye and Türklım with the purpose to increase the rate of female employees working in ports, to realize the zero waste blue transformation and to offer solutions regarding climate change.



Health Care Projects

Blood Donation

In order to meet the blood requirements unfolded after the earthquake disaster in our country and to compensate for the decrease in blood stocks, we supported the Red Crescent by donating blood together with our colleagues.

"May Lids of All Colors Bring Hope" Campaign Held in Collaboration with the Spinal Cord Paralytics Association of Türkiye (TOFD)

We implemented the "One Hope, One Happiness" project in cooperation with the Spinal Cord Paralytics Association of Türkiye (TOFD). We collected 2014 kilograms of plastic lids through the "May Lids of All Colors Bring Hope" boxes placed in our offices and work sites in Kayseri, Bursa, İstanbul and İzmir-Aliağa. Thereby we supported the procurement of wheelchairs to people with spinal cord paralysis.

Charity Run

As SOCAR Türkiye Volunteers, we ran in the 45th İstanbul Marathon to the benefit of the Spinal Cord Paralytics Association of Türkiye (TOFD) and collected funds to help the procurement of 15 battery-powered wheelchairs.



Social Projects

"Make a Wish" Campaign in collaboration with EÇEV

As SOCAR Türkiye Volunteers, we organized the project in collaboration with the Aegean Contemporary Education Foundation (EÇEV) with the aim of making the New Year wishes of disadvantaged children come true. Within the scope of this project, we made the dreams of a total of 293 children come true. We visited Yamanlar Education Center in December and delivered the gifts that we collected for the children in need.



Animal Protection Projects

PatiPark Animal Care Center

PatiPark Animal Care Center, established by Aliağa Municipality with our support, has open and closed animal shelters, animal medical intervention building, emergency service and veterinary service buildings. The shelter can accommodate 80 cats and 257 dogs.



Annexes

Board of Directors Annual Report

1. General Information

1.1. Trade Name of the Company : Petkim Petrokimya Holding A.Ş.
Trade Registry: 314 - Aliağa Ticaret Sicil Müdürlüğü
Company's Mersis Number: 0729001277300019
Company Website : www.petkim.com.tr
Headquarters Address: Siteler Mahallesi Necmettin Giritlioğlu Cad.
SOCAR Türkiye Aliağa Yönetim Binası No 6/1 Aliağa 35800 İzmir/ Türkiye

1.2. Reporting Period: : 01 Ocak-31 December 2023

1.3. Key Operational and Financial Highlights

Petkim's EBITDA was 3,305 million TRY, while its net profit for 2023 was recorded as 7,413 million TRY.

Two-Year Key Indicators (TRY thousand)	2022	2023
Total Assets	103,36,841	95,790,584
Net Sales	97,857,274	60,441,264
Net Profit	(1,342,089)	7,413,642
Exports	28,505,078	24,151,470
Issued Capital	2,534,400	2,534,400
Number of Employees (year-end)	2,328	2,383

Summary Balance Sheet (TRY thousand)	2022	2023
Current Assets	57,130,804	20,334,037
Non-Current Assets	46,106,037	75,456,547
Total Assets	103,236,841	95,790,584
	-	-
Short-term Liabilities	51,439,317	26,752,611
Long-term Liabilities	7,259,577	17,649,846
Shareholders' Equity	44,537,947	51,388,127
Total Equity and Liabilities	103.236.841	95,790,584

Summary Income Statement (TRY thousand)	2022	2023
Net Sales	97,857,274	60,441,264
Gross Profit	606,826	(2,328,282)
Operating Profit	(1,473,419)	(6,631,059)
EBITDA	3,947,789	3,305,435
Net Profit for the Year	(1,342,089)	7,413,642

Key Ratios	2022	2023
Current Ratio	1.10X	0.76X
Liquidity Ratio	0.84X	0.32X
Financal Leverage Ratio	0.57X	0.46X
Debt Ratio (Total Debt/Equity)	1.32X	0.86X

Gross Profit Margin (%)	0.6	-3.8
Operating Profit Margin (%)	-66.4	-9.1
Net Profit Margin (%)	-1.4	12.3

95,790,584
TRY thousand

In 2023, total assets amounted TRY 95,790,584 thousand.

-7%

In 2023, total assets decreased by 7%.

7,413,642
TRY thousand

In 2023, net profit was 7,413,642 thousand TRY.

2.38
million tons

The production amount in 2023 was 2.38 million tons.

0.76x
Current Ratio

0.32x
Liquidity Ratio

1.4. 1.4 Organizational, Capital and Shareholding Structure of the Company

1.4.1. Organizational Structure

The organizational structure of the company was determined as the "General Manager" and "Internal Audit" Unit under the Board of Directors, the "Senior CFO in charge of Financial Affairs" and "Other Positions Under the General Manager". There are 1 President, 8 Vice Presidents and 1 Director in the company's senior management structure and the details are given below.

Name and Surname	Role
Kanan Mirzayev*	President ((Acting)
Ahmet Gülhan**	Vice President (Financial Affairs)
İbrahim Kadioğlu	Vice President (Business Excellence)
Sinan Üçyiğitler***	Vice President (Production/Operations)
Ergün Binboğa	Vice President (Technical Services)
Ziya Kangarlı****	Vice President (Trading)
Levent Kocagül	Vice President (Human Resources)
Matin Khalilli	Vice President (Supply Chain and Procurement)
Seral Erkut	Vice President (Occupational Health, Safety an Environment)

* Due to the appointment of our Company's General Manager, Mr. Anar Mammadov, as Vice President of SOCAR, Mr. Kanan Mirzayev has been appointed to this position as of September 14, 2023.

**Due to the appointment of our Vice President of Financial Affairs, Mr. Elchin IBADOV, as CEO of SOCAR Türkiye, Mr. Ahmet GÜLHAN has been appointed to this position as of March 10, 2023.

*** Due to the resignation of the Vice President of Operations, Mr. Haluk URUL, Mr. Sinan ÜÇYİĞİTLER has been appointed to this position as of May 8, 2023.

**** Vice President of Trade Mr. Javid Badalbayli's duty has ended as of January 2, 2023 and Mr. Ziya Kangarlı has been appointed in his place.

1.4.2. Capital and Shareholding Structure

Natural and legal persons directly holding share or voting rights in the capital

Shareholder	Paid-in Capital (TRY)	%
SOCAR Turkey Petrokimya A.Ş.	1,292,544,000.00	51.00
Directorate of Privatization Administration	0.01	0.0001
Traded on BIST (Publicly Held)	1,241,855,999.99	49.00
Total	2,534,400,00.00	100.00

1.5. Information on Privileged Shares and Voting Rights of Shares

Article 32 of the Company's Articles of Association stipulated that each share entitles its holder to one vote in General Assembly Meetings. Group C shares enjoy the privilege of making nominations to the Board of Directors. Furthermore, Board of Directors decisions passed in relation to matters specified in Article 15 of the Company's Articles of Association become valid if Group C shares cast affirmative votes.

There is one share and one vote right for all outstanding shares of the company.

1.6. Board of Directors



Anar Mammadov*
Chairman of the Board

Anar Mammadov was born in 1971 in Baku. He completed his medical education at Azerbaijan Medical University. Then he graduated from Baku State University, Department of Law. He completed his MBA in TRIUM Global Executive MBA and his Ph.D. in oil supply, logistics, and trade at the UK College of Petroleum Studies.

Between 1995 and 1998, he managed the Avista company he founded. Between 1998 and 2007, he worked as a regional director at Milio International. He served as CEO at Arxiel Carbonexis between 2007 and 2009, at SOCAR Georgia between 2009 and 2014, and SOCAR Greece between 2014 and 2016. After becoming the General Manager of Petkim in 2016, he was appointed as the Head of SOCAR Türkiye Refinery and Petrochemical Business Unit in November 2019.

Mammadov, awarded the Taraggi (Progress) Medal by the Presidency of Azerbaijan in 2018, has more than 15 years of experience in the oil and energy sector. He also speaks fluent English, Russian, and Greek.

* Chairman of the Board of Directors, Mr. Anar Mammadov, was appointed as a Member of the Board of Directors in 2023.



Kanan Najafov*
Deputy Chairman of the Board of Directors

Kanan Najafov was born in 1975. He graduated from Baku State University with a degree in International Law and International Relations in 1997, from American University Washington College of Law in 1999, in International Business Law, and from the University of Wharton School of Pennsylvania in 2003 with a degree in Business Administration. He started his career as an operations specialist at the World Bank's Azerbaijan office in 1996 and worked in the Washington and Baku offices of Baker Botts global law firm in 1999. Najafov worked in the Business Analysis and Business Development department of BP PLC's London and Aberdeen offices between 2003 and 2008. Between 2008 and 2012, he worked as an Investment Analyst at Citigroup and Exane BNP Paribas, Vice President at Citigroup, and Chief Strategy Officer and Deputy CEO at NOBEL OIL between 2012-2015. He worked in the private sector for the next five years, and since 2020, he has served as the Chairman of the Board of Directors of the Business Development Fund of the Ministry of Economy of Azerbaijan. On 11 August 2021, by the decree of the President of the Republic of Azerbaijan, he was appointed as the Deputy Chairman of SOCAR.

* Deputy Chairman of the Board of Directors, Mr. Kanan Najafov, was appointed as a natural person Board Member from the legal entity Board Member representation in 2023.



Zaur Gurbanov

Board Member

Zaur Gurbanov was born in 1982 in Mingachevir. He served in Azerbaijani Armed Forces and participated in peace keeping operations in 2000-2005. He graduated from Odlar Yurdu University with a bachelor's degree in Business Organization and Management in 2010, master's degree in Finance from the Azerbaijan University of Economics in 2012. Between 2005-2010, he worked in various local and foreign companies. He held positions at Ernst & Young, an international audit and consulting firm, as senior employee, senior consultant, manager, senior manager and director in 2010-2020. He has been serving as the Deputy CEO of Azerbaijan Investment Holding since 2020. On 11 August 2021, he was appointed as the Vice President of SOCAR by the order of the President of the Republic of Azerbaijan. He serves as a member of the Supervisory Board of Azerbaijan Caspian Sea Shipping, Azerbaijan Airlines and Baku Metropolitan based on the order of the President of the Republic of Azerbaijan.



Teymur Abasgulyev

Board Member

Teymur Abasgulyev graduated from Baku State University, Department of International Relations and Law, with bachelor's and master's degrees. He started his professional career in 1994 at the Center for Strategic and International Studies. Between 1996 and 2013, as a senior manager and partner at PricewaterhouseCoopers (PwC), he managed projects for various multinationals and local market leaders in the central and Eastern Europe region. Abasgulyev, who has been working as the Chief Financial Officer of Group Companies at SOCAR Turkey Enerji A.Ş. since 2013, has been a member of the UK's Association of Certified Public Accountants (FCCA) since 2002.



Mehmet Celal Savaş

Board Member

Mehmet Celal Savaş graduated from Istanbul University Faculty of Law. He worked as an assistant at the same faculty from 1989-1994 and as a freelance lawyer until 2000. Between 2000 and 2006, he worked as a Legal Counsel at BP Türkiye. At the same time, he represented BP Türkiye at the BP Europe Downstream Activities Council as a Member of the Board of Directors. In 2006, he served as the Chief Legal Counsel of Siemens Türkiye and then as a Management and Executive Board member. In 2016, he became a member of the Gebze Organized Industrial Zone Board of Directors on behalf of Siemens Türkiye. Savaş, who has been the Head of Law at SOCAR Turkey Enerji A.Ş. since 2018, also serves as a Member of the Board of Directors in some of the SOCAR Türkiye group companies.



Sibel Uğur

Board Member

Starting her career as a psychological counselor, Uğur moved to the Human Resources (HR) field after three years. She received her HR Management Certificate from Istanbul Technical University (ITU) Continuing Education Center in 1999. She worked as Dışbank HR Manager between 2000-2005, Fortis Bank HR Director between 2005-2011, and as Compensation and Benefits Director at TEB between 2011-2015. She managed important human resources projects, especially in organizational development, performance management, remuneration, benefits, mergers, and acquisitions. Continuing her career at SOCAR Turkey Enerji A.Ş. as Compensation and Benefits Coordinator and Director since 2015, Uğur has been serving as the Chief HR & Corporate Services Officer since October 2020. Uğur is also a member of KİPLAS Board of Directors, SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. Board of Directors, Millenicom Board of Directors, and YASED Employment and Qualified Workforce Council.



Murat Zaman*

Independent Board Member

He started his career as an investment consultant at EVG Menkul Değerler and worked in investment advisory and research units at Riva Menkul Değerler and Karon Menkul Değerler, respectively. He joined Ak Portfolio Management in 2002 and worked as the group manager responsible for managing retirement and investment funds and determining investment strategies until 2010. He joined EVG Menkul Değerler in 2011 as the assistant general manager responsible for individual portfolios and mutual funds. Between 2012 and 2019, he worked at Halk Portföy Yönetimi A.Ş. as assistant general manager responsible for investment strategies and management of investment/retirement funds. He joined Halk Yatırım Menkul Değerler A.Ş. at the beginning of 2019 as the assistant general manager responsible for the treasury, research, human resources, administrative and legal, financial affairs, operations, and information technologies units. Between 2019 and 2021, he served as the General Manager of Financial Markets and Foreign Exchange, responsible for strengthening the institutional framework for monitoring and managing systemic risks within the Ministry of Treasury and Finance. Between 2021 and 2023, Zaman served as the Deputy Minister of Treasury and Finance. During this tenure, he held positions as Governor and Deputy Governor on the Boards of Governors of the Black Sea Trade and Development Bank, the African Development Bank, the Asian Development Bank, and the ECO Trade and Development Bank. Additionally, he served as Deputy Governor at the European Bank for Reconstruction and Development and the Asian Infrastructure Investment Bank, as well as Deputy Minister of Finance on the G20 Platform, and Executive Director at the Islamic Development Bank. Zaman has served as a Board Member in the TÜBİTAK Venture Capital Support Program, a Board Member and Executive Committee Member in Turkish Venture Investment, Deputy Chairman of the Executive Committee at the Development and Investment Bank, Chairman of the Executive Committee at United Mortgage Finance Inc., Chairman of the Board at the Credit Guarantee Fund (KGF) and TÜRK EXIMBANK, Executive Committee Member at the Technology and Innovation Support Programs Department (TEYDEB), and Executive Committee Member in the TÜBİTAK Venture Capital Support Program. He obtained his bachelor's degree from Istanbul University Faculty of Political Sciences in 1997 and his master's degree from Marmara University in 2006. He is currently pursuing his doctoral studies.

* Murat Zaman complies with the requirements of Capital Markets Board's Corporate Governance Principles of independent board member. He does not have relationship of interest between Petkim Petrokimya Holding A.Ş. and its related parties.



Bekir Emre Haykır*

Independent Board Member

Bekir Emre Haykır started working as a professional staff member at the Capital Markets Board in 2003 after completing his law internship. During this period, he served as a specialist lawyer, auditor, and head of the market audit group. In 2013, he started to work as a manager in charge of financial law services at the PwC Istanbul office. Haykır has been working as the Vice President of the Privatization Board of Türkiye since 2016 and as the Head of the Privatization Board of Türkiye since February 2019. Bekir Emre Haykır graduated from Ankara University Faculty of Law in 2001 and completed his master's degree in International Finance Law at King's College London and European Union Studies at Bahçeşehir University. Born in Ankara in 1980, he is married with two children.

* Bekir Emre Haykır complies with the requirements of Capital Markets Board's Corporate Governance Principles of independent board member. He does not have relationship of interest between Petkim Petrokimya Holding A.Ş. and its related parties.

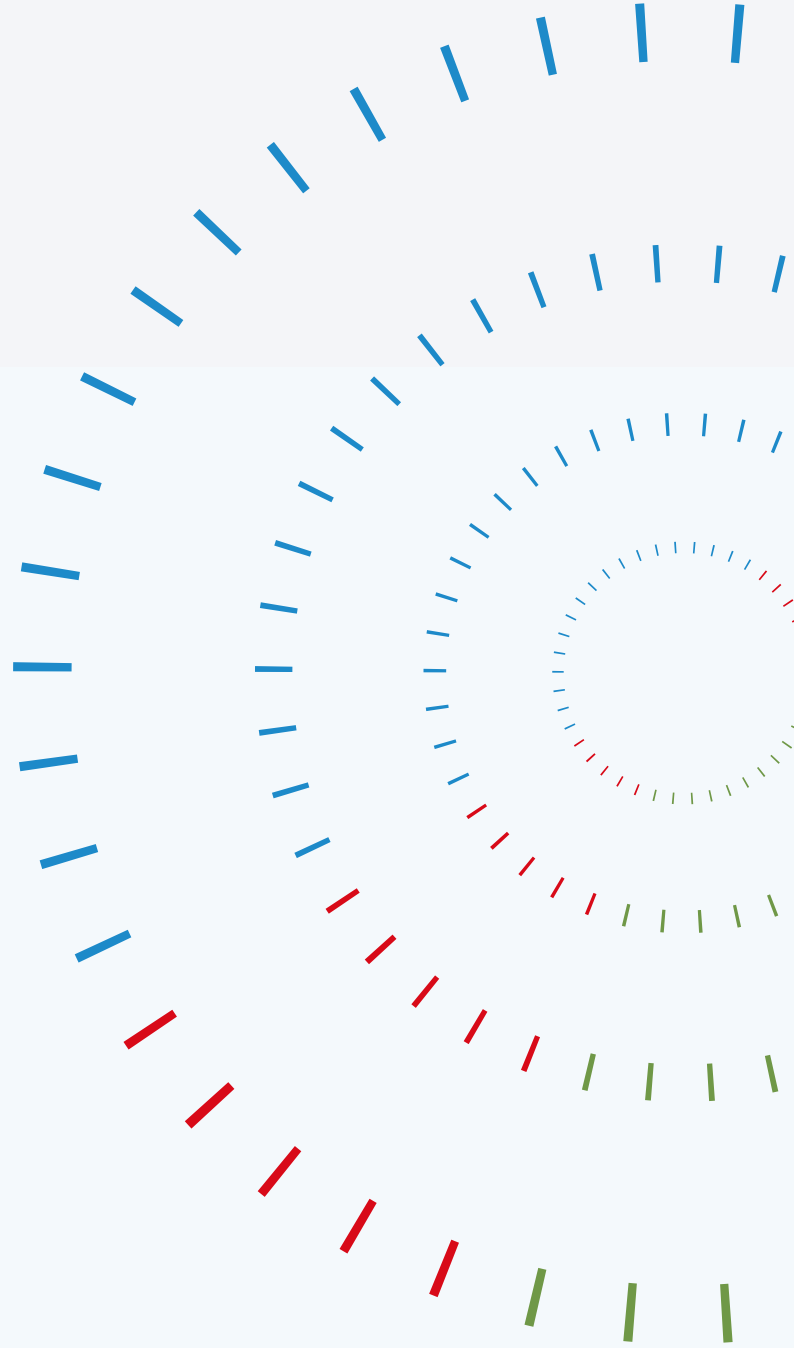


Neslihan Tonbul*

Independent Board Member

Neslihan Tonbul completed her primary, secondary and high school education in USA and received her undergraduate degree at Rutgers University (New Jersey) in Economics and Political Sciences in 1981. Later she received her graduate degree at Tufts University Fletcher School of Law and Diplomacy in International Finance in 1983. She worked at various international finance institutions in New York, London and İstanbul (The Irving Trust Company, The Bank of New York and BNY Mellon) in executive positions between 1983 and 2008 and finally appointed as Regional Manager responsible for Middle East, Africa, Eastern Europe and Turkic Republics. She was selected as a member of Board of Directors in many leading companies and holdings of Türkiye since 2008 and currently serves as a member of Board of Directors at Tofaş, Petkim, Alarko Holding and Vakıfbank AG. Recently she attended a program at Harvard Business School and specialized in Family Business Management at CFEG in Boston. She has been teaching classes on Family Business Management at Koç University Faculty of Economics and Administrative Sciences since 2017 as a faculty member. She is a member of Board of Trustees at American Research Institute in Türkiye (ARIT), Young Presidents Organization (YPO) and Educational Volunteers Foundation of Türkiye (TEGV) and a founding member of Turkish-American Business Forum. She has been mentoring women entrepreneurs within EBRD since 2014. Ms. Tonbul has a good command of English, French and Azerbaijani and currently learning Italian and French. She has been a Board Member at Petkim A.Ş. since March 2018.

* Neslihan Tonbul complies with the requirements of Capital Markets Board's Corporate Governance Principles of independent board member. She does not have relationship of interest between Petkim Petrokimya Holding A.Ş. and its related parties.



As announced on 11.04.2023; our Company's Board Member SOCAR Turkey Petrokimya A.Ş. has resigned and Mr. Süleyman GASIMOV has been decided to be appointed as a board member for the vacancy in the board of directors of our company and our Company's Board Member SOCAR Turkey Enerji A.Ş. has resigned and Mr. Kanan NAJAFOV has been decided to be appointed as a board member for the vacancy in the board of directors of our company. On 15.09.2023, Mr. Süleyman GASIMOV resigned and Mr. Anar MAMMADOV was appointed to the vacant board membership following his resignation.

1.7. Declarations of Independence of Independent Board Members

I hereby stand for serving as an "Independent Member" on the Board of Directors of Petkim Petrokimya Holding A.Ş. (the Company) as per the criteria specified in the legislation, articles of association, and the Capital Markets Board of Türkiye (CMB) Corporate Governance Principles set out in the Corporate Governance Communiqué (II-17.1) of the CMB enforced upon its publication in the Official Gazette issue 28871 dated 3 January 2014.

Within this context, I hereby declare for the information of the Company's Board of Directors, General Assembly, shareholders and all stakeholders as follows:

a) Neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an executive capacity involving major duties and responsibilities, or individually or jointly held more than 5% of the capital or voting rights or privileged shares, or established any commercial interest of a significant nature, with any corporate entity with which the Company, any company in which the Company has management control as per Turkish Financial Reporting Standards 10 or significant influence as per Turkish Accounting Standards 28, or any shareholder having management control or significant influence over the Company or any corporate entity in which these shareholders have management control,

b) I was neither a shareholder (5% and higher), nor have I worked in an executive capacity involving major duties and responsibilities for, and/ or served as a member on the boards of directors of any company from/ to which, under a contract, the Company purchased/sold services or products of material quantity during the period of time such services or products were being purchased or sold, and particularly of the firms performing the audit (including tax audit, legal audit and internal audit), rating and consultancy of the Company, in the past five years,

c) I possess the professional education, knowledge and experience for due performance of the duties I will assume in connection with being an independent board member,

d) I am considered to be a resident of Türkiye for the purposes of the Income Tax Law (ITL) no. 193 dated 31 December 1960,

e) I possess strong ethical standards, professional credibility and experience that are necessary for making positive contributions to the Company's operations, maintaining my independence in possible conflicts of interest between the Company and its shareholders, and making decisions freely taking into consideration the rights of stakeholders,
f) I shall dedicate sufficient amount of time to be able to follow up the execution of the Company's affairs and to fully meet the requirements of the duties I undertake and to fulfill the representation duties on behalf of the company that I have been assigned by the Board of Directors,

g) I have not held a seat on the Company's Board of Directors for more than six years in the past ten years,

h) I am not serving as an independent board member in more than three companies controlled by the Company or by shareholders having management control over the Company, or in more than a total of five companies traded on the stock exchange.

i) I declare that I have not been registered and announced in the name of the legal entity elected as a member of the board of directors and will not be registered and announced.

10 June 2022
Name/Surname: Murat Zaman

I hereby stand for serving as an "Independent Member" on the Board of Directors of Petkim Petrokimya Holding A.Ş. (the Company) as per the criteria specified in the legislation, articles of association, and the Capital Markets Board of Türkiye (CMB) Corporate Governance Principles set out in the Corporate Governance Communiqué (II-17.1) of the CMB enforced upon its publication in the Official Gazette issue 28871 dated 3 January 2014. Within this context, I hereby declare for the information of the Company's Board of Directors, General Assembly, shareholders and all stakeholders as follows:

a) Neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an executive capacity involving major duties and responsibilities, or individually or jointly held more than 5% of the capital or voting rights or privileged shares, or established any commercial interest of a significant nature, with any corporate entity with which the Company, any company in which the Company has management control as per Turkish Financial Reporting Standards 10 or significant influence as per Turkish Accounting Standards 28, or any shareholder having management control or significant influence over the Company or any corporate entity in which these shareholders have management control,

b) I was neither a shareholder (5% and higher), nor have I worked in an executive capacity involving major duties and responsibilities for, and/ or served as a member on the boards of directors of any company from/ to which, under a contract, the Company purchased/sold services or products of material quantity during the period of time such services or products were being purchased or sold, and particularly of the firms performing the audit (including tax audit, legal audit and internal audit), rating and consultancy of the Company, in the past five years,

c) I possess the professional education, knowledge and experience for due performance of the duties I will assume in connection with being an independent board member,

d) I am considered to be a resident of Türkiye for the purposes of the Income Tax Law (ITL) no. 193 dated 31 December 1960,

e) I possess strong ethical standards, professional credibility and experience that are necessary for making positive contributions to the Company's operations, maintaining my independence in possible conflicts of interest between the Company and its shareholders, and making decisions freely taking into consideration the rights of stakeholders,

f) I shall dedicate sufficient amount of time to be able to follow up the execution of the Company's affairs and to fully meet the requirements of the duties I undertake and to fulfill the representation duties on behalf of the company that I have been assigned by the Board of Directors,

g) I have not held a seat on the Company's Board of Directors for more than six years in the past ten years,

h) I am not serving as an independent board member in more than three companies controlled by the Company or by shareholders having management control over the Company, or in more than a total of five companies traded on the stock exchange.

i) I declare that I have not been registered and announced in the name of the legal entity elected as a member of the board of directors and will not be registered and announced.

04 August 2022
Name/Surname: Bekir Emre Haykır

I hereby stand for serving as an "Independent Member" on the Board of Directors of Petkim Petrokimya Holding A.Ş. (the Company) as per the criteria specified in the legislation, articles of association, and the Capital Markets Board of Türkiye (CMB) Corporate Governance Principles set out in the Corporate Governance Communiqué (II-17.1) of the CMB enforced upon its publication in the Official Gazette issue 28871 dated 3 January 2014. Within this context, I hereby declare for the information of the Company's Board of Directors, General Assembly, shareholders and all stakeholders as follows:

a) Neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an executive capacity involving major duties and responsibilities, or individually or jointly held more than 5% of the capital or voting rights or privileged shares, or established any commercial interest of a significant nature, with any corporate entity with which the Company, any company in which the Company has management control as per Turkish Financial Reporting Standards 10 or significant influence as per Turkish Accounting Standards 28, or any shareholder having management control or significant influence over the Company or any corporate entity in which these shareholders have management control,

b) I was neither a shareholder (5% and higher), nor have I worked in an executive capacity involving major duties and responsibilities for, and/ or served as a member on the boards of directors of any company from/ to which, under a contract, the Company purchased/sold services or products of material quantity during the period of time such services or products were being purchased or sold, and particularly of the firms performing the audit (including tax audit, legal audit and internal audit), rating and consultancy of the Company, in the past five years,

c) I possess the professional education, knowledge and experience for due performance of the duties I will assume in connection with being an independent board member,

d) I am considered to be a resident of Türkiye for the purposes of the Income Tax Law (ITL) no. 193 dated 31 December 1960,

e) I possess strong ethical standards, professional credibility and experience that are necessary for making positive contributions to the Company's operations, maintaining my independence in possible conflicts of interest between the Company and its shareholders, and making decisions freely taking into consideration the rights of stakeholders,

f) I shall dedicate sufficient amount of time to be able to follow up the execution of the Company's affairs and to fully meet the requirements of the duties I undertake and to fulfill the representation duties on behalf of the company that I have been assigned by the Board of Directors,

g) I have not held a seat on the Company's Board of Directors for more than six years in the past ten years,

h) I am not serving as an independent board member in more than three companies controlled by the Company or by shareholders having management control over the Company, or in more than a total of five companies traded on the stock exchange.

i) I declare that I have not been registered and announced in the name of the legal entity elected as a member of the board of directors and will not be registered and announced.

03 Auguts 2022
Name/Surname: Neslihan Tonbul

1.8. Information on Outside Positions Held by the Members of the Board of Directors and Executives

The members of our Company's Board of Directors as of the end of the reporting period are as follows:

Name - Surname	Title		Positions Outside the Company
Anar Mammadov	Chairman	Non-executive	In-group / SOCAR Vice President
Kanan Najafov	Vice Chairman	Non-executive	In-group /SOCAR Vice President
Zaur Gurbanov	Member	Non-executive	In-group /SOCAR Vice President
Teymur Abasgulyev	Member	Executive	In-group / SOCAR Türkiye Chief Financial Officer
Mehmet Celal Savaş	Member	Executive	In-group i/SOCAR Türkiye Head of Law
Sibel Uğur	Member	Executive	In-group /SOCAR Türkiye Head of Human Resources and Corporate Services
Murat Zaman	Member	Independent	-
Bekir Emre Haykır	Member	Independent	Chairman of Privatization Administration
Neslihan Tonbul	Member	Independent	Lecturer at the University and Member of the Board of Directors in various companies

1.9. Committees of Board of Directors

Audit Committee

Members	Title	Relationship with the Company	Dependent/ Independent	Duties in Other Committees
Murat Zaman	Committee Chairman	Independent Member of Board of Directors (Non-Executive)	Independent	-
Neslihan Tonbul	Committee Member	Independent Member of Board of Directors (Non-Executive)	Independent	Chairman of the Corporate Governance Committee

The Audit Committee is responsible for ensuring the overall soundness of financial and operational activities; specifically, transparency of internal and independent auditing activities, efficiency of internal control system, analysis and election of independent auditing firm, compliance of financial statements of the Company to international accounting standards and prevailing legislation.

The Audit Committee acts with the consent of the Board and within the framework of the Board's working principles. The Audit Committee consists of two independent Board members.

In 2023, the Audit Committee convened four times and submitted five reports to the Board of Directors.

Committee for Early Detection Of Risk

Members	Title	Relationship with the Company	Dependent/ Independent	Duties in Other Committees
Bekir Emre Haykır	Committee Chairman	Member of Board of Directors (Non-Executive)	Independent	-
Zaur Gurbanov	Committee Member	Member of Board of Directors (Non-Executive)	-	-
Teymur Abasgulyev	Committee Member	Member of Board of Directors (Executive)	-	-

The Early Detection of Risk Committee works to identify, evaluate, and calculate the impacts and probabilities of all kinds of strategic, financial, operational, project and external risks. Managing and reporting these risks in accordance with the corporate risk-taking profile, taking necessary actions regarding the risks, taking them into account in decision-making mechanisms and establishing effective internal control systems accordingly are also within the scope of duty. The Committee also makes recommendations to the Board of Directors regarding emerging risks.

Made up of three members of the Board, the Chairman of the Risk Management Committee is an independent Board member. Operating principles of the Committee are defined by the Board of Directors resolution dated 29 June 2012, numbered 111-199. The existing Risk Management Committee's name has been changed as "The Committee for Early Detection of Risk" at the Company's Board of Directors meeting no: 103/184 held on 21 March 2012.

In 2023 the Committee for Early Detection of Risk convened once and submitted six reports to the Board of Directors.



Corporate Governance Committee

Members	Title	Relationship with the Company	Dependent/Independent	Duties in Other Committees
Neslihan Tonbul	Committee Chairman	Independent Member of Board of Directors (Non-Executive)	Independent	Member of the Audit Committee
Kanan Najafov	Committee Member	Vice Chairman of Board of Directors (Non-Executive)	-	-
Mehmet Celal Savaş	Committee Member	Member of Board of Directors (Executive)	-	-
Sibel Uğur	Committee Member	Member of Board of Directors (Executive)	-	-
Emre Can Yüceoğlu	Committee Member	Supervisor of Investor Relations	-	-

The Corporate Governance Committee ensures the implementation of corporate governance principles. The Committee determines the justification and conflicts of interest that arise if these principles are not implemented. The Committee makes suggestions to the Board of Directors to improve corporate governance practices and oversees investor relations practices. It also fulfills the duties of the Nomination Committee and Remuneration Committee within the scope of CMB's "Corporate Governance Principles Communiqué".

In accordance with the Article 11-2 of the Capital Markets Board Corporate Governance Communiqué (II17.1), Investor Relations Supervisor Mr. Emre Can Yüceoğlu was appointed as a member of the Corporate Governance Committee.

Made up of five members, the Chairman of the Corporate Governance Committee is an independent Board member.

Within the framework of the CMB's Communiqué Serial IV, No: 56 on Determination and Implementation of Corporate Governance Principles, article 4.5.1, it was decided that the duties of the Nomination Committee and Remuneration Committee will be carried out by the Corporate Governance Committee at the meeting of the Company's Board of Directors dated 21 March 2012 and numbered 103/184.

In 2023 the Corporate Governance Committee convened once and submitted two decisions to the Board of Directors.

An Assessment of the Committees by the Board of Directors

It has been stated by the Board of Directors that the committees complied with their respective operating principles and held meetings at defined frequencies in the January-December 2023 period. The minutes on the outcomes of the meetings have been submitted to the Board of Directors. It has been established that the committees effectively fulfilled their functions.

1.10. Executive Management



Kanan Mirzayev
President (Acting)

After graduating from the Department of Finance at the Azerbaijan State University of Economics, Kanan Mirzayev earned a master's degree in the Department of Management of Industrial Enterprises at Aston University in the UK. Continuing his education in the UK, Mirzayev received a Senior Management Diploma in Business Administration at the Chartered Management Institute (CMI) and studied the Leadership Development program at Harvard Business School between 2019 -2020.

Mirzayev, engaged in several international projects and served in the companies of SOCAR from 2004 till 2011, assumed various positions in the fields such as Business Administration, Occupational Health, and Safety and Quality. Since 2011, he has taken the roles of Occupational Health, Safety and Environment Manager at Baku Wind Energy Project, Business Analyst at Investment Department of SOCAR, Senior Business Analyst and Deputy CEO at SOCAR Energy Greece, Deputy General Manager of Strategy and Business Development at Petkim, Deputy Head of Business Excellence at Refinery and Petrochemistry Business Unit, Chief Strategy Officer at SOCAR Türkiye respectively.

Mirzayev has served as Acting Head of Refinery and Petrochemicals Business Unit at SOCAR Türkiye and Petkim General Manager (Acting) since September 2023.



Ahmet Gülhan

Financial Affairs Vice President

Born in Muğla in 1986, Ahmet Gülhan graduated from Istanbul Technical University, Department of Management Engineering in 2008. He started his career in 2008 in the Internal Audit team of Anadolu Endüstri Holding. Between 2008 and 2011, he carried out internal audit activities of subsidiaries of Anadolu Endüstri Holding. Between 2011 and 2015, he joined the Anadolu Efes internal audit team and continued internal audit activities in all subsidiaries of the group, especially its foreign subsidiaries. Between 2015 and 2016, he joined the SOCAR Türkiye Internal Audit team and carried out internal audit activities in SOCAR Türkiye subsidiaries. He served as STAR Refinery Financial Reporting, Budget and Financial Control Manager between 2017-2019. Between 2019 and 2023, he served as Financial Control and Analysis Director under SOCAR Türkiye Refinery and Petrochemical Business Unit. In March 2023, he was appointed as Vice President of Finance of SOCAR Türkiye Refinery and Petrochemical Business Unit. Ahmet Gülhan, who is married and the father of two children, speaks English fluently.



İbrahim Kadioğlu

Business Excellence Vice President

İbrahim Kadioğlu who was born in 1981, graduated from the Middle East Technical University, Department of Food Engineering, while simultaneously completing his minor in Biological Sciences Department and a 1-year intensive Enterprise program at the same university Having completed his master's degree in Finance at Koç University and the General Management Program at Harvard Business School, Kadioğlu has attended various Senior Management programs at distinguished universities such as Harvard, Insead and IMD throughout his career. Kadioğlu worked as an internal and external management consultant in many international companies such as IBM, Danone, Türk Telekom and PPC in Australia, France and Türkiye. Mr. Kadioğlu, who started to work as the Corporate Transformation Coordinator in Petkim in February 2013, was appointed as the Vice President of Business Excellence in the Refinery and Petrochemical Business Unit of SOCAR Türkiye after serving as a System and Process Development Coordinator, Business Optimization and Business Intelligence Coordinator and then as a Digitalization Leader. Mr. Kadioğlu is married with two children and is fluent in English.



Sinan Üçyiğitler

Operations Vice President

Born in Istanbul in 1978, Sinan Üçyiğitler graduated from Boğaziçi University, Department of Chemical Engineering in 2003. Üçyiğitler, who completed his master's degree in 2006 with the partnership of Boğaziçi University, Koç University and AKRON University, started his business life as an R&D Process Engineer at Filli Boya in 2004. He worked at Tüpraş İzmir Refinery between 2008-2013. After being responsible for the management of the engineering company he founded between 2013-2015, he served as Process Development Officer at Petkim between 2015-2018, Monomer and Polymer Production Director between 2018-2019 and 2019. He served as Process Engineering and Optimization Director between -2022. He continued his career as Deputy General Manager of Operations (COO) at Almatris GmbH in Germany between 2022-2023. In May 2023, he started working again within SOCAR Refinery and Petrochemicals Presidency as Vice President of Operations. Sinan Üçyiğitler, who is married and has one child, speaks English and German fluently.



