

# Second-Party Opinion Ülker Sustainability-Linked Financing Framework



## Evaluation Summary

Sustainalytics is of the opinion that the Ülker Sustainability-Linked Financing Framework aligns with the Sustainability-Linked Bond Principles 2023 and the Sustainability-Linked Loan Principles 2023. This assessment is based on the following:

- Selection of Key Performance Indicators** The Ülker Sustainability-Linked Financing Framework defines two KPIs: i) Absolute scope 1 and 2 GHG emissions; ii) Absolute scope 3 GHG emissions (see Table 1). Sustainalytics considers KPI 1 to be very strong and KPI 2 to be strong based on their materiality, relevance, scope of applicability and comparability to external benchmarks.
- Calibration of Sustainability Performance Targets** Sustainalytics considers the SPTs to be aligned with Ülker's sustainability strategy. Sustainalytics further considers SPT 1 to be highly ambitious and SPT 2 to be ambitious based on the comparison with past performance, peer performance and science-based trajectories, as applicable.
- Financial Characteristics** Ülker will link the financial characteristics of its sustainability-linked financing instruments to achievement of the SPTs. The financial characteristics may include coupon or margin adjustment or a premium payment and are to be detailed in the specific transaction documents.
- Reporting** Ülker commits to report on an annual basis on its performance on the KPIs in its annual sustainability report which will be published on its website. Ülker commits to disclose relevant information that may affect the KPIs.
- Verification** Ülker commits to have external limited assurance conducted against each SPT for each KPI at least once a year and publish the verification report on its website.

<b>Evaluation Date</b>	May 30, 2024
<b>Issuer Location</b>	Istanbul Türkiye

The SPTs contribute to the following SDGs:



## Overview of KPIs and SPTs

KPI	Baseline	Strength of KPI	SPT	Ambitiousness of SPT
KPI 1: Absolute scope 1 and 2 GHG emissions (tCO <sub>2e</sub> )	2021	Very Strong	SPT 1: Reduce absolute scope 1 and 2 GHG emissions by 42% by 2030 from a 2021 baseline	Highly Ambitious
KPI 2: Absolute scope 3 GHG emissions (tCO <sub>2e</sub> )	2021	Strong	SPT 2: Reduce absolute Scope 3 GHG emissions by 30% by 2030 from a 2021 baseline	Ambitious

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## Scope of Work and Limitations

Ülker Bisküvi Sanayi AS has engaged Sustainalytics to review the Ülker Sustainability-Linked Financing Framework dated May 2024 (the "Framework") and provide an opinion on its alignment with the Sustainability-Linked Bond Principles 2023 (SLBP)<sup>1</sup> and Sustainability-Linked Loan Principles (SLLP).<sup>2</sup>

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent<sup>3</sup> opinion on the alignment of the Framework with the SLBP, as administered by International Capital Market Association (ICMA) and SLLP, as administered by Asia Pacific Loan Market Association (APLMA), the Loan Market Association (LMA) and the Loan Syndications and Trading Association (LSTA).

As part of this engagement, Sustainalytics exchanged information with various members of Ülker Bisküvi Sanayi AS's management team to understand the sustainability impact of their business processes and SPTs, as well as the reporting and verification processes of aspects of the Framework. Ülker Bisküvi Sanayi AS's representatives have confirmed that:

- (1) They understand it is the sole responsibility of issuer to ensure that the information provided is complete, accurate and up to date;
- (2) They have provided Sustainalytics with all relevant information; and
- (3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information. This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with the Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Ülker Bisküvi Sanayi AS. Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated SPTs of KPIs but does not measure KPI performance. The measurement and reporting of the KPIs and SPTs is the responsibility of the issuer. No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Ülker has made available to Sustainalytics for the purpose of this Second-Party Opinion.

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<sup>1</sup> The Sustainability-Linked Bond Principles are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/>

<sup>2</sup> The Sustainability-Linked Loan Principles are administered by the LSTA and are available at: <https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/>

<sup>3</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

## Introduction

Ülker Bisküvi Sanayi AS (“Ülker” or the “Company”) is a food production company that specializes in the production of biscuits, crackers, chocolate and cakes. The Company was established in 1944 and headquartered in Türkiye. The Company exports to more than 100 countries and has 13 production factories (9 in Türkiye and 4 abroad) with over 9,000 employees as of 2023.<sup>4</sup>

Ülker intends to issue sustainability-linked financial instruments, mainly bonds, loans and other instruments<sup>5</sup> whose financial characteristics, such as coupon rate, margin adjustment or premium payment, are tied to the achievement of sustainability performance targets for two KPIs related to reducing the Company’s scope 1, 2 and 3 GHG emissions.