Ergun Binboğa

Technical Services Vice President

Born in Ankara in 1964, Ergun Binboğa graduated from the Department of Chemical Engineering at the Middle East Technical University in 1988. He then graduated from the Honeywell UOP-Chicago Design Engineering Program in 2005, Harvard University Disruptive Strategies in 2016 and with an Economics MBA Program at İzmir University in January 2021. He started his career at Tüpraş İzmir Refinery in 1989. Between 1989 and 2009, he worked as a Technical Services and R&D Manager, Refinery Operations Planning and Sales Manager, and Production Manager at Tüpraş İzmir Refinery. In the same period, he undertook the responsibility of KBC operational enhancement between 2002-2004 and the İzmir Refinery of Shell Global Solutions Operational Excellence, Hydrocarbon and energy programs between 2006-2009. As of 2015, he continued his career as the Process and Equipment Development Manager at the Tüpraş Head Office and finally as the Production Group Manager at the Tüpraş İzmit Refinery. In 2017, he served as the Operations Director responsible for the commissioning and operations of STAR Rafineri and then as the Assistant General Manager. He was appointed as the Vice President of STAR Rafineri Production Unit in November 2019 and as the Vice President of Technical Services in April 2020. Fluent in English, Ergun Binboğa is married and has a child.



Matin Khalilli
Procurement and Supply Chain Vice President

Matin Khalilli was born in Baku in 1981. After graduating from the Department of International Law at Baku State University, in 2002, Khalilli completed a Master's degree at the same university in 2007. He prepared his Master's thesis on the International Legal Status of Special Economic Zones. In the first years of his career, he worked as a specialist and manager in the Azerbaijan Regional Investment Project, which the World Bank carried out jointly with the State of Azerbaijan. In 2008, he won the Edmund Muskie scholarship program carried out by the US Department of State and continued his education at Kennesaw State University, pursuing a full-time MBA. In his MBA training, he focused on Process Improvement in Supply Chains and Operations. He worked on Project Management by giving lectures on Operations and Supply Chain Management at universities. After his consultancy and teaching experience in the private sector, he won the internationally recognized PMP® certificate in the Project Management discipline and founded the Baku Project Management School. Having worked in international companies providing Trade and Procurement Services in the Refinery and Petrochemical sector from 2013, Mr. Khalilli joined the SOCAR Türkiye family as Trade Control Manager in 2016. After working as STAR Rafineri Supply Chain Director between 2017 and 2019 and as the SOCAR Türkiye Procurement and Supply Group Director between 2019 and 2020, Matin Khalilli has been working as the Vice President of Procurement and Supply Chain at SOCAR Türkiye Refinery and Petrochemical Business Unit since November 2020. He successfully completed 23 training modules on Strategic Procurement and Supply Chain of the Chartered Institute of Procurement & Supply, based in the UK, and he earned the MCIPS title with the qualification method.. Mr. Khalilli is married with two children. He is fluent in English, Azerbaijani, Russian and Turkish.



Levent Kocagül
Human Resources Vice President

Born in 1978 in Turgutlu, Manisa, Levent Kocagül graduated from Dokuz Eylül University with a degree in business administration in 2000. He worked as Human Resources Services Manager at Japan Tobacco International (JTI) from November 2001 to September 2007, and Human Resources Shared Services Manager at Coca-Cola İçecek (CCI) from October 2007 to March 2016. He joined Petkim in May 2016 as Organizational Development Manager, where he became Assistant General Manager of Human Resources in November 2016. As a result of the integration studies carried out in 2019, he was appointed as Vice President for Human Resources at Refinery and Petrochemical Business Unit. Additionally, he was appointed as the Chairman of the Board of Directors of Chemicals, Petroleum, Rubber and Plastics Industry Employers' Association of Türkiye as of 5 September 2018 where he had been serving as Vice President of the Board of Representatives of Aegean Region since 2016. He has been serving as the Chairman of KİPLAS Board of Directors since September 2022, when he was re-elected. Mr. Kocagül, who was elected as a member of the Board of Directors of the Turkish Confederation of Employer Associations (TİSK) in December 2019 and in 2022, has also been a member of the TİSK Executive Board. He has been member of Yunus Emre Foundation on behalf of TİSK since 2021 and has been member of the TED Aliağa College Board of Directors since 2016. Levent Kocagül, who lives in Izmir, is married with two children and is fluent in English.



Seral Erkut
Occupational Health, Safety and Environment Vice President

Born in Türkiye in 1978, Seral Erkut started to work in the Operations department at the ATAŞ Refinery in 2002, after graduating from the Department of Physics Engineering at Ankara University. Erkut, who contributed significantly to the success of the ATAŞ Refinery over a 10 year period with 10 million man-hours of working time without any loss of work time, worked in the "Health, Safety, Environment, Security and Quality" department between 2006 and 2017 after the terminal conversion project by ending the refinery activities. Seral Erkut assumed the duties of "Occupational Health, Safety and Environment Manager" at the SOCAR Depolama company between 2017 and 2019 and "Occupational Health, Safety and Environment Group Coordinator" at SOCAR Türkiye between 2019 and 2020. As of October 2020, Mr. Erkut was appointed as the "Occupational Health, Safety and Environment Director" in the Refinery and Petrochemical Business Unit. As of April 2022, he has been serving as the Occupational Health, Safety and Environment Vice President. Attaching importance to continuous training and personal development, Mr. Erkut holds A-class Occupational Safety Specialist, and Environmental Officer certificates, and has successfully completed a number of training and certification programs, including in Integrated Management Systems, Crisis and Business Continuity Management, Incident Investigation and Root Cause Analysis. Erkut, who is married with two children, is fluent in English and Turkish.



Ziya Kangarlı
Trading Vice President

Ziya Kangarlı started his career in 2003 at the State Oil Fund of the Republic of Azerbaijan as a Senior Specialist in the Commercial Agreements Department and served as the Investment Department Trade Manager, Risk Management Department Deputy Director and CEO Management Office Chief Investment Advisor. After working as the Advisor to the Chairman of the Board of Directors in the Financial Monitoring and Control Service of the Republic of Azerbaijan in 2020, he served as the Deputy CEO of the Azerbaijan Investment Company between 2020 and 2021. Prior to joining SOCAR Türkiye in 2022, he was the Asset Management Director at the Republic of Azerbaijan Investment Holding.

2. Investor Relations

The interest payments of the 5-year bond in the amount of USD 500 million, which was successfully sold abroad in January 2018 and provided long-term financing to our Company, were paid during the year and the principal repayment was made in 2023, and disclosed at the KAP.

Despite the falling profit margins in the petrochemical sector in 2023, our profitability was preserved and Petkim stock followed a course below the BIST 100 Index in 2023.

The General Assembly for 2022 was held on 7 June 2023. Amendments were made to the articles of association during the period.

Petkim's Investor Relations Department works diligently to increase customer satisfaction and shareholder value through social responsibility, corporate governance and investor relations practices at international standards. The fulfillment of the obligations set out in Capital Markets Legislation, ensuring coordination in corporate governance practices and carrying out relations with shareholders are also gathered under the roof of this department. The Investor Relations Department carries out a number of activities at Petkim, including ensuring compliance with the legislation, the articles of association and other in-house regulations regarding the use of shareholder rights, taking measures to ensure that rights are exercised, reporting to the Board of Directors within the scope of the defined duties and to strengthen the Company's compliance capacity with CMB legislation and the relations with investors, analysts and institutions that regulate capital markets.

A total of 27 material event disclosures were submitted to the KAP (Public Disclosure Platform) in 2023 within the framework of the CMB's "Communiqué on Principles Regarding Public Disclosure of Material Events".

The Investor Relations Department received a monthly average of 40 information requests by e-mail and telephone in 2023 and all requests were answered. In the same period, 4 teleconferences in which the Senior Management informed investors on the Company's financial situation, strategies and activities were organized, and meetings were held with 279 investors.

Petkim regularly participates in events organized by the Investor Relations Association (TÜYİD) in order to monitor and obtain information on current developments in investor relations topics.

PETKİM'S SHARE PRICE PERFORMANCE IN 2023

Petkim Petrokimya Holding A.Ş. shares have been trading under the PETKM ticker on the BIST Star Market since 9 July 1990.

As of the end of 2023, Petkim was included in the BIST 30 and BIST Sustainability 25 indices.

In 2023, the Company's share price fluctuated between a minimum of TRY 14.09 and a maximum of TRY 24.64. While the BIST 100 and BIST 30 indices increased by 32% and 31%, respectively, in value during 2023, Petkim's share price decreased by 11% in the same period.

Refinitiv Code: PETKM.IS
Bloomberg Code: PETKM.IT

Date of Public Offering: 19.06.1990
Paid-in Capital: TRY 2,534,400,000

The contact information of the Investor Relations Department is as follows:

INVESTOR RELATIONS DEPARTMENT

Tel: 0 232 616 12 40 / 2844 - 0 212 305 00 59
E-mail: yatirimci.iliskileri@socar.com.tr

3. Corporate Governance, Risk Management and Financial Information

3.1. Internal Audit Systems

Information is shared with the Audit Committee during its meetings held within the year to ensure healthy execution of the internal control mechanism. The Committee constantly supervises the operation and efficiency of the system, and communicates the issues relating to risk management and internal control mechanism and suggested solutions to the Board of Directors as and when necessary.

In addition to its activities in the corporate risk management, Internal Audit Unit runs internal audit activities. Carrying out its business with a risk-focused and proactive approach, the unit particularly focuses on the most risky fields; shares the results with related departments, ensures that required action plans are made and follows up the improvements.

The Internal Audit Unit classifies its activities under four groups: compliance, operations, financial tables and specific audits.

Compliance audits focus on the compliance of the Company with legal legislation as well as rules and principles set by the senior management. Operational controls include the monitoring efficiency of the Company's policies and activities, work flowcharts, organizational structure and improvement of internal control systems. The unit also controls and reports the compliance of financial tables to generally accepted accounting standards, in addition to external audit, if necessary. Within the context of specific controls, a department, an issue or an incident is audited upon the request of top management or as a result of professional initiative of an auditor.

The corporate integrated management system is used in drawing up the Company's consolidated financial statements, and the Company's subsidiaries are also audited within the frame of the annual audit plan.

Information on the Company's Internal Control System and Internal Audit Activities and the Opinion of the Governing Body

Risk management and internal control procedures in relation to the Company's financial and operational activities have been brought to completion, and their execution and efficiency in accordance with the applicable capital market legislation and regulations are being followed up by the Internal Audit Department.

3.2. Information on Associates

ASSOCIATES IN WHICH MORE THAN 5% OF THE CAPITAL IS DIRECTLY HELD

Subsidiaries, Financial Fixed Assets and Financial Investments

Company Name	Company's Field of Activity	Capital (TRY)	Share in Capital (%)
Petlim Limancılık Ticaret A.Ş.	Port operation services	3,015,800,000	93.47
Petkim Specialities Mühendislik Plastikleri San. ve Tic. A.Ş.	Engineering, plastics manufacturing	500,000	100
SOCAR Power Enerji Yatırımları A.Ş.	Energy	90,000,000	9.9
Rafineri Holding A.Ş.	The main purpose of the company is to participate in the capital and management of companies established or to be established at home and abroad and to carry out the investment, financing, organization and management functions of these companies within a collective body and within the principles of modern business administration and other works written in the articles of association.	17,298,720,253	20

In 2023, our Company acquired a 20% share in Rafineri Holding A.Ş. and also participated in the capital increase of its subsidiary Petlim Limancılık A.Ş., reaching 93.47% in the company. The Company has no cross-shareholding relationship with any other company.

3.3. Additional Legal Explanations

REPURCHASED OWN SHARES BY THE COMPANY

The Company did not repurchase any of its own shares during 2023.

DISCLOSURE ON SPECIAL AUDIT AND PUBLIC AUDIT

Shareholders did not request a special audit under Article 438 of the Turkish Commercial Code. The Company undergoes independent audits for the full year at 12-month periods and interim independent audits at 6-month periods by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., the independent audit firm appointed by the General Assembly.

LAWSUITS FILED AGAINST THE COMPANY AND POTENTIAL RESULTS

There were no lawsuits filed against the Company, which may affect the Company's financial standing and operations as at 31. December 2023.

DISCLOSURE OF ADMINISTRATIVE OR JUDICIAL FINES AGAINST THE COMPANY AND/OR BOARD OF DIRECTORS MEMBERS

There were no fines of material nature imposed against the Company and/or members of its board due to practices that breach the provisions of legislation in 2023.

ASSESSMENT OF PRIOR PERIOD TARGETS AND GENERAL ASSEMBLY DECISIONS

A positive trend has been achieved within the scope of Petkim's sustainable profitability target in recent years. By prioritizing integration and operational efficiency, controllable variables were emphasized in a bid to achieve permanent profitability. Despite the falling profit margins of petrochemical industry in 2023, this strategy pursued by Petkim has had a positive impact on its financial results, helping to maintain its profitability.

The actions as required by the decisions adopted in the Ordinary General Assembly meeting convened during 2023 have been carried out. There are no unfulfilled decisions.

INFORMATION ON EXTRAORDINARY GENERAL MEETINGS

The Company did not call any Extraordinary General Meeting in 2023.

RELATIONS WITH THE CONTROLLING COMPANY

The Company did not engage in any transactions apart from those on an arms' length basis with its principal shareholder SOCAR Turkey Enerji A.Ş. and other group companies at the direction of the group companies, which would be to the benefit of other group companies and which would require equalization.

Risk management, oversight and audit activities are carried out taking into consideration the legislation provisions governing the Board of Directors and the committees set up thereunder. The report drawn up pursuant to Article 199 of the TCC in relation to 2023 activities within this context concluded as follows: "According to the conditions and circumstances known to us, a commensurate counterperformance was provided in all legal transactions Petkim Petrokimya Holding A.Ş. realized in 2023 with the controlling company or the subsidiaries specified in Article 199 of the TCC; there were no actions taken or avoided, nor the Company sustained any loss due to an action taken or avoided."

CONFLICTS OF INTEREST BETWEEN THE COMPANY AND FIRMS FROM WHICH SERVICES ARE PROCURED SUCH AS INVESTMENT ADVISORY AND RATING AND MEASURES ADOPTED BY THE COMPANY TO PREVENT SUCH CONFLICTS OF INTEREST

No conflicts of interest arose between the Company and the firms from which services are procured such as investment advisory and rating.

MAIN FACTORS AFFECTING THE COMPANY'S PERFORMANCE, MATERIAL CHANGES IN THE ENVIRONMENT WHERE THE COMPANY OPERATES, MEASURES ADOPTED BY THE COMPANY IN RELATION TO SUCH CHANGES

Material changes in the environment where the Company operates and main factors affecting its performance are addressed in risk management activities, and controls are added as deemed necessary.

EXPENSES INCURRED IN RELATION TO DONATIONS AND GRANTS (TRY)

In 2023, a total of TRY 12,202,529.71 was spent for donations and aid related to the Kahramanmaraş earthquake.

3.4. An Assessment of the Financial Standing by the Management

a) The successful financial results achieved by Petkim in this year, when profit margins in the petrochemical industry narrowed significantly, are highlighted by its competent human resources, strong management approach, strategies to strengthen its cash position, credibility in the market and integration with STAR Refinery.

Petkim maintained its strong balance sheet in 2023, thanks to its STAR Refinery integration and successful operational activities. Petkim achieved sales of 60.4 billion TRY in 2023, according to inflation accounting data. Again, according to data with inflation accounting applied, Petkim's net profit in 2023 was 7.4 billion TRY.

In the financial results obtained by Petkim in 2023, when profit margins in the petrochemical industry are narrowing and geopolitical fluctuations are experienced; The management's efficiency-enhancing initiatives, operational and financial decisions, and integration with STAR Refinery played an important role. Inflation accounting, which came into effect in 2023, enabled Petkim's balance sheet items to be shown at their fair value.

b) Major Financial Indicators

	2022	2023
Turnover (TRY million)	97,857	60,441
Gross Profit (TRY million)	607	(2,328)
Gross Profit Margin (%)	%0.6	(%3.9)
Net Profit (TRY million)	(1,342)	7,414
Net Profit Margin (%)	(1.4%)	12.3%
EBITDA (TRY million) ^(*)	3,948	3,305

(*) Data for which inflation accounting has not been applied.

c) There were no cases of unrequited capital of the Company during the accounting period. Our company commands a strong financial position with the profitability it derives from its main activities. Therefore, there was no need to take action to improve the financial position of the Company. The Company has demonstrated its ability to maintain maximum profitability levels under the current conditions by taking advantage of the market conditions in the sector.

3.5. Profit Distribution Policy

With our Board of Directors' decision no: 2020/7 taken on 04/03/2020, our Company's Profit Distribution Policy was determined as follows:

According to the Articles numbered 37,38 and 39 in the Articles of Association of the Company namely, "Determination of Profit", "Reserve Funds" and "Time and Type of Payments of Profit", profit distribution policy is formed within the frame of Turkish Commercial Code and the provisions of Capital Market Legislation.

- In line with the determination of Profit Distribution Policy in 2019 and in the forthcoming years; the Company, in principle, accepts to distribute profits in cash to shareholders at the maximum level without disregarding its medium term and long term strategies, investment and financial plans, market conditions, and economic developments.
- According to the Article numbered 37 of Association of the Company, dividends in advance can be distributed.
- In the event that distributable profit is available in accordance with relevant communiqués, within the framework of the provisions of the Capital Markets Board and the Turkish Commercial Code, it is aimed to distribute at least 50% of the Company's annual distributable profit in cash and / or share and / or in installments. This rate is determined annually by the Board of Directors depending on national and global economic conditions, the Company's medium and long-term growth and investment strategies and cash needs.
- According to the Articles of Association of the Company, the amount to be determined by the General Assembly, not exceeding the 0.1% of distributable profits remaining after distribution of first dividend shall be distributed to Board Members.
- A consistent policy shall be followed between the benefits of the shareholders' and the company in the application of Profit Distribution Policy.
- The date of distribution shall be decided by General Assembly upon proposal of the Board. Profit distribution payments shall be completed within legal terms. For other methods of profit distribution, relevant legislation, communiqués, and regulations of CMB shall be followed.
- In the event that calculated "net distributable profit for the year" is below 5% of issued capital, no profit shall be distributed.
- When no profit is distributed, the Board of Directors shall inform the shareholders at General Assembly meeting about the reasons and how the undistributed profits would be allocated.

3.6. Risks and an Assessment by the Governing Body

CORPORATE RISK MANAGEMENT PRACTICES

The Company conducts its operations in a transparent, accountable, fair and responsible manner. The Board of Directors sets up the internal control systems incorporating the risk management, information systems and processes, that can manage the impacts and possibilities of risks that may affect the Company's stakeholders and particularly its shareholders, by taking into consideration the feedback from the relevant Board of Directors committees, as well.

Risk Management Policy determines SOCAR Türkiye's risk identification and management approach, and the responsibilities of the Board of Directors, Management and other employees within the Company regarding risk management. Policy; It aims to embed the need for risk management as part of the Company culture, where a shared understanding of risk enables well-informed decision-making, and to define the principles to which SOCAR Türkiye adheres to achieve risk management goals.

In order to systematically manage corporate risk management activities, the Company has gathered risks under six main categories based on the "SOCAR Türkiye Risk Appetite Statement" document. **The HSE risks include compliance risks, reputation risks, operational risks, financial risks and strategic risks.**

HSE RISKS

HSE specific risks have been prioritized separately by the Board of Directors. The risks in this category principally include risks to human life, health, but also the environment, biodiversity, society, process safety and other similar issues. In this context, a specific risk management process has been developed to respond timely and effectively to risks arising from climate change that may arise as a result of global trends and sectoral needs.

At Petkim, in addition to the traditional risk registry list; In line with global concepts and sectoral needs such as the Paris Climate Agreement, European Green Deal and Net Zero Carbon; ESG (Environmental, Social and Governance) Risk Registry List has been created where sustainability risks are examined. While creating the list in question, the requirements of the ISO 31000 Risk Management System Standard were taken into consideration.

Compliance Risks

Given the lack of risk appetite for any actions which would be contrary to local legislation, regulations or other regulatory provisions, initiatives were taken regarding the establishment of a range of governance structures within the Company.

Different governance mechanisms, control environments and organizational structures have been developed to ensure compliance with internal regulations, policies and procedures. It is aimed to develop the established approaches by deepening and expanding over time.

A number of studies have been initiated to provide strict assurance regarding Compliance with the Legislation. Sanction-obligation matching has been completed by determining all legal obligations and sanctions (Compliance Universe) that we are subject to regarding the legislation and notifying them to the relevant departments. This Compliance Universe, prepared for each department, is reviewed quarterly by the relevant departments and necessary evaluations and studies are carried out. Compliance with the legislation is reported quarterly in the light of these data. These studies, which were carried out manually, were systematized with the digitalization project carried out in 2023. The project work required to carry out and report compliance with the legislation through the digital system was completed by the end of 2023.

Competition Compliance Program for 2023 has been prepared. Within the scope of this program, studies on the online Competition Law module to be integrated into the Company's e-learning system have been completed. On-site inspection simulations were conducted. An internal information note has been published regarding the issues to be taken into consideration during the on-site inspection. A summary information note was prepared and announced to all Company employees via e-mail on 03.11.2023 in order to reinforce the behavior of the Company employees in accordance with Competition Law and to briefly highlight the actions that the legislation defines as contrary to Competition Law. The internal disciplinary procedure has been updated. Questions regarding Competition Law have been added to the Know&Win section of the SOCAR Türkiye Reward Platform. In this process, working group meetings are held periodically and studies to increase the level of knowledge and awareness continue to be carried out.

Reputation Risks

As a publicly traded Company, reputational risks are inherently included in the main risk categories. It is clearly stated by the Board of Directors, as the highest level of reputation risk management, that no decisions, activities or steps may be taken which would cause damage to the Company's brand value. Brand value is always considered to be a priority issue while implementing any process within the company.

In addition, necessary governance mechanisms have been established in order to prevent any incidences of bribery, misconduct, abuse or human rights violations which would have a negative impact on the reputation of the Company as a result of the Company's activities.

Finally, in what is one of the most important issues in respect to reputation risk, the Company shall always prioritize the protection of the rights of large and small investors and shall not permit any unjust treatment.

Operational Risks

Risk Control Matrices have been developed that provide a risk-based control environment, which is very important for the effectiveness and efficiency of the overall resilience of the institution. Risk registry lists were created by interviewing risk owners, and risk identification, analysis, follow-up and monitoring processes were carried out.

Within the scope of operational risks, it carries out studies on the management of production activities, human resources, information technologies and security risks. Operational risk studies, which basically aim to manage operations safely, also aim to comply with laws and regulations and protect physical assets.

During its operations, it pays absolute attention to the risks that may endanger environmental and occupational health, laws and regulations are constantly monitored and training is provided to the personnel. In addition, emergency response plans are created and drills are carried out in order to respond as quickly and effectively as possible in emergency situations. Sample analyzes are carried out to check the compliance of the wastes generated as a result of production with laws and regulations, and they are monitored on a daily and real-time basis. Periodic audits carried out throughout the year and incident detection and notification forms created on the system determine whether risks arise due to people, processes or systems, and necessary corrections are made. Thus, operations are made safer.

Risks in the field of human resources are also monitored in order to achieve company goals and strategies, keep employee satisfaction at the highest level and increase corporate loyalty. The work carried out in this field is carried out with the principle of employee focus, which is also among the Company's values. Employee knowledge is increased through training provided to employees in various fields, and employee motivation is increased through activities organized for employees. Continuous actions that can be taken to retain talent, ensure critical personnel redundancy and manage employee engagement risks have been evaluated and implemented.

The Company, which constantly invests in the field of information technologies, tries to manage the risks that may arise in this field, both with its personnel and by obtaining consultancy when necessary. Studies are carried out by receiving consultancy on program changes and revisions, and the suggestions from the consultants are implemented as soon as possible. Backups are made periodically and precautions are taken to prevent loss of corporate information.

The Security Department, which operates to ensure security throughout the company, carries out deterrent and preventive activities with the measures and practices it takes in compliance with the Security Management Standard and relevant laws and regulations. In addition, technology is used effectively and sufficient vehicles and equipment are available. Importance is given to the training and training of security personnel, and work in this field is carried out and inspected periodically. In addition to the security measures taken, the Company's assets are also secured with comprehensive insurance.

Financial Risks

Within the scope of financial risks, the Company manages interest rate, currency, credit and liquidity risks. Closely monitoring the economic developments at national and international level, the Company takes necessary actions considering the possible impacts of economic developments on its assets and liabilities.

Regarding the management of interest rate risk, the quantities, terms and interest rates of interest-sensitive assets and liabilities are carefully monitored and balanced in favor of the Company.

The Company makes large amount of foreign currency transactions for its commodity sales and purchases. The related department closely monitors foreign currency transactions and targets to manage the currency risks through in-balance sheet transactions.

The approach to credit risk is based on not undertaking any unmanageable transactions. In this regard, full assurance is provided by avoiding all risks.

The Company attaches importance to asset-liability balance in the management of liquidity risk and monitors liquidity on daily basis to avoid maturity mismatch and payment problems. Systems that ensure facility of payment are actively used to make the collections easier through credit risk management policies. With this method, the liquidity of receivables is increased and at the same time guaranteed.

Strategic Risks

Strategic risks consist of risks in different categories which may hinder the Company's short, medium and long-term strategies. The risk management process has been developed specifically for strategic risk management. The process is basically based on the analytical model that enables the calculation and forecasting of the aggregated impact of strategic risks on the relevant target. The aim of strategic risk management is to ensure the success of the strategy and to ensure data-based decision making.

The aforementioned approach supports the management of strategy to develop and successfully implement plans and tactics suitable for the corporate governance structure and business processes, by using the Company's resources effectively and efficiently.

In addition, by adding a risk management perspective to investment decisions within the framework of specific demands, the Company aims to ensure alignment with existing strategic priorities and enhance the value chain.

In addition to the above, we organize activities that support positive risk culture, such as publishing quick tips on risk management, risk trainings, exams, maturity assessment surveys and risk bulletins, within the scope of Risk Awareness Activities, in order to support risk management processes at Petkim and increase the risk culture awareness of our employees.

3.7. Corporate Governance Principles Compliance Report

In corporate governance practices, the Company makes the utmost effort to comply with the Corporate Governance Principles (the Principles) of the Capital Markets Board (CMB). In areas where compliance cannot be met, Petkim provides reasons for the failure to comply and announces precautions taken against potential conflicts of interest that could arise from non-compliance. The Company updates its annual report and website in compliance with the Principles and for the use of its stakeholders. Stakeholders can access detailed information via the corporate web site or direct their inquiries to the Investor Relations Department.

During the year 2023, 27 material event disclosures were made to Public Disclosure Platform (KAP) in accordance with the CMB's Communiqué on Public Disclosure of Material Events. No additional information was requested by the Capital Markets Board and BIST for the announcements made for material events. The Capital Markets Board has not imposed any sanctions on the Company caused by any non-compliance to material event disclosures. All of the Company's material event disclosures were made in a timely fashion.

There are no principles, which the Company is granted an exemption for and/or which the Company does not implement by reason of having obtained a clearance from the CMB.

a) COMPULSORY PRINCIPLES THAT WE FAIL TO IMPLEMENT
None.

b) NON-COMPULSORY PRINCIPLES

The Company does not comply with the following principle: "1.4.2. Concession of the right to vote is avoided. In the event of concession of right to vote, it is essential to abate concessions which may restrain the representation of public shareholders.

C group share has the concession of 1 nomination for the Board of Directors.

The validity of the resolutions taken by the Board of Directors on the following subjects depends on the affirmative vote of the Board Member selected from C group of the Privatization Administration.

- a) Amendments to the articles of association which may have an impact on the concessions for C group,
- b) Registering the nominative shares in the share ledger,
- c) Determining the form of power of attorney quoted in the Item 31 of the articles of association herein,
- d) Decisions which propose a minimum of 10% capacity reduction for any plant owned by the Company,
- e) Establishment or acquirement of a new company or joint enterprise, association or merger with an existing company, demerger, change in the legal form, dissolution and liquidation of the Company.

There are no plans to make any changes in the Company's future management practices within the frame of the said principle.

The Company does not comply with the following principle: "1.5.2. Minority rights may be defined in the articles of association for shareholders holding less than one twentieth of the capital of the corporation. The scope of minority rights may be enlarged in the articles of association."

Our Company's articles of association do not incorporate a provision granting minority rights also to shareholders holding less than one twentieth of the capital, or a provision enlarging the scope of minority rights. The requests of all shareholders are received via our Investor Relations Unit. In addition, information requests by all shareholders are fulfilled within the frame of the principle of equal information and in a manner to exclude insider information to the extent necessary. There are no plans to make any changes in the Company's future management practices within the frame of the said principle

The Company partially complies with the following principle: "4.2.8. Corporation's damage that may be caused due to the faults of the board of directors during the charge of their duties shall be insured for an amount exceeding 25% of the corporation's capital and this matter shall be disclosed at the KAP"

The Company has obtained a Directors' and Officers' Liability policy for the losses that the Board of Directors members may cause to the Company by reason of their faults during the performance of their duties; however, the insured amount does not exceed 25% of the Company's capital. The Company has considered an amount lower than the one stipulated in the said principle to be adequate in view of the existing risks, the Company's corporate structure and its business procedures. There are no plans to make any changes in the Company's future management practices within the frame of the said principle.

The Company does not comply with the following principle: "4.3.9. Corporation shall determine a target rate provided that it is not less than 25% and a target time for membership of women in the board of directors and form a policy for this target. The Board of directors shall annually evaluate the progress in respect to achieving this target."

The Company did not establish a policy in this context. Two women members serve on the Board of Directors. There are no plans to make any changes in the Company's future management practices within the frame of the said principle.

The Company partially complies with the following principle: "4.4.7. Members of the board of directors shall allocate a reasonable time for the business of the corporation. In cases where the member of the board of directors is a manager or board member in another corporation or renders consultancy services to another corporation, in principal this situation should not cause a conflict of interest and the member shall not hinder his/her duty in the corporation. Within this context, external duties that the member conducts shall be conditional on certain rules or become limited. The external duties conducted by the member of the board of directors and the grounds thereof shall be submitted for the shareholders' information, by distinguishing either such corporation is intragroup or out of the group, together with the agenda item regarding election, at the general assembly meeting in which the election is discussed."

No restrictions are applied to external positions to be undertaken by the Board of Directors in other corporations. The investors are informed about the external duties undertaken by the Board members, primarily through annual reports. Board members allocate sufficient time to the Company's affairs as required by their respective duties. There are no plans to make any changes in the Company's future management practices within the frame of the said principle.

The Company partially complies with the following principle: "4.5.5. It shall be noted that any member of the board of directors shall not have a duty in more than one committee." Each Board member cannot be assigned to one committee only, due to the requirement that all committees should include an independent Board member and that the Audit Committee must consist exclusively of independent members under the Principles. Committee members are able to allocate sufficient time for the duties and activities of the respective committees. There are no plans to make any changes in the Company's future management practices within the frame of the said principle.

"4.5.7. Committees may benefit from the opinions of the independent specialists on matters that they find necessary with regard to their activities. The fee of the consultancy services required by the committees shall be paid by the corporation. However in this case, information as to the person/institution that the service is purchased and as to whether this person/institution has any relation with the corporation shall be stated in the annual report."

The Committees did not receive consultancy service from third parties in 2023. There are no plans to make any changes in the Company's future management practices within the frame of the said principle.

The Company partially complies with the following principle: "4.6.1. The Board of directors shall be responsible for the corporation's achievement of its targets on operational and financial performance designated and disclosed to the public. Evaluation as to whether the corporation has achieved its targets on operational and financial performance disclosed to public or not, and if not achieved, reasoning thereof shall be included in the annual report.

The board of directors shall undertake self-criticism and performance evaluation on the basis of both the board, the member and the executive. Members of the board of director and executives shall be either awarded or discharged subject to these evaluations." The Board of Directors evaluated whether the Company has achieved its targets on operational and financial performance. These assessments are covered in the annual reports. The Board of Directors does not undertake any specific activity with respect to self-assessment of its own performance. There are no plans to make any changes in the Company's future management practices within the frame of the said principle.

The Company partially complies with the following principle: "4.6.5. Remunerations provided for members of the board of directors and executives and all other benefits provided shall be disclosed via the annual report to the public. Principally, public disclosure shall be made on the basis of the persons."

Remunerations provided to the members of the Board of Directors and executives with administrative responsibility are disclosed not individually but collectively in the financial statement footnote: 29. There are no plans to make any changes in the Company's future management practices within the frame of the said principle.

There are no conflicts of interests arising from not fully complying with these principles.

There are no plans to make any changes in the Company's future management practices within the frame of the said principles. The matter shall be considered if and when there is such a plan.

CORPORATE GOVERNANCE PRACTICES

The Company's website provides up-to-date information and is effectively used as a public disclosure tool.

Annual report was reviewed and necessary revisions were made in terms of fully complying with the principles.

At the General Assembly, the rules on the following issues were abided by: provision of information as concerns the candidates to Board membership, the announcement of the agenda and relevant information documents at least three weeks prior to the Assembly, provision of information on privileged shares, participation of managers at the meeting, invitation of the media and stakeholders to the meeting, open voting via raising hands and the announcement of this procedure to partners, and the publication of examples of power of attorney documents.

Corporate Governance Compliance Report (CRF) and Corporate Governance Information Form (CGIF) templates that our Company has drawn up in accordance with the principles and procedures set out in the CMB's resolution no. 2/49 dated 10 January 2019 have been sent to the address www.kap.org.tr.

3.8. Principles of the Board of Directors' Activities

Board of Directors is structured in a manner that will create maximum impact and effectiveness. In this issue, utmost attention is paid to comply with the Law, CMB Regulations and Decisions. Principles regarding this issue are specified in the Articles of Association of our Company.

The Board of Directors is formed of nine members, three of which are independent members. Two women members serve on the Board of Directors.

The procedures for the Board meetings are defined in Article 15 of the articles of association. The Board of Directors does not utilize electronic portal.

Meetings of the Board of Directors in which there is physical participation are held at the Company headquarters or at another suitable location. Board of Directors convenes -with the attendance of at least 5 (five) members- The Board of Directors of the Company convened twice in 2023. Average attendance ratio in meetings is 83%. The Board of Directors resolves with the affirmative vote of five members. Pursuant to the articles of association, information and documents relevant to the Board meetings are made available to the members three days in advance of the related meeting.

In 2023, there were no administrative and/or judicial sanctions of a material nature imposed against the members of the governing body on account of practices that are contradictory to the provisions of the legislation.

There is a Directors' and Officers' Liability policy for the losses that the Board of Directors members may cause to the Company by reason of their faults during the performance of their duties; the insured amount does not exceed 25% of the capital.

Remunerations provided to the members of the Board of Directors and executives with administrative responsibility are disclosed not individually but collectively in the related footnote of the financial statements.

3.9. Changes to the Articles of Association

OLD TEXT	NEW TEXT
<p>CAPITAL:</p> <p>Article 6 - The Company has adopted the registered capital system in conformity with the provisions of the Capital Market Law with number 2499 and has passed to this system as per the permission of the Capital Markets Board dated 07.12.1998 and with number 11838. The upper limit permit issued by the Capital Markets Board for registered capital is valid for the years between 2018-2022 (5 years). Even if the upper limit permit given is not reached by the end of year 2022, in order for the Board of Directors to be able to adopt a resolution for capital increase after 2022, it is mandatory that an authorization is given in the General Meeting for the upper limit permitted before or a new upper limit by means of getting a permit from the Capital Market Board. If the aforementioned authorization is not taken, capital increase cannot be made with the decision of the Board of Directors.</p> <p>a) Registered Capital: The Registered capital of the company is 4.000.000.000.- (four billion) Turkish Liras. This capital has been divided into 400.000.000.000 (four hundred billion) shares each having a nominal value of 1.- (One) Kurush.</p> <p>b) Issued Capital: The issued capital of the company is 2.534.400.000.- (two billion five hundred thirty four million four hundred thousand) Turkish Liras, divided into 253.440.000.000 (two hundred fifty three billion four hundred forty million) shares, each having a nominal value of 1.- (One) Kurush. All the capital has been paid in.</p> <p>c) The Board of Directors shall be authorized to increase the issued capital for years 2018 – 2022 when it deems appropriate, on condition that the provisions of the Capital Market Law are adhered to and that such increase is within the upper limit for registered capital. The shares constituting the capital will be followed up within the framework of the shares representing capital.</p> <p>The shares constituting the capital will be followed up within the framework of the shares representing capital.</p>	<p>CAPITAL:</p> <p>Article 6 - The Company has adopted the registered capital system in conformity with the provisions of the Capital Market Law with number 2499 and has passed to this system as per the permission of the Capital Markets Board dated 07.12.1998 and with number 11838. The upper limit permit issued by the Capital Markets Board for registered capital is valid for the years between 2023-2027 (5 years). Even if the upper limit permit given is not reached by the end of year 2027, in order for the Board of Directors to be able to adopt a resolution for capital increase after 2027, it is mandatory that an authorization is given in the General Meeting for the upper limit permitted before or a new upper limit by means of getting a permit from the Capital Market Board. If the aforementioned authorization is not taken, capital increase cannot be made with the decision of the Board of Directors.</p> <p>a) Registered Capital: The Registered capital of the company is 4.000.000.000.- (four billion) Turkish Liras. This capital has been divided into 400.000.000.000 (four hundred billion) shares each having a nominal value of 1.- (One) Kurush.</p> <p>b) Issued Capital: The issued capital of the company is 2.534.400.000.- (two billion five hundred thirty four million four hundred thousand) Turkish Liras, divided into 253.440.000.000 (two hundred fifty three billion four hundred forty million) shares, each having a nominal value of 1.- (One) Kurush. All the capital has been paid in.</p> <p>c) The Board of Directors shall be authorized to increase the issued capital for years 2023 – 2027 when it deems appropriate, on condition that the provisions of the Capital Market Law are adhered to and that such increase is within the upper limit for registered capital.</p> <p>The shares constituting the capital will be followed up within the framework of the shares representing capital.</p>

3.10. Statement of Responsibility

BOARD OF DIRECTORS RESOLUTION ON THE APPROVAL OF THE ANNUAL REPORT

DECISION DATE: 13 MARCH 2024
DECISION NO: 2024/17
13 MARCH 2024

STATEMENT OF RESPONSIBILITY PURSUANT TO CAPITAL MARKETS BOARD COMMUNIQUÉ
SERIAL: II-14.1, SECTION TWO, ARTICLE 9 WE HEREBY DECLARE THAT;

- a) We have examined the Board of Directors' Annual Report for the period ended 31 December 2023, the Corporate Governance Compliance Report (CRF), the Corporate Governance Information Form (CGIF) stated in the CMB Resolution no. 2/39 dated 10 January 2019, and the explanations in accordance with the Sustainability Principles Compliance Framework (SPCF);
- b) The Annual Report, CRF, CGIF and SPCF do not contain any misrepresentation of the facts in material aspects or any omissions that may turn out to be misleading as of the date of the disclosure based on the information we have obtained in the scope of our duty and responsibility in the organization;
- c) CRF, CGIF and SPCF present a true and fair view, and the Annual Report drawn up pursuant to the CMB Communiqué Serial: II-14.1 presents a fair view of the development and performance of the business and the financial position, major risk exposure and uncertainties of the organization, including those subject to consolidation, based on the information we have obtained in the scope of our duty and responsibility in the organization;

Sincerely,

Kanan Mirzayev General Manager	Murat Zaman Chairman of the Audit Committee	Bekir Emre Haykır Member of the Audit Committee
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BOARD OF DIRECTORS RESOLUTION ON THE APPROVAL OF FINANCIAL STATEMENTS

DECISION DATE: 26 MARCH 2024
DECISION NO: 2024/5
26 MARCH 2024

STATEMENT OF RESPONSIBILITY PURSUANT TO CAPITAL MARKETS BOARD COMMUNIQUÉ
SERIAL: II-14.1, SECTION TWO, ARTICLE 9 WE HEREBY DECLARE THAT;

- a) We have examined the consolidated balance sheet, statement of profit or loss, statement of cash flows and statement of changes in equity and notes to the consolidated financial statements for the period ended 31 December 2023;
- b) The consolidated financial statements do not contain any misrepresentation of the facts in material aspects or any omissions that may turn out to be misleading as of the date of the disclosure based on the information we have obtained in the scope of our duty and responsibility in the organization;
- c) The financial statements drawn up pursuant to the CMB Communiqué Serial: II-14.1 present a fair and true view of the and the organization's assets, liabilities, financial position and profit & loss, together with those subject to consolidation, based on the information we have obtained in the scope of our duty and responsibility in the organization;

Sincerely,

Kanan Mirzayev General Manager	Murat Zaman Chairman of the Audit Committee	Bekir Emre HAYKIR Committee Member
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3.11. Audit Committee Report

To the Board of Directors of Petkim Petrokimya Holding A.Ş.

01.01.2023-31.12.2023 Accounting Period Financial Statements

The independently audited comparative consolidated financial statements, (in comparison with previous period's financials) prepared for the accounting period of 01.01.2023-31.12.2023, in compliance with the Turkish Accounting Standards and the Turkish Financial Reporting Standards ("TAS" and "TFRS") published by the Public Oversight Authority and the Turkish Accounting and Auditing Standards Board within the scope of the Communiqué (Serial: II, No: 14.1) of Capital Markets Board ("CMB"), and prepared in compliance with the presentation principles that were determined with the Decision (dated 07.06.2013, No: 20/670) of CMB and announced in the weekly CMB Bulletin (dated 07.06.2013, No: 2013/19), was audited by getting the opinions of the executives who are responsible for the preparation of the Company's financial statements.

Limited within the scope of the information we have and we have been given, our opinion relating to this financial statements, were presented to the executives who have responsibility in the preparation of the financial statements. Within the framework of this opinion, we have reached a conclusion that this financial statements; truly reflects the facts regarding the Company's activity results and does not contain any significant deficiency that may cause misleading results, and complies with the CMB regulations.

Sincerely,

Audit Committee

Murat Zaman
Chairman of the Committee

Bekir Emre Haykır
Committee Member

To the Board of Directors of Petkim Petrokimya Holding A.Ş.

01.01.2023-31.12.2023 Accounting Period Financial Statements

The independently audited comparative consolidated annual report, (in comparison with previous period's annual report) prepared for the accounting period of 01.01.2023-31.12.2023, in compliance with the Turkish Accounting Standards and the Turkish Financial Reporting Standards ("TAS" and "TFRS") published by the Public Oversight Authority and the Turkish Accounting and Auditing Standards Board within the scope of the Communiqué (Serial: II, No: 14.1) of Capital Markets Board ("CMB"), and prepared in compliance with the presentation principles that were determined with the Decision (dated 07.06.2013, No: 20/670) of CMB and announced in the weekly CMB Bulletin (dated 07.06.2013, No: 2013/19), was audited by getting the opinions of the executives who are responsible for the preparation of the Company's financial statements.

Limited within the scope of the information we have and we have been given, our opinion relating to this financial statements, were presented to the executives who have responsibility in the preparation of the financial statements. Within the framework of this opinion, we have reached a conclusion that this financial statements; truly reflects the facts regarding the Company's activity results and does not contain any significant deficiency that may cause misleading results, and complies with the CMB regulations.

Sincerely,

Audit Committee

Murat Zaman
Chairman of the Committee

Bekir Emre Haykır
Committee Member

3.12. Independent Auditor's Report on the Board of Directors' Annual Report

To the General Assembly of Petkim Petrokimya Holding A.Ş.

1. Opinion

We have audited the annual report of Petkim Petrokimya Holding A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") for the 1 January - 31 December 2023 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Group's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set consolidated financial statements and with the information obtained in the course of independent audit.

2. Basis for Opinion

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the "TSA") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (including Independence Standards) (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Our Audit Opinion on the Full Set Consolidated Financial Statements

We expressed an unqualified opinion in the auditor's report dated 2 March 2023 on the full set consolidated financial statements for the 1 January - 31 December 2023 period.

4. Board of Director's Responsibility for the Annual Report

Group management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") are as follows:

- a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;
- b) to prepare the annual report to reflect the Group's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Group may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.
- c) to include the matters below in the annual report:

events of particular importance that occurred in the Company after the operating year,

the Group's research and development activities,

financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Trade and other relevant institutions.

5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC and Communiqué provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements of the Group and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSAs.These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited[consolidated] financial statements and with the information obtained in the course of audit.

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

Selma Canbul Çorum
Independent Auditor

Istanbul, 13 May 2024

Convenience translation into English of independent auditor's report originally issued in Turkish

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

INDEPENDENT AUDITOR’S REPORT

To the General Assembly of Petkim Petrokimya Holding A.Ş.

A. Audit of the consolidated financial statements

1. Our opinion

We have audited the accompanying consolidated financial statements of Petkim Petrokimya Holding A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements comprising a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (including Independence Standards) (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

Convenience translation into English of independent auditor's report originally issued in Turkish

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

INDEPENDENT AUDITOR’S REPORT

3. Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the key audit matter was addressed in the audit
Acquisition of shares of Rafineri Holding A.Ş.	
The Group acquired 20% of the shares of Rafineri Holding A.Ş. ("Rafineri Holding") with a purchase consideration of USD 480 million, based on share sale and transfer agreement signed with Socar Turkey Enerji A.Ş. on 9 January 2018.	The following audit procedures were addressed in our audit work on the acquisition of shares of Rafineri Holding:
The Group recognized this acquisition according to provisions of TAS 28 "Investments in associates and joint ventures" and the carrying value of the aforementioned equity method valued investment is amounting to TRY 24 billion as of 31 December 2023.	<ul style="list-style-type: none">We examined share sale and transfer agreement. We evaluated the significant influence of the Group on Rafineri Holding after acquisition and the appropriateness of the share purchase accounting with relevant TFRS's with our experts.We performed audit procedures on Rafineri Holding balance sheet as of share acquisition date.We assessed competence, adequacy and objectivity of the independent professional valuation firms appointed by the Group management to conduct valuation studies for the purchase price allocation.We evaluated significant estimates and assumptions used in purchase price allocation studies with our internal and external experts by considering industry data.We evaluated impairment tests performed by the Group management for the acquired shares.
As of 31 December 2023, Rafineri Holding share acquisition and negative goodwill resulting from the acquisition amounting to TRY 6,7 billion are significant to the consolidated financial statements of the Group. Furthermore, the cost method applied in the valuation studies for the purchase price allocation includes significant estimates and assumptions such as useful lives, technologic conditions, actual depreciation, commercial attributes and industrial conditions of the assets. Therefore, we considered aforementioned share acquisition as a key audit matter.	
Please refer to note 33 to for the relevant disclosures regarding the acquisition of shares of Rafineri Holding.	<ul style="list-style-type: none">We assessed the appropriateness and adequacy of disclosures in the notes to the consolidated financial statements related to acquisition of share of Rafineri Holding in accordance with TFRS's.

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Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

INDEPENDENT AUDITOR’S REPORT

Key Audit Matters	How the key audit matter was addressed in the audit
Application of TAS 29, "Financial Reporting in Hyperinflationary Economies"	
<p>The Group applied TAS 29 "Financial reporting in hyperinflationary economies" ("TAS 29") in its consolidated financial statements as of and for the year ending 31 December 2023.</p> <p>According to TAS 29, the consolidated financial statements as of 31 December 2023 should be restated in accordance with 31 December 2023 purchasing power.</p> <p>Applying TAS 29 results in significant changes to financial statement items included in the Group's consolidated financial statements as of and for the year ending 31 December 2023, which have been restated for comparative purposes. The application of TAS 29 has a pervasive and material impact on the consolidated financial statements. In addition, considering the additional effort required to perform the audit of the application of TAS 29, we identified the application of TAS 29 as a key audit matter.</p> <p>The Group's accounting policies and related explanations regarding the application of TAS 29 are disclosed in Note 2.1.</p>	<p>We performed the following audit procedures in relation to the application of TAS 29:</p> <ul style="list-style-type: none">▪ We understand and evaluate the process and controls related to application of TAS 29 designed and implemented by management.▪ We verified whether management's determination of monetary and non-monetary items is in compliance with TAS 29.▪ We obtained detailed lists of non-monetary items and tested historical cost and purchase dates were accurately included in the calculation by comparing them with supporting documentation on a sample basis.▪ We verified the general price index rates used in calculations correspond with the coefficients in the "Consumer Price Index in Türkiye" published by the Turkish Statistical Institute.▪ We tested the mathematical accuracy of non-monetary items, income statement, and cash flow statement adjusted for inflation effects.▪ We evaluated the adequacy of disclosures related to the application of TAS 29 in the notes to the consolidated financial statements in accordance with TFRS.

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Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

INDEPENDENT AUDITOR’S REPORT

Key Audit Matters	How the key audit matter was addressed in the audit
Fair value measurement of investment properties	
<p>At 31 December 2023, the Group's consolidated financial statements include investment properties measured at fair value, amounting TRY 16,8 billion. Changes in fair values of investment properties amounting TRY 7,6 billion are recognized in the consolidated statement of profit or loss, as part of "income from investing activities".</p> <p>We considered the fair value determination of investment properties as a key audit matter since the total amount of those assets has a significant share in the Group's assets as of 31 December 2023 and due to the significant assumptions and judgements, such as determination of benchmark m2 sales prices, made in the market comparison valuation method applied and the susceptibility of the fair value directly to market conditions, specifications of each land, their physical conditions and geographic locations.</p> <p>Please refer to notes 2.5, 2.6 and 10 to the accompanying consolidated financial statements for the accounting policies and relevant disclosures regarding the investment properties.</p>	<p>The following audit procedures were addressed in our audit work on the fair value measurement of investment properties:</p> <ul style="list-style-type: none">▪ The competence, capabilities and objectivity of the independent professional valuation firm appointed by the Group management was evaluated in accordance with the relevant audit standards.▪ We checked the completeness of the lands classified as investment property and subject to valuation by comparing the Group's accounting records with the valuation reports.▪ The title deed records of the lands classified as investment property was tested on a sample basis.▪ An independent property valuation expert accredited and licenced by the CMB was appointed as an "auditor's expert" to support our audit work. The following audit procedures were performed using the sampling method with the support of the auditor's expert:<ul style="list-style-type: none">▪Checking whether the valuation reports were prepared in line with the main principles,▪Comparing the location, tenant, and square meter information for the land included in reports with the land registers,

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Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

INDEPENDENT AUDITOR’S REPORT

Key Audit Matter	How the key audit matter was addressed in the audit
Fair value measurement of investment properties	<div><div><div>▪ Evaluating the appropriateness of the benchmarking analysis method used in valuation of the relevant land,</div><div>▪ Determining whether the land that was the subject of calculations using the benchmark comparison method have qualifications similar to the Group's lands.</div></div><div><div>▪ The reconciliation of the fair values of the lands determined by the valuation reports with the values recognized in the consolidated financial statements was performed.</div></div><div><div>▪ The appropriateness and adequacy of disclosures in the notes to the consolidated financial statements related to fair value determination of investment properties was assessed in accordance with the related accounting standards.</div></div></div>

4. Responsibilities of management and those charged with governance for the consolidated financial statements

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

INDEPENDENT AUDITOR’S REPORT

5. Auditor’s responsibilities for the audit of the consolidated financial statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

▪ Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

▪ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

▪ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

▪ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

▪ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Convenience translation into English of independent auditor's report originally issued in Turkish

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

INDEPENDENT AUDITOR’S REPORT

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B. Other responsibilities arising from regulatory requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2023 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 26 March 2024.

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

Selma Canbul Çorum, SMMM
Independent Auditor

Istanbul, 26 March 2024

Convenience translation into English of consolidated financial statements originally issued in Turkish

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Consolidated Financial Statements as at 31 December 2023
Together with Independent Auditors’ Report

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Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Consolidated Balance Sheet
as at 31 December 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 December 2023, unless otherwise indicated.)

	Notes	Audited 31 December 2023	Audited 31 December 2022
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	4,039,655	21,835,172
Financial investments	6	298,952	1,938,608
Trade receivables		7,545,990	7,801,897
- Trade receivables from related parties	28	1,595,549	1,959,229
- Trade receivables from third parties	7	5,950,441	5,842,668
Other receivables		122,724	40,608
- Other receivables from related parties		4,149	-
- Other receivables from third parties	8	118,575	40,608
Inventories	5	6,140,873	7,627,461
Prepaid expenses		772,721	15,838,762
- Prepaid expenses to third parties	15	636,179	942,165
- Prepaid expenses to related parties	28	136,542	14,896,597
Derivative financial instruments	18	60,183	57,781
Other current assets		1,312,085	1,536,071
- Other current assets to third parties	17	1,312,085	1,536,071
Current tax assets	20	40,854	454,444
TOTAL CURRENT ASSETS		20,334,037	57,130,804
NON-CURRENT ASSETS			
Financial investments	6	66,149	66,149
Derivative financial assets	18	41,127	52,167
Investments accounted for using the equity method	33	24,027,748	-
Other receivables		18,704	21,844
- Other receivables from related parties	28	18,637	21,734
- Other receivables from third parties		67	110
Investment properties	10	16,829,018	9,270,520
Property, plant and equipment	11	32,339,179	34,992,060
Right of use assets	11	876,996	749,288
Intangible assets	12	312,771	359,511
Prepaid expenses		379,622	266,981
- Prepaid expenses to related parties	28	34,278	45,461
- Prepaid expenses to third parties	15	345,344	221,520
Deferred tax assets	20	485,806	264,484
Other non-current assets		79,427	63,033
- Other non-current assets related to third parties	17	79,427	63,033
TOTAL NON-CURRENT ASSETS		75,456,547	46,106,037
TOTAL ASSETS		95,790,584	103,236,841

The accompanying notes are an integral part of these consolidated financial statements.

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Consolidated Balance Sheet
as at 31 December 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 December 2023, unless otherwise indicated.)

	Notes	Audited 31 December 2023	Audited 31 December 2022
LIABILITIES			
CURRENT LIABILITIES			
Short-term borrowings		13,295,418	25,675,998
- Short-term borrowings to third parties		13,173,013	25,566,464
- Bank borrowings	9	5,411,169	5,180,274
- Short term lease liabilities	9	38,047	38,916
- Other financial liabilities	9	7,723,797	20,347,274
- Short-term borrowings to related parties		122,405	109,534
- Short term lease liabilities to related parties	28	122,405	109,534
Short-term portion of long-term borrowings		3,570,495	16,714,430
- Short-term portion of long-term borrowings to third parties		3,570,495	16,714,430
- Bank borrowings	9	3,570,495	895,406
- Bonds issued	9	-	15,819,024
Derivative financial instruments	18	15,439	13,576
Trade payables		8,257,337	7,262,335
- Trade payables to related parties	28	4,479,026	2,677,395
- Trade payables to third parties	7	3,778,311	4,584,940
Payables related to employee benefits	16	118,045	107,524
Other payables		24,403	29,530
- Other payables to related parties	28	87	143
- Other payables to third parties	8	24,316	29,387
Deferred revenue		558,779	564,632
- Deferred revenue from related parties	28	65,364	68,697
- Deferred revenue from third parties	14	493,415	495,935
Short term provisions		796,876	910,301
- Provision for employee benefits	16	794,279	898,045
- Other short term provisions	30	2,597	12,256
Other current liabilities		115,819	160,991
- Other current liabilities related to third parties	17	115,819	160,991
TOTAL CURRENT LIABILITIES		26,752,611	51,439,317
NON-CURRENT LIABILITIES			
Long term financial liabilities		13,626,689	4,938,335
- Long term financial liabilities to third parties		13,250,424	4,509,494
- Bank borrowings	9	13,082,610	4,391,335
- Long-term lease liabilities to third parties	9	167,814	118,159
- Long-term borrowings to related parties		376,265	428,841
- Long term lease liabilities to related parties	28	376,265	428,841
Deferred revenue		1,260,867	1,380,283
- Deferred revenue from related parties	28	1,260,867	1,380,283
Long term provisions		754,722	853,043
- Provision for employee termination benefits	16	754,722	853,043
Deferred income tax liabilities	20	2,007,568	87,916
TOTAL NON-CURRENT LIABILITIES		17,649,846	7,259,577
TOTAL LIABILITIES		44,402,457	58,698,894

The accompanying notes are an integral part of these consolidated financial statements.

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Consolidated Balance Sheet as at 31 December 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 December 2023, unless otherwise indicated.)

	Notes	Audited 31 December 2023	Audited 31 December 2022
EQUITY			
Equity attributable to owners of the parent company		51,137,955	44,480,407
Share capital	19	2,534,400	2,534,400
Adjustment to share capital	19	27,887,153	27,887,153
Share premium		500,700	500,700
Other comprehensive (expense) not to be reclassified to profit or loss		(447,259)	(418,919)
- Actuarial loss arising from defined benefit plan		(448,124)	(418,919)
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss		865	-
Other comprehensive (expense)/income to be reclassified to profit or loss		(1,245,628)	(651,473)
- Currency translation differences		(477,489)	(710,272)
- (Loss)/ Gain on hedge reserves		(421,238)	58,799
- (Loss)/ Gain on cash flow hedges		(421,238)	58,799
Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss		(346,901)	-
Restricted reserves		2,697,792	2,692,963
Retained earnings		11,820,799	13,216,126
Net profit/(loss) for the year		7,389,998	(1,280,543)
Non-controlling interest		250,172	57,540
TOTAL EQUITY		51,388,127	44,537,947
TOTAL LIABILITIES AND EQUITY		95,790,584	103,236,841

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Consolidated Statement of Profit or Loss 1 January - 31 December 2023 and 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 December 2023, unless otherwise indicated.)

	Notes	Audited 1 January - 31 December 2023	Audited 1 January - 31 December 2022
PROFIT OR LOSS			
Revenue	21	60,441,264	97,857,274
Cost of sales	21	(62,769,546)	(97,250,448)
GROSS (LOSS)/ PROFIT		(2,328,282)	606,826
General administrative expenses	22	(2,881,956)	(2,422,501)
Selling, marketing and distribution expenses	23	(1,169,217)	(1,022,757)
Other operating income	24	3,344,200	3,483,140
Other operating expense	24	(3,595,804)	(2,118,127)
OPERATING LOSS		(6,631,059)	(1,473,419)
Income from investing activities	25	8,552,411	2,729,366
Expense from investing activities	25	(3,464)	(234)
Income from investments accounted by equity method	33	9,924,823	-
OPERATING PROFIT BEFORE FINANCIAL INCOME		11,842,711	1,255,713
Financial income	26	11,588,317	11,802,882
Financial expenses	26	(18,234,268)	(15,362,521)
Monetary gain/loss		4,080,669	(1,581,186)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUED OPERATIONS		9,277,429	(3,885,112)
Tax (expense)/income from continuing operations		(1,863,787)	2,543,023
- Current tax expense	20	(19,099)	-
- Deferred tax (expense)/income	20	(1,844,688)	2,543,023
PROFIT/ (LOSS) FOR THE PERIOD CONTINUED OPERATIONS		7,413,642	(1,342,089)
Distribution of Income For the Period			
- Non-controlling interest		23,644	(61,546)
- Owners of the parent company		7,389,998	(1,280,543)
Earnings/(Loss) Per Share		2,9159	(0,5053)
- Earnings per Kr1 number of 1 shares from continued operations	27	2,9159	(0,5053)

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Consolidated Other Comprehensive Income for the Periods 1 January - 31 December 2023 and 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 December 2023, unless otherwise indicated.)

Notes	Audited 1 January - 31 December 2023	Audited 1 January - 31 December 2022
PROFIT/(LOSS) FOR THE PERIOD	7,413,642	(1,342,089)
OTHER COMPREHENSIVE (EXPENSE)/ INCOME	(674,341)	711,771
Items to be reclassified to profit or loss		
Currency translation differences	166,653	538,048
Other comprehensive gain/ (loss) related to cash flow hedges	(641,687)	217,154
Tax relating to gain on cash flow hedge	147,594	(43,431)
Loss from translation of foreign currency of investments using equity method	(358,986)	-
Gains on hedges from investments accounted with using equity method	12,085	-
Items not to be reclassified to profit or loss	(28,340)	(418,919)
Defined benefit plans remeasurement losses	(37,929)	(523,649)
Taxes relating to remeasurements of defined benefit plans	8,724	104,730
Actuarial gain arising from defined benefit plans accounted for investment using equity method	865	-
OTHER COMPREHENSIVE (EXPENSE)/INCOME	(702,681)	292,852
TOTAL COMPREHENSIVE INCOME/(EXPENSE)	6,710,961	(1,049,237)
Attributable to:		
Non-controlling interests	33,421	65,771
Owners of parent company	6,677,540	(1,115,008)

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Consolidated Statements of Changes in Shareholders' Equity for the Periods 1 January - 31 December 2023 and 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 December 2023, unless otherwise indicated.)

	Other comprehensive (expense) not to be reclassified to profit or loss				Other comprehensive (expense)/ income to be reclassified to profit or (loss)				Share premium	Restricted reserves	Net profit/ (loss) for the year	Retained earnings	Equity attributable to owners of the parent company	Non-controlling interest	Total equity
	Share Capital	Adjustment to share capital	Actuarial loss arising from defined benefit plan	Shares of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss	(Loss)/ gain on cash flow hedges	Currency translation differences	Shares of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss								
1 January 2022	2,534,400	27,887,153	-	-	(63,645)	(1,172,282)	-	500,700	2,322,265	-	13,586,824	45,595,415	(8,231)	45,587,184	
Transfers	-	-	-	-	-	-	-	-	370,698	-	(370,698)	-	-	-	
Total comprehensive expense	-	-	(418,919)	-	122,444	462,010	-	-	-	(1,280,543)	-	(1,115,008)	65,771	(1,049,237)	
-Other comprehensive income/ (expense)	-	-	(418,919)	-	122,444	462,010	-	-	-	-	-	165,535	127,317	292,852	
-Net loss for the period	-	-	-	-	-	-	-	-	-	(1,280,543)	-	(1,280,543)	(61,546)	(1,342,089)	
31 December 2022	2,534,400	27,887,153	(418,919)	-	58,799	(710,272)	-	500,700	2,692,963	(1,280,543)	13,216,126	44,480,407	57,540	44,537,947	
1 January 2023	2,534,400	27,887,153	(418,919)	-	58,799	(710,272)	-	500,700	2,692,963	(1,280,543)	13,216,126	44,480,407	57,540	44,537,947	
Transfers	-	-	-	-	-	-	-	-	4,829	1,280,543	(1,285,372)	-	-	-	
Transactions with non-controlling interest	-	-	-	-	14,040	75,923	-	-	-	-	(109,955)	(19,992)	159,211	139,219	
Total comprehensive income	-	-	(29,205)	865	(494,077)	156,860	(346,901)	-	-	7,389,998	-	6,677,540	33,421	6,710,961	
-Other comprehensive income/ (expense)	-	-	(29,205)	865	(494,077)	156,860	(346,901)	-	-	-	-	(712,458)	9,777	(702,681)	
-Net profit for the period	-	-	-	-	-	-	-	-	-	7,389,998	-	7,389,998	23,644	7,413,642	
31 December 2023	2,534,400	27,887,153	(448,124)	865	(421,238)	(477,489)	(346,901)	500,700	2,697,792	7,389,998	11,820,799	51,137,955	250,172	51,388,127	

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 December 2023, unless otherwise indicated.)

NOTE 1 - GROUP’S ORGANISATION AND NATURE OF OPERATIONS (Continued)

As of 31 December 2023 and 31 December 2022 the ultimate controlling party of the Company is State Oil Company of Azerbaijan Republic ("SOCAR").

The Group is registered at the Capital Markets Board ("CMB") and have been quoted in Borsa İstanbul ("BIST") since 9 July 1990.

The consolidated financial statements were approved for publication by the decision of the Board of Directors dated March 26, 2024 and signed by General Manager Mr. Kanan Mirzayev and Vice President of Financial Affairs Mr. Ahmet Gülhan on behalf of the Board of Directors. The general assembly and certain regulatory bodies have the authority to make changes to the statutory financial statements after they are published.

The registered address of the Company as of the date of preparation of the consolidated financial statements is as follows:

Siteler Mh. Necmettin Giritlioğlu Cd.
SOCAR Türkiye Aliağa Administration Building No: 6/1 Aliağa/ İZMİR

As of 31 December 2023, the Company's subsidiaries ("subsidiaries") the Company and its subsidiaries (hereinafter collectively referred to as the "Group") and their respective operating segments are as follows:

	Nature of operations	Business segment
1. Petlim Limancılık Ticaret A.Ş. ('Petlim')	Port operations	Port
2. Petkim Specialities Mühendislik Plastikleri Sanayi ve Ticaret A.Ş.	Plastic Processing	Petrochemistry

As of 31 December 2023, the average number of employees working for the Group is 2,416 (31 December 2022: 2,355). The details of the employees as of 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023	31 December 2022
Union ^(*)	1,718	1,733
Non - union ^(**)	665	595
	2,383	2,328

^(*) Indicates the personnel who are members of Petrol İş Union.
^(**) Indicates the personnel who are not members of Petrol İş Union.

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 December 2023, unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of Presentation

The accompanying consolidated financial statements are prepared in accordance with the Communiqué Serial II, No: 14.1, "Principals of Financial Reporting in Capital Markets" published in the Official Gazette numbered 28676 on 13 June 2013. According to the article 5 of the Communiqué, consolidated financial statements are prepared in accordance with Turkish Accounting Standards/ Turkish Financial Reporting Standards ("TFRS") and its addendum and interpretations ("IFRIC") issued by the Public Oversight Accounting and Auditing Standards Authority ("POAASA") Turkish Accounting Standards Board.

The consolidated financial statements are presented in accordance with the formats specified in the announcement "Announcement on TAS Taxonomy" published by the POA, as well as the financial statement samples and usage guide published by Capital Market Board ("CMB").

The Group and its subsidiaries registered in Türkiye maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. The consolidated financial statements, except for investment properties and derivatives, are maintained under historical cost conventions and presented in TRY which is the functional and reporting currency of the Group.

Financial reporting in hyperinflationary economy

With the announcements made by the Public Oversight Accounting and Auditing Standards Authority (POA) on 23 November 2023, entities applying TFRSs have started to apply inflation accounting in accordance with TAS 29 Financial Reporting in Hyperinflation Economies as of financial statements for the annual reporting period ending on or after 31 December 2023. TAS 29 is applied to the financial statements, including the consolidated financial statements, of any entity whose functional currency is the currency of a hyperinflationary economy. According to the standard, financial statements prepared in the currency of a hyperinflationary economy are presented in terms of the purchasing power of that currency at the balance sheet date. Prior period financial statements are also presented in the current measurement unit at the end of the reporting period for comparative purposes. The Group has therefore presented its consolidated financial statements as of 31 December 2022, on the purchasing power basis as of 31 December 2023.

Pursuant to the decision of the CMB dated 28 December 2023 and numbered 81/1820, it has been decided that issuers and capital market institutions subject to financial reporting regulations that apply Turkish Accounting/Financial Reporting Standards will apply inflation accounting by applying the provisions of TAS 29 starting from their annual financial reports for the periods ending on 31 December 2023.

The adjustments made in accordance with TAS 29 were made using the adjustment coefficient obtained from the Consumer Price Index ("CPI") of Türkiye published by the Turkish Statistical Institute ("TURKSTAT"). As of 31 December 2023, the indices and adjustment coefficients used in the adjustment of the consolidated financial statements are as follows:

Date	Index	Conversion Factor	Three-year Inflation Rate
31 December 2023	1.859,38	1,00000	268%
31 December 2022	1.128,45	1,64773	156%
31 December 2021	686,95	2,70672	74%

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 December 2023, unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1. Basis of Presentation (Continued)

Financial reporting in hyperinflationary economy (Continued)

The main elements of the Group's adjustment process for financial reporting in hyperinflationary economies are as follows:

- Current period consolidated financial statements prepared in TRY are expressed in terms of the purchasing power at the balance sheet date, and amounts from previous reporting periods are also adjusted and expressed in terms of the purchasing power at the end of the reporting period.
- Monetary assets and liabilities are not adjusted as they are already expressed in terms of the current purchasing power at the balance sheet date. In cases where the inflation-adjusted values of non-monetary items exceed their recoverable amount or net realizable value, the provisions of TAS 36 "Impairment of Assets" and TAS 2 "Inventories" are applied, respectively.
- Non-monetary assets and liabilities and equity items that are not expressed in terms of the current purchasing power at the balance sheet date have been adjusted using the relevant adjustment coefficients.
- All items in the comprehensive income statement, except for those that have an impact on the comprehensive income statement of non-monetary items on the balance sheet, have been indexed using the coefficients calculated for the periods when the income and expense accounts were first reflected in the financial statements.
- The effect of inflation on the Group's net monetary asset position in the current period is recorded in the monetary gain/loss account in the consolidated income statement.

2.2. Amendments in Turkish Financial Reporting Standards

a. Standards, amendments, and interpretations applicable as of 31 December 2023:

- **Narrow scope amendments to IAS 1, Practice Statement 2 and IAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- **Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** effective from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 December 2023, unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2. Amendments in Turkish Financial Reporting Standards (Continued)

a. Standards, amendments, and interpretations applicable as of 31 December 2023 (Continued):

- **IFRS 17, ‘Insurance Contracts’;** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which permitted a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts.
- **Amendment to IAS 12 - International tax reform;** Temporary exception is effective for yearends ending on or after 31 December 2023. The disclosure requirements are effective for annual periods beginning on or after 1 January 2023, with early application permitted. This amendment clarifies the application of IAS 12 to income taxes arising from tax laws enacted or substantively enacted to implement the OECD's Pillar Two Model Rules. The amendment also introduces specific disclosure requirements for entities affected by such tax laws. The exception to not recognize and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, along with the disclosure requirement that the exception has been applied, is effective upon issuance of the amendment. However, the specific disclosure requirements introduced by the amendment are not required to be applied for interim periods ending before 31 December 2023.

b. Standards, amendments, and interpretations that are issued but not effective as of 31 December 2023:

- **Amendment to IAS 1 – Non-current liabilities with covenants;** effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.
- **Amendment to IFRS 16 – Leases on sale and leaseback;** effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 December 2023, unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2. Amendments in Turkish Financial Reporting Standards (Continued)

b. Standards, amendments, and interpretations that are issued but not effective as of 31 December 2023 (Continued):

- Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements;** effective from annual periods beginning on or after 1 January 2024. These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.
- Amendments to IAS 21 - Lack of Exchangeability;** effective from annual periods beginning on or after 1 January 2025. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.
- TSRS S1, 'General requirements for disclosure of sustainability-related financial information;** effective from annual periods beginning on or after 1 January 2024. This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.
- TSRS S2, 'Climate-related disclosures';** effective from annual periods beginning on or after 1 January 2024. This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.

However, in the Board Decision of the KGK published in the Official Gazette dated 29 December 2023, it was announced that certain businesses will be subject to mandatory sustainability reporting as of 1 January 2024. Businesses that fall within the scope of sustainability practice are counted for the purpose of determining businesses that will be subject to sustainability reporting within the scope of the "Board Decision Regarding the Scope of Application of Turkish Sustainability Reporting Standards (TSRS)" dated 5 January 2024.

Group will evaluate the effects of these alterations above to the their operations and will follow them from the validation date. The impacts of the new standards, amendments and improvements on the financial position and performance of the Group is being assessed.

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 December 2023, unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3. Basis of consolidation

The consolidated financial statements include the accounts of the parent company Petkim and its subsidiaries on the basis set out in sections below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with TFRS applying uniform accounting policies and presentation.

a) Subsidiaries

The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

Intercompany transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The non-controlling share in the net assets and results of subsidiaries for the period are separately classified as "non-controlling interest" in the consolidated balance sheet and statement of income.

The accounting policies of the subsidiaries have been changed where necessary to be consistent with the accounting policies accepted by the Group.

The table below sets out all subsidiaries included in the scope of consolidation together with the related voting rights and effective ownership rates at 31 December 2023 and 2022:

Subsidiaries	Direct or Indirect Control Shareholding Rates of the Group (%)	
	31 December 2023	31 December 2022
Petlim ^(*)	93.47	73.00
Petkim Specialities Mühendislik Plastikleri Sanayi ve Ticaret A.Ş.	100.00	100.00

^(*) In the Extraordinary General Assembly meeting of Petlim, one of the subsidiaries of the Group, held on 21 December 2023, it was decided to increase Petlim's capital from 150,000 TRY to 3,015,800 TRY. Regarding the issue, at the Petkim Board of Directors meeting dated 21 December 2023, it was decided that the capital increase of 2,713,750 TRY would be made by covering the receivables originating from the debt previously given in cash.

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 December 2023, unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3. Basis of consolidation (Continued)

b) Investments in subsidiaries

Investments in subsidiaries were accounted for at cost on the date they were first recorded, and in subsequent periods using the equity method. These are entities in which the Group generally holds 20% to 50% of the voting rights or in which the Group has significant influence, but not control, over the company's activities. Unrealized profits arising from transactions between the Group and the subsidiary have been adjusted to the extent of the Group's share in the subsidiary, and unrealized losses have been adjusted if the transaction does not indicate that the transferred asset has been impaired. According to the equity method, after-tax net profit/(loss) of the subsidiaries after the acquisition are reflected in the Group's net profit for the period to the extent of the Group's share in the subsidiary.

The equity method is not continued when the registered value of the investment in the subsidiary becomes zero or the Group's significant influence ceases, unless the Group has undertaken an obligation or made a commitment in this regard regarding the subsidiary. After the Group's share in the subsidiary decreases to zero, additional provision for losses and recognition of debt amounts are only possible if the Group has been exposed to legal or constructive liability or has made payments on behalf of the subsidiary. If the subsidiaries make a profit in subsequent periods, the Group can reflect its share of the profit in the financial statements only after its share of the subsidiary's profit is equal to its share of the losses not reflected in the financial statements.

As a result of the negotiations between the Group and its shareholder STEAŞ, a share sale and transfer agreement was signed on January 9, 2018 for the purchase of 30% shares of Rafineri Holding A.Ş. ("Rafineri Holding") from STEAŞ for 720 million US Dollars. SOCAR Turkey Yatırım A.Ş., of which Rafineri Holding is a joint venturer with a 60% share, fully owns STAR Rafineri A.Ş. ("STAR"). The transfer of Rafineri Holding's shares subject to the contract will be completed by the Group on a date defined as the "Closing Date" in the contract, following the receipt of the necessary permissions, provided that the conditions specified in the contract are met. With the decision of Petkim's Board of Directors dated April 10, 2023, it was decided to sign a new protocol with STEAŞ in addition to the terms of the existing contract between Petkim and STEAŞ. In accordance with the protocol, Petkim's indirect partnership in STAR will be reduced from 18% to 12%, and therefore the Rafineri Holding shares to be purchased from STEAŞ will be reduced from 30% to 20%, and in this context, the Share Transfer Fee will be reduced to 480 million US Dollar. It has been decided that no other payment will be made within the scope of the contract except the payment of 480 million US Dollar that has already been made to STEAŞ within the scope of the Petkim contract and the contract will be amended accordingly. Discussions were held with STEAŞ regarding this decision and parties are agreed. Petkim's acquisition of 20% of the shares of Rafineri Holding was completed on October 2, 2023, which is the transaction date. With the transaction, Petkim indirectly acquired a 12% shares of STAR. The share purchase accounting of Rafineri Holding has been completed as of December 31, 2023.