Ülker has engaged Sustainalytics to review the Framework and provide an opinion on the alignment of the Framework with the Sustainability-Linked Bond Principles 2023 and Sustainability-Linked Loan Principles 2023. The Framework will be published in a separate document.<sup>6</sup>

Ülker has defined the following KPIs and SPTs:

**Table 1: KPI Definitions**

KPI	Definition
KPI 1: Absolute scope 1 and 2 GHG emissions (tCO <sub>2e</sub> )	<p>KPI 1 is defined as the absolute amount of scope 1 and 2 GHG emissions measured in tonnes of carbon dioxide equivalent (tCO<sub>2e</sub>).</p> <p>Scope 1 GHG emissions are direct emissions from Ülker’s controlled operations and comprises emissions from fuels used in factories and buildings, including emergency generators using diesel fuels, company vehicles and refrigerant gases.</p> <p>Scope 2 GHG emissions are indirect emissions stemming from electricity consumption in production facilities within Ülker’s operational control.</p> <p>The Company calculates its scope 1 and 2 GHG emissions in accordance with the GHG Protocol Standard.<sup>7</sup></p>
KPI 2: Absolute scope 3 GHG emissions (tCO <sub>2e</sub> )	<p>KPI 2 is defined as the absolute amount of scope 3 GHG emissions measured in tonnes of carbon dioxide equivalent (tCO<sub>2e</sub>).</p> <p>Scope 3 GHG emissions covered by KPI 2 include the following scope 3 emissions categories: i) category 1 (purchased goods and services); ii) category 2 (capital goods); iii) category 4 (upstream transportation and distribution); iv) category 5 (waste generated in operations); v) category 6 (business travel); vi) category 7 (employee commuting); vii) category 8 (upstream leased assets); viii) category 9 (downstream transportation and distribution); ix) category 11 (use of sold products); and x) category 12 (end-of-life treatment of sold products).</p> <p>The Company calculates its scope 3 GHG emissions in accordance with the GHG Protocol Standard.<sup>8</sup></p>

<sup>4</sup> Ülker, “Annual Report”, (2023), at: <https://ulkerbiskuviiinvestorrelations.com/en/financial-and-operational-data/annual-reports.aspx>

<sup>5</sup> Sustainalytics has reviewed only the financial instruments that are specified in the Framework.

<sup>6</sup> Ülker, “Sustainability Linked Finance Framework”, at: <https://ulkerbiskuviiinvestorrelations.com/en/bond-info/rating.aspx>

<sup>7</sup> Greenhouse Gas Protocol, “A Corporate Accounting and Reporting Standard”, at: <https://ghgprotocol.org/sites/default/files/standards/ghg%20protocol-revised.pdf>

<sup>8</sup> Greenhouse Gas Protocol, “Corporate Value Chain (Scope 3) Accounting and Reporting Standard”, at: [https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporting-Standard\\_041613\\_2.pdf](https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporting-Standard_041613_2.pdf)

**Table 2: SPTs and Past Performance**

KPI	2021 (baseline)	2022	SPT 2030
KPI 1: Absolute scope 1 and 2 GHG emissions (tCO <sub>2</sub> e)	141,347	111,913	SPT 1: Reduce absolute scope 1 and 2 GHG emissions by 42% by 2030 from a 2021 baseline
KPI 2: Absolute scope 3 GHG emissions (tCO <sub>2</sub> e)	2,171,909	2,143,763	SPT 2: Reduce absolute scope 3 GHG emissions by 30% by 2030 from a 2021 baseline

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Alignment of the Ülker Sustainability-Linked Financing Framework with the Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles

Sustainalytics is of the opinion that the Framework aligns with the five core components of the SLBP and SLLP.



#### Selection of Key Performance Indicators

##### Relevance and Materiality of KPIs

In assessing the materiality and relevance of a KPI, Sustainalytics considers: i) whether the indicator speaks to a material impact of the issuer's activities on environmental or social issues; and ii) to what extent the KPI is applicable.

KPI 1: Absolute scope 1 and 2 GHG emissions (tCO<sub>2</sub>e)

KPI 2: Absolute Scope 3 GHG emissions (tCO<sub>2</sub>e)

Sustainalytics notes that KPI 1 and KPI 2 collectively address the issue of GHG emissions and, therefore, assessed these KPIs jointly in relation to their relevance and materiality.

Sustainalytics' ESG Risk Rating identifies Carbon – Own Operations as a Material ESG Issue (MEI) for the food products industry and identifies emissions from global food operations as a climate change risk.<sup>9</sup> In addition, the Sustainability Accounting Standards Board (SASB) identifies energy management, including the management of energy efficiency and intensity, energy mix and grid reliance, as a relevant and material topic for Ülker and the processed food sector in the food and beverages industry.<sup>10,11</sup>

According to the World Economic Forum, the food and beverage industry's scope 3 emissions account for approximately 90% of its total emissions with 74% from upstream scope 3 emissions and 16% from downstream scope 3 emissions.<sup>12</sup> In relation to scope 3 emissions, the SASB identifies supply chain management as a relevant issue for Ülker and the processed foods sector in the food and beverages industry, highlighting the importance of

<sup>9</sup> Sustainalytics' Industry Report on Food Products (2023)