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 December 2023, unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3. Basis of consolidation (Continued)

c) Foreign currency conversion

i) Functional and presentation currency

Financial statement items for each company of the Group are measured in the currency of the main economy in which that company is located and in which it carries out its operations ('functional currency'). The functional currencies of Petlim, a subsidiary of the Group, and STAR, a subsidiary of Rafineri Holding, which became a subsidiary of the Group in 2023, are US Dollars. The consolidated financial statements are prepared in Turkish Lira (Turkish Lira), which is the functional currency of the parent company and the reporting currency of the Group. Prepared and presented in 'TRY'.

ii) Transactions and balances

Transactions in foreign currencies have been translated into functional currency at the exchange rates prevailing at the date of the transaction. Exchange gains or losses arising from the settlement and translation of monetary assets and liabilities denominated in foreign currency at the exchange rates prevailing at the balance sheet dates are included in consolidated comprehensive income, except for the effective portion of foreign currency hedge of cash flow which are included under shareholders equity.

iii) Translation of financial statements of subsidiaries, whose functional currency is not Turkish liras

The assets in the consolidated statement of financial position dated 31 December 2023 are 29.4382 TRY = 1 USD, which are the foreign exchange buying rates valid as of 31 December 2023 announced by the Central Bank of the Republic of Türkiye, and the liabilities are 29.4913 TRY = 1 USD, which are the foreign exchange selling rates valid as of 31 December 2023 (foreign exchange buying rate for valid assets as of December 31, 2022: 18.6983 TRY = 1 USD, foreign exchange selling rate 18.7320 = 1 USD).

Comprehensive income statement items for the year ending 31 December 2023 of the Group's partnerships whose functional currency is US dollar have been translated into TRY using the average exchange rates calculated on a quarterly basis. The retranslation of the opening net assets of these partnerships and the differences arising from the average exchange rates and the exchange rates at the balance sheet date are followed under 'Foreign currency translation differences' under shareholders' equity.

2.4. Comparative information and correction of prior period financial statements

The Group's consolidated financial statements are prepared comparatively with the previous period in order to enable the determination of financial situation and performance trends. The Group's consolidated balance sheet as of 31 December 2023, with its consolidated balance sheet prepared as of 31 December 2023 and 2022; It has prepared the consolidated profit or loss statement, consolidated other comprehensive income, consolidated cash flow and equity change statements for the year ending 31 December 2023 in comparison with the relevant consolidated financial statements for the years ending 31 December 2022.

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 December 2023, unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Significant accounting policies

The significant accounting policies applied in the preparation of the consolidated financial statements are summarized below:

a. Inventories

Inventories are valued at the lower of cost and net realizable value. The cost of inventory consists of purchase materials, cost of conversion and other costs that are necessary to bring the inventories to their present location and condition. The costs of inventories are determined on a weighted average basis by the Group.

Net realizable value is the estimated selling price in the ordinary course of business, less cost of completion and selling expenses (Note 5).

Spare parts in the forms of operating supplies are presented in the other inventory. These inventories are valued at the lower of cost and net realizable value Spare parts and material inventory are valued at the lower of cost and net recoverable value. The cost af spare parts and material inventory consist of purchase materials and other costs that are necessary to bring them to their present location and condition. The costs of spare parts and material stocks are determined on a weighted average basis by the Group (Note 5).

b. Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses if any. Historical costs include the costs directly related to the acquisition of property plant and equipment. Land is not depreciated as it is deemed to have an indefinite useful life.

Buildings, machinery and equipment are capitalized and depreciated when they are in the condition necessary for operations in the manner intended by the management. Residual values of property, plant and equipment are deemed as insignificant. Expected useful life, residual value and depreciation method are reviewed annually to determine the probable effects of changes in estimates.

The useful lives of property, plant and equipment are as follows:

	Useful lives
Land improvements	4-50 years
Buildings	18-50 years
Machinery and equipment	4-50 years
Motor vehicles	5 years
Furniture and fixtures	3-20 years
Other fixed assets	5 years
Leasehold Improvements	at the lower of 3 years or lease term
Assets subject to operating lease ^(*)	32-50 years

^(*) The Group determines useful lives of property, plant and equipment and intangible assets in line with opinions of technical experts and recognizes depreciation and amortization expenses during aforementioned useful lives. Useful lives of land improvements related to port project are estimated by considering leasing period granted by Petlim in via operator agreement dated 22 February 2013.

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 December 2023, unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Significant accounting policies (Continued)

b. Property, plant and equipment (Continued)

Expenses after the capitalization are added to the cost of related asset and reflected in financial statements as a separate asset if they shall mostly provide an economic benefit and their cost is measured in a trustable manner.

Tangible assets are reviewed for impairment if there are conditions showing that the securities are more than amount recoverable. Assets are grouped at the lowest level which is cash-generating unit in order to determine impairment. Carrying amount of a tangible asset and recoverable value is the one which is higher than the net sales price following the deduction of commensurable value for the sale of the asset. Useful life of assets are reviewed as of date of balance sheet and adjusted, if required.

Maintenance and repair expenses are recorded as expense to the income statement of the related period. The Company omits the carrying values of the changed pieces occurred with respect to renovations from the balance sheet without considering whether they are subject to depreciation in an independent manner from other sections. Main renovations are subject to deprecation based on the shortest of residual life of the related tangible asset or useful life of the renovation itself.

Advances paid related to purchasing of tangible assets are monitored in prepaid expenses under fixed assets until the related asset is capitalized or recognized under on-going investments. Advances paid in foreign currency are evaluated based on being monetary or non-monetary items and measured accordingly. It is evaluated that a significant part of advances paid in foreign currency are in nature of non-monetary item and tracked over exchange rate on the date of advance payment. Impairment regarding advances given is evaluated in accordance with the impairment of non-financial assets policy and recognized on profit and loss statement of the related period.

Spare parts and material stocks qualify as property, plant and equipment when they are expected to be used more than one period and only in connection with an item of property, plant and equipment. Spare parts and material stocks are carried at cost less the accumulated depreciation which is calculated over the remaining useful life of the related item of property, plant and equipment.

Gains or losses on disposals of property, plant and equipment are included in the other operating income and expense accounts, in the consolidated statement of comprehensive income as appropriate.

c. Intangible assets

Rights and software

Intangible assets comprise acquired rights, information systems and software and capitalized development costs. Intangible assets are amortized on a straight-line basis over their estimated useful lives from the date of acquisition. In case of impairment, the carrying values of the intangible assets are written-down to their recoverable amounts (Note 12).

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 December 2023, unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Significant accounting policies (Continued)

c. Intangible assets (Continued)

The estimated useful lives of intangible assets are as follows:

	Useful life
Rights and software	3-15 years

d. Leases

The Group - as a lessee

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset. The Group assess whether:

- The contract involved the use of an identified asset – this may be specified explicitly or implicitly.
- The asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset, If the supplier has a substantive substitution right, the asset is not identified.
- The Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
- The Group has the right to direct use of the asset, The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:

- i. **The Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or,**
- ii. **The Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used.**

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Right of use asset

The right of use asset is initially recognized at cost comprising of:

- a) Amount of the initial measurement of the lease liability,
- b) Any lease payments made at or before the commencement date, less any lease incentives received,
- c) Any initial direct costs incurred by the Group; and an estimate of costs to be incurred by the lessee for restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories).

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Significant accounting policies (Continued)

d. Leases (Continued)

Right of use asset (Continued)

The Group re-measure the right of use asset:

- a) After netting-off depreciation and reducing impairment losses from right of use asset.
- b) Adjusted for certain re-measurements of the lease liability recognized at the present value.

The Group applies TAS16 "Property, Plant and Equipment" to amortize the right of use asset and to assess for any impairment.

TAS 36 Impairment on assets standard is applied to determine whether the right of use asset has been impaired to account any impairment loss.

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease liabilities are discounted to present value by using the interest rate implicit in the lease if readily determined or with the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- a) Fixed payments, including in-substance fixed payments,
- b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date,
- c) The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewable period if the Group is reasonably certain to exercise an extension option. and penalties for early termination of a lease unless the Group is reasonably certain to terminate early.

After initial recognition, the lease liability is measured:

- a) Increasing the carrying amount to reflect interest on lease liability,
- b) Reducing the carrying amount to reflect the lease payments made and
- c) Remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Significant accounting policies (Continued)

d. Leases (Continued)

Variable lease payments

Group's lease contracts also include variable lease payments which are not in the scope of TFRS 16. Variable lease payments are recognised in profit or loss in the related period.

The Group - as a lessor

Rental income from operating leases that the group is lessor is recorded as income by linear method during the lease period. The relevant leased asset is included in the statement of financial position according to its nature. The direct costs incurred during the operating lease are added to the book value of the asset and are accounted as expense during the lease term in the same manner as the rental income. These leased assets are included in the balance sheet according to their qualifications. As a lessor as a result of applying the new lease standard, the group did not have to make any adjustments to the accounting of the assets.

e. Investment property

In accordance with the provisions of TAS 40 "Investment Properties", land that are held to earn rent or for capital appreciation or both rather than for use in the ordinary course of business are classified as "investment property" and carried at fair value in the financial statements. Fair value changes on investment properties are recognized in the statement of comprehensive income in the relevant period. As of 31 December 2023, investment properties are carried in the consolidated financial statements at their fair value determined in the valuation studies by an independent professional valuation company licensed by CMB. Fair value changes on investment properties and lands, are recognized under income from investing activities in the statement of comprehensive income.

The derecognition, disposal of investment property, or the withdrawal of an investment property and its disposal occurs when no future economic benefits are expected. Profit or loss resulting from the disposal of investment properties is recognized in the relevant income and expense accounts in the period in which the disposal process takes place.

f. Impairment of assets

At each reporting date, the Group assesses whether there is an impairment indication for the assets, except for the deferred income tax asset and financial assets stated at fair values.

The Group assesses whether there is any indication that the book value of tangible and intangible assets, calculated by the acquisition cost less accumulated amortization, may be impaired. When an indication of impairment exists, the Group estimates the recoverable values of such assets. When the individual recoverable value of assets cannot be measured, the recoverable value of the cash-generating unit of that asset is measured.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Significant accounting policies (Continued)

f. Impairment of assets (Continued)

Impairment exists if the carrying value of an asset or a cash-generating unit is greater than its recoverable amount, which is the higher of value in use or fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from an asset or cashgenerating unit.

When the recoverable amount of an asset (or a cash-generating unit) is lower than its carrying value, the asset's (or cash-generating unit's) carrying value is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of comprehensive income.

An impairment loss recognized in prior periods for an asset is reversed if the subsequent increase in the asset's recoverable amount is caused by a specific event since the last impairment loss was recognized. Such a reversal amount cannot be higher than the previously recognized impairment and is recognized in the consolidated statement of comprehensive income.

g. Financial investments

The Group determines that the effective part of the gain or loss arising from the hedging instrument related to the net investments in its indirect subsidiary STAR, whose functional currency is US Dollar, is directly recognized in equity, and the ineffective part is recognized in the statement of profit or loss. In case the relevant subsidiary is disposed of, the amount recognized in equity regarding the hedging instrument is recognized as profit or loss (Note 33).

h. Hedging of net investments

The group that is determined to be effective on the gain or loss arising from the hedging instrument related to net investments in its indirect subsidiary STAR, whose functional currency is US Dollar, is recognized directly in equity, and the ineffective part is recognized in the statement of profit or loss. In case of disposal of the subsidiary, the amount recognized in equity regarding the hedging instrument is recognized in profit or loss (Note 31).

i. Financial assets carried at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. The Group's financial assets carried at amortized cost comprise "trade receivables" and "cash and cash equivalents" in the statement of financial position.

Impairment

Group has applied simplified approach and used provision matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component.

In accordance with this method, if any provision to the trade receivables as a result of a specific event, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected loss is performed based on the past experience of the Group and its expectations for the future indications.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Significant accounting policies (Continued)

i. Financial assets carried at amortized cost (Continued)

Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Trade receivables net of deferred finance income are calculated using the effective interest method based on the collection amount in the subsequent period instead on the amount at the invoice date. Short term trade receivables with no determined interest rate are measured at the original invoice amount if the effect of interest accrual is not significant. In accordance with TFRS 9, if no provision provided to the trade receivables because of a specific event, Group measures expected credit loss from these receivables by the lifetime expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectation based on the macroeconomic indications. Calculated expected credit losses are not recognized in the consolidated financial statements within the scope of materiality principle.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three-months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates their fair value.

j. Financial assets carried at fair value

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

Financial assets carried at fair value through profit or loss

Financial assets carried at fair value through profit or loss comprise of "derivative instruments" in the statement of financial position. Derivative instruments are recognized as asset when the fair value of the instrument is positive, as liability when the fair value of the instrument is negative.

Financial assets carried at fair value through other comprehensive income

Financial assets carried at fair value through other comprehensive income comprise of "financial assets" in the statement of financial position. When the financial assets carried at fair value through other comprehensive income are sold fair value gain or loss classified in other comprehensive income is classified to retained earnings.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Significant accounting policies (Continued)

j. Financial assets carried at fair value (Continued)

Cash flow hedge

Hedges of exposures to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit and loss are designated as cash flow hedges by the Group.

Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognised in equity as "hedge reserves". Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously recognised under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognised under equity are transferred to the consolidated income statement in the period in which the hedged firm commitment or forecasted transaction affects the consolidated income statement.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or losses previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Financial liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities' at fair value through profit or loss' or other financial liabilities.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Significant accounting policies (Continued)

j. Financial assets carried at fair value (Continued)

Borrowings

Bank borrowings are recognized initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are measured at amortized cost using the effective interest method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings.

If the maturity of the bank borrowings is less than 12 months at the balance sheet date, these are classified in current liabilities; and if more than 12 months, they are classified under non-current liabilities (Note 9).

Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method (Note 7).

Other financial liabilities

Other financial liabilities are initially accounted at fair value, net of transaction costs.

Subsequently other financial liabilities are accounted at amortized cost using the effective interest method, with interest expense recognized on an effective interest rate basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating the interest expense to therelevant period. The effective interest rate is the rate that exactly discounts the estimated cash flows.

k. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets.

All other borrowing costs are expensed in the consolidated statement of comprehensive income in the period they incurred.

l. Government grants

All government grants, including non-monetary government grants followed up at fair values, are taken into account in the financial statements when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received or when the grant is actually received by the Group. Government grants shall be recognized in profit or loss on a systematic and pro rata basis over periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Significant accounting policies (Continued)

m. Statement of cash flow

Cash flows during the period are classified and reported as operating, investing and financing activities in the consolidated statement of cash flows.

Cash flows from operating activities represent the Group's cash flows from the sale of petrochemical products and port operations.

Cash flows arising from investment activities represent the cash flows that are used in or provided by the investing activities of the Group.

Cash flows arising from financing activities represent the cash proceeds from the financing activities and financial investments of the Group and the repayments of thesefunds.

n. Related parties

Parties are considered related to the Group if;

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity,
- (ii) has significant influence over the reporting entity,
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others),
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member),
- (iii) Both entities are joint ventures of the same third party,
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity,
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity,
- (vi) The entity is controlled or jointly controlled by a person identified in (a),
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Significant accounting policies (Continued)

n. Related parties (Continued)

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

Key management personnel are identified as Board of Directors, general manager and vice general managers (Note 28).

o. Taxation and deferred income taxes

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of the current tax and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in future and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is determined by calculating the temporary differences between the carrying amounts of assets/liabilities in the financial statements and the corresponding tax bases, used in the computation of the taxable profit, using currently enacted tax rates. Deferred tax liabilities are generally recognized for all taxable temporary differences where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized if it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Significant accounting policies (Continued)

o. Taxation and deferred income taxes (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred income tax is determined using tax rates that have been enacted by the balance sheet date. Tax is recognized in the consolidated statement of comprehensive income, except to the extent that it relates to items recognized in equity. Taxes arisen on items recognized in equity are recognized directly in equity.

Deferred income tax liabilities are recognized for all taxable temporary differences; whereas deferred income tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Deferred income tax asset is recognized to the extent that it is probable that the entity will have sufficient taxable profit in the same period as the reversal of the deductible temporary difference arising from tax losses carried forward.

Deferred income tax assets and deferred income tax liabilities related to income taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities. Deferred income tax assets and deferred income tax liabilities are classified as long-term in the consolidated financial statements. (Note 20)

p. Employee benefits

Defined benefit plans

In accordance with existing social legislation in Türkiye, the Group is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Furthermore, the Group has an employee benefit plan, namely "Seniority Incentive Bonus", which is paid to employees with a certain level of seniority.

In the consolidated financial statements, the Group has recognized a liability using the "Projected Unit Credit Method" based upon factors derived using the Group's experience of personnel terminating and being eligible to receive benefits, discounted by using the current market yield at the balance sheet date on government bonds. All actuarial gains and losses are recognized under equity.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Significant accounting policies (Continued)

p. Employee benefits (Continued)

Defined contribution plan

The Group pays contributions to the Social Security Institution on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense when they are due.

Unused vacation

Liabilities due to unused vacations classified as provisions due to employee benefits are accrued and discounted if the discount effect is material.

q. Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions, as of the balance sheet date, are recorded with the best estimate of management in order to provide for the estimated obligation and are discounted, if they are material for the consolidated financial statement.

r. Contingent assets and liabilities

Contingent assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Group, are not included in the consolidated financial statements and are treated as contingent assets or liabilities (Note 30).

Contingent liabilities are not recognized in the consolidated financial statements, and disclosed only, unless the possibility of an outflow of resources embodying economic benefits is probable. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is mostly probable.

s. Revenue recognition

Group recognizes revenue in accordance with TFRS 15 "Revenue from contracts with customers" standard when the goods or services is transferred to the customer and when performance obligation is fulfilled based on the following main principles:

- Identification of customer contracts,
- Identification of performance obligations,
- Determination of transaction price in the contract,
- Allocation of price to performance obligations,
- Recognition of revenue when the performance obligations are fulfilled.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Significant accounting policies (Continued)

s. Revenue recognition (Continued)

The Group assess the goods or services promised in a contract with a customer and identify as a performance obligation each promise to transfer to the customer.

For each performance obligation identified, the entity determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. If the Group transfers control of a good or service over time and therefore satisfies a performance obligation and recognises revenue over time. However, almost all of the Group's sales of goods and services include a single performance obligation.

The Group recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to the customer. An asset is transferred when the customer obtains control of that asset or service.

Group recognized revenue from its customers only when all of the following criteria are met:

- a) The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
- b) Group can identify each party's rights regarding the goods or services to be transferred,
- c) Group can identify the payment terms for the goods or services to be transferred,
- d) The contract has commercial substance,
- e) is probable that Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

The Group does not adjust the promised amount of consideration for the effects of a significant financing component since the Group expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. If the financing component is significant in revenue, future collections are discounted by the interest rate in financing component. The difference is recognised as income from operating activities in current period.

Revenue from port operation

The port operations of the Group have started on 1 January 2017. The fixed revenue to be generated by the Group based on the contract is updated annually by considering the related inflation coefficient stated in the contract and recognized as revenue within the contractual period on a straight line basis. The variable revenue to be generated over the port operator's revenue, at amount exceeding the minimum revenue limits stated in the contract, will be recognized when incurred. The Group's rent income from port operations is accounted for in accordance with TFRS 15.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Significant accounting policies (Continued)

t. The effects of foreign exchange rate changes

Foreign currency transactions are recorded at the rates of exchange prevailing on the dates of the transactions. Assets and liabilities denominated in foreign currencies are converted at the exchange rates prevailing on the balance sheet date.

Transactions realized in foreign currency (currencies other than TRY) are recorded through based on the exchange rate on date of the transaction during the preparation of financial statements of each entity. Foreign exchange indexed monetary assets and liabilities included in the balance sheet are converted by using the exchange rates effective on balance sheet date. Those recorded in foreign currency from the non-monetary items followed-up with fair value are converted through based on the exchange rates on date when the fair value is determined. Nonmonetary items in foreign currency measured in type of historical cost may not be subjected to conversion again.

Exchange differences are recognized in the profit or loss of the period when they occur except for below stated circumstances:

- Exchange differences considered as the correction item in the interest costs on the debts associated with the assets built for the purpose of future use and indicated in foreign currency and included in the cost of such assets,
- Exchange differences resulted from the transactions realized for the purpose of financial protection against the risks rising from foreign currency.

u. Share capital and dividends

Ordinary shares are classified as equity. Dividends payable on ordinary shares are recognized as an appropriation of the profit in the period they are declared.

v. Share premiums

Share premium represents differences resulting from the sale of the Company's subsidiaries and associates' shares at a price exceeding the face values of those shares or differences between the face values and the fair value of shares issued for acquired companies.

w. Events after balance sheet date

Subsequent events and announcements related to net profit or even declared after other selective financial information has been publicly announced; include all events that take place between the balance sheet date and the date when the balance sheet is authorized for issue.

In the case that events requiring an adjustment to the financial statements occur subsequent to the balance sheet date, the Group makes the necessary corrections on the consolidated financial statements. Post period end events that are not adjusting events are disclosed in the notes when material.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Significant accounting policies (Continued)

x. Earnings per share

Basic earnings per share are calculated by dividing the net profit by the weighted average number of ordinary shares outstanding during the year.The companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings. For the purpose of the earnings per share calculation such Bonus Share issues are regarded as stock dividends. Accordingly, the weighted average number of shares used in earnings per share calculation is derived by giving retroactive effect to the issue of such shares.

y. Segment reporting

Reporting of operating segments is arranged in a manner consistent with reporting to the competent boards of the operating decision-makers. It is the responsibility of the business operator to make decisions on the decision-making mechanisms related to the activities or on the resources to be allocated to the competent division in this regard and to evaluate the performance of the division. The Board of Directors of the Company has been designated as the competent authority to decide on the activities of the company.

z. Business mergers and goodwill

Business combinations are accounted for by the purchase method within the scope of TFRS 3,"Business Combinations" standard. The difference between the purchase price and the acquired company's (i) value of net identifiable assets and contingent liabilities in its balance sheet prepared at the date of purchase in accordance with the provisions of TFRS 3, (ii) value of non-controlling interests and (iii) fair value of previously held shares, is recognized as goodwill. If this difference is negative, no goodwill occurs, and the difference is recognized in the "Income from investment activities" account as the gain resulting from the bargain purchase.

Under this method, the purchase price is measured at the fair value of the cash or other assets given, capital instruments issued, or liabilities assumed at the date of acquisition. If the business combination agreement contains provisions stipulating that the purchase price may be adjusted depending on future events; If this adjustment is probable and its value can be determined, this adjustment is included in the purchase price at the merger date. Purchase-related costs are expensed in the period in which they are incurred.

Identifiable assets, liabilities and contingent liabilities of the purchased business are measured at their fair values in the balance sheet of the purchased business as of the date of acquisition and prepared in accordance with the provisions of TFRS 3.

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 December 2023, unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6 Significant accounting estimates, judgments and assumptions

a) Provision for lawsuits

Provision for lawsuits is evaluated by the Group based on opinions of Group Legal Counsel and legal consultants. The Group determines the amount of provisions based on best estimates. As of reporting date, provision for lawsuits is stated in Note 30.

b) Useful life of tangible and intangible assets and investment property

The Group determines useful lives of tangible and intangible assets in line with opinions of technical experts and recognizes depreciation and amortization expenses during aforementioned useful lives. The Group reviews useful lives of assets subject to aforementioned depreciation in each reporting period and it is estimated that there exist no situation requiring any adjustment in useful lives as of 31 December 2023.

c) Deferred income tax assets

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Group recognizes tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due and recognizes tax assets for the tax losses carried forward and investment incentives to the extent that the realization of the related tax benefit through the future taxable profits is probable. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. (Note 20)

d) Provision for employee benefits

Actuarial assumptions about discount rates, inflation rates, future salary increases, and employee turnover rates are used to calculate Group's provision for employee benefits. Such assumptions used in determination of the provision for defined benefit plans are disclosed in Note 16.

e) Fair value measurement of investment properties

Details of the methods and assumptions used within the scope of the valuation studies are as follows.

- In fair value calculations, the most effective and efficient use was evaluated and the current usage purposes were determined as the most effective and efficient use, and the precedent comparison method was used for lands and plots.

- Current market information was used in the comparable comparison method, price adjustments were made within the framework of criteria that may affect the market value, taking into account similar real estate recently put on the market in the region, and the average m2 market value was determined for the lands subject to the report. The comparables found were compared according to criteria such as location, size, zoning status and physical characteristics, real estate marketing companies were consulted for an up-to-date evaluation of the real estate market, and the existing information of an independent professional valuation company was used.

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 December 2023, unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6 Significant accounting estimates, judgments and assumptions (Continued)

f) Fair value of determination of investment properties

In this context, investment properties are carried in the consolidated financial statements at their fair value determined in the valuation studies by an independent professional valuation company licensed by CMB as of 31 December 2023.

The details of the methods and assumptions used for valuations of investment property and are as follows.

- Revaluation of investment property was based on the method of reference by considering highest and best use approach.

- In the market reference comparison method, current market information was utilized, taking into consideration the comparable property in the market in recent past in the region, price adjustment was made within the framework of criteria that could affect market conditions, and accordingly an average m² sale value was determined for the lands subject to the valuation. The similar pieces of land found were compared in terms of location, size, settlement status, physical conditions, real estate marketing firms were consulted for up-to-date valuation of the real estate market, also, current information and experience of the professional valuation company was utilized.

NOTE 3 - SEGMENT REPORTING

Operating segments are identified on the same basis as financial information is reported internally to the Group's chief operating decision maker. The Company Board of Directors has been identified as the Group's chief operating decision maker who is responsible for allocating resources between segments and assessing their performances. The Group management determines operating segments by reference to the reports reviewed by the Board of Directors to make strategic decisions.

The operating segment of the Group are as follows;

- Petrochemical
- Port

The Board of Directors assesses the performance of operating segments with specific criteria and measurement units. This measurement criterion consists of net sales and operating profit. Assets and liabilities of the segment include all assets and liabilities of the Group.

a) Revenue

	1 January - 31 December 2023	1 January - 31 December 2022
Petrochemical	59,870,025	97,257,619
Port	571,239	599,655
Total before eliminations and adjustments	60,441,264	97,857,274
Consolidation eliminations and adjustments	-	-
	60,441,264	97,857,274

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 December 2023, unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

b) Operating profit

	1 January - 31 December 2023	1 January - 31 December 2022
Petrochemical	(7,332,329)	(1,957,847)
Port	666,655	432,486
Total before eliminations and adjustments	(6,665,674)	(1,525,361)
Consolidation eliminations and adjustments	34,615	51,942
Operating loss	(6,631,059)	(1,473,419)
Financial (expenses)/ income, net	(6,645,951)	(3,559,639)
Monetary gain/loss	4,080,669	(1,581,186)
Income from investing activities, net	18,473,770	2,729,132
Profit/loss before tax from continued operations	9,277,429	(3,885,112)
Tax (expense)/Income	(1,863,787)	2,543,023
Profit/loss for the period	7,413,642	(1,342,089)

c) Total assets

	1 January - 31 December 2023	1 January - 31 December 2022
Petrochemical	91,064,318	98,277,406
Port	9,538,086	10,003,580
Total before eliminations and adjustments	100,602,404	108,280,986
Consolidation eliminations and adjustments	(4,811,820)	(5,044,145)
	95,790,584	103,236,841

d) Total liabilities

	1 January - 31 December 2023	1 January - 31 December 2022
Petrochemical	38,782,064	51,825,250
Port	5,706,969	9,829,500
Total before eliminations and adjustments	44,489,033	61,654,750
Consolidation eliminations and adjustments	(86,576)	(2,955,856)
	44,402,457	58,698,894

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2023

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NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Banks	4,039,631	21,835,105
- Demand deposits	97,966	65,746
- Turkish Liras	48,457	3,821
- Foreign currency	49,509	61,925
- Time deposits	3,941,665	21,769,359
- Turkish Liras	203,858	2,289,208
- Foreign currency	3,737,807	19,480,151
Other	24	67
	4,039,655	21,835,172

As of 31 December 2023, the weighted average effective interest rates of USD and Euro time deposits are 3.37% and 2.73% per annum (31 December 2022: USD 2.92% and 1.50% per annum).

As of 31 December 2023, the TRY dominated time deposits consist of monthly and daily deposits and the weighted average effective interest rate is 40.63% per annum. (31 December 2022: 23.89% per annum). The Group has no blocked deposits as of 31 December 2023 (31 December 2022: None).

NOTE 5 - INVENTORIES

	31 December 2023	31 December 2022
Raw materials	1,179,832	1,762,714
Work-in-progress	1,144,833	1,937,432
Finished goods	1,997,724	2,043,522
Trade goods	206,521	561,400
Goods in transit	715,165	870,775
Other inventories	959,892	601,834
Less: Provision for impairment on inventories	(63,094)	(150,216)
	6,140,873	7,627,461

Movements of provision for impairment on inventory for the periods ended 31 December 2023 and 2022 were as follows:

	2023	2022
1 January	(150,216)	(18,886)
Realized due to sales of inventory	150,216	18,886
Current year additions	(63,094)	(150,216)
31 December	(63,094)	(150,216)

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 December 2023, unless otherwise indicated.)

NOTE 6 - FINANCIAL INVESTMENTS

a) Short-term financial investments:

	31 December 2023	31 December 2022
Exchange rate-protected TRY time deposits ⁽¹⁾	-	1,607,740
Marketable securities	298,952	330,868
	298,952	1,938,608

⁽¹⁾ Kur Exchange rate-protected TRY time deposits is a deposit product that provides foreign exchange hedging in case the USD and EUR exchange rates against TRY are increased more than the interest rate at the end of the term. Exchange rate-protected TRY time deposits are accounted as financial assets at fair value through profit or loss.

As of 31 December 2022 the nominal and fair value amounts of exchange rate-protected TRY time deposit accounts:

31 December 2022			
Currency	Nominal amount (original currency)	Fair value (in TRY)	Maturity
TRY	932,979	1,607,740	March 2023
		1,607,740	

b) Long-term financial investments:

	31 December 2023		31 December 202	
	Amount	Shareholding rate (%)	Amount	Shareholding rate (%)
SOCAR Power Enerji Yatırımları A.Ş.	66,149	9.90	66,149	9.90
	66,149		66,149	

8,910,000 shares having a nominal price of TRY0,001 per share corresponding to 9.9% of capital of SOCAR Power Enerji Yatırımları A.Ş. (SOCAR Power) (TRY8,910) owned by SOCAR Turkey Elektrik Yatırımları Holding A.Ş (Power Holding), which is a subsidiary of controlling shareholder of the Group, SOCAR Turkey Enerji A.Ş., in SOCAR Power are purchased by the Group on 26 January 2015.

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2023

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables from third parties:

	31 December 2023	31 December 2022
Trade receivables	5,965,062	5,876,550
Provision for doubtful trade receivables (-)	(14,621)	(33,882)
	5,950,441	5,842,668

Average maturity for trade receivables is 30 days as of 31 December 2023 (31 December 2022: 31 days).

Other information related with the Group's credit risk is explained in Note 31. Concentrations of credit risk with respect to trade receivables are limited due to the Group's widely diversified customer base, covering the spectrum of manufacturng and distribution and the variety of available end markets in which they sell. As part of its sales policy, the Group obtains guarantees for 100% of total outstanding TRY trade receivables from its customers. An appropriate provision is provided by the Group according to the past experiences of the collections of trade receivables and expectations for the future indications. Therefore, management believes that no additional credit risk exists beyond the Group's trade receivables, which have been identified as doubtful receivable and have been fully provided.

Letters of guarantee received for trade receivables

The Group's receivables mainly arise from sales of thermoplastics and fiber materials. As of 31 December 2023, total amount of letters of guarantee received and bank guarantees within the context of direct order collection system ("DOCS") from domestic and foreign customers are amounting to TRY24,732,957 (31 December 2022: TRY20,300,077) (Note 30).

	2023	2022
1 January	(33,882)	(57,198)
Provisions no longer required	7,597	1,199
Monetary gain/loss	11,664	22,117
31 December	(14,621)	(33,882)

b) Trade payables

	31 December 2023	31 December 2022
Trade payables	3,778,311	4,584,940
	3,778,311	4,584,940

Average maturity for trade payables other is 33 days as of 31 December 2023 (31 December 2022: 32 days).

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2023

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NOTE 8 - OTHER RECEIVABLES AND PAYABLES

a) Other short-term receivables:

	31 December 2023	31 December 2022
Receivables from third parties	120,166	599,655
	120,166	43,230
Provision for other doubtful receivables (-)	(1,591)	(2,622)
	118,575	40,608

b) Other short-term payables:

Deposits and guarantees received	13,500	15,716
Other	10,816	13,671
	24,316	29,387

NOTE 9 - BORROWINGS AND BORROWING COSTS

	31 December 2023	31 December 2022
Short-term borrowings	5,411,169	5,180,274
Short-term portions of long-term borrowings	3,570,495	895,406
Bond issued ^(*)	-	15,819,024
Short-term lease liabilities ^(****)	38,047	38,916
Other financial liabilities ^(*)	7,723,797	20,347,274
Short-term financial liabilities	16,743,508	42,280,894
Long-term borrowings ^(****)	13,082,610	4,391,335
Long-term lease liabilities ^(****)	167,814	118,159
Long-term borrowings	13,250,424	4,509,494
	29,993,932	46,790,388

^(*) Other financial liabilities consist of letters of credits, naphta financing, murabaha loans and trade goods financing arising from naphtha and other goods purchases . The average remaining maturity of other financial liabilitiesis 59 days as of 31 December 2023 (31 December 2022: Average remaining maturity is 109 days).

^(**) This balance consists of a 5,875% annual fixed coupon bond quoted on the Irish stock exchange with a nominal value of USD 500 million, maturity of 5 years, coupon payment every 6 months and principal and coupon payments at maturity. The repayment of bond has been completed on 26 January 2023.

^(***) On 26 January 2023, the loan agreement amounting to USD 300 million has been signed between Group and J.P. Morgan Securities PLC. The mentioned loan has a bullet maturity of 3 years and has interest rate of SOFR + 5.60%, per annum. Pursuant to the long-term loan agreement signed between the Group and JP Morgan Securities PLC on 26 January 2023, USD 300 million loan is swapped with the annual interest rate of SOFR +5.60% of the portion of USD 150 million with a fixed interest rate of 9.56 per annum.

^(****) The weighted average of the Group's incremental borrowing rates for US Dollar, EUR and TRY are 8%, 6% and 19%, are respectively.

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2023

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NOTE 9 - BORROWINGS AND BORROWING COSTS (Continued)

Bank borrowings and bonds issued:

	Weighted average Interest rate p.a. (%)		Original currency		TRY equivalent	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022

Short-term borrowings:

TRY borrowings	-	18.25	-	220,627	-	363,534
USD borrowings	7.00 - 10.55	5.90 - 9.75	183,484	156,057	5,411,169	4,816,740

Short-term portions of long-term borrowings and bond issued:

USD borrowings	SOFR + 4.67 – 5.60 7.00 – 10.55	Libor + 4.67	107,115	22,247	3,158,965	686,647
Euro borrowings	7.73	Euribor + 0.72 - 1.64	12,611	6,344	411,530	208,759
Bond issued	-	5.88	-	512,519	-	15,819,024

Total short-term borrowings

8,981,664 21,894,704

Long-term borrowings and bond issued:

USD borrowings	SOFR + 4.67 - 5.60	Libor + 4.67	443,609	142,274	13,082,610	4,391,335
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Total long-term borrowings

13,082,610 4,391,335

Total borrowings

22,064,274 26,286,039

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2023

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NOTE 9 - BORROWINGS AND BORROWING COSTS (Continued)

The redemption schedule of long-term bank borrowings as of 31 December 2023 and 31 December 2022 is as follows:

	31 December 2023
2025	1,676,318
2026	10,225,366
2027	1,000,935
2028	179,991
	13,082,610
	31 December 2022
2024	1,014,268
2025	1,275,970
2026	1,243,253
2027	785,212
2028	72,632
	4,391,335

Fair values of the short-term bank borrowings and other financial liabilities approximate their carrying values due to their short-term nature and long-term borrowings due to having floating interest rate updated with market conditions.

Within the scope of the loan agreement signed between the Group and JP Morgan, certain financial ratios defined in the Group's six-month interim and annual consolidated financial statements must remain within certain limits until the loan repayment is completed. As a result of the expectation that the net debt / EBITDA ratio calculation calculated on the consolidated financial statements as of December 31, 2023 will exceed the determined limits, the Group discussed the situation with JP Morgan. Although there is no dispute with JP Morgan regarding this loan, a waiver letter was received from JP Morgan regarding the relevant provisions of the agreement on December, 27 2023, stating that no ratio calculation will be performed as of December 31, 2023. The relevant loan is classified in accordance with the original payment maturity.

As of December 31 2023, the collaterals given by the Group against US Dollar and Euro loans held are explained in Note 30.

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NOTE 9 - BORROWINGS AND BORROWING COSTS (Continued)

Movements of financial liabilities (excluding lease liabilities) are as of 31 December 2023 and 31 December 2022 as follows:

	2023	2022
1 January	23,250,737	21,939,669
Proceeds from financial liabilities	30,995,203	32,116,633
Repayments of financial liabilities	(42,728,731)	(10,909,542)
Changes in foreign Exchange	11,521,098	10,020,522
Changes in interest accrual	1,829,571	1,024,844
Less: Change in cash and cash equivalents and financial investments ⁽ⁱ⁾	16,248,113	(10,366,750)
Monetary gain/loss	(15,367,575)	(20,574,639)
31 Aralık	25,748,416	23,250,737

⁽ⁱ⁾ The change in financial investments excludes fair value changes of Exchange rate-protected TRY time deposits as of 31 December 2022.

NOTE 10 - INVESTMENT PROPERTIES

Fair value	1 January 2023	Fair value increase	Transfers	Disposals	31 December 2023
Land	9,270,520	7,559,487	-	(989)	16,829,018
	9,270,520				16,829,018

Fair value	1 January 2022	Fair value increase	Transfers	Disposals	31 December 2023
Land	7,775,302	1,495,218	-	-	9,270,520
	7,775,302				9,270,520

30 years right of construction of the land, that is 2,076,506 m2, is given to the STAR by Group. The annual rent income from the land, that is located in Aliğa district, is USD4.6 million and the annual rent income will be increased at the rate of SOFR + 1% each year. As of December 31, 2023, the annual rent income is USD6.2 million.

As of 31 December 2023, according to the valuation report of a real estate appraisal company authorized by the CMB prepared for the Group.

There are no pledges, collaterals and mortgages on investment properties.

As of 31 December 2023, the Group's lands with the right of construction have been measured with their fair values determined by an independent professional valuation company using other valuation techniques that contain direct or indirect observable inputs (Note 32).

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2023	Additions	Transfers	Disposals	Impairment (***)	Foreign currency translation differences	31 December 2023
Cost:							
Land	604,730	-	-	(1,116)	-	(262)	603,352
Land improvements	3,140,396	-	10,132	-	-	(707)	3,149,821
Buildings	2,720,515	-	-	-	-	(469)	2,720,046
Machinery and equipment	113,271,918	-	2,719,841	(157,847)	-	-	115,833,912
Motor vehicles	367,117	-	30,511	(237,477)	-	-	160,151
Furniture and fixtures	1,465,548	-	80,601	(56,324)	-	4,237	1,494,062
Other fixed assets	16,268	-	-	-	-	-	16,268
Leasehold improvements	7,118	-	-	-	-	-	7,118
Assets subject to operating lease ^(*)	9,492,89	-	-	-	-	(392,210)	9,100,681
Construction in progress ^(*)	6,556,613	3,154,787	(2,863,928)	(3,643)	-	(1,807)	6,842,022
	137,643,114	3,154,787	(22,843)	(456,407)	-	(391,218)	139,927,433
Accumulated depreciation (-):							
Land improvements	(1,892,879)	(102,210)	-	-	(63,954)	155	(2,058,888)
Buildings	(1,999,441)	(59,624)	-	-	-	229	(2,058,836)
Machinery and equipment	(95,774,859)	(3,589,465)	-	157,847	(1,048,266)	-	(100,254,743)
Motor vehicles	(177,078)	(49,358)	-	103,319	-	-	(123,117)
Furniture and fixtures	(1,087,710)	(94,386)	-	53,530	-	132	(1,128,434)
Other fixed assets	(16,268)	-	-	-	-	-	(16,268)
Assets subject to operating lease	(1,695,701)	(254,407)	-	-	-	9,258	(1,940,850)
Leasehold improvements	(7,118)	-	-	-	-	-	(7,118)
	(102,651,054)	(4,149,450)	-	314,696	(1,112,220)	9,774	(107,588,254)
Net book value	34,992,060						32,339,179

^(*) Construction in progress mainly consist of investments related to facility improvements.

^(**) Assets subject to operating lease consists of port investment.

^(***) Refer to note 24.

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Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2023

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2022	Additions	Transfers	Disposals	Foreign currency translation differences	31 December 2022
Cost:						
Land	605,59	-	-	-30	-830	604,73
Land improvements	3,112,661	-	29,961	-	-2,226	3,140,396
Buildings	2,719,605	-	2,012	-	-1,102	2,720,515
Machinery and equipment	108,744,166	-	4,527,752	-	-	113,271,918
Motor vehicles	331,714	-	35,403	-	-	367,117
Furniture and fixtures	1,401,715	-	67,402	-3,111	-458	1,465,548
Other fixed assets	16,268	-	-	-	-	16,268
Leasehold improvements	7,118	-	-	-	-	7,118
Assets subject to operating lease ^(*)	10,726,819	-	-	-	(1,233,928)	9,492,891
Construction in progress ^(*)	4,112,495	7,150,605	(4,709,675)	-	3,188	6,556,613
	131,778,151	7,150,605	(47,145)	(3,141)	(1,235,356)	137,643,114
Accumulated depreciation (-):						
Land improvements	(1,725,514)	(168,423)	-	-	1,058	(1,892,879)
Buildings	(1,940,457)	(59,674)	-	-	690	(1,999,441)
Machinery and equipment	(93,164,964)	(2,609,895)	-	-	-	(95,774,859)
Motor vehicles	(128,160)	(48,918)	-	-	-	(177,078)
Furniture and fixtures	(999,366)	(90,945)	-	2,206	395	(1,087,710)
Other fixed assets	(16,268)	-	-	-	-	(16,268)
Leasehold improvements	(1,564,436)	(273,991)	-	-	142,726	(1,695,701)
Assets subject to operating lease	(7,118)	-	-	-	-	(7,118)
	(99,546,283)	(3,251,846)	-	2,206	144,869	(102,651,054)
Net book value	32,231,868					34,992,060

^(*) Construction in progress mainly consist of investments related to facility improvements.

^(**) Assets subject to operating lease consists of port investment.

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Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2023

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

In 2023, the Group has not borrowing cost, that are eligible for capitalization related with its investments. (31 December 2022: None).

Property, plant and equipments and intangible assets depreciation charges amounting to TRY4,219,034 (31 December 2022: TRY3,338,828) were allocated to cost of sales by TRY3,709,135 (31 December 2022: TRY2,910,996), to inventories by TRY81,019 (31 December 2022: TRY88,428), to general administrative expenses by TRY379,318 (31 December 2022: TRY300,182), to marketing, selling and distribution expenses by TRY49,562 (31 December 2022: TRY39,222).

As of 31 December 2023, Petlim Limancılık Ticaret A.Ş. has given 1st degree mortgage in favor of Akbank T.A.Ş. on its land amounting to USD350 million on the date of 20 November 2015 (31 December 2022: USD350 million).

As of 31 December 2023 and 2022 the details of the right of use assets that are accounted in the consolidated financial statements are as follows:

	31 December 2023	31 December 2022
Land	480,703	347,980
Buildings	356,467	381,493
Motor vehicles	39,826	19,815
Total right of use assets	876,996	749,288

As of 31 December 2023, additions to rights use of assets amounting to TRY21,907, depreciation expenses amounting to TRY120,246 (2022: TRY156,156).

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NOTE 12 - INTANGIBLE ASSETS

	1 January 2023	Additions	Transfers	Disposals	Foreign currency translation differences	31 December 2023
<u>Cost:</u>						
Rights and software	739,320	-	10,313	-	(358)	749,275
Capitalized development costs	102,210	-	12,530	-	-	114,740
	841,530	-	22,843	-	(358)	864,015

Accumulated amortization (-):

Rights and software	(426,209)	(65,145)	-	-	359	(490,995)
Capitalized development costs	(55,810)	(4,439)	-	-	-	(60,249)
	(482,019)	(69,584)	-	-	359	(551,244)

Net book value	359,511					312,771
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	1 January 2022	Additions	Transfers	Disposals	Foreign currency translation differences	31 December 2022
<u>Cost:</u>						
Rights and software	714,795	-	26,499	-	(1,974)	739,32
Capitalized development costs	81,564	-	20,646	-	-	102,21
	796,359	-	47,145	-	(1,974)	841,530

Accumulated amortization (-):

Rights and software	(346,127)	(79,668)	-	-	(414)	(426,209)
Capitalized development costs	(48,496)	(7,314)	-	-	-	(55,810)
	(394,623)	(86,982)	-	-	(414)	(482,019)

Net book value	401,736					359,511
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NOTE 13 - GOVERNMENT GRANTS

As of 31 December 2023, government grants incentives granted from Turquality and other institutions amounting to TRY8,368 includes incentives and aid (31 December 2022: TRY16,151) of that incentives grant has been presented in income statement. Investment incentives that of the Group are disclosed in Note 20.

NOTE 14 - DEFERRED REVENUE

a) Short-term deferred revenue

	31 December 2023	31 December 2022
Advances received	492,060	493,197
Deferred revenue	1,355	2,738
	493,415	495,935

Advances received include the payments received by the Group from its customers for the sales to be made in the following periods, and it is anticipated that these advances will be closed within one year (31 December 2022: It is expected to be closed within one year). The fair values of the advances received are estimated to approximate their carrying values.

NOTE 15 - PREPAID EXPENSES

a) Short-term prepaid expenses

	31 December 2023	31 December 2022
Advances given for inventory	589,997	860,635
Prepaid insurance and other expenses	43,133	79,763
Advances given for customs procedures	3,049	1,767
	636,179	942,165

b) Long-term prepaid expenses

Advances given for property, plant and equipment	322,810	218,760
Prepaid insurance and other expenses	22,534	2,760
	345,344	221,520

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NOTE 16 - EMPLOYEE BENEFITS

a) Liabilities for employee benefits:

	31 December 2023	31 December 2022
Social security contribution	117,323	106,376
Due to personnel	722	1,148
	118,045	107,524

b) Short-term employee benefits

	31 December 2023	31 December 2022
Provision for bonus Premium ^(*)	737,367	864,639
Provision for seniority incentive bonus	56,912	33,406
	794,279	898,045

^(*) Group has been paid TRY581,543 of the TRY864,639 accounted for bonus premium in 31 December 2022.

c) Long-term employee benefits:

	31 December 2023	31 December 2022
Provision for employment termination benefits	491,477	655,928
Provision for unused vacation rights	206,600	152,257
Provision for seniority incentive bonus	56,645	44,858
	754,722	853,043

Provision for unused vacation

Movements of the provision for unused vacation rights are as follows:

	2023	2022
1 January	152,257	133,125
Changes in the period, net	162,201	95,420
Monetary gain/loss	(107,858)	(76,288)
31 December	206,600	152,257

Provision for employment termination benefits:

Under Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women).

The amount payable consists of one month's salary limited to a maximum ceiling of TRY23,489.83 for each year of service as of 31 December 2023 (31 December 2022: TRY15,371.40).

The liability is not funded, as there is no funding requirement.

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NOTE 16 - EMPLOYEE BENEFITS (Continued)

c) Long-term employee benefits (Continued):

Provision for employment termination benefits (Continued):

The provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees.

TAS 19 requires actuarial valuation methods to be developed to estimate the enterprises' obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	31 December 2023	31 December 2022
Net discount rate (%)	1.98	0.50
Probability of retirement (%)	97.8	97.8

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TRY35,058.58 which is effective from 1 January 2024 has been taken into consideration in the calculation of employment termination benefits of the Group (1 January 2023: TRY 19,982.83).

Movements of the employment termination benefits are as follows:

	2023	2022
1 January	655,928	349,713
Interest cost	53,595	33,418
Payments during the period (-)	(13,206)	(13,116)
Service cost	59,702	24,149
Actuarial (gain)/ loss	24,539	517,945
Monetary gain/(loss)	(289,081)	(256,181)
31 December	491,477	655,928

Sensitivity analysis of the assumptions, that are used in order to calculate the provision of the employment termination benefits as 31 December 2023 and 2022 are follows:

Sensitivity analysis	31 December 2023 Net discount rate		31 December 2022 Net discount rate	
	100 Basis point increase	100 Basis point increase	100 Basis point increase	100 Basis point increase
Rate	2.98	0.98	1.50	1.50
Change in liability of employment termination benefit	(52,521)	62,583	(58,299)	70,062

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NOTE 16 - EMPLOYEE BENEFITS (Continued)

c) Long-term employee benefits (Continued):

Provision for seniority incentive bonus:

Seniority incentive bonus is a benefit provided to the personnel to promote their loyalty to the job and workplace.

The bonus amounting to 40 days of gross salary for 5 years seniority, 50 days of gross salary for 10 years seniority, 65 days of gross salary for 15 years seniority, 80 days of gross salary for 20 years seniority, 90 days of gross salary for 25 and 100 days of gross salary for 30, 105 days of gross salary for 35 and 110 days of gross salary for 40 years seniority is paid to the union personnel with the gross salary of the month when they are reached to the seniority level. In case of termination of employment for any reason that does not prevent gaining severance pay, 20% of seniority incentive which the employee will gain, for each year last first seniority incentive level. In this calculation the periods which are shorter than six months are not considered. Periods which are more than six months are considered as one year.

For the non-union personnel working at the Group, the bonus amounting to 40 days of gross salary for 5 years seniority, 50 days of gross salary for 10 years seniority, 65 days of gross salary for 15 years seniority, 80 days of gross salary for 20 years seniority, 90 days of gross salary for 25 years and100 days for 30, 105 days of gross salary for 35 and 110 days of gross salary for 40 years seniority for the seniority levels in which they are entitled as of the aforementioned date and 30 days of gross salary for the following seniority levels that they are going to be entitled is paid with the gross salary of the month when they are reached to the seniority level. In case of termination of employment for any reason that does not prevent gaining severance pay, 20% of seniority incentive which the employee will gain, for each year last first seniority incentive level. In this calculation the periods which are shorter than six months are not considered. Periods which are more than six months are considered as one year.

The seniority incentive bonus provision is calculated by estimating the present value of the future probable obligation arising from the qualification of the employees for the bonus.

TAS 19 requires that actuarial valuation methods to be developed to estimate the employee benefit provisions. The following actuarial assumptions have been used in the calculation of the total provision:

	31 December 2023	31 December 2022
Net discount rate (%)	1.98	0.50
Used rate related to retirement probability (%)	97.8	97.8

The movements of the provision for seniority incentive bonus are as follows:

	2023	2022
1 January	78,264	59,938
Interest cost	12,802	5,108
Payments during the period (-)	(37,224)	(29,354)
Service cost	97,594	68,492
Actuarial loss	13,390	5,704
Monetary gain/loss	(51,269)	(31,624)
31 December	113,557	78,264

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NOTE 17 - OTHER ASSETS AND LIABILITIES

a) Other current assets

	31 December 2023	31 December 2022
Value added tax ("VAT") receivable	1,301,484	1,533,586
Other	10,601	2,485
	1,312,085	1,536,071

b) Other non-current assets

Spare parts	78,929	62,851
Other	498	182
	79,427	63,033

c) Other liabilities

Taxes and funds payable and other deductions	112,391	160,830
Other	3,428	161
	115,819	160,991

NOTE 18 - DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2023			31 December 2022		
	Fair value (TRY)			Fair value (TRY)		
	Nominal contract amount (TRY)	Assets	(Liabilities)	Nominal contract amount (TRY)	Assets	(Liabilities)
Foreign currency forward transactions	2,767,759	-	(15,439)	1,164,413	-	(13,576)
Interest rate swap transactions ⁽¹⁾	2,160,474	101,310	-	1,577,912	109,948	-
	4,928,233	101,310	(15,439)	2,742,325	109,948	(13,576)

⁽¹⁾ The Group's hedging transactions that fulfil the conditions of hedge accounting from financial risk are classified as derivatives for hedging purposes. The maturities of these contracts are matched to the interest payment dates of the bank loans with floating interest rates and the fair value changes of the derivative instruments are accounted in the statement of other comprehensive income. Based on the outcome of effectiveness test performed on related process, the Group has considered that the process is fully effective and therefore applied cash flow hedge accounting. As of 31 December 2023, TRY12,571 of (31 December 2022: TRY122,444) interest expense that arose from investment loans is classified under equity "Cash flow hedge gains (losses)" which has no effect on current year income statement.

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NOTE 19 - EQUITY

The shareholders of the Company and their shareholdings as of 31 December 2023 and 31 December 2022:

Group:	Shareholder:	31 December 2023		31 December 2022	
		Amount (TRY)	Share (%)	Amount (TRY)	Share (%)
A SOCAR Turkey Petrokimya A.Ş.		1,292,544	51.00	1,292,544	51.00
A Publicly traded and other		1,241,856	49.00	1,241,856	49.00
C Privatization Administration		-	0.01	-	0.01
Total paid in share capital		2,534,400	100	2,534,400	100
Adjustment to share capital		27,887,153		27,887,153	
Total share capital		30,421,553		30,421,553	

Adjustment to share capital represents the difference between the inflation adjusted amounts of the cash and cash equivalents of the paid-in capital and the amounts before the inflation adjustment.

Approved and issued capital of the Company consist of 253,440,000,000 Group A shares, each of them having a registered nominal price of 1Kr, and 1 Group C preferred stock belonging to Management (31 December 2022 - Approved and issued capital of the Company consist of 253,440,000,000 Group A shares, each of them having a registered nominal price of 1Kr, and 1 Group C preferred stock belonging to Management).

Capital of the Company is composed of all registered shares.

The following matters are subject to the approval of the member of the Board of Directors representing the C type share:

- The amendments on the articles of association affecting the privileges of type C,
- The recording of the transfer of the registered shares in the stock ledger,
- The determination of the form of the certificate of authority stated in the 31st clause of the Articles of Association,
- The decision related with the reduction of the capacity of any plant by 10% owned by the Company,
- The foundation of new company or partnership, acquisition of a company being a partner of existing companies and/or merging with them, spin-off, changes of the titles, annulment and winding-up.

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NOTE 19 - EQUITY (Continued)

Dividend distribution

Listed companies shall distribute their profit in accordance with the Capital Market Board's Communiqué on Dividends II-19.1 which is effective from 1 February 2014.

Companies shall distribute their profits as part of the profit distribution policies to be determined by their general assemblies and in accordance with the related regulation provisions. A minimum distribution rate has not been determined in these regulations. The companies pay dividends as determined in their main agreements or profit distribution policies. Furthermore, dividends may be paid in instalments with same or different amounts and profit share advances may be distributed over the profit in the financial statements.

In accordance with the Turkish Commercial Code (TCC), no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of a usufruct right certificate, to the members of the board of directors or to the employees unless the required reserves and the dividend for shareholders as determined in the main agreement or in the dividend distribution policy of the company are set aside; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

The dividend distribution policy of the Company has been determined in accordance with the Communiqué on Dividends II-19-1 as follows:

- According to the Article numbered 37 of Association of the Company, dividends in advance can be distributed.
- In the event that distributable profit is available in accordance with the relevant communiqués; within the framework of the provisions of the Capital Markets Board and the Turkish Commercial Code, at least 50% of the annual distributable profit of the Company is aimed to be distributed in cash and / or shares and / or in installments. This rate is determined each year by the Board of Directors, depending on national and global economic conditions, the Company's medium and long-term growth and investment strategies, and cash requirements.
- According to the Articles of Association of the Company, the amount to be determined by the General Assembly, not exceeding the 0,1% of distributable profits remaining after distribution of first dividend shall be distributed to Board Members.
- A consistent policy shall be followed between the benefits of the shareholders' and the company in the application of Profit Distribution Policy.
- The date of distribution shall be decided by General Assembly upon proposal of the Board. Profit distribution payments shall be completed within legal terms. For other methods of profit distribution, relevant legislation, communiqués, and regulations of CMB shall be followed.
- In the event that calculated "net distributable profit for the year" is below 5% of issued capital, no profit shall be distributed.
- When no profit is distributed, the Board of Directors shall inform the shareholders at General Assembly meeting about the reasons and how the undistributed profits would be allocated.

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DİPNOT 19 - EQUITY (Continued)

Dividend distribution (Continued)

A provision in the main agreement is required for dividend to be distributable to holders of privileged shares, holders of usufruct right certificate, to the members of the board of directors, to the employees of the company and to non-shareholders. If, despite the fact that a provision is present in the main agreement regarding dividend distribution to these persons, a rate has not been determined, the dividend to be distributed to these persons may not exceed one fourth of the dividend distributed to shareholders under any circumstance except for those arising from privilege.

The comparison of the relevant equity items presented as inflation-adjusted in the consolidated financial statements of the Group as of December 31, 2023, with the inflation-adjusted amounts in the financial statements prepared in accordance with Law No. 6762 and other legislation is as follows::

	Inflation-adjusted amounts included in financial statements prepared in accordance with Law No. 6762 and other legislation	Amounts adjusted for inflation in financial statements prepared in accordance with TAS/IFRS	Amounts follow in accumulated profit/loss
31 December 2023			
Adjustment to share capital	28,262,273	27,887,153	375,120
Share premium	-	500,700	(500,700)
Restricted reserves	5,205,227	2,697,792	2,507,435

Retained earnings are 8,245,787 TRY before the first transition to IAS 29 application in the consolidated balance sheets prepared in accordance with TFRS as of January 1, 2022, and the amount calculated on the purchasing power basis as of December 31, 2023 is 13,586,819 TRY.

NOTE 20 - TAX ASSETS AND LIABILITIES

a) Corporate tax:

Current tax liabilities at 31 December 2023 and 31 December 2022 are summarized below:

	31 December 2023	31 December 2022
Calculated corporation tax	-	-
Less: Prepaid taxes (-)	(40,854)	(454,444)
Total corporation tax (asset)/liabilities	(40,854)	(454,444)

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NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

a) Corporate tax (Continued):

Tax expenses included in the consolidated income statement for the interim accounting periods ending 1 January - 31 December 2023 and 2022 are summarized below:

	1 January - 31 December 2023	1 January - 31 December 2022
Deferred tax expense/(income)	(1,844,688)	2,543,023
Current year tax expense	(19,099)	-
Total tax income/(expense)	(1,863,787)	2,543,023

Turkish tax legislation does not permit a parent company, its subsidiaries and its subsidiaries to file a tax return on its consolidated financial statements. For this reason, the tax provisions reflected in the financial statements in this consolidated are separately calculated for the subsidiaries.

In Türkiye, the corporate tax rate is %25 for 2023 (2022: %23). In Türkiye, the corporate tax rate is 23% for 2022. Institutions tax rate is applied to the tax base that will result in deducting expenses not included in the deduction according to the tax legislation of the corporation's commercial income, deduction in the tax laws (exemption of participation profits, exception of investment discount etc.) and discounts (such as R&D discount).

b) Deferred taxes

The Group recognizes deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under the TAS and the statutory tax financial statements prepared in accordance with Corporate Tax Law.

In accordance with the regulation numbered 7456, which entered into force after being published in the Official Gazette dated published in Official Gazette 15 July 2023, "On the Creation of Additional Motor Vehicle Tax for the Compensation of Economic Losses Caused by the Earthquakes That Occurred on 6/2/2023, and on Amending Certain Laws and the Decree Law No. 375". The corporate tax rate has been increased to 25% for advanced corporate tax to be submitted after October 2023. It will be applied as 25% starting from 2024. With the change in the law in question, with a 5-point base change in the export exemption rate, the Group re-evaluated the effective tax rate and determined the effective tax rate as 23% and calculated the deferred tax calculations based on this rate.

Meanwhile, the corporate tax exemption for gains from the sale of immovable properties acquired after July 15, 2023 and held in the assets of corporate taxpayers for at least 2 years has been completely abolished, while the corporate tax exemption on the sales gains of immovable properties acquired before this date has been reduced from 50% to 25%. It has been downloaded to. The regulation entered into force as of July 15, 2023.

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NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

b) Deferred taxes (Continued)

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of 31 December 2023 and 31 December 2022 are as follows:

	Taxable Temporary Differences		Deferred Income Tax Assets/ (Liabilities)	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Fair value increase in investment properties	(16,818,938)	(9,150,493)	(2,901,267)	(915,050)
Difference between the carrying values and tax base of property, plant, equipment and intangible assets	(3,835,041)	(6,081,650)	(867,749)	(1,163,198)
Fair value difference of derivative inancial instruments	(85,871)	(96,372)	(21,100)	(19,274)
Other	(60,296)	(398,668)	(15,074)	(79,733)
Deferred income tax liabilities	(20,800,146)	(15,727,183)	(3,805,190)	(2,177,255)
Unused investment incentives	4,528,574	4,259,479	1,670,210	1,767,410
Provision for employee benefits	1,549,001	1,751,088	356,270	350,218
Carry forward tax losses	788,982	796,600	197,245	160,743
Deferred revenue related to the port rental agreement	175,462	218,598	43,866	43,719
Inventory provision	61,300	148,460	14,099	29,692
Rent allowance fee	4,960	5,929	1,141	1,186
Provision for legal cases	2,597	4,279	597	855
Deferred income tax assets	6,866,766	7,184,433	2,283,428	2,353,823
Deferred tax assets/liabilities - net			(1,521,762)	176,568

The Group obtained a strategic investment incentive certificate from TC Ministry of Economy for PTA capacity increase project on 4 January 2013. The Group will be able to deduct 50% of the expenditures within the investment period that are in the scope of the investment incentives, from tax base, up to 90% as deduction from corporate tax. The Group has TRY19,901 unused investment incentive within the scope of strategic investment incentive certificate at of 31 December 2023. In this context, as of 31 December 2023 the Group has recognized deferred tax assets, that can be used in following periods, amounting to TRY9,950.

The Group has obtained regional investment incentive certificates from T.C. Ministry of Economy for factory modernization investment at the date of 15 June 2012. The Group will be able to deduct 30% of the expenditures within the investment period that are in the scope of the investment incentives, from tax base, up to 70% deduction from corporate tax. The group has TRY 1,894,834 unused investment incentive within the scope of strategic investment incentive certificate as of 31 December 2023. In this context, as of 31 December 2023 the Group has recognized deferred tax asset, that can be used in following periods, amounting to TRY 980,591.

The Group has obtained large scale of investment incentive certificate from T.C. Ministry of Economy for port project investments at the date of 20 November 2014. The Group will be able to deduct 25% of the expenditures within the investment period that are in the scope of the investment incentives, from tax base, up to 50% as deduction from corporate tax. The Group has TRY2,239,430 unused investment incentives within the scope of the port project investment certificate. In this context, as of 31 December 2023, the Group has recognized deferred tax asset, that can be used in following periods, amounting to TRY559,858.

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NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

b) Deferred taxes (Continued):

The Group, within the scope of factory modernizations, It received a regional investment incentive certificate from the Ministry of Economy on November 2, 2023. Within the scope of the regional investment incentive, the Group will be able to deduct 40% of the expenditures made during the investment period at the rate of 80% of the tax rate. As of December 31, 2023, the Group has made a total investment expenditure of 374,409 TRY within the scope of the regional investment certificate. In this context, as of December 31, 2023, the Group has a deferred tax asset of 119,811 TRY, which is 80% of 40% of the fixed investment amount that it can use in future periods.

As a result of projections made as of 31 December 2023, total investment expenditures made within the scope of total investment incentive documents foreseen to be used in deduction of expected future financial income amounted to TRY4,528,574 (31 December 2022: TRY4,259,479).

The expiration date of the carry forward tax losses on which the Group has accounted deferred tax assets is 2028.

The reconciliations of the taxation on income for the years ended 31 December 2023 and 2022 were as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Profit /(Loss) before taxation	9,277,429	(3,885,112)
Less: Shares in profit of investments accounted for using equity method	(9,924,823)	-
Loss before tax (Excluding the profit/loss shares)	(647,394)	(3,885,112)
Statutory tax rate	25%	23%
Calculated tax expense based on statutory tax rate	161,849	893,576
Reconciliation between the tax provision and calculated tax:		
Effect of unused tax losses for which no deferred tax asset was recognized	(1,755,490)	(60,361)
Effect on revaluation of immovables and other economic assets subject to depreciation ^(*)	-	2,773,677
Utilised investment incentives during the year	984,620	1,312,456
Income exempt from tax	190,311	230,150
Non-deductible expense	(755,070)	(248,347)
Tax rate difference	594,304	457,691
Inflation effect according to Tax Procedures Law provisions ^(**)	2,620,919	-
Monetary gain/loss	(3,845,577)	(2,903,470)
Other	(59,659)	87,651
Total tax expense reported in the profit or loss statement	(1,863,787)	2,543,023

^(*) In accordance with the regulation numbered 7326, published in Official Gazette on 9 June 2021, the opportunity to revalue the immovables registered in assets and the economic assets subject to depreciation on the effective date of the law. The covered assets will be valued with the D-PPI ("Domestic producer price index") rate and tax will be paid in 3 installments (at two-month intervals) at the rate of 2% over the amount of valuation increase. For the revalued assets, the valuation difference can be depreciated and recognized as taxable expense. Within the scope of the amendment, deferred income tax asset has been recognized in the statement of financial position based on the revaluation records for property, plant, equipment in the tax books, and the deferred income tax related to this asset has been recognized in the consolidated statement of profit or loss.

^(**) It consists of the deferred tax effect of the temporary differences created by the adjustments made regarding inflation accounting, together with the notification of the Tax Procedure Law dated 30/12/2023 and numbered 32415.

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 December 2023, unless otherwise indicated.)

NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

Deferred taxes (Continued)

The movement of deferred income tax is as follows:

	2023	2022
1 January	176,568	(2,336,659)
Recognized in the profit or loss statement	(1,844,688)	2,543,023
Recognized in other comprehensive income	156,318	61,299
Foreign currency translation differences	(9,960)	(91,095)
31 December	(1.521.762)	176.568

The total amount of the Group's deductible carry forward tax losses for which deferred tax assets have not been calculated is 4,261,674 TRY and its expiration date is 2028.

Tax Advantages Obtained Within the Scope of Investment Incentive System:

The Group's earnings from investments subject to incentive certificates are subject to corporate tax at reduced rates, starting from the accounting period in which the investment is partially or fully operated, until it reaches the investment contribution amount. In this context, as of 31 December 2023, the Group's tax advantage of 1,670,210 TRY in the foreseeable future (31 December 2022: 1,767,410 TRY) has been reflected in the consolidated financial statements as a deferred tax asset. As a result of the accounting of the tax advantage in question as of December 31, 2023, a deferred tax expense of 97,200 TRY has occurred in the consolidated statement of profit or loss for the period of January 1 - December 31, 2023.

Deferred tax assets are recorded if it is determined that taxable income is likely to occur in future years. In cases where it is probable that taxable income will be generated, deferred tax assets are calculated on the basis of deductible temporary differences, financial losses and tax advantages earned due to investment allowances with an indefinite life that allow the payment of reduced corporate tax. In this context, the Group bases the reflection of deferred tax assets arising from investment incentives on the consolidated financial statements on long-term plans, and evaluates the recoverability of deferred tax assets related to such investment incentives as of each balance sheet date, based on business models containing taxable profit estimates. The deferred tax assets in question are deducted from the balance sheet date. It is expected to be recovered within 8-10 years.

In the sensitivity analysis carried out as of December 31, 2023, when the inputs in the basic macroeconomic and sectoral assumptions that form the business plans were increased/decreased by 10%, there was no change in the expected recovery periods of deferred tax assets related to investment incentives within the range of 8-10 years.

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NOTE 21 - REVENUE AND COST OF SALES

	1 January - 31 December 2023	1 January - 31 December 2022
Domestic sales	36,132,121	50,883,642
Export sales	25,602,489	49,626,559
Other sales	578,816	382,942
Sales discounts (-)	(1,872,162)	(3,035,869)
Net sales	60,441,264	97,857,274
Direct raw materials and supplies	(34,021,808)	(43,995,281)
Cost of trade goods sold	(14,370,488)	(40,187,635)
Energy	(5,089,629)	(6,468,835)
Depreciation and amortization	(3,752,110)	(2,966,804)
Labour costs	(2,928,405)	(2,307,402)
Changes in work in progress and finished goods	(838,397)	(983,541)
Other	(1,768,709)	(380,950)
Cost of sales	(62,769,546)	(97,250,448)

NOTE 22 - GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2023	1 January - 31 December 2022
Personnel expense	(1,265,000)	(1,032,689)
Outsourced services	(833,648)	(650,593)
Depreciation and amortization	(424,767)	(359,205)
Energy expenses	(112,916)	(118,102)
Taxes, funds and fees	(42,247)	(32,856)
Other	(203,378)	(229,056)
	(2,881,956)	(2,422,501)

Fees for Services Obtained from Independent Auditor/ Independent Audit Firm

The Group's explanation regarding the fees for the services received from the independent audit firms, which is based on the letter of POAASA dated 19 August 2021, the preparation principles of which are based on the Board Decision published in the Official Gazette on 30 March 2021, are as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Independent audit fee for the reporting period	2,939	2,562
Fees for tax advisory services	722	1,178
Fee for other assurance services	190	153
	3,851	3,893

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NOTE 23 - MARKETING, SELLING AND DISTRIBUTION EXPENSES

	1 January - 31 December 2023	1 January - 31 December 2022
Outsourced services	(512,463)	(385,357)
Personnel expense	(494,381)	(454,138)
Depreciation and amortization	(81,384)	(80,547)
Other	(80,989)	(102,715)
	(1,169,217)	(1,022,757)

NOTE 24 - OTHER INCOME/EXPENSES FROM OPERATING ACTIVITIES

a) Other operating income:

	1 January - 31 December 2023	1 January - 31 December 2022
Foreign exchange gains	2,957,794	3,321,803
Rent income	84,705	64,049
Term sales income	31,080	17,779
Other	270,621	79,509
	3,344,200	3,483,140

b) Other operating expenses:

	1 January - 31 December 2023	1 January - 31 December 2022
Foreign exchange losses	(2,096,592)	(1,788,137)
Provision for impairment ^(*) (Note 11)	(1,112,220)	-
Term purchase expense	(104,336)	(70,152)
Other	(282,656)	(259,838)
	(3,595,804)	(2,118,127)

^(*) As of December 31, 2023, a provision for impairment has been made for the Group's factories that have been in temporary shutdown for more than a year, and detailed technical evaluations are still ongoing to determine the recoverable value of these factories.

NOTE 25 - INCOME/ (EXPENSES) FROM INVESTMENT ACTIVITIES

a) Income from investment activities

	1 January - 31 December 2023	1 January - 31 December 2022
Fair value increase in investment properties	7,559,487	1,495,218
Gain on sale of property, plant and equipments	509,267	2,965
Fair value of financial investmens	328,974	1,073,647
Rent income	153,867	157,536
Gain on investments properties	816	-
	8,552,411	2,729,366

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

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(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 December 2023, unless otherwise indicated.)

NOTE 25 - INCOME/ (EXPENSES) FROM INVESTMENT ACTIVITIES (Continued)

b) Expenses from investment activities

	1 January - 31 December 2023	1 January - 31 December 2022
Loss on sale of property, plant and equipment	(3,464)	(234)
	(3,464)	(234)

NOTE 26 - FINANCIAL INCOME/ EXPENSES

a) Finance income

	1 January - 31 December 2023	1 January - 31 December 2022
Foreign exchange gains	10,956,807	11,102,577
Interest income	555,967	691,216
Other	75,543	9,089
	11,588,317	11,802,882

b) Finance expense

	1 January - 31 December 2023	1 January - 31 December 2022
Foreign exchange loss	(14,498,544)	(12,121,888)
Interest expense	(3,460,755)	(2,937,499)
Commission expense	(183,784)	(224,938)
Interest expense on employee benefits	(65,856)	(40,375)
Other	(25,329)	(37,821)
	(18,234,268)	(15,362,521)

NOTE 27 - EARNINGS PER SHARE

a) Finance income

	1 January - 31 December 2023	1 January - 31 December 2022
Net loss for the period of the equity holders of the parent	7,389,998	(1,280,543)
Weighted average number of shares with nominal value of Kr l each (thousand)	253,440	253,440
Earnings/(loss) per share (Kr)	2.9159	(0.5053)

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 December 2023, unless otherwise indicated.)

NOTE 28 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Summary of the intercompany balances as of 31 December 2023 and 31 December 2022 and significant intercompany transactions during the period were as follows:

i) Balances with related parties

a) Short-term trade receivables from related parties:

	31 December 2023	31 December 2022
SOCAR Aliağa Liman İşletmeciliği A.Ş. ⁽²⁾	893,824	1,156,925
STAR ⁽²⁾	656,772	397,579
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	20,121	35,268
SOCAR Enerji Ticaret A.Ş. ⁽²⁾	18,596	368,411
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	4,206	-
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. ⁽²⁾	1,134	-
STEAŞ ⁽¹⁾	711	8
SOCAR Turkey Doğalgaz Yatırım A.Ş. ⁽²⁾	78	-
Azoil Petrolcülük A.Ş. ⁽²⁾	40	-
SOCAR Turkey Petrol Ticaret A.Ş. ⁽²⁾	35	170
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	32	49
Other ⁽²⁾	-	819
	1,595,549	1,959,229

b) Long-term other receivables from related parties:

SOCAR Power Enerji Yatırımları A.Ş. ⁽²⁾	18,637	21,734
	18,637	21,734

c) Short-term trade payables to related parties:

	31 December 2023	31 December 2022
STAR ⁽²⁾	3,357,470	1,673,145
SOCAR Enerji Ticaret A.Ş. ⁽²⁾	475,310	642,412
SOCAR Logistics DMCC ⁽²⁾	369,697	-
STEAŞ ⁽¹⁾	179,576	286,964
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	50,711	27,227
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	28,897	17,843
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. ⁽²⁾	12,758	15,410
SOCAR Turkey Petrol Ticaret A.Ş. ⁽²⁾	3,284	3,080
Azoil Petrolcülük A.Ş. ⁽²⁾	860	2,328
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	89	1,635
SOCAR Turkey Fiber Optik A.Ş. ⁽²⁾	2	-
SOCAR Trading SA ⁽²⁾	-	7,299
Other ⁽²⁾	372	52
	4,479,026	2,677,395

Short-term trade payables to related parties are mainly consist of consultancy, service and goods purchases. Average maturity of short-term trade payables is 21 days (31 December 2022: 11 days).

⁽¹⁾ Shareholders of the Company.
⁽²⁾ Shareholders of the Company or SOCAR's subsidiaries.

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

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(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 December 2023, unless otherwise indicated.)

NOTE 28 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

i) Balances with related parties (Continued)

d) Other payables to related parties:

	31 December 2023	31 December 2022
Due to shareholder ⁽¹⁾	87	143
	87	143

e) Short-term deferred revenue from related parties:

SOCAR Aliağa Liman İşletmeciliği A.Ş. ⁽²⁾	55,172	57,830
STAR ⁽²⁾	9,852	10,496
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	340	250
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. ⁽²⁾	-	121
	65,364	68,697

f) Long-term deferred revenue from related parties:

SOCAR Aliağa Liman İşletmeciliği A.Ş. ^{(2) (*)}	1,256,474	1,372,684
STAR ⁽²⁾	4,314	7,454
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	79	145
	1,260,867	1,380,283

(*) The balance is mainly consist of deferred revenue as a part of rental period of the port (32 years), in accordance with the operating agreement between the Group and SOCAR Aliağa Liman İşletmeciliği A.Ş. The Group recognizes these prepayments as revenue within the contractual period on a straight line basis.

g) Balances of related parties

Short-term prepaid expense to related parties:

	31 Aralık 2023	31 Aralık 2022
STEAŞ ^{(1) (*)}	70,379	14,850,393
SOCAR Sigorta ve Reasürans Brokerliği A.Ş. ⁽²⁾	37,246	42,604
SOCAR Logistics DMCC ⁽²⁾	25,386	-
STAR ⁽²⁾	3,056	2,987
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	90	211
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	76	125
Diğer ⁽²⁾	309	277
	136,542	14,896,597

⁽¹⁾ Shareholders of the Company.

⁽²⁾ Shareholders of the Company or SOCAR's subsidiaries.

^(*) See note 2.3

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NOTE 28 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

i) Balances of related parties (Continued)

h) Long-term prepaid expense to related parties

	31 December 2023	31 December 2022
STAR ⁽²⁾	21,253	37,056
STEAŞ ⁽¹⁾	13,025	8,405
	34,278	45,461

i) Short-term leasing payables to related parties:

SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	101,874	96,830
STEAŞ ⁽¹⁾	12,441	12,704
STAR ⁽²⁾	8,090	-
	122,405	109,534

j) Long-term leasing payables to related parties:

SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	334,632	382,779
STEAŞ ⁽¹⁾	36,447	46,062
STAR ⁽²⁾	5,186	-
	376,265	428,841

ii) Transactions with related parties

a) Other income/ (expenses), income from investing activities and finance income/ (expenses) from related party transactions - net: 1 January - 31 December 2023 1 January - 31 December 2022

STEAŞ ⁽¹⁾	5,654,679	5,093,282
SOCAR Power Enerji Yatırımları A.Ş. ⁽²⁾	5,664	5,062
STAR ⁽²⁾	(762,193)	(383,762)
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	(318,752)	136,629
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	(253,540)	(220,478)
SOCAR Enerji Ticaret A.Ş. ⁽²⁾	(130,775)	(194,792)
SOCAR Turkey Petrol Ticaret A.Ş. ⁽²⁾	(115,389)	(44,604)
SOCAR Sigorta ve Reasürans Brokerliği A.Ş. ⁽²⁾	(71,782)	-
SOCAR Aliağa Liman İşletmeciliği A.Ş. ⁽²⁾	(3,985)	2,002
SOCAR Logistics DMCC ⁽²⁾	(2,773)	(82)
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	(1,836)	(966)
SOCAR Turkey Doğalgaz Yatırım A.Ş. ⁽²⁾	(1,687)	(193)
SOCAR Turkey Fiber Optik A.Ş. ⁽²⁾	(148)	(16)
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. ⁽²⁾	(78)	2,426
SOCAR Turkey Petrokimya A.Ş. ⁽¹⁾	-	(2,202)
Other ⁽²⁾	(35)	(854)
	3,997,370	4,391,452

⁽¹⁾ Shareholders of the Company.

⁽²⁾ Shareholders of the Company or SOCAR's subsidiaries.

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(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 December 2023, unless otherwise indicated.)

NOTE 28 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

ii) Transactions with related parties (Continued)

a) Other income/ (expenses), income from investing activities and finance income/ (expenses) from related party transactions - net (Continued):

671,435 TRY of the expenses arising from STAR consist of exchange rate difference expenses and 90,758 TRY of other expenses, 5,792,162 TRY of the revenues obtained from STEAŞ consist of exchange rate difference income and 137,483 TRY of other expenses. Income from SOCAR Power consists of interest income.

b) Service and rent purchases from related parties:

	1 January - 31 December 2023	1 January - 31 December 2022
STEAŞ ⁽¹⁾	310,055	248,945
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	289,100	360,336
SOCAR Sigorta ve Reasürans Brokerliği A Ş. ⁽²⁾	254,503	390,289
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	145,336	77,873
STAR ⁽²⁾	50,522	62,990
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. ⁽²⁾	3,257	2,210
SOCAR Turkey Petrol Ticaret A.Ş. ⁽²⁾	552	134
SOCAR Trading SA ⁽²⁾	-	8,236
SOCAR Turkey Fiber Optik A.Ş. ⁽²⁾	-	735
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	361	552
Other ⁽²⁾	49	978
	1,053,553	1,153,278

The purchases from SCR Müşavirlik ve İnşaat A.Ş., STAR and STEAŞ mainly consist of rent and other services purchases.

c) Product purchase from related parties:

	1 January - 31 December 2023	1 January - 31 December 2022
STAR ⁽²⁾	15,775,063	33,277,514
SOCAR Logistics DMCC ⁽²⁾	3,288,926	1,159,581
SOCAR Enerji Ticaret A.Ş. ⁽²⁾	2,488,231	5,067,512
Azoil Petrolcülük A.Ş. ⁽²⁾	8,499	57,858
SOCAR Turkey Petrol Ticaret A.Ş. ⁽²⁾	5,699	7,228
SOCAR Turkey Fiber Optik A.Ş. ⁽²⁾	972	-
	21,567,390	39,569,693

Goods purchases from related parties consist of raw material and commercial product purchases. Purchases from STAR consist of 867,172 tons of TRY11,822,453 naphtha purchases, TRY3,952,610 other purchases.

⁽¹⁾ Shareholders of the Company.
⁽²⁾ Shareholders of the Company or SOCAR's subsidiaries.

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(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 December 2023, unless otherwise indicated.)

NOTE 28 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

ii) Transactions with related parties (Continued)

d) Product and service sales to related parties:

	1 January - 31 December 2023	1 January - 31 December 2022
STAR ⁽²⁾	5,483,943	4,132,079
SOCAR Aliağa Liman İşletmeciliği A.Ş. ⁽²⁾	608,507	757,576
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	384,294	27
SOCAR Enerji Ticaret A.Ş. ⁽²⁾	328,187	1,177,581
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	25,613	41,160
STEAŞ ⁽¹⁾	22,037	-
Azeri M-I Drilling Fluids MMC ⁽²⁾	12,824	14.581
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. ⁽²⁾	6,103	2,187
SOCAR Oil Refinery named after Hey ⁽²⁾	5,085	-
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	1,593	1,965
SOCAR Turkey Petrol Ticaret A.Ş. ⁽²⁾	548	783
Azoil Petrolcülük A.Ş. ⁽²⁾	346	598
SOCAR Azerikimya Production Union ⁽²⁾	257	-
	6,879,337	6,128,537

The breakdown of sales from STAR is as follows; TRY3,631,181 the sales of by product, TRY1,503,283 the sales of steam sales and the remaining sales of other products sales.

e) Rent income from related parties:

	1 January - 31 December 2023	1 January - 31 December 2022
STAR ⁽²⁾	166,741	164,526
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	26,565	11,002
SOCAR Aliağa Liman İşletmeciliği A.Ş. ⁽²⁾	3,672	3,792
STEAŞ ⁽¹⁾	2,901	-
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. ⁽²⁾	1,651	863
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	1,164	280
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	712	736
	203,406	181,199

⁽¹⁾ Shareholders of the Company.
⁽²⁾ Shareholders of the Company or SOCAR's subsidiaries.

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NOTE 28 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

ii) Transactions with related parties (Continued)

f) Fixed assets purchases from related parties:

	1 January - 31 December 2023	1 January - 31 December 2022
STEAŞ ⁽¹⁾	193,284	63,629
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. ⁽²⁾	29,910	29,055
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	11,276	3,296
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	10,547	10,644
STAR ⁽²⁾	8	20,764
SOCAR Aliağa Liman İşletmeciliği A.Ş. ⁽²⁾	2	-
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	-	1,391
	245,027	128,779

g) Key management compensation:

	1 January - 31 December 2023	1 January - 31 December 2022
Payments for salary and seniority incentives	269,359	257,561
	269,359	257,561

h) Key management compensation - long-term:

	1 January - 31 December 2023	1 January - 31 December 2022
Provision for unused vacation	4,518	7,883
Provision for seniority incentives	1,115	6,167
Provision for employment termination benefits	278	618
	5,911	14,668
	275,270	272,229

The Group classifies the general manager, assistant general managers, and board of directors and audit committee members as executive management. Key management compensation consist of salary and travel payments; employment termination benefits, seniority incentive bonus and vacation pays made to the key management and their provisions for the period in which they incurred.

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NOTE 29 - COMMITMENTS

a) Commitments

None.

NOTE 30 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Short-term provisions:

	31 December 2023	31 December 2022
Provision for legal cases	2,597	4,279
Other	-	7,977
	2,597	12,256

b) Guarantees received:

Receivable insurance	18,539,996	11,485,547
Bank guarantees within the context of DOCS	4,268,407	5,594,530
Letters of guarantee received from customers	1,770,184	3,183,456
Letters of guarantee received from suppliers	1,102,138	1,204,259
Letters of credit	152,370	33,248
Mortgages	2,000	3,296
	25,835,095	21,504,336

c) Guarantees given:

Mortgages given to banks ^(*)	4,195,854	5,078,397
Guarantees given to banks	121,784	2,093,265
Custom offices	286,265	347,575
Other	472,723	431,407
	5,076,626	7,950,644

(*) Mortgage amounting to USD350 million is related with the borrowing for port investment amounting to USD142 million as of 31 December 2023.

(1) Shareholders of the Company.
(2) Shareholders of the Company or SOCAR's subsidiaries.

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NOTE 30 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

c) Guarantees given(Continued):

Collaterals, Pledges and Mortgages ("CPM") provided by the Group:

	31 December 2023	31 December 2022
A. Total amount of CPMs given for the Company's own legal personality	880,772	2,872,247
B. Total amount of CPMs given on behalf of fully consolidated companies ^(*)	4,195,854	5,078,397
C. Total amount of CPMs given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPMs	-	-
i. Total amount of CPMs given on behalf of the majority shareholder	-	-
ii. Total amount of CPMs given to on behalf of other group companies which are not in scope of B and C	-	-
iii. Total amount of CPMs given to on behalf of third parties which are not in scope of C	-	-
	5,076,626	7,950,644

^(*) The guarantee given for the loan used by Petlim is related to pledge and mortgage. Used by Petlim, which has Petkim's guarantee and a pledge of Petlim's shares amounting to 2,818 million TRY. 4,195,854 TRY of the credit limit of 212 million USD has been used as of December 31, 2023. Within the scope of the loan in question, Petlim shares in the nominal amount of 2,818 million TRY were pledged by Petkim in the first stage. Later, on 20 November 2015, a mortgage of 350 million USD was established on the land sold by Petkim to Petlim for 5,650 TRY. It is considered that it would be appropriate to take the land price into consideration instead of the mortgage amount in terms of the risk posed by the given mortgage.

d) Operational leases:

Annual income plans and amounts (not discounted) regarding to the operational lease income, which are not recognized in the consolidated financial statements of the Group as of 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023	31 December 2022
0-5 years	4,156,476	2,492,667
5-10 years	4,414,047	2,731,645
10 years and more	14,078,192	9,506,602
Total	22,648,715	14,730,914

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NOTE 31 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS

a) Credit risk:

Holding of financial assets involves the risk that counterparties may be unable to meet the terms of the agreements. These risks are managed by collecting collaterals and by restricting the average risk range for counterparties (except intercompany) in every agreement. As part of its sales policy, the Group obtains collateral at an amount of 100% of total outstanding TRY trade receivables from its customers. The use of credit limits is regularly monitored and financial position of the customers, past experiences, reputation in the market and other factors are considered by the Management in order to evaluate the quality of the credits.

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NOTE 31 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

a) Credit risk (Continued):

The credit risk exposure in terms of financial instruments as of 31 December 2023:

	31 December 2023			
	Other receivables from related parties	Trade receivables from related parties	Trade receivables from third parties ⁽¹⁾	Cash and cash equivalents
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) ⁽²⁾	22,786	1,595,549	5,950,441	4,039,655
- The part of maximum credit risk covered with guarantees etc	-	-	3,316,292	-
A. Net book value of financial assets neither past due nor impaired ⁽³⁾	22,786	1,595,549	5,524,261	4,039,655
B. Net book value of financial assets whose conditions are vrenegotiated otherwise will be classified as past due or impaired ⁽³⁾	-	-	-	-
C. Net book value of assets past due but not impaired ⁽⁴⁾	-	-	422,911	-
- The part covered by guarantee etc.	-	-	24,355	-
D. Net book value of assets impaired	-	-	3,269	-
- Past due (gross book value)	-	-	17,890	-
- Impairment amount	-	-	(14,621)	-
- The part of net value covered with guarantees etc	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-

⁽¹⁾ Trade receivables of the Group are mainly composed of thermoplastic and fiber material sales.

⁽²⁾ Unearned credit finance income and covered parts of due and overdue receivables are taken into consideration while determining aforementioned amounts.

⁽³⁾ Considering the past experiences, the Group management believes that no additional credit risk for the collection of these receivables.

⁽⁴⁾ Considering the past experience of the Group management, it is foreseen that no problem will be encountered in the collection of past financial assets and the aging of the related amounts is as follows:

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NOTE 31 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

a) Credit risk (Continued):

The credit risk exposure in terms of financial instruments as of 31 December 2022:

	31 December 2023			
	Other receivables from related parties	Trade receivables from related parties	Trade receivables from third parties ⁽¹⁾	Cash and cash equivalents
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) ⁽²⁾	21,734	1,959,229	5,842,668	21,835,172
- The part of maximum credit risk covered with guarantees etc	-	-	4,261,163	-
A. Net book value of financial assets neither past due nor impaired ⁽³⁾	21,734	1,959,229	5,531,978	21,835,172
B. Net book value of financial assets whose conditions are vrenegotiated otherwise will be classified as past due or impaired ⁽³⁾	-	-	-	-
C. Net book value of assets past due but not impaired ⁽⁴⁾	-	-	305,122	-
- The part covered by guarantee etc.	-	-	165,432	-
D. Net book value of assets impaired	-	-	5,568	-
- Past due (gross book value)	-	-	39,450	-
- Impairment amount	-	-	(33,882)	-
- The part of net value covered with guarantees etc	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-

⁽¹⁾ Trade receivables of the Group are mainly composed of thermoplastic and fiber material sales.

⁽²⁾ Unearned credit finance income and covered parts of due and overdue receivables are taken into consideration while determining aforementioned amounts.

⁽³⁾ Considering the past experiences, the Group management believes that no additional credit risk for the collection of these receivables.

⁽⁴⁾ Considering the past experience of the Group management, it is foreseen that no problem will be encountered in the collection of past financial assets and the aging of the related amounts is as follows:

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NOTE 31 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

a) Credit risk (Continued):

31 December 2023	Receivables		
	Related parties	Third parties	Total
1-30 days overdue	-	369,790	369,790
1-3 months overdue	-	51,206	51,206
3 months and over	-	1,915	1,915
The part covered by the guarantees	-	(24,355)	(24.355)
			398,556

31 December 2022	Receivables		
	Related parties	Third parties	Total
1-30 days overdue	-	242,475	242,475
1-3 months overdue	-	43,044	43,044
3 months and over	-	19,603	19,603
The part covered by the guarantees	-	(165,432)	(165,432)
			139,690

b) Liquidity Risk:

Prudent liquidity risk management comprises maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of fund providers' lines from high-quality lenders. In order to maintain liquidity, the Group management closely monitors the collection of trade receivables on time in order to and to prevent any financial burden that may result from late collections and arranges cash and non-cash credit lines with banks for the use of the Group. The Group's financial liabilities and liquidity analysis into relevant maturity groupings based on the remaining period as of 31 December, 2023 and 2022 are as follows:

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NOTE 31 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

b) Liquidity Risk (Continued)

	31 December 2023				
	Value carried	Total cash outflow (=I+II+III)	Less than 3 months (I)	3 months - 1 year (II)	1 - 5 years and above (III)
Contract due date:					
Bank credits	22,064,274	25,417,000	3,328,171	6,901,835	15,186,994
Other financial liabilities trade payables	7,723,797	7,816,985	5,797,520	2,019,465	-
Bond issued trade payables	3,778,311	3,778,311	3,778,311	-	-
Due to related parties	4,479,113	4,479,113	4,479,113	-	-
Lease liabilities	704,531	1,485,407	64,095	34,929	1,386,383
	38,750,026	42,976,816	17,447,210	8,956,229	16,573,377

	31 December 2022				
	Value carried	Total cash outflow (=I+II+III)	Less than 3 months (I)	3 months - 1 year (II)	1 - 5 years and above (III)
Contract due date:					
Bank credits	10,467,015	11,356,911	934,218	5,590,300	4,832,393
Other financial liabilities	20,347,274	20,874,170	11,553,892	9,320,278	-
Bond issued trade payables	15,819,024	15,885,965	15,885,965	-	-
Non-related parties trade payables	4,584,940	4,584,940	4,584,940	-	-
Due to related parties	2,677,538	2,677,627	2,677,627	-	-
Lease liabilities	695,450	1,343,438	56,695	97,485	1,189,258
	54,591,241	56,723,051	35,693,337	15,008,063	6,021,651

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NOTE 31 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

b) Liquidity Risk (Continued)

The following table analyzes the Group's derivative financial instruments as of balance sheet date. Amounts shown in the table are undiscounted cash movements related to the contract. Amounts that will arrive within 12 months. the amount that would have been discounted would have been insignificant.

	31 December 2023				
	Value carried	Total cash outflow (=I+II+III)	Less than 3 months (I)	3 months - 1 year (II)	1 - 5 years and above (III)
Contract due date:					
Derivative financial instruments	85,871	(4,928,233)	(2,830,281)	(343,869)	(1,754,083)

	31 December 2022				
	Value carried	Total cash outflow (=I+II+III)	Less than 3 months (I)	3 months - 1 year (II)	1 - 5 years and above (III)
Contract due date:					
Derivative financial instruments	96,372	(4,518,608)	(1,983,953)	(277,596)	(2,257,059)

c) Market risk:

i) Foreign exchange risk

The Group also uses some derivative financial instruments, mainly Naphtha, to hedge cash flow risk arising from raw material price risk. The Group is exposed to foreign exchange risk arising from exchange rate changes due to the conversion of amounts owed or receivable in foreign currency into TRY. Existing risks are followed in meetings held by the Group's Audit Committee and Board of Directors and foreign currencies, closely in terms of the Group's foreign exchange position.

Although the raw materials, which comprise the significant portion of production and import volume, are foreign exchange denominated cost items, such exposure is limited with the sales prices impacted by foreign currencies.

Hedging of net investments

In order to hedge the exchange rate risk arising from the conversion of the net investments of STAR, whose functional currency is the US Dollar, into Turkish Lira, the Group has defined a portion of its US Dollar-denominated loans as a hedging instrument. The effective part of the value change arising from exchange rate of the loan defined for the hedging of net investments from financial risk is shown in "Cash Flow Hedging Gains/(Losses)" under equity to be offset from the foreign exchange rate differences arising from the translation of the net assets of the subsidiary into Turkish Lira. Before tax effect of bank loans as of December 31, 2023 The portion of USD 329,500 thousand is defined as the foreign exchange hedge of the subsidiary's net investment.

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NOTE 31 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

c) Market risk (continued):

i) Foreign exchange risk

Foreign currency position	31 December 2023				31 December 2022			
	TRY equivalent	US Dollar	Euro	Other	TRY equivalent	US Dollar	Euro	Other
1. Trade receivables	4,538,541	124,507	26,809	-	4,867,735	135,488	21,109	-
2a. Monetary financial assets Cash, bank accounts included)	3,754,481	110,015	15,790	1,488	34,294,037	1,107,316	5,414	62
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-
3. Current assets (1+2)	8,293,022	234,522	42,599	1,488	39,161,772	1,242,804	26,523	62
4. Trade receivables	-	-	-	-	-	-	-	-
5a. Monetary financial assets	-	-	-	-	-	-	-	-
5b. Non-monetary financial assets	-	-	-	-	-	-	-	-
6. Other	-	-	-	-	-	-	-	-
7. Non-current assets (4+5+6)	-	-	-	-	-	-	-	-
8. Total assets (3+7)	8,293,022	234,522	42,599	1,488	39,161,772	1,242,804	26,523	62
9. Trade payables	6,509,996	197,497	15,313	185,844	3,824,342	82,231	32,874	124,105
10. Financial liabilities	15,736,047	519,628	12,611	-	38,224,620	1,231,699	6,318	-
11a. Monetary other liabilities	137,048	3,876	-	22,735	1,404,079	3,548	-	785,667
11b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
12. Short term liabilities (9+10+11)	22,383,091	721,001	27,924	208,579	43,453,041	1,317,478	39,192	909,772
13. Trade payables	-	-	-	-	-	-	-	-
14. Financial liabilities	9,855,840	334,195	-	-	-	-	-	-
15a. Monetary other liabilities	457,802	12,582	-	86,729	508,118	14,458	-	37,544
15b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
16. Long term liabilities (13+14+15a+15b)	10,313,642	346,777	-	86,729	508,118	14,458	-	37,544
17. Total liabilities (12+16)	32,696,733	1,067,778	27,924	410,989	43,961,159	1,331,936	39,192	947,316
18. Net (liability)/asset contract value of derivative instruments (18a-18b)	(6,954,608)	(235,650)	-	-	3,459,132	112,274	-	-
18a. Amount of asset contract value of derivative instruments	2,762,775	93,850	-	-	3,459,132	112,274	-	-
18b. Amount of liability contract value of derivative instruments	9,717,383	329,500	-	-	-	-	-	-
19. Net foreign (liability)/ asset position (8-17+18)	(31,358,319)	(1,068,906)	14,675	(409,501)	(1,340,255)	23,142	(12,669)	(947,254)
20. Net foreign currency (liability)/asset Position of monetary items (TFRS 7.B23) (=1+2a+4+5a-9-10-11a-13-14-15a)	(24,403,711)	(833,256)	14,675	(298,820)	(4,799,387)	(89,132)	(12,669)	(947,254)
21. Total fair value of financial instruments used for foreign currency hedging	(15,389)	(523)	-	-	(13.609)	(441)	-	-
22. Hedged amount for foreign currency assets	2,762,775	93,850	-	-	3.459.132	112.274	-	-
23. Hedged amount for foreign currency liabilities	9,717,383	329,500	-	-	-	-	-	-
24. Export	24,151,470	548,708	217,106	606,127	28,505,078	902,381	320,063	640,200
25. Import	21,606,594	562,687	143,728	155,304	21,722,075	733,386	149,781	127,709

⌚ Previous year's Turkish Lira equivalent amounts have been prepared on the basis of 2023 purchasing power.

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NOTE 31 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

c) Market risk (continued):

Table of sensitivity analysis for foreign currency risk

31 December 2023	Profit/ (Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TRY:				
1- Asset/ (Liability) denominated in USD - net	(2,452,956)	2,452,956	(2,452,956)	2,452,956
2- The part hedged for USD risk (-)	-	-	234,034	(234,034)
3- USD effect - net (1+2)	(2,452,956)	2,452,956	(2,218,922)	2,218,922
Change of EUR by 10% against TRY:				
4- Asset/ (Liability) denominated in EUR - net	47,802	(47,802)	47,802	(47,802)
5- The part hedged for EUR risk (-)	-	-	-	-
6- Avro effect - net (4+5)	47,802	(47,802)	47,802	(47,802)
Change of other currencies by 10% against TRY:				
7- Assets/ (Liabilities) denominated in other foreign currencies - net	7,326	(7,326)	7,326	(7,326)
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	7,326	(7,326)	7,326	(7,326)
Total (3+6+9)	(2,397,828)	2,397,828	(2,163,794)	2,163,794

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NOTE 31 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

c) Market risk (continued):

Table of sensitivity analysis for foreign currency risk (continued)

31 December 2022	Profit/ (Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TRY:				
1- Asset/ (Liability) denominated in USD - net	(272,875)	272,876	(272,875)	272,876
2- The part hedged for USD risk (-)	154,049	-	345,913	(191,863)
3- USD effect - net (1+2)	(118,826)	272,876	73,038	81,013
Change of EUR by 10% against TRY:				
4- Asset/ (Liability) denominated in EUR - net	(41,615)	41,614	(41,615)	41,614
5- The part hedged for EUR risk (-)	-	-	-	-
6- Avro effect - net (4+5)	(41,615)	41,614	(41,615)	41,614
Change of other currencies by 10% against TRY:				
7- Assets/ (Liabilities) denominated in other foreign currencies - net	152,530	(152,531)	152,530	(152,531)
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	152,530	(152,531)	152,530	(152,531)
Total (3+6+9)	(7,911)	161,959	183,953	(29,904)

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NOTE 31 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

c) Market risk (continued):

The Group's interest rate position as of December 31, 2023 and 2022 is presented below:

	31 December 2023	31 December 2022
Financial instruments with fixed interest rate		
Financial liabilities		
USD Financial liabilities	13,134,966	38,016,487
EUR Financial liabilities	411,530	1,089,142
TRY Financial liabilities	-	2,342,614
Financial instruments with variable interest rate		
USD Financial liabilities	16,241,575	5,077,982
EUR Financial liabilities	-	107,088

If the variable interest rate loan interest rates were 100 basis points higher/lower after deducting the loans with fixed interest rates through contracts for hedging purposes from the Group's variable interest rate financial liabilities and all other variables remained constant, interest expenses would be +/- 61,068 TRY will change TRY (31 December 2022: 24.742).

d) Price risk

The Group's operational profitability and cash inflows from its operations are exposed to risk arising from fluctuations in naphtha prices which are affected by competition in the petrochemical sector and raw material prices. The Group management manages the risk by regularly reviewing the amount of inventory held on hand and takes action for cost reduction to decrease the pressure of cost on the prices. Existing risks are monitored through regular meetings by the Group's Board of Directors.

The Group sets its sales prices considering certain indicators of petrochemical products in domestic and foreign markets. The changes in foreign markets are monitored through the worldwide publications comparing most attainable competitive market prices of Western Europe, Asia and US contract, spot and factory prices and computing actual import costs to Türkiye. While the Group determines the domestic market prices, it considers the indicators such as price information obtained from the market players and sector publications and Group's production levels, stock levels and order amounts received.

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NOTE 31 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

e) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of debt/equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total liabilities (including short-term financial liabilities, current portion of long-term financial liabilities, long-term financial liabilities, less cash and cash equivalents).

	31 December 2023	31 December 2022
Total financial debt (Note 9)	29,788,071	46,633,313
Less: Cash and cash equivalents and Financial investment	(4,039,655)	(21,835,172)
Net debt	25,748,416	24,798,141
Total equity	51,388,127	44,537,947

Net debt/equity ratio	50%	56%
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NOTE 32 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group can realize in a current market exchange.

The methods and assumptions stated below are used in the estimation of the fair values of the financial instruments of which fair values are measurable:

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Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2023

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NOTE 32 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)

Financial assets

The fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate to their carrying values. Cash and cash equivalents are carried at their fair values. The fair values of trade receivables and due from related parties are considered to approximate their respective carrying values due to their short-term nature.

Financial liabilities

Trade payables, payables to related parties and other monetary liabilities are estimated to be presented with their discounted carrying amounts, they are considered to approximate to their fair values, and the fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate carrying values.

Fair values of short-term bank borrowings and other financial liabilities are assumed to approximate their carrying values due to their short-term. Long-term floating rate bank loans' interest rates are updated according to the changing market conditions, it is assumed to represent the value of the fair value is the carrying value of these loans. Long-term fixed-rate loan, when evaluated with a fixed interest rate as of the balance sheet date, it is observed its fair value is close to the carrying value.

Fair value estimation

The Group's financials classification of fair value of asset and liabilities were as follows:

Level 1: Depend on registered price (unadjusted) in the active market.

Level 2: Depend on data that are explicitly (via price in active market) or implicitly (derivate from price in active market) observable.

Level 3: Not depend on observable market data.

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 December 2023, unless otherwise indicated.)

NOTE 32 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)

Fair value estimation (Continued)

31 December 2023 and 2022, fair value and book value of financial statement were as follows:

31 December 2023	Level 1	Level 2	Level 3	Total
Financial investments - currency-protected time deposits	-	-	-	-
Derivative financial instruments	-	101,310	-	101,310
Investment properties - Land	-	16,829,018	-	16,829,018
Total assets	-	16,930,328	-	16,930,328
Derivative financial liabilities	-	(15,439)	-	(15,439)
Total liabilities	-	(15,439)	-	(15,439)

31 December 2022	Level 1	Level 2	Level 3	Total
Financial investments - currency-protected time deposits	-	1,607,740	-	1,607,740
Derivative financial instruments	-	109,948	-	109,948
Investment properties - Land	-	9,270,520	-	9,270,520
Total assets	-	10,988,208	-	10,988,208
Derivative financial liabilities	-	(13,576)	-	(13,576)
Total liabilities	-	(13,576)	-	(13,576)

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 December 2023, unless otherwise indicated.)

NOTE 33 - INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	31 December 2023		31 December 2022	
	Participation rate (%)	Amount	Participation rate (%)	Amount
Rafineri Holding A.Ş.	20	24,027,748	-	-
		24,027,748		-

As a result of the negotiations between the Group and its shareholder STEAŞ, a share sale and transfer agreement was signed on January 9, 2018 for the purchase of 30% shares of Rafineri Holding A.Ş. ("Rafineri Holding") from STEAŞ for 720 million US Dollars. SOCAR Turkey Yatırım A.Ş., of which Rafineri Holding is a joint venturer with a 60% share, fully owns STAR. The transfer of Rafineri Holding's shares subject to the contract will be completed by the Group on a date defined as the "Closing Date" in the contract, following the receipt of the necessary permissions, provided that the conditions specified in the contract are met. With the decision of Petkim's Board of Directors dated April 10, 2023, it was decided to sign a new protocol with STEAŞ in addition to the terms of the existing contract between Petkim and STEAŞ. In accordance with the protocol, Petkim's indirect shares in STAR will be reduced from 18% to 12%, and therefore the Rafineri Holding shares to be purchased from STEAŞ will be reduced from 30% to 20%, and in this context, the Share Transfer Fee will be reduced to 480 million US Dollar. It has been decided that no other payment will be made within the scope of the contract except the payment of 480 million US Dollar that has already been made to STEAŞ within the scope of the Petkim contract and the contract will be amended accordingly. Discussions were held with STEAŞ regarding this decision and parties are agreed. Petkim's acquisition of 20% of the shares of Rafineri Holding was completed on October 2, 2023, which is the transaction date. With the transaction, Petkim indirectly acquired a 12% share in STAR. The share purchase accounting of Rafineri Holding has been completed as of December 31, 2023.

The transaction is accounted based on the valuation report prepared by an independent valuation company licensed by the CMB. In the allocation of the purchase price in this valuation report, the valuation of tangible and intangible assets was taken into account and the determined values were subjected to impairment analysis. The cost method applied in the valuation studies for the purchase price allocation includes significant estimates and assumptions such as useful lives, technologic conditions, actual depreciation, commercial attributes and industrial conditions of the assets. Since the valuation is the evaluation of the refinery facility as a whole, in the light of market data to the extent applicable in the valuation of machinery, facilities and devices; The active and operating values within the entire refinery facility were made by taking into account the current status of the machines in question.

As of September 30, 2023, the purchase price is 13 billion TRY, equivalent to 480 million USD, and 20% of the acquired fair net assets, determined as a result of Rafineri Holding's purchase price allocation, is TRY 19.2 billion (as of December 31 The amounts of these values brought to purchasing power are TRY 14.4 billion and TRY 21.1 billion). The difference between the purchase price and the value of the acquired net assets was recorded in the income statement as negative goodwill of TRY 6.7 billion.

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 December 2023, unless otherwise indicated.)

NOTE 33 - INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

The movements of Rafineri Holding, one of the investments valued by the equity method, between 2 October and 31 December are as follows:

	2023
2 October	-
Purchase consideration	14,448,961
Gains from purchase	6,730,506
Shares of profit and losses	3,194,317
Defined benefit plans remeasurement gain	865
Shares of other comprehensive income/expense	12,085
Foreign currency translation differences	(358,986)
31 December	24,027,748

Rafineri Holding's summary financial statement information (before effective interest) is as follows:

	31 December 2023	30 September 2023
Current assets	151	330
Non-current assets	120,139,431	96,309,998
Total Assets	120,139,582	96,310,328
Short-term liabilities	840	468
Long-term liabilities	-	-
Equity	120,138,742	96,309,860
Total liabilities and equity	120,139,582	96,310,328

Shares from the profits of investments accounted by using the equity method

	31 December 2023	31 December 2022
Negative goodwill arising from the acquisition	6,730,506	-
Current period profit	3,194,317	-
	9,924,823	-

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 December 2023, unless otherwise indicated.)

NOTE 33 - INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

Shares from profits of investments valued by equity method (continued)

	1 October - 31 December 2023
Sales (net)	-
Gross Profit	-
Operating Profit	15,971,614
Net profit for the period	15,971,585

NOTE 34 - EVENTS AFTER BALANCE SHEET DATE

None.

Other Matters

Events of Special Importance That Took Place After The End Of The Operation Year

Yoktur.

ANNUAL REPORTS OF THE PARENT COMPANY WITHIN THE GROUP OF COMPANIES

Whether the Company holds an interest representing five percent, ten, twenty, twenty-five, thirty-three, fifty, sixty, seven or one hundred percent of the shares in the capital of an equity company or whether its interest falls below these percentages, and the reasons therefore.

In 2023, a 20% share in Rafineri Holding A.Ş. was acquired.

PETKİM PETROKİMYA HOLDİNG A.Ş. SHAREHOLDER STRUCTURE

31.12.2023		
Shareholders	Paid-in Capital	(TRY) %
SOCAR Turkey Petrokimya A.Ş.	1,292,544,000	51.00
Directorate of Privatization Administration	0.00	
Traded on BİST (Publicly Held)	1,241,855,999.99	49.00
Total	2,534,400,000.00	100.00

The conclusion part of the report stipulated in Article 199 (4) of the Law upon request of a member of the governing body.

Provided under the heading Relations with the Controlling Company.

Performance Indicators

Operational Performance

Petkim	2021	2022	2023
The Rate of Meeting Türkiye's Need for Petrochemical Products	16%	12%	12%
Annual Gross Production Capacity (million ton)	3.6	3.6	3.6
Total Production	3.3 million tons	2.2 million tons	2.3 MTA
Capacity Utilization Rate	93%	63.9%	66.1%
Ethylene-Propylene Efficiency	47%	46.1%	47%
PX, OX and Benzene Efficiency	44.1%	36.6%	35%
Total Assets (million TRY)	-	95.7	103.2
Total Employees	2,385	2,335	2,374

Economic Performance

Economic Value Created

Economic and Administrative Performance (thousand TRY) ⁷	2022	2023
Revenues*	100,586,640	68,993,675
Revenue from Sustainable Product Categories (Renewable Energy etc.) ⁸	263,294,730	279,754,379
Economic Value Distributed**	(100,695,706)	(66,820,719)
Economic Value Retained***	201,282,346	135,814,394

*Revenue is calculated by adding up net sales and financial return on investments/financial gains from investments.
**Distributed Economic Value is the sum of Consolidated operating expenses, Total tax and similar liability payments, Dividend payments and Employee benefits (salary payments, fringe benefits, etc.).
***Retained economic value is the income-distributed economic value amount.

Petkim's Tax Payments (TRY)*	2021	2022	2023
Total*	1,136,880,000	0	13,583,343
Earnings Before Tax**	6,652,208,000	4,677,858,000	5,977,907,905
Tax Paid on Cash Basis	1,136,880,000	0	13,583,343
Tax Benefits	5% tax reduction (discount) for compliant taxpayers, Corporate Income Tax (CIT) Reduction, VAT exemption, Tax Incentive for Cash Capital Increase, R&D tax credit, Foreign Exchange Protected Deposit discount, 1% VAT discount on export revenues and VAT refunds were applied for all group companies within the scope of taxation except TANAP. Total amount of the tax benefits is 3,903,115,972.34 TRY (including the benefits provided from these supports in the relevant year if used for corporate tax purposes). Turqality support at Petkim for RP BU companies is followed by the Finance/Incentive team and the total amount thereof is TRY 4,930,983.	5% tax reduction (discount) for compliant taxpayers, Corporate Income Tax (CIT) Reduction, VAT exemption, Tax Incentive for Cash Capital Increase, R&D tax credit, Foreign Exchange Protected Deposit discount, 1% VAT discount on export revenues and VAT refunds were applied for all group companies within the scope of taxation except TANAP. Total amount of the tax benefits is TRY 2,198,339,331.33 (including the benefits provided from these supports in the relevant year if used for corporate tax purposes). Turqality support at Petkim for RP BU companies is followed by the Finance/Incentive team and the total amount thereof is TRY 7,981,478.00.	The amount of Petkim's VAT refund is TRY 1,766,033,898.52. Turqality support at Petkim for RP BU companies is followed by the Finance/Incentive team and the total amount thereof is TRY 5,767,879.00.

*Indicates the Supplementary Earthquake Tax paid in accordance with Law No. 7440 and the Corporate Tax payments of our companies over the income statements based on the Tax Procedure Law.
**This is the profit figure on the financial statements that should be prepared according to IFRS. May be different from the balance sheet and income statement prepared in accordance with the Tax Procedure Law.

⁷ Relevant figures are presented in accordance with IAS 29 based on the CMB Report.
⁸ Consolidated data for the Refinery and Petrochemical Business Unit

Tax Rates	2-year (FY22 and FY23)	3-year (FY21, FY22 and FY23)
Effective Tax Rate	0.19%	7%
Cash Tax Rate	0.19%	7%

Environmental Performance

Environmental Expenditures	Unit	2021	2022	2023
Environmental Investments and Expenditures*	USD	6,492,370.00	14,588,060.00	16,762,570.00 ✓
Environmental R&D Expenses	USD	876,500.00	1,600,000.00	1,100,000.00 ✓
Environmental Consultancy, Measurement and Analysis Expenses	USD	1,711,180.00	2,725,520.00	3,716,420.00 ✓
Environmental Training Expenses	USD	0	0	6,056.28 ✓
Environmental Penalties	USD	3,162.00	240,380.00	0 ✓

*It also includes Protection Activities.

Environmental Training	Unit	2021	2022	2023
Total Number of Personnel	Persons	3,197	2,298	2,294 ✓
Total Training Hours	Hours	2,705.50	2,232.50	2,285.00 ✓

Energy Consumption	Unit	2021	2022	2023
Natural gas	GJ	16,954,461.89	13,358,158.11	13,730,768.60 ✓
Fuel Gas	GJ	17,030,817.09	12,403,365.59	13,076,369.14 ✓
Combustible Gas	GJ	2,352,630.13	3,129,890.40	3,390,609.48 ✓
Aeration Gas (Vent Gas)	GJ	40,088.10	18,315.46	3,520.98 ✓
Hydrogen	GJ	307,084.68	390,555.48	788,202.84 ✓
Diesel	GJ	397,089.38	2,527,514.82	3,577,050.43 ✓
Total Electricity Consumed	GJ	753,277.19	243,090.43	132,605.32 ✓
Electricity Generation from Renewable Resources	GJ	598,474.80	625,557.60	524,707.20
Non-Renewable Energy Consumption	MWh	10,094,666.00	7,905,339.00	8,142,910.00
Renewable Energy Consumption ⁹	MWh	0	0	0
Energy Intensity	GJ/Tons Production	11.30	13.14	12.85

Greenhouse Gas Emissions	Unit	2021	2022	2023
Scope 1	Ton CO ₂ e	1,889,432.49	1,838,002.77	1,950,750.15 ✓
Scope 2	Ton CO ₂ e	92,067.21	29,725.58	16,207.32 ✓

⁹ Petkim produces renewable energy through WPP and sells all of the energy generated to the main grid. For this reason, the share of renewable energy in total energy consumption is 0. On the other hand, the amount of electricity supplied from the main grid decreases as the amount of electricity generated from the wind power plant increases, depending on Petkim's power balance. This reduces Petkim's dependence on main grid electricity.

Greenhouse Gas Density		Unit	2021	2022	2023
Petkim		Ton CO ₂ e/Tons output	0,586	0.860	0.858

Air Emissions (Petkim)		Unit	2021	2022	2023
NOx		Tons	2,227.16	2,040.92	1,446.40
SOx		Tons	1,040.96	631.68	942.29
CO		Tons	794.54	377.00	351.10
PM		Tons	10.64	7.35	13.16
VOC		Tons	0.93	0.05	1.05
Other ¹⁰		Tons	0.56	0.45	0.76

Water Consumption		Unit	2021	2022	2023
Surface Water		m³	20,601,862.00	17,523,735.00	15,109,586.00 ✓
Groundwater		m³	-	-	- ✓
Municipal Water		m³	-	-	- ✓
Reused Water		m³	-	-	- ✓
Total Water Consumption		m3	20,601,862.00	17,523,735.00	15,109,586.00 ✓

Wastewater Volume		Unit	2021	2022	2023
Volume of Wastewater Discharged After Treatment		m³	5,789,588.80	6,490,429.00	5,944,848.00 ✓
Volume of Wastewater Discharged Without Treatment		m³	-	-	- ✓
Total Wastewater Volume		m³	5,789,588.80	6,490,429.00	5,944,848.00 ✓

		Unit	2021	2022	2023
Net Water Consumption		m³	14,812,273.20	11,033,306.00	9,164,738.00 ✓

Amount of Wastes (Petkim)	Unit	2021		2022		2023	
		Hazardous	Non-Hazardous	Hazardous	Hazardous	Non-Hazardous	Hazardous
On-Site Storage	Tons	-	-	-	-	- ✓	- ✓
Reuse	Tons	-	2,738.42	-	2,754.30	- ✓	3,193.02 ✓
Recycling	Tons	11,258.67	7,683.14	17,822.93	5,760.73	5,713.12 ✓	8,824.74 ✓
Recovery	Tons	-	-	-	-	- ✓	- ✓
Sanitary Landfill – Delivered to Landfill	Tons	1,730.10	15,750.10	6,551.20	219,994.11	15,821.01 ✓	60,325.59 ✓
Incineration	Tons	577.14	-	927.68	-	1,889.87 ✓	- ✓
Total	Tons	13,565.91	26,171.66	25,301.81	228,509.14	23,424.00 ✓	72,343.35 ✓
TOTAL	Tons	39,737.57		253,810.95		95,767.35 ✓	

¹⁰ Sum of HAP, POP, TOC, Heavy Metals.

Total number of employees by roles	2022				2023			
	Manager	Expert	Technical Staff	Technician and Foreman	Manager	Expert	Technical Staff	Technician and Foreman
Petkim	14	265	309	1,761	19	317	326	1,712

Total number of employees by age	2022			2023		
	below 30 years of age	btw 30-50 years of age	Older than 50 years of age	below 30 years of age	btw 30-50 years of age	Older than 50 years of age
Petkim	258	2017	74	204 ✓	2079 ✓	91 ✓

Number of disabled employees	2022		2023	
	Male	Female	Male	Female
Petkim	39	8	39	8

Employee Rotation by Gender	2022		2023	
	Male	Female	Male	Female
Number of newly recruited employees	52	23	86	43
Number of leaving employees	90	12	60 ✓	12 ✓
Employee turnover rate	4%	1%	3% ✓	6% ✓

Petkim	2022		2023	
	Female	Male	Female	Male
Total Employees	178	2,171	209	2,165
Number of junior managers	35	111	41	121
Number of middle level managers	6	51	14	256
Number of senior executives	0	5	0	5
Number of Board members	2	7	2	7

Employee Rotation by Age	2022			2023		
	below 30 years of age	btw 30-50 years of age	Older than 50 years of age	below 30 years of age	btw 30-50 years of age	Older than 50 years of age
Number of newly recruited employees	36	39	-	70	58	1
Number of leaving employees	6	46	50	10	48	14
Employee turnover rate	0,3%	2,0%	2,1%	0,4%	2,0%	0,6%

Number of Employees by Gender	2022		2023	
	Male	Female	Male	Female
Petkim	2,171	178	2,165 ✓	209 ✓
	2,349		2,374 ✓	

Total number of employees by gender and roles	2023							
	Manager		Expert		Technical Staff		Technician and Foreman	
	Male	Female	Male	Female	Male	Female	Male	Female
Petkim	19	-	192	125	273	53	1681	31

Remuneration	2022			2023		
	Local Minimum Wage	Entry Level Wage		Local Minimum Wage	Entry Level Wage	
		Male	Female		Male	Female
Rate of standard entry-level wage by gender ¹¹ compared to local minimum wage	6,471 TRY	111%	111%	13,414.5 TRY	105%	130%

Maternity Leave and Rate of Returns to Work (persons/year)	2022		2023	
	Male	Female	Male	Female
Total number of employees entitled to maternity leave	125	10	111 ✓	9 ✓
Total number of employees taking maternity leave	125	10	111 ✓	9 ✓
Total number of employees returning to work after maternity leave ends	123	7	109 ✓	12 ✓
Total number of employees who returned to work after maternity leave ends and are still working 12 months after returning to work	167	5	120 ✓	7 ✓

Total hours of training provided to employees	2023		
	Male	Female	Total
Petkim	100,197.6	12,186.1	112,383.7 ✓

Total hours of training provided by roles	2023			
	Manager	Expert	Technical Staff	Technician and Foreman
Petkim	1,252.5	21,068.9	20,123.5	69,938.9

¹¹ Full-time wage in the lowest employment category

	Petkim		
Accident Statistics (Petkim Employees)	2021	2022	2023
Number of Accidents ¹²	8	12	3 ✓
Number of Fatal Accidents	0	1	0 ✓
Number of Recordable Work-Related Illnesses	0	0	0
Number of Days Lost due to Incidents	323	0	0 ✓
Total Hours Worked	4,469,506	4,640,009	4,531,857
Total Recordable Incident Rate (TRIR) (per 200,000 working hours)	0.36	0.56	0.13 ✓
Occupational Disease Rate (per 200,000 working hours)	0.00	0.00	0.00 ✓

	Petkim		
Accident Statistics (Petkim contractors)	2021	2022	2023
Number of Accidents ¹²	12	8	14
Number of Fatal Accidents	0	0	0
Number of Recordable Work-Related Illnesses	0	0	0
Total Hours Worked	3,737,814	6,756,949	6,345,576
Total Recordable Incident Rate (TRIR) (per 200,000 working hours)	0.64	0.24	0.44

OHS Expenditures (USD, \$)		2023
Expenditures within the Scope of OHS	2,737,090	

	2023
Occupational Health Safety Trainings	Duration of the Training (hours)
Total hours of training provided to employees	90,429.50 ✓

Number of Contractors	2023
Petkim	2,230

	Petkim
Number of Suppliers	2023
Number of Domestic Suppliers	700
Number of Foreign Suppliers	121
Total Number of Suppliers	821
Percentage of Domestic Suppliers	85%
Percentage of Procurement Budget Allocated to Domestic Suppliers	78%

¹² Injuries requiring intervention beyond the First Aid

GRI Content Index



DECLARATION OF USE	Petkim has reported in accordance with the GRI Standards for the period 01.01.2023-31.12.2023.
APPLIED GRI 1	GRI 1: Foundation 2021
GRI SECTOR STANDARD	GRI 11: Oil and Gas Industry 2021

For the Content Index –Advanced Service, GRI Services reviewed that the GRI content index has been presented in a way consistent with the requirements for reporting in accordance with the GRI Standards, and that the information in the index is clearly presented and accessible to the stakeholders.

The service was performed on the Turkish version of the report.

GRI STANDARD	DISCLOSURE	LOCATION	OMISSION	GRI SECTOR STANDARD REF. NO.
GENERAL DISCLOSURES				
GRI 2: General Disclosures 2021	2-1 Organization details	About SOCAR Global & SOCAR Türkiye		
	2-2 Entities included in the organization's sustainability reporting	About the Report		
	2-3 Restatements of information	About the Report		
	2-4 Information revised according to previous reports		There is no information rearranged from previous reports.	
	2-5 External assurance	About the Report Limited Assurance Report		
	2-6 Activities, value chain and other business relationships	About Petkim		
	2-7 Employees	We are Together to Invest in People Performance Indicators		
	2-8 Workers who are not employees	Stakeholder Engagement Responsible Supply Chain		
	2-9 Governance structure and composition	Corporate Governance Board of Directors Annual Report		
	2-10 Nomination and selection of the highest governance body	Corporate Governance Board of Directors Annual Report		
	2-11 Chair of the highest governance body	Corporate Governance Board of Directors Annual Report		
	2-12 Role of the highest governance body in overseeing the management of impacts	Corporate Governance Board of Directors Annual Report		
	2-13 Delegation of responsibility for managing impacts	Corporate Risks, Business Continuity and Crisis Management		
	2-14 Role of the highest governance body in sustainability reporting	Sustainability at Petkim		

GRI STANDARD	DISCLOSURE	LOCATION	OMISSION	GRI SECTOR STANDARD REF. NO.
GENERAL DISCLOSURES				
GRI 2: General Disclosures 2021	2-15 Conflicts of interest	Business Ethics and Integrity		
	2-16 Communication of critical concerns	Corporate Risks, Business Continuity and Crisis Management		
	2-17 Collective knowledge of the highest governance body	Corporate Governance		
	2-18 Evaluation of the performance of the highest governance body	Corporate Governance		
	2-19 Remuneration policies	Corporate Governance Gender Equality		
	2-20 Process to determine remuneration	Corporate Governance Gender Equality		
	2-21 Annual total compensation ratio		As SOCAR Türkiye group companies, employee salary data is not shared due to reasons such as being a state-owned company, employee privacy concerns, compliance with the Personal Data Protection Law (KVKK), and not all entities being publicly traded.	
	2-22 Statement on sustainable development strategy	Sustainability Strategy		
	2-23 Policy commitments	Current Policies & Management Systems Certificates		
	2-24 Embedding policy commitments	Current Policies & Management Systems Certificates		
	2-25 Processes to remediate negative impacts	Corporate Risks, Business Continuity and Crisis Management		
	2-26 Mechanisms for seeking advice and raising concerns	Business Ethics and Integrity		
	2-27 Compliance with laws and regulations	About the Report Corporate Governance		
	2-28 Membership associations	Memberships and Collaborations		
	2-29 Approach to stakeholder engagement	Stakeholder Engagement		
	2-30 Collective bargaining agreements	Human Resources Approach		

GRI STANDARD	DISCLOSURE	LOCATION	OMISSION	GRI SECTOR STANDARD REF. NO.
PRIORITY ISSUES				
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Sustainability at Petkim Sustainability Strategy Our Materiality Issues in Sustainability		
	3-2 List of material topics	Our Materiality Issues in Sustainability		
TRANSITION TO A LOW CARBON ECONOMY AND CARBON TECHNOLOGIES				
GRI 3: Material Topics 2021	3-3 Management of material topics	Our Materiality Issues in Sustainability We Are Together for Creating Economic Value		11.2.1 11.11.1 11.14.1 11.21.1
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Sustainable Economic Value Created		11.14.2 11.21.2
	201-2 Financial implications and other risks and opportunities due to climate change	Business Continuity and Crisis Management		11.2.2
	201-3 Defined benefit plan obligations and other retirement plans	Employee Engagement and Wellbeing		
	201-4 Financial assistance received from government	Performance Indicators		11.21.3
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Gender Equality		
	202-2 Proportion of senior management hired from the local community	Corporate Governance		11.11.2 11.14.3
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Together in Production		11.14.4
	203-2 Significant indirect economic impacts	We Are Together for Creating Economic Value		11.14.5
CLIMATE RISKS				
GRI 3: Material Topics 2021	3-3 Management of material topics	Our Materiality Issues in Sustainability Biodiversity		11.4.1
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Biodiversity		11.4.2
	304-2 Significant impacts of activities, products and services on biodiversity	Biodiversity		11.4.3
	304-3 Habitats protected or restored	Biodiversity		11.4.4
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	Biodiversity		11.4.5

GRI STANDARD	DISCLOSURE	LOCATION	OMISSION	GRI SECTOR STANDARD REF. NO.
ENERGY EFFICIENCY				
GRI 3: Material Topics 2021	3-3 Management of material topics	Our Materiality Issues in Sustainability Energy Efficiency		11.1.1
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Energy Efficiency Performance Indicators		11.1.2
	302-2 Energy consumption outside of the organization	Energy Efficiency Performance Indicators		11.1.3
	302-3 Energy intensity	Energy Efficiency Performance Indicators		11.1.4
	302-4 Reduction of energy consumption	Energy Efficiency Performance Indicators		
	302-5 Reductions in energy requirements of products and service	Energy Efficiency Performance Indicators		
WATER QUALITY AND WASTEWATER MANAGEMENT				
GRI 3: Material Topics 2021	3-3 Management of material topics	Our Materiality Issues in Sustainability Water Quality and Wastewater Management		11.6.1
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Water Quality and Wastewater Management		11.6.2
	303-2 Management of water discharge-related impacts	Water Quality and Wastewater Management		11.6.3
	303-3 Water withdrawal	Water Quality and Wastewater Management Performance Indicators		11.6.4
	303-4 Water discharge	Water Quality and Wastewater Management Performance Indicators		11.6.5
	303-5 Water consumption	Water Quality and Wastewater Management Performance Indicators		11.6.6
CIRCULAR ECONOMY AND WASTE				
GRI 3: Material Topics 2021	3-3 Management of material topics	Our Materiality Issues in Sustainability Circular Economy and Waste		11.5.1 11.8.1
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Together in Production		
	301-2 Recycled input materials used		Studies on the use of recycled input materials are ongoing.	
	301-3 Reclaimed products and their packaging materials	Together in Production		

GRI STANDARD	DISCLOSURE	LOCATION	OMISSION	GRI SECTOR STANDARD REF. NO.
EMPLOYEE ENGAGEMENT AND WELLBEING				
GRI 402: Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	Human Resources Approach		11.7.2 11.10.5
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Gender Equality		11.11.5
	405-2 Ratio of basic salary and remuneration of women to men	Gender Equality		11.11.6
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Human Rights Gender Equality	There were no cases of discrimination during the reporting period.	11.11.7
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Human Rights	There are no activities and suppliers where freedom of association and collective bargaining may be at risk during the reporting period.	11.13.2
SUSTAINABLE ECONOMIC VALUE				
GRI 3: Material Topics 2021	3-3 Management of material topics	Our Materiality Issues in Sustainability Responsible Supply Chain		11.10.1 11.12.1 11.14.1
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Responsible Supply Chain		11.14.6
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Responsible Supply Chain		
	308-2 Negative environmental impacts in the supply chain and actions taken		There are no negative impacts of the supply chain on the environment in the reporting period.	
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Responsible Supply Chain		11.10.8 11.12.3
	414-2 Negative social impacts in the supply chain and actions taken		There are no negative social impacts of the supply chain in the reporting period.	11.10.9
EMPLOYEE TRAINING AND TALENT DEVELOPMENT				
GRI 3: Material Topics 2021	3-3 Management of material topics	Our Materiality Issues in Sustainability Employee Training and Talent Development		11.7.1 11.10.1 11.11.1
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Employee Training and Talent Development		11.10.6 11.11.4
	404-2 Programs for upgrading employee skills and transition assistance programs	Employee Training and Talent Development		11.7.3 11.10.7
	404-3 Percentage of employees receiving regular performance and career development reviews	Employee Training and Talent Development		

GRI STANDARD	DISCLOSURE	LOCATION	OMISSION	GRI SECTOR STANDARD REF. NO.
COMPLIANCE WITH HUMAN RIGHTS PRINCIPLE				
GRI 3: Material Topics 2021	3-3 Management of material topics	Our Materiality Issues in Sustainability Human Rights		11.12.1 11.15.1 11.16.1 11.17.1 11.18.1
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Human Rights	There are no activities and suppliers with risks in terms of child labour.	
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Human Rights	There are no activities or suppliers with a significant risk of forced or compulsory labour cases.	11.12.2
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures		There are no security personnel trained in human rights policies or procedures.	11.18.2
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples		There are no cases of violations involving the rights of local people.	11.17.2
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs		Percentage of operations where local community engagement, impact assessments and development programmes are in place is not available.	11.15.2
	413-2 Operations with significant actual and potential negative impacts on local communities		There are no activities with significant actual or potential negative impacts on local communities.	11.15.3
BUSINESS ETHICS AND INTEGRITY				
GRI 3: Material Topics 2021	3-3 Management of material topics	Our Materiality Issues in Sustainability		11.3.1 11.19.1 11.20.1 11.21.1 11.22.1
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Anti-Bribery and Anti-Corruption		11.20.2
	205-2 Communication and training about anti-corruption policies and procedures	Anti-Bribery and Anti-Corruption		11.20.3
	205-3 Confirmed incidents of corruption and actions taken	Anti-Bribery and Anti-Corruption	There were no cases of corruption during the reporting period.	11.20.4
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti competitive behavior, anti-trust, and monopoly practices	Business Ethics and Integrity	There were no lawsuits related to anti-competitive behaviours and activities during the reporting period.	11.19.2

GRI STANDARD	DISCLOSURE	LOCATION	OMISSION	GRI SECTOR STANDARD REF. NO.
BUSINESS ETHICS AND INTEGRITY				
GRI 207: Tax 2019	207-1 Approach to tax	Tax Approach		11.21.4
	207-2 Tax governance, control, and risk management	Tax Approach		11.21.5
	207-3 Stakeholder engagement and management of concerns related to tax	Stakeholder Engagement Tax Approach		11.21.6
	207-4 Country-by-country reporting	Board of Directors Annual Report		11.21.7
GRI 415: Public Policy 2016	415-1 Political contributions		No political contributions are made.	11.22.2
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories		There is no percentage of specific product and service categories where health and safety impacts are assessed for improvement.	11.3.3
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services		There are no incidents of non-compliance.	
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling		There are no types of product and service information required by labelling procedures and no products subject to these information requirements.	
	417-2 Incidents of non-compliance concerning product and service information and labeling		There are no incidents of non-compliance.	
	417-3 Incidents of non-compliance concerning marketing communications		There are no incidents of non-compliance.	
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data		There are no complaints.	

Sustainability Principles Compliance Framework

PRINCIPLE		COMPLIANCE STATUS				DESCRIPTION	REPORT INFORMATION / LINK
		YES	NO	PARTLY	NOT RELEVANT		
A. General Principles							
A1. Strategy, Policy and Targets							
A.1.1	The Board of Directors determines the environmental, social and governance (ESG) priority issues, risks and opportunities	x				<p>The Board of Directors determines the environmental, social and governance (ESG) priority issues, risks and opportunities.</p> <p>The comprehensive prioritization matrix built in 2022 was used for this purpose. For 2023, the results of the prioritization matrix were examined in detail, and priority issues were reconsidered taking into account social and environmental concerns changing in line with global and industry trends. Factors such as legislation, UN Sustainable Development Goals, industry and mega trends, other companies and competitors in the industry, GRI Standards, SASB Industry Standards, ESG rating agencies and the World Economic Forum (WEF) Global Risks Report were taken into account for the purpose of this evaluation process. The significance and impact of each issue was evaluated in terms of stakeholders and Petkim's strategy. Material issues identified were reviewed by the Sustainability Committee and Strategy Team and were aligned with Petkim's current business environment, strategic position and current strategic approach.</p> <p>As of the reporting period, sustainability risks have been fully integrated into the process in addition to SOCAR Türkiye's traditional risk registry list. This integration is a result of the work carried out at SOCAR Türkiye. An Environmental, Social and Governance (ESG) risk registry list, which includes sustainability risks and climate-related risks, has been created and updated specifically for Petkim. The risk registry list in question was constituted as a result of a comprehensive workshop held with the participation of the Sustainability and Risk Committee and responsible persons from relevant business units. In this workshop, risk topics were reconsidered taking into account the global sustainability agenda such as the Paris Climate Agreement, European Green Deal, Net Zero Carbon along with mega trends and current reporting standards. Risk items were grouped under environmental, social and governance headings. The list, constituted in compliance with the requirements of the ISO 31000 Risk Management System Standard and IFRS S1 and S2 Standards, has been prepared to ensure effective management of sustainability risks.</p>	Petkim Integrated Annual Report - Risk and Crisis Management

PRINCIPLE		COMPLIANCE STATUS				DESCRIPTION	REPORT INFORMATION / LINK
		YES	NO	PARTLY	NOT RELEVANT		
A. General Principles							
A1. Strategy, Policy and Targets							
	The Board of Directors establishes ESG policies (e.g. Environmental Policy, Energy Policy, Human Rights and Employee Policy etc.) and declares to the public.			x		SOCAR Türkiye has constituted various corporate policies regarding the management of social, economic and environmental issues. The most comprehensive of these policies, which are also published on the corporate website, are SOCAR Türkiye Code of Ethics, Anti-Corruption and Trade Sanctions Policy and SOCAR Türkiye Occupational Health, Safety and Environmental Policy. Environment, social and governance (ESG) policies are further disclosed in the Petkim Integrated Annual Report and website.	Petkim Integrated Annual Report - Current Policies & Management Systems Certificates
A.1.2	The short and long term goals in line with ESG policies are declared to the public.	x				SOCAR Türkiye has constituted various corporate policies regarding the management of social, economic and environmental issues. The most comprehensive of these policies, which are also published on the corporate website, are SOCAR Türkiye Code of Ethics, Anti-Corruption and Trade Sanctions Policy and SOCAR Türkiye Occupational Health, Safety and Environmental Policy. Environment, social and governance (ESG) policies are further disclosed in the Petkim Integrated Annual Report and website.	Petkim Integrated Annual Report - Sustainability Strategy
A2. Implementation/Monitoring							
A.2.1	The committees and/or units responsible for the implementation of ESG policies as well as the highest-level person in charge of ESG issues and their duties are determined and publicly disclosed.	x				ESG and sustainability activities At SOCAR Türkiye are executed centrally through the Sustainability Committee. Sustainability efforts at Petkim are also executed by SOCAR Türkiye Sustainability Committee. Sustainability Committee is chaired by SOCAR Türkiye CEO and co-chaired by the Head of Strategy and Sustainability. The Sustainability Committee, operating under the Executive Committee, is further monitored by the Corporate Governance and Sustainability Committee affiliated to SOCAR Türkiye Board of Directors. Furthermore, various working groups have been commissioned to achieve the set goals. Working groups strive towards the successful implementation of the sustainability strategy in SOCAR Türkiye and its subsidiaries.	Petkim Integrated Annual Report - Sustainability at Petkim
	The responsible committee / unit reports the activities carried out within the scope of the policies to the Board of Directors at least once a year.	x				Petkim maintains its activities under the leadership of SOCAR Türkiye Sustainability Committee by targeting excellence in environmental, social and corporate governance in line with the strategy and policies and by focusing on creating a positive impact. These works are carried out under the supervision of the SOCAR Türkiye Board of Directors and the Corporate Governance and Sustainability Committee. Sustainability performance is evaluated regularly and progress is recorded accordingly.	Petkim Integrated Annual Report - Sustainability at Petkim

PRINCIPLE		COMPLIANCE STATUS				DESCRIPTION	REPORT INFORMATION / LINK
		YES	NO	PARTLY	NOT RELEVANT		
A.2.2	Implementation and action plans in line with the ESG targets are formed and declared to the public.	x				Petkim determines its implementation and action plans in line with its ESG targets in accordance with SOCAR Türkiye.	Petkim Integrated Annual Report - Sustainability Strategy
A.2.3	The scope of ESG Key Performance Indicators (KPI) and relevant indicators are announced to public on a yearly basis.	x				Petkim has disclosed its environmental, social and governance performance indicators over the years in the Petkim Integrated Annual Report.	Petkim Integrated Annual Report - Performance Indicators
A.2.4	Activities that improve sustainability performance in business processes, products, and services have been disclosed to the public	x				Activities that improve sustainability performance in business processes, products, and services have been disclosed to the public in the Petkim Integrated Annual Report.	Petkim Integrated Annual Report
A3. Reporting							
A.3.1	Information regarding the performance of the Group in terms of sustainability performance, targets and activities are included correctly and adequately in the annual report.	x					Petkim Integrated Annual Report - Sustainable Economic Value Created
A.3.2	Information about which of the United Nations (UN) 2030 Sustainable Development Goals its activities are related to has been disclosed to the public by the Group.		x			With the awareness of responsibility for the Sustainable Development Goals, Petkim implements a Sustainability Strategy to support the SDGs at every stage of the Value Chain.	Petkim Integrated Annual Report - Contribution to UN Sustainable Development Goals

PRINCIPLE		COMPLIANCE STATUS				DESCRIPTION	REPORT INFORMATION / LINK
		YES	NO	PARTLY	NOT RELEVANT		
A.3.3	Information about the important lawsuits filed and/ or concluded in ESG issues, which are important in terms of ESG policies and/ or will significantly affect activities, have been disclosed to the public.	x				As of 31.12.2023, there are no lawsuits filed against the Company that may affect the financial status and activities of the Company.	Petkim Integrated Annual Report - Appendix - Board of Directors' Activity Report
A4. Verification							
A.4.1	ESG Key Performance metrics of the Group have been verified and publicly disclosed by an independent third party organization.			x		Petkim has undergone an ESG Limited Assurance Audit and disclosed its verified data in the Petkim Integrated Annual Report.	Petkim Integrated Annual Report - Appendix - Limited Assurance Audit Report
B. Çevresel İlkeler							
B.1	The Group has disclosed its policies and practices in the field of environmental management, action plans, environmental management systems (known with ISO 14001 standard), and programs to the public.	x				Petkim manages its environmental activities with a total of nine quality systems including the ISO 14001:2015 Environmental Management System.	Petkim Integrated Annual Report - We are Together in the Fight Against Climate Change
B.2	The scope of the report, the reporting period, the reporting date, and the limitations regarding the reporting conditions were disclosed to the public regarding the environmental reports prepared to provide information on environmental management.	x					Petkim Integrated Annual Report - About the Report
B.3	Presented in A2.1						

PRINCIPLE		COMPLIANCE STATUS				DESCRIPTION	REPORT INFORMATION / LINK
		YES	NO	PARTLY	NOT RELEVANT		
B.4	Environmental targets included in the rewarding criteria within the scope of performance incentive systems based on stakeholders (such as members of the Board of Directors, managers and employees) have been disclosed to the public.		x			For the purpose of assessing the performance of senior managers, compliance with the principles of long-term sustainable improvement as well as Environment, Social and Governance (ESG) policies are also taken into consideration in addition to financial targets.	Petkim Integrated Annual Report - Corporate Governance
B.5	How priority environmental issues are integrated into business targets and strategies has been disclosed to the public.	x					Petkim Integrated Annual Report – Sustainable Economic Value Created
B.6	Presented in A2.4						
B.7	How environmental issues are managed and integrated into business targets and strategies throughout the group value chain, including the operational process, suppliers and customers has been disclosed to the public.	x					Petkim Integrated Annual Report - Communication with Stakeholders
B.8	Whether the environment organizations and non-governmental organizations are involved in the policy-making processes or not, and the collaborations with these institutions and organizations have been disclosed to the public.	x				Various environment projects are implemented at Petkim. These projects are implemented in collaboration with public institutions, non-governmental organizations and local governments, when necessary.	Petkim Integrated Annual Report - Communication with Stakeholders/ Corporate Social Responsibility

PRINCIPLE		COMPLIANCE STATUS				DESCRIPTION	REPORT INFORMATION / LINK
		YES	NO	PARTLY	NOT RELEVANT		
B.9	Comparable information on its environmental impacts are periodically disclosed to the public in the light of environmental indicators (greenhouse gas emissions (Scope-1 (Direct), Scope-2 (Indirect energy), Scope-3 (Other indirect), air quality, energy management, water and wastewater management, waste management, biodiversity impacts).	x				Comparable information on Petkim's environmental impacts in the light of environmental indicators is periodically disclosed in the Petkim Integrated Activity Report.	Petkim Integrated Annual Report - Fight Against Climate Change Risks
B.10	Standards, protocols, methodologies and reference year details used to collect and calculate data are disclosed to the public	x				Standards, protocols, methodologies and reference year details used to collect and calculate data are disclosed in the Petkim Integrated Annual Report	Petkim Integrated Annual Report - Limited Assurance Audit
B.11	The status of the environmental indicators for the reporting year (increase or decrease) in comparison with previous years has been described to the public.	x				The status of the environmental indicators for the reporting year (increase or decrease) in comparison with previous years has been disclosed in the Petkim Integrated Annual Report.	Petkim Integrated Annual Report - Performance Indicators
B.12	Short and long-term targets to mitigate environmental impact are set and these targets are announced together with the information on their progress in relation to the goals set in the past years.	x				Short and long-term targets to mitigate environmental impact are set and these targets are disclosed in the Petkim Integrated Annual Report.	Petkim Integrated Annual Report - Sustainability Strategy

PRINCIPLE		COMPLIANCE STATUS				DESCRIPTION	REPORT INFORMATION / LINK
		YES	NO	PARTLY	NOT RELEVANT		
B.13	The strategy and actions to combat the climate crisis are disclosed to the public.	x				Protecting the environment is a priority issue in Petkim's operations and the fight against climate change is also of importance. Within the framework of SOCAR Türkiye sustainability principles, Petkim adopts approaches such as the optimal use of the resources, switching to energy efficiency and clean energy sources. Petkim has further developed a holistic and preventive environmental strategy aiming to minimize environmental impacts.	Petkim Integrated Annual Report - Fight Against Climate Change Risks
B.14	In order to prevent or minimize the potential negative impact of products and/or services on the environment, programs or procedures have been established and disclosed to the public.		x			The issues with regard to energy efficiency and the use of materials requested in the Procurement Requests (PR) of SOCAR Türkiye group companies at Petkim are determined within the scope of Green Procurement Policy, MM Procedure for Evaluating Price Offers, MM Inventory Availability Control and PR Procedures and relevant transactions are realized accordingly.	Petkim Integrated Annual Report - Responsible Supply Chain
	Actions for reducing greenhouse gas emissions of third parties (e.g. Suppliers, subcontractors, dealers etc.) are taken and these actions have been disclosed to the public.		x			There are no actions for reducing greenhouse gas emissions of third parties (e.g. Suppliers, subcontractors, dealers etc.).	Petkim Integrated Annual Report - Sustainability Principles Compliance Report and Information Form
B.15	The environmental benefits / profits and cost savings provided by projects and initiatives aimed to reduce environmental impacts are disclosed to the public.	x				The environmental benefits / profits and cost savings provided by projects and initiatives aimed to reduce environmental impacts are disclosed in the Petkim Integrated Annual Report.	Petkim Integrated Annual Report - We are Together in the Fight Against Climate Change
B.16	The total energy consumption (natural gas, diesel, gasoline, LPG, coal, electricity, heating, cooling) data are disclosed to the public as Scope-1 and Scope-2.	x				Energy consumption data are disclosed to the public in the Petkim Integrated Annual Report as Scope-1 and Scope-2.	Petkim Integrated Annual Report - Air Quality/ Performance Indicators

PRINCIPLE		COMPLIANCE STATUS				DESCRIPTION	REPORT INFORMATION / LINK
		YES	NO	PARTLY	NOT RELEVANT		
B.17	Information on electricity, heat, steam and cooling generated in the reporting year is disclosed to the public.				x	No information is disclosed on electricity, heat, steam and cooling generated in the reporting year.	Petkim Integrated Annual Report - Sustainability Principles Compliance Report and Information Form
B.18	Efforts undertaken to increase the use of renewable energy and transition to zero or low carbon electricity have been disclosed to the public.	x				In line with the Refinery and Petrochemical Business Unit Energy Policy along with the mission, vision, corporate values and basic principles, Petkim is committed to effectively manage energy consumption and develop long-term, sustainable and safe production methods with high energy efficiency. Improving energy performance is prioritized when designing the facilities, systems and processes. Thereupon raw materials, products and services are provided with effective energy efficiency. The processes are improved through continuous internal audits and it is aimed to popularize the use of renewable energy in electricity generation through wind energy investments.	Petkim Integrated Annual Report - Energy Efficiency
B.19	The renewable energy generation and consumption data are disclosed to the public.	x				The renewable energy generation and consumption data are disclosed in Petkim Integrated Annual Report.	Petkim Integrated Annual Report - Energy Efficiency/ Performance Indicators
B.20	Energy efficiency projects were carried out and the amount of energy consumption and emission reduction achieved through energy efficiency projects was disclosed to the public.	x				Energy efficiency projects were carried out and the amount of energy consumption and emission reduction achieved through energy efficiency projects was disclosed in the Petkim Integrated Annual Report.	Petkim Integrated Annual Report - Energy Efficiency
B.21	Water consumption, the amount of water withdrawn from underground or above ground, if any, recycled and discharged, sources and procedures have been publicly disclosed.	x				Water consumption, the amount of water withdrawn from underground or above ground, if any, recycled and discharged, sources and procedures have been disclosed in the Petkim Integrated Annual Report.	Petkim Integrated Annual Report – Water Quality and Wastewater Management

PRINCIPLE		COMPLIANCE STATUS				DESCRIPTION	REPORT INFORMATION / LINK
		YES	NO	PARTLY	NOT RELEVANT		
B.22	Whether the operations or activities are included in any carbon pricing system (Emission Trading System, Cap & Trade or Carbon Tax) has been disclosed to the public.	x				As the legal regulation processes regarding the carbon pricing system are still ongoing in Türkiye, there is no carbon pricing system in which Petkim is involved.	Petkim Integrated Annual Report - Sustainability Principles Compliance Report and Information Form
B.23	The carbon credit information accumulated or purchased during the reporting period is disclosed to the public.				x	No carbon credit has been accumulated or purchased during the reporting period.	Petkim Integrated Annual Report - Sustainability Principles Compliance Report and Information Form
B.24	If carbon pricing is applied within the Group, the details are disclosed to the public.		x			Petkim aims to develop an internal carbon pricing approach in its future investments to effectively integrate decarbonization and reduce risks caused by potential regulations.	Petkim Integrated Annual Report - Sustainability Strategy
B.25	Platforms where the Group discloses its environmental information have been publicly disclosed.	x				Petkim discloses its environmental information to the public in the Sustainability Principles Compliance Report, Integrated Activity Report and SOCAR Integrated Report.	Petkim Integrated Annual Report - We are Together in the Fight Against Climate Change
C. Social Principles							
C1. Human Rights and Employee Rights							
C.1.1	A Corporate Human Rights and Employee Rights Policy has been established to cover the Universal Declaration of Human Rights, ILO Conventions ratified by Türkiye and other relevant legislation, the responsible persons for the implementation of the policy have been determined and the policy and responsible persons have been disclosed to the public.	x					Petkim Integrated Annual Report - Human Rights https://socar.com.tr/uploads/SOCAR_Turkiye_Insan_Haklari_Politika_Belgesi_2023.pdf

PRINCIPLE		COMPLIANCE STATUS				DESCRIPTION	REPORT INFORMATION / LINK
		YES	NO	PARTLY	NOT RELEVANT		
C.1.2	Considering the supply and value chain impacts, fair labour, improvement of labour standards, women's employment and inclusion issues (such as non-discrimination on gender, race, religion, language, marital status, ethnic identity, sexual orientation, gender identity, family responsibilities, union activities, political opinion, disability, social and cultural differences, etc.) have been included in the policy on employee rights.	x					Petkim Integrated Annual Report - Human Rights https://socar.com.tr/uploads/SOCAR_Turkiye_Insan_Haklari_Politika_Belgesi_2023.pdf
C.1.3	Precautions taken throughout the value chain regarding the consideration of specific economic, environmental, and social factors such as low-income groups, women, or minority rights/opportunities have been disclosed to the public.	x				The activities carried out by SOCAR Türkiye and its group companies are compatible with the United Nations Universal Declaration of Human Rights and the main conventions of the International Labor Organization. Petkim further expects its suppliers, customers and business partners to observe the norms in order to ensure that human rights are valued and respected in all operating decisions and processes. Employees' freedom of association, unionization and collective bargaining has been respected within the framework of respect for human rights. Forced labor, labor abuse, and child labor are prevented and no form of discrimination is permitted.	Petkim Integrated Annual Report - Human Rights / Ethics and Compliance / Value Creation Model & Capital Items https://socar.com.tr/uploads/SOCAR_Turkiye_Insan_Haklari_Politika_Belgesi_2023.pdf

PRINCIPLE		COMPLIANCE STATUS				DESCRIPTION	REPORT INFORMATION / LINK
		YES	NO	PARTLY	NOT RELEVANT		
C.1.4	Developments regarding preventive and corrective practices against discrimination, inequality, human rights violations, forced labour and child labour have been disclosed to the public.	x				The activities carried out by SOCAR Türkiye and its group companies are compatible with the United Nations Universal Declaration of Human Rights and the main conventions of the International Labor Organization. Petkim further expects its suppliers, customers and business partners to observe the norms in order to ensure that human rights are valued and respected in all operating decisions and processes. Employees' freedom of association, unionization and collective bargaining has been respected within the framework of respect for human rights. Forced labor, labor abuse, and child labor are prevented and no form of discrimination is permitted.	Petkim Integrated Annual Report - Human Rights/ Ethics and Compliance
C.1.5	Investments in employees (training, development policies), compensation, fringe benefits, right to form labour unions, work/life balance solutions and talent management issues have been included in the policy on employee rights.			x			Petkim Integrated Annual Report - Employee Engagement and Wellbeing https://socar.com.tr/uploads/SOCAR_Turkiye_Insan_Haklari_Politika_Belgesi_2023.pdf
	Mechanisms for resolving employee complaints and disputes have been established and dispute resolution processes have been determined.	x				Through the "Ethics HotLine" which is offered as an integrated facility for all SOCAR Türkiye group companies, to which Petkim is affiliated, employees can submit their complaints and feedback anonymously through official correspondence, e-mails, telephone and similar communication channels. Incoming notifications are regularly reviewed by, SOCAR Türkiye Compliance Department and complaints are referred to the relevant units to be resolved as soon as possible.	Petkim Integrated Annual Report - Employee Engagement and Wellbeing
	Activities carried out during the reporting period to ensure employee satisfaction have been disclosed to the public.	x				Activities carried out during the reporting period to ensure employee satisfaction and survey results have been disclosed in the Petkim Integrated Annual Report.	Petkim Integrated Annual Report - We are Together to Invest in People

PRINCIPLE		COMPLIANCE STATUS				DESCRIPTION	REPORT INFORMATION / LINK
		YES	NO	PARTLY	NOT RELEVANT		
C.1.6	Occupational health and safety policies have been established and disclosed to the public.	x					Petkim Integrated Annual Report - HSE Management System https://socar.com.tr/uploads/SOCAR_TR_ISG-C_Politikasi.pdf
	Measures taken to prevent occupational accidents and to protect health as well as accident statistics have been disclosed to the public.	x					Petkim Integrated Annual Report - Occupational Health and Safety and Environment Approach
C.1.7	Personal data protection and data security policies have been established and disclosed to the public.			x		Personal data management processes are carried out in accordance with global standards within Petkim. The compliance with international standards of the work carried out by SOCAR Türkiye Group Companies within the framework of the ISO 27001 Information Security Management System in order to comply with the personal data protection legislation will be certified with the ISO 27701 Personal Data Management Information System certificate which is targeted to be received in 2024.	Petkim Integrated Annual Report - Business Continuity and Crisis Management https://socar.com.tr/bilgi-guvenligi-politikamiz
C.1.8	Ethics policy has been established and disclosed to the public.	x				SOCAR Türkiye Code of Ethics has been constituted based on core values such as trust, agility, inclusion, efficiency, passion and obligation. Petkim further adopts these principles and applies them in all its operations.	Petkim Integrated Annual Report - Ethics and Compliance https://socar.com.tr/uploads/etik-kurallar.pdf
C.1.9	Activities regarding social investment, social responsibility, financial inclusion and access to finance has been disclosed.			x		The Corporate Social Responsibility (CSR) Procedure constituted by SOCAR Türkiye has been implemented in all group companies, including Petkim, as of 2021. In this context, Petkim undertakes projects in the fields of environment, health, education and sports.	Petkim Integrated Annual Report - We are Together for Social Responsibility
C.1.10	Informative meetings and training programs were held for the employees on ESG policies and practices.	x				Training programs addressing the employees on ESG Policies and Practices have been organized within SOCAR Türkiye. Legally required trainings and projects and vocational training processes are organized for to enable the employees to gain professional qualifications.	Petkim Integrated Annual Report - Employee Training and Talent Development

PRINCIPLE		COMPLIANCE STATUS				DESCRIPTION	REPORT INFORMATION / LINK
		YES	NO	PARTLY	NOT RELEVANT		
C2. Stakeholders, International Standards and Initiatives							
C.2.1	A customer satisfaction policy regarding the management and resolution of customer complaints has been prepared and disclosed to the public.	x				<p>Ethical whistle blowing channels, suggestions and complaints systems are accessible to employees as well as contractors, suppliers and the local community. Complaints and suggestions submitted through these channels are carefully handled and finalized. SOCAR Türkiye and its subsidiaries generate benefits by developing studies/projects aimed at providing urgent solutions and local contributions to social needs in the provinces of İzmir, İstanbul, Bursa and Kayseri where they operate.</p> <p>With the screens developed on the portal, the customers are allowed to instantly communicate their requests, complaints and feedback and subsequently track the status of their complaints. These screens further enabled to systematically calculate customer satisfaction and to improve the relationships.</p>	<p>Petkim Integrated Annual Report – Customer Solutions</p> <p>https://socar.com.tr/uploads/kalite-ve-musteri-memnuniyeti-politikamiz.pdf</p>
C.2.2	Information on communication with stakeholders (which stakeholder, subject and frequency) has been disclosed to the public.	x				<p>Petkim implements a transparent, participatory and two-way communication approach in stakeholder communication as a basic principle. Although it is essential to strengthen communication with all stakeholders, stakeholders with whom communication is frequent include customers, shareholders and investors, public institutions and local governments, trade unions, suppliers and contractors, professional associations and non-governmental organizations, financial institutions, educational institutions, the media and local communities. In this regard, various channels are actively used while communicating with the employees and external stakeholders. Petkim systematically communicates through various tools such as corporate intranet, in-house surveys, e-mail, e-bulletins, corporate TV, posters and banners, reputation and satisfaction surveys, training practices, performance management system, interviews, working groups, complaint and suggestion systems.</p>	<p>Petkim Integrated Annual Report - Communication with Stakeholders</p>
C.2.3	International reporting standards adopted in the reporting processes have been explained.	x				<p>Petkim Integrated Annual Report has been prepared in accordance with the GRI Universal Standards 2021 published by the Global Reporting Initiative (GRI), taking into account the IFRS S1 and S2 frameworks published by the International Accounting Standards Board (IASB) and which constitute the pillars of the Türkiye Sustainability Reporting Standards ("TSRS"). The principles of the United Nations Global Compact (UNGC), to which Petkim has been a signatory since 2021, were also taken into account in the report content.</p>	<p>Petkim Integrated Annual Report - About the Report</p>

PRINCIPLE		COMPLIANCE STATUS				DESCRIPTION	REPORT INFORMATION / LINK
		YES	NO	PARTLY	NOT RELEVANT		
C.2.4	Principles adopted in relation to sustainability, international organizations, committees and principles of which the Company is a signatory or member have been disclosed to the public.	x				Petkim has been a signatory of the UN Women's Empowerment Principles, a joint initiative of UN Women and UN Global Compact, since 2021. Petkim has successfully attained the membership to the United Nations Global Compact (UNGC).	Petkim Integrated Annual Report
C.2.5	Developments have been made and studies have been carried out to be included in the sustainability indices of Borsa Istanbul and/or international index providers.	x				Petkim is the only subsidiary of SOCAR Türkiye whose shares have been offered to the public and its shares are traded on Borsa İstanbul. Based on the projects undertaken within the scope of sustainability management, Petkim has been included in the BIST Sustainability Index, which was launched by Borsa İstanbul in 2014 and determined by evaluating companies every year, S&P Global, FTSE Russell, Fortune Türkiye and Criff Türkiye.	Petkim Integrated Annual Report - Sustainable Economic Value Created
D. Corporate Governance Principles							
D.1	Beneficiaries' opinions have been consulted in determining the measures and strategies in the field of sustainability.	x				<p>Petkim's Sustainability Strategy focuses on meeting the expectations of the stakeholders and creating a positive impact within the framework of the United Nations Sustainable Development Goals (SDGs). Effectively managing social, economic and environmental impacts by creating value for people, society and the environment constitutes the pillars of this strategy.</p> <p>The comprehensive prioritization analysis conducted in 2022 enabled Petkim to obtain valuable feedback by interacting with its stakeholders. Based on this analysis, the priorities in environmental, social and governance areas have clearly been determined by taking into account the expectations of a wide range of stakeholders from the customers to employees, suppliers and society.</p> <p>In 2023, Petkim re-evaluated its priority issues so as to reflect the changing social and environmental concerns in line with the global and sectoral trends by further examining the findings of last year's prioritization analysis.</p>	Petkim Integrated Annual Report - Sustainability Strategy / Our Sustainability Priorities
D.2	Social responsibility projects, awareness-raising events and trainings were carried out to raise awareness about sustainability and its importance.	x				Social responsibility projects were undertaken.	Petkim Integrated Annual Report - Corporate Social Responsibility

Appendix-1: Petkim – Integrated Activity Report 2023–Reporting Principles

These reporting principles (the "Principles") provide information on the methodologies for the preparation, calculation and reporting of data for the indicators of Petkim Petrokimya Holding A.Ş. (the "Company" or "Petkim") within the scope of limited assurance in the Petkim Integrated Annual Report 2023 ("Integrated Report").

These indicators include social, environmental and economic indicators. It is the responsibility of the Company's management to ensure that appropriate procedures are in place to prepare these indicators, in all material respects, in accordance with the Principles.

The information contained in these Principles the fiscal year ending December 31, 2023 and the relevant operations under the responsibility of Petkim Petrokimya Holding A.Ş. as detailed in the "Key Definitions and Scope of Reporting" section and covers all activities carried out in Türkiye under the Petkim. The indicators that include subcontractors are specified in the "Basic Definitions and Scope of Reporting" section, and subcontractors are not included in the indicators that are not specified.

General Reporting Principles

The following principles have been considered in the preparation of this guidance document:

- In the preparation of information - to emphasize to users of information the basic principles of relevance and reliability of information,
- In reporting information - emphasizing the principles of comparability/consistency of information with other data, including previous year, and the principles of understandability/transparency providing clarity to users.

Key Definitions and Scope of Reporting

For the purpose of this report, the Company makes the following definitions:

Type	Indicator	Description
Environmental Indicators	Water Management	
	Surface Water (m³)	Represents the total amount of water supplied by the Company from the dam for production operations and domestic use during the reporting period. Surface water withdrawal is monitored through the daily shift records of the manual meters located at the entrance of the facility and the Monthly Activity Reports of the Republic of Türkiye Ministry of Environment, Urbanization and Climate Change and is reported in m³ units.
	Volume of Wastewater Discharged After Treatment (m³)	Represents the amount of treated wastewater by the wastewater treatment plant before being discharged as a result of the Company's water-using activities during the reporting period. It is monitored through wastewater treatment plant outlet meters and the Ministry of Environment, Urbanization and Climate Change, Real Time Remote Wastewater Monitoring System and Monthly Activity Reports and is reported in m³ units.
	Volume of Wastewater Discharged Without Treatment (m³)	Represents the total amount of wastewater generated as a result of the Company's water-using activities during the reporting period and discharged to nature without being treated by the wastewater treatment plants. It is monitored through wastewater treatment plant outlet meters and the Ministry of Environment, Urbanization and Climate Change, Real Time Remote Wastewater Monitoring System (SAİS) and Monthly Activity Reports and is reported in m³ units.
	Net Water Consumption (m³)	Represents the amount of water consumed in m³ units, which is obtained by subtracting the amount of treated wastewater discharged to nature in the same period from the total amount of water obtained from nature to meet the domestic and industrial water needs of the company during the reporting period.

Type	Indicator	Description
Environmental Indicators	Waste Amount	
	Total Waste (tons)	Represents the total amount of hazardous and non-hazardous waste generated as a result of the Company's production operations during the reporting period. Wastes classified according to hazardous characteristics in accordance with the Turkish Waste Management Regulation are monitored through MOTAT (Mobile Waste Tracking System) records, Waste Declaration Forms and Monthly Activity Reports on the portal of the Turkish Ministry of Environment, Urbanization and Climate Change (Integrated Environmental Information System).
	Total Hazardous Waste (tons)	Represents the total amount of hazardous waste generated as a result of the Company's production operations during the reporting period. It is monitored through MOTAT (Mobile Waste Tracking System), Waste Declaration Forms and Monthly Activity Reports on the portal of the Republic of Türkiye Ministry of Environment, Urbanization and Climate Change (Integrated Environmental Information System). Wastes monitored and recorded in kg are reported in tons.
	Total Non-Hazardous Waste (tons)	Represents the total amount of non-hazardous waste generated as a result of the Company's production operations during the reporting period. It is monitored through Waste Declaration Forms and Monthly Activity Reports available on the portal of the Republic of Türkiye Ministry of Environment, Urbanization and Climate Change (Integrated Environmental Information System). Wastes monitored and recorded in kg are reported in tons.
	Reuse (tons)	Represents the total amount of non-hazardous (non-contaminated) packaging waste reused by the company within the facility during the reporting period. Reused waste, which is monitored through Waste Declaration Forms submitted to the Republic of Türkiye Ministry of Environment, Urbanization and Climate Change, Monthly Activity Reports and internal records, is tracked in kilograms and reported in tons.
	Recycling (tons)	Represents the amount of hazardous and non-hazardous waste generated as a result of the Company's production operations and recycled outside the facility during the reporting period. Wastes monitored through MOTAT (Mobile Waste Tracking System) records and Waste Declaration Forms and internal records on the portal of the Republic of Türkiye Ministry of Environment, Urbanization and Climate Change (Integrated Environmental Information System) are tracked in kg and reported in tons.
	Sanitary Landfill – Delivered to Landfill (tons)	Represents the amount of hazardous and non-hazardous wastes generated as a result of the Company's production operations and sent for disposal in landfills during the reporting period. Wastes monitored through MOTAT (Mobile Waste Tracking System) records, Waste Declaration Forms and internal records on the portal of the Republic of Türkiye Ministry of Environment, Urbanization and Climate Change (Integrated Environmental Information System) are tracked in kg and reported in tons.
	Incineration (tons)	Represents the amount of hazardous and non-hazardous waste generated as a result of the operations carried out by the company during the reporting period and sent to the relevant authorized disposal facilities upon off-site incineration. Wastes monitored through MOTAT (Mobile Waste Tracking System) records, Waste Declaration Forms and internal records on the portal of the Republic of Türkiye Ministry of Environment, Urbanization and Climate Change (Integrated Environmental Information System) are tracked in kg and reported in tons.

Type	Indicator	Description
Environmental Indicators	Energy Consumption	
	Natural Gas (GJ)	Represents the total amount of natural gas consumed as an energy source to be used in the production operations carried out by the Company during the reporting period. It is tracked in Sm3 units and reported in GJ units based on invoices received from service providers. The thermal constants used for the transition to energy-based reporting are provided by the internal thermal measurements and the natural gas service provider.
	Fuel Gas (GJ)	Represents the amount of fuel gas consumed by the Company to meet the energy needs of ethylene unit operations during the reporting period. Fuel gas consumption is monitored in tons and reported in GJ units through the meters located in the facility. For the thermal constants used for the transition to energy-based reporting, in-plant chromatograph measurement analysis is used.
	Aeration Gas (GJ)	Represents the amount of vent gas (refinery gas) consumed by the Company as an energy source during the reporting period. Vent gas consumption is monitored in tons through the meters in the facility and reported in GJ units. In-plant chromatograph analysis is used for the thermal constants used for the transition to energy-based reporting.
	Hydrogen (GJ)	Represents the total amount of hydrogen produced by the Company as a product of natural gas and steam reaction in the methane reforming unit and consumed as an energy source during the reporting period. Hydrogen consumption is monitored in tons and reported in GJ units through process unit meters using the mass balance method. Universal constants are used for the thermal analysis used to transition from mass-based monitoring to energy-based reporting.
	Diesel (GJ)	Represents the amount of diesel fuel consumed during the reporting period to meet the energy needs of the Company's generators, forklift equipment and other energy consuming thermal production/ distribution equipment. Consumed diesel fuel is tracked in tons and reported in GJ units through process unit meters and invoices. Universal conversion constants are used for the thermal analysis used for the transition from mass-based monitoring to energy-based reporting.
	Combustible Gas (GJ)	Represents the amount of gaseous, flammable and combustible material below 20°C that is produced as a by-product of the Company's operations and consumed as an energy source during the reporting period. Flammable gas consumption is monitored in ton units through the meters in the facility and reported in GJ units. For the thermal constants used for the transition to energy-based reporting, in-plant chromatograph analysis is used.
	Total Electricity Consumed (GJ)	Represents the total amount of electricity consumed to meet the energy needs of the production operations carried out by the company during the reporting period, which is met from renewable and non-renewable sources. Electricity consumption, which is monitored through EPIAŞ Transparency Platform and wind power plant surveillance control and data collection system, is recorded in KWh and reported in GJ. Universal constants are used for calorific values used for energy conversion.

Type	Indicator	Description
Environmental Indicators	Greenhouse Gas Emissions	
	Scope 1 Greenhouse Gas Emissions (tons CO ₂ e/year)	Represents the total greenhouse gas emissions arising from stationary combustion, mobile combustion, equipment losses and leaks, chemical use and production processes during the operations carried out by the company during the reporting period. Scope 1 greenhouse gas emissions, which are calculated in accordance with the Communiqué on Monitoring and Reporting of Greenhouse Gas Emissions and monitored through the Ministry Audit Report and internal records, are reported in tons of CO2 equivalent.
	Scope 2 Greenhouse Gas Emissions (tons CO ₂ e/year)	Represents the amount of indirect greenhouse gas emissions arising from the electricity consumption purchased from external sources during the reporting period. The amount of electricity purchased is tracked in KWh through EPIAŞ Transparency Platform. Scope 2 Greenhouse Gas Emissions are calculated in accordance with the Communiqué on Monitoring and Reporting of Greenhouse Gas Emissions and reported in tons of CO2 equivalent.
Social Indicators	Employee Demographics	
	Total Number of Employees by Age (#)	Represents the total number of the company's employees as of 31.12.2023, who were monitored through the company's Human Resources Data Platform during the reporting period and for whom an Employment Entry Declaration was made to the Social Security Institution, according to the age groups under 30, between 30 and 50, and over 50.
	Total Number of Employees by Gender (#)	Represents the total number of male and female employees as of 31.12.2023, who were monitored through the company's Human Resources data platform and whose Employment Declaration was made to the Social Security Institution during the reporting period.
	Employee Rotation	
	Number of Leaving Employees by Gender (#)	Represents the number of male and female employees whose employment contracts were terminated in accordance with the Labor Law during the reporting period.
	Employee Turnover Rate by Gender (%)	Represents the percentage of the total number of female and male employees whose employment contracts have been terminated in accordance with the labor law within the reporting period to the total number of female and male employees of the Company as of 31.12.2023.
	Maternity Leave and Rate of Returns to Work	
	Total Number of Employees Entitled to Maternity Leave (#)	Represents the number of male and female employees who are entitled to paternity and maternity leave in accordance with the labor law during the reporting period.
	Total Number of Employees Taking Maternity Leave (#)	Represents the number of male and female employees who were entitled to and used paternity and maternity leave in accordance with the labor law during the reporting period.
	Total Number of Employees Returning to Work After Maternity Leave Ends (#)	Represents the number of male and female employees who took paternity and maternity leave in accordance with the labor law and returned to work after the end of their leave during the reporting period.
	Total Number of Employees Who Returned to Work After the End of Maternity Leave and are Still Working 12 Months After Returning to Work (#)	Represents the number of male and female employees who have taken paternity and maternity leave in accordance with the labor law and continued to work for 12 months after the end of the leave during the reporting period.

Type	Indicator	Description
Social Indicators	Occupational Health and Safety	
	Total Number of Accidents (#)	Represents the number of incidents reported to the Social Security Institution within the reporting period that occurred to the company employees during a work-related activity and prevented them from doing business, within the cases listed in the Law No. 5510.
	Number of Fatal Accidents (#)	Represents the number of incidents reported to the Social Security Institution during the reporting period, which are defined as "fatal work accidents" within the scope of the Occupational Health and Safety Law No. 6331.
	Number of Days Lost due to Occupational Disease (#)	Represents the total number of days that employees were absent from work during the reporting period as a result of occupational diseases that fall within the definition of "occupational disease" within the scope of the Occupational Health and Safety Law No. 6331 and were identified during the relevant period and followed up through notifications made to the Social Security Institution.
	Total Recordable Accident Rate (per 200,000 working hours)	Represents the ratio of the frequency of occurrence of the total number of incidents that occurred during a work-related activity and prevented company employees from performing their work within 200,000 working hours during the reporting period. Cases under Law No. 5510 are monitored through notifications made to the Social Security Institution.
	Occupational Disease Rate (per 200,000 working hours)	Represents the rate of realization of the number of occupational disease cases detected within 200,000 working hours within the total number of working hours performed by employees during the reporting period. Within the scope of Law No. 6331 on Occupational Health and Safety, it includes the cases that fall under the definition of "occupational disease" and were detected during the relevant period and reported to the Social Security Institution.
	Occupational Health Safety Training Received by Employees (hours)	Represents the total hours of process safety, first aid and environment-related trainings provided to company employees during the reporting period, primarily the mandatory occupational health and safety training specified in the Occupational Health and Safety Law No. 6331.
	Training & Development	
	Total Number of Personnel Who Takes Environmental Trainings (#)	Represents the total number of employees who participated in environmental trainings provided by the Company during the reporting period. Training attendance is monitored on a personnel basis through the Human Resources training tracking platform and training attendance records.
	Environmental Training Hours (hours)	Represents the total hours of environmental training provided by the Company to its employees during the reporting period. Training hours are tracked on a personnel basis through the Company's Human Resources training tracking platform and training attendance records.
	Total Hours of Training Provided to Employees (hours)	Represents the total hours of trainings provided by the Company to its employees during the reporting period. Training hours are tracked on a personnel basis through the Company's Human Resources training tracking platform and training attendance records.

Type	Indicator	Description
Economic Indicators	Environmental Expenditures	
	Environmental Investments and Expenditures (\$)	Represents the dollar equivalent of the capital expenditures made by the Company during the reporting period for projects in order to save energy, water and raw material resources or to improve the performance of related operations that are in process or completed and tracked through the fixed asset account of the relevant budget when completed.
	Environmental R&D Expenses (\$)	Represents the dollar equivalent of the expenditures spent by the Company during the reporting period for the projects carried out by the Company in order to improve the process production performance and to realize carbon reduction, the processes of which are ongoing or completed and tracked through the fixed asset account of the relevant budget when completed.
	Environmental Consultancy, Measurement and Analysis Expenses (\$)	Represents the USD equivalent of the expenditures incurred during the reporting period for services provided for the measurement, monitoring and development of waste, wastewater, emissions, and other environmental parameters generated during the operations carried out by the Company.
	Environmental Training Expenses (\$)	Represents the dollar equivalent of the expenditures made by the company during the reporting period for the trainings provided by the company to the environment & HSE teams in order to raise awareness on environmental issues and to ensure operational development. The environmental trainings provided to the teams are tracked on an invoice basis, by training title, duration and topics.
	Environmental Penalties (\$)	Represents the dollar equivalent of the total amount of environmental and water fines received by the Ministry of Environment, Urbanization and Climate Change as a result of violations that occurred during the operations carried out by the company during the reporting period.

Data Preparation

1. Environmental Indicators

Scope 1 Greenhouse Gas Emissions ((ton CO₂e/year))

Scope-1 emissions represent the total amount of GHG emissions from stationary combustion, mobile combustion and processes. Scope-1 emissions GHG inventory consists of the sum of emissions from combustion and source conversion of fuel gas, natural gas, diesel, aeration gas, hydrogen, diesel and combustible gases.

Emissions from stationary combustion and processes are recorded, monitored and calculated in accordance with the Regulation on Monitoring Greenhouse Gas Emissions and the National Greenhouse Gas Emission Inventory.

Formula:

Emission Amount (tonCO2eq/year) = Activity Data * Emission Factor * Oxidation Factor * GWP

Activity Data = Consumption Quantity (Activity data) * Net Calorific Value (TJ)

Oxidation Factor = 1

Emission Factor and Net Calorific Value:

Emission factors for Natural Gas, Fuel Gas, Aeration Gas, Combustible Gas, Hydrogen, Diesel and Other petroleum products are based on the results of gas chromatography analysis (GC-Gas chromatography) and instrument analysis outputs, which are periodically calibrated within the company, were used. Table: 1 shows the values subject to calculation (net calorific value, emission factor).

Table 1. Petkim Greenhouse Gas Emissions, Net Calorific Value and Emission Factors Used

Source Streams	Net Calorific Value (GJ/Ton)	Emission Factor
Natural Gas	49.98	55.70
Fuel Gas	62.35	41.09
Diesel	43.12	72.30
Combustible Gas	47.03	49.85
Aeration Gas	35.56	41.09

Process Emissions:

Emissions generated during Petkim production processes are monitored on a unit basis. It is calculated based on the process flow chart, input source-output product balance, and readings from inlet and outlet probes. Process emission source streams are Orthoxylene, Phthalic Anhydride, Propylene, Tar Benzoic Acid, Ethylene, CO₂ Removal and Caustic Inhibitor CO₂ Removal.

Scope 2 Greenhouse Gas Emissions ((ton CO₂e/year))

Formula:

Scope 2 Greenhouse Gas Emissions (tons CO₂e/year) = Purchased Electricity (MWh/year) * Emission Factor (tonsCO₂/MWh)

Electricity emission factor is calculated based on the region where the facility is located and based on the data published by the Ministry of Energy and Natural Resources, and the emission factor value is taken as 0.437 tonCO₂e/MWh.

*Source: Republic of Türkiye Ministry of Energy and Natural Resources Türkiye National Electricity Grid Emission Factor (2022)

2. Social Indicators

Total Recordable Accident Rate

Formula:

Total Recordable Accident Rate = Total number of recordable accidents * 200,000/ Total working hours

Occupational Disease Rate

Formula:

Occupational Disease Rate = Total number of occupational diseases * 200,000/ Total working hours

Total Hours of Training Provided to Employees

Formula:

Average Training Hours Provided = Total training hours provided / Total number of individuals trained

Restatements

The measurement and reporting of verified data inevitably involves a degree of estimation. Where there is a change of more than 5% in the data at the partnership level, a restatement of opinion may be considered.



Limited Assurance Report
to the Board of Directors of Petkim Petrokimya Holding A.Ş.

We have been engaged by the Board of Directors of Petkim Petrokimya Holding A.Ş. 's (the “Company” or “Petkim”) to perform a limited assurance engagement in respect of the Selected Sustainability Information (the “Selected Information”) stated in the Petkim Integrated Annual Report 2023 (“Integrated Annual Report 2023”) for the year ended 31 December 2023 and listed below.

Selected Information

The scope of the Selected Information for the year ended 31 December 2023, which is subject to our limited assurance work, set out in the pages 101,102,103,109,111,121,285,286,287,288 and 289 of the 2023 Integrated Annual Report with the sign “✓” is summarized below:

Environmental Indicators

- Water Management
 - Surface Water (m3)
 - Volume of Wastewater Discharged After Treatment (m3)
 - Volume of Wastewater Discharged Without Treatment (m3)
 - Net Water Consumption (m3)
- Waste Amount
 - Total Waste (tons)
 - Total Hazardous Waste (tons)
 - Total Non-Hazardous Waste (tons)
 - Reuse (tons)
 - Recycling (tons)
 - Sanitary Landfill – Delivered to Landfill (tons)
 - Incineration (tons)
- Energy Consumption
 - Natural Gas (GJ)
 - Fuel Gas (GJ)
 - Aeration Gas (GJ)
 - Hydrogen (GJ)
 - Diesel (GJ)
 - Combustible Gas (GJ)
 - Total Electricity Consumed (GJ)
- Greenhouse Gas Emissions
 - Scope 1 Greenhouse Gas Emissions (tons CO2e/year)
 - Scope 2 Greenhouse Gas Emissions (tons CO2e/year)

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Social Indicators

- Employee Demographics
 - Total Number of Employees by Age (#)
 - Total Number of Employees by Gender (#)
- Employee Rotation
 - Number of Leaving Employees by Gender (#)
 - Employee Turnover Rate by Gender (%)
- Maternity Leave and Return to Work
 - Total Number of Employees Entitled to Maternity Leave (#)
 - Total Number of Employees Taking Maternity Leave (#)
 - Total Number of Employees Returning to Work After Maternity Leave Ends(#)
 - Total Number of Employees Who Returned to Work After the End of Maternity Leave and are Still Working 12 Months After Returning to Work (#)
- Occupational Health and Safety
 - Total Number of Accidents (#)
 - Number of Fatal Accidents (#)
 - Number of Days Lost due to Occupational Disease (#)
 - Total Recordable Accident Rate (per 200,000 working hours)
 - Occupational Disease Rate (per 200,000 working hours)
 - Occupational Health Safety Training Hours Received by Employees (hours)
- Training & Development
 - Total Number of Personnel Who Takes Environmental Trainings (#)
 - Environmental Training Hours(hours)
 - Total Hours of Training Provided of Employees (hours)

Economic Indicators

- Environmental Expenditures
 - Environmental Investments and Expenditures (\$)
 - Environmental R&D Expenses (\$)
 - Environmental Consultancy, Measurement and Analysis Expenses (\$)
 - Environmental Training Expenses (\$)
 - Environmental Penalties (\$)

Our assurance was with respect to the Selected Information marked with “✓” in the in the Integrated Annual Report 2023, and we have not performed any procedures with respect to earlier periods or any information other than Selected Information marked with “✓” in the Integrated Annual Report 2023 and, any other elements included in the Integrated Annual Report 2023 and, therefore, do not express any conclusion thereon.



Criteria

The criteria used by the Company to prepare the Selected Information is set out in section. Petkim Integrated Annual Report 2023– Reporting Principles (the “Reporting Principles”) on pages 313,314,315,316,317,318,319 and 320 of the Integrated Annual Report 2023.

The Company’s Responsibility

The Company is responsible for the content of the Integrated Annual Report 2023 and the preparation of the Selected Information in accordance with the Reporting Principles. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of Selected Information that is free from material misstatement, whether due to fraud or error.

Inherent Limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information.

The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measures and measurement techniques and can affect comparability between entities. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. It is important to read the Selected Information in the context of the Reporting Principles.

In particular, the conversion of different energy measures to megawatt-hour (MWh) and energy used to carbon emissions is based upon, inter alia, information and factors generated internally and/or derived by independent third parties as explained in the Reporting Principles. Our assurance work did not include examination of the derivation of those factors and other third-party information.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Management 1 and accordingly maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



Our Responsibility

Our responsibility is to form a limited assurance, based on limited assurance procedures, on whether anything has come to our attention that causes us to believe that the Selected Information has not been properly prepared in all material respects in accordance with the Reporting Principles. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information*’, and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the International Auditing and Assurance Standards Board.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000 (Revised) and ISAE 3410. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- made inquiries of the persons responsible for the Selected Information;
- understood the process for collecting and reporting the Selected Information. This included analysing the key processes and controls for managing and reporting the Selected Information;
- evaluated the source data used to prepare the Selected Information and re-performed selected examples of calculation;
- performed limited substantive testing on a selective basis of the preparation and collation of the Selected Information prepared by the Company and
- undertook analytical procedures over the reported data.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Company’s Selected Information for the year ended 31 December 2023, is not properly prepared, in all material respects, in accordance with the Reporting Principles.



Restriction of use

This report, including the conclusion, has been prepared for the Board of Directors of the Company as a body, to assist the Board of Directors in reporting Company’s performance and activities related to the Selected Information. We permit the disclosure of this report within the Integrated Annual Report 2023 for the year ended 31 December 2023, to enable the Board of Directors to demonstrate they have discharged their governance responsibilities by commissioning a limited assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors of Petkim Petrokimya Holding A.Ş. as a body and Petkim Petrokimya Holding A.Ş. for our work or this report save where terms are expressly agreed and with our prior consent in writing.

Selma Canbul Çorum, SMMM
Independent Auditor

Istanbul, 5 June 2024



Dictionary of Technical Terms

ACN	Acrylonitrile
Open Innovation	An innovation strategy in which companies aim to develop new products, services or business models by integrating ideas and solutions from external sources with internal innovation processes.
R&D	Research and Development
LDPE	Low Density Polyethylene
BDX	Butadiene – 1.3
BIST	Borsa İstanbul
CBR	Cis Polybutadiene Rubber
CCPS	Center for Chemical Process Safety
CCUS	Carbon Capture, Utilization and Storage
CDP	Carbon Disclosure Project is an initiative launched in 2000 and aims to bring together and disclose information that will help companies, investors and governments take action on climate change.
EIA	Environmental Impact Assessment
Value Chain	A comprehensive business model that includes every step, starting from the development of a product or service, from the supply chain to the procurement of raw materials, from production to distribution, from marketing to sales and finally to delivery to consumers.
WEC	World Energy Council
Digital Transformation	The process of transforming business processes, corporate culture and customer experiences with digital technologies.
Circular Economy	Unlike the linear economic model, the circular economy is an economic approach that aims to use resources effectively, to reduce the amount of waste and to recycle materials as much as possible.
IPPC	Integrated Pollution Prevention and Control
EOQ	The European Organization for Quality
EMRA	Energy Market Regulatory Authority
CRM	Corporate Risk Management
ESG	Environmental, Social and Governance
Ethylene	A hydrocarbon that is one of the basic building blocks of the petrochemical industry and is usually produced by steam cracking

EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
GCC	Global Carbon Council
SPP	Solar Power Plant
GIS	Geographic Information System
GMP	Good Manufacturing Practices
GRI	The Global Reporting Initiative is an international organization that provides standards and principles for organizations to measure and report their sustainability performance.
HSE	Health, Safety and Environment
IASB	International Accounting Standards Board
IEA	International Energy Agency
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IoT	Internet of Things
I-REC	International Renewable Energy Certificate
ISO	International Standards Organization
IT-OT	Information Technologies-Operational Technologies
OHS-E	Occupational Health Safety - Environment
Layers of Protection Analysis (LOPA)	A semi-quantitative risk analysis method that evaluates the effectiveness of individual layers of protection designed to reduce risks in industrial processes.
KRI	Key Risk Indicators
CB	Carbon Black
Enterprise Resource Planning Project (ERP)	An integrated information system that allows businesses to manage their resources effectively.
LPG	Liquid Petroleum Gas

Dictionary of Technical Terms

MARPOL	The International Convention for the Prevention of Pollution from Ships
MOC	Process Safety Management of Change
Nafta	A light hydrocarbon mixture obtained through petroleum distillation, which is an important raw material in the petrochemical industry.
Net Zero Emission	An environmental goal in which an organization aims to offset the amount of greenhouse gases it releases into nature through various means (e.g. through carbon capture or emission reduction projects), thereby reducing net greenhouse gas emissions to zero.
OSHA	Occupational Safety and Health Administration
P&iD	Process and Instrumentation Diagram
PET	Polyethylene Terephthalate
PFI	Periodic Field Inspections
Polypropylene (PP)	A light and durable type of plastic produced from propylene.
Propylene	A hydrocarbon that is an important petrochemical product and is used in the production of plastics, solvents, and other chemicals
PS	Polystyrene
PTA	Pure Terephthalic Acid
PVC	A polymer produced from chlorine and ethylene and used in many areas such as pipe construction, medical devices and flooring.
RCA	Root Cause Analysis
WPP	Wind Power Plant
ROI	Return on Investment
RTLS	Real Time Location System
SASB	Sustainability Accounting Standards Board
SBR	Styrene Butadiene Rubber
CEMS	Continuous Emission Measurement Systems

Carbon Border Adjustment Mechanism (CBAM)	A regulatory carbon tax or fee levied on products imported into a particular country or region to encourage the reduction of carbon emissions.
CMB	Capital Markets Board
NGO	Non-Governmental Organizations
Sustainable Development Goals (SDGs)	A development agenda set by the United Nations consisting of 17 goals aimed at ending global poverty, protecting the planet and ensuring peace and prosperity for all by 2030.
Hazard and Operability Analysis (HAZOP)	A detailed technique used to systematically conduct a risk assessment of the safety and operational effectiveness of a facility or process.
TEİAŞ (Turkish Electricity Transmission Corporation)	Türkiye Elektrik İletim AŞ
TOE	Energy measurement unit meaning "Tonne of Oil Equivalent." This unit allows different energy sources or energy consumption to be expressed in a comparable way in terms of the amount of energy contained in one ton of crude oil.
TEU	"Twenty-foot Equivalent Unit" is a standard unit of measurement used in container transportation.
TS	Turkish Standards
TSI	Turkish Standards Institution
TCC	Turkish Commercial Code
International Sustainability and Carbon Certification (ISCC)	A certification that confirms the compliance of products and raw material sources with sustainability standards.
UN WEPs	The United Nation's Women's Empowerment Principles is a guide based on seven principles designed to support the empowerment of women in business.
UNGC	The United Nations Global Compact is an initiative that adopts and implements ten basic principles in the business world on human rights, labor rights, environment and anti-corruption.
VCM	Vinyl Chloride Monomer
VOC	Volatile Organic Compounds
WEF	World Economic Forum
GDRE	General Directorate of Renewable Energy
HDPE	High Density Polyethylene



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