<sup>10</sup> SASB, "Materiality Finder: " Ülker Bisküvi Sanayi AS", at: [https://sasb.ifrs.org/standards/materiality-finder/find/?company\[0\]=TREULKR00015](https://sasb.ifrs.org/standards/materiality-finder/find/?company[0]=TREULKR00015)

<sup>11</sup> SASB, "Materiality Finder: "Processed Foods", at: <https://sasb.ifrs.org/standards/materiality-finder/find/?industry%5B0%5D=FB-PF>

<sup>12</sup> World Economic Forum, "Scope 3 emissions are key to decarbonization – but what are they and how do we tackle them?", (2023), at: <https://www.weforum.org/agenda/2023/09/scope-3-emissions-are-key-to-decarbonization-but-what-are-they-and-how-do-we-tackle-them/>

effective supply chain management, including supplier engagement and implementation of sustainable sourcing guidelines to support reducing environmental impacts.<sup>13,14</sup>

In terms of applicability, KPI 1 addresses scope 1 and 2 GHG emissions from Ülker's own operations and KPI 2 addresses scope 3 emissions from purchased goods and services, capital goods, upstream transportation and distribution, waste generated in operations, business travel, employee commuting, upstream leased assets, downstream transportation and distribution, use of sold products and end-of-life treatment of sold products. Sustainalytics notes that scope 1 and 2 emissions account for 0.044% of the Company's total emissions in 2022, while scope 3 emissions associated with the categories covered under KPI 2 represent 83.95% of total emissions in the same year. Therefore, when considered together, KPI 1 and KPI 2 represent 84% of Ülker's total GHG emissions as of 2022, denoting a high degree of applicability.

Based on the above, Sustainalytics considers KPI 1 and KPI 2 to be material and to have a high scope of applicability.

### **KPI Characteristics**

In its assessment of the KPI's characteristics, Sustainalytics considers: i) whether it uses a clear and consistent methodology; ii) whether it follows an externally recognized definition; iii) whether the KPI is a direct measure of the issuer's performance on a material environmental or social issue;<sup>15</sup> and iv) whether the methodology can be compared against an external contextual benchmark.<sup>16</sup>

#### KPI 1: Absolute scope 1 and 2 GHG emissions (tCO<sub>2</sub>e)

Sustainalytics considers Ülker's definition and methodology to calculate KPI 1 to be clear and consistent with the Company's historical disclosures on scope 1 and 2 GHG emissions since 2018.<sup>17</sup> Ülker's reporting boundary for KPI 1 covers production facilities in Gebze, Ankara, Topkapı, Karaman and Silivri, where Ülker has operational control, encompassing 57% of the Company's total scope 1 and scope 2 emissions in 2022. Ülker calculates its GHG emissions according to the GHG Protocol Standard.<sup>18</sup> Considering that the KPI measures absolute GHG emissions (tCO<sub>2</sub>e) Sustainalytics notes that KPI 1 supports benchmarking against external science-based decarbonization pathways, such as the Science Based Targets initiative's (SBTi) cross-sector absolute contraction approach.<sup>19</sup> Further, Sustainalytics considers KPI 1 to be directly linked to the Company's environmental performance on the material issue of GHG emissions.

#### KPI 2: Absolute Scope 3 GHG emissions (tCO<sub>2</sub>e)

Sustainalytics considers Ülker's definition and methodology to calculate KPI 2 to be clear and consistent with the Company's historical disclosures on scope 3 GHG emissions.<sup>20</sup> Ülker's reporting boundary KPI 2 covers production facilities in Gebze, Ankara, Topkapı, Karaman and Silivri where Ülker has operational control, encompassing 84% of the Company's total scope 3 emissions in 2022.<sup>21</sup> Ülker calculates its GHG emissions according to the GHG Protocol Standard.<sup>22</sup> The KPI measures absolute GHG emissions (tCO<sub>2</sub>e), but Sustainalytics notes that KPI 2 does not support benchmarking against relevant external science-based decarbonization pathways such as the SBTi

<sup>13</sup> SASB, "Materiality Finder: "Ülker Bisküvi Sanayi AS", at: [https://sasb.ifrs.org/standards/materiality-finder/find/?company\[0\]=TREULKR00015](https://sasb.ifrs.org/standards/materiality-finder/find/?company[0]=TREULKR00015)

<sup>14</sup> SASB, "Materiality Finder: "Processed Foods", at: <https://sasb.ifrs.org/standards/materiality-finder/find/?industry%5B0%5D=FB-PF>

<sup>15</sup> A direct measure refers to a metric selected for the KPI that shows a specific indicator of performance or an outcome on the material ESG issue.

<sup>16</sup> External contextual benchmarks are standards or points of reference established by recognized third-party organizations to facilitate comparability.

<sup>17</sup> Sustainalytics notes that Ülker has been reporting on its scope 1 and 2 GHG emissions since 2018 and scope 3 GHG emissions since 2021.

<sup>18</sup> Greenhouse Gas Protocol, "A Corporate Accounting and Reporting Standard", at: <https://ghgprotocol.org/corporate-standard>

<sup>19</sup> SBTi, "SBTi Corporate Net-zero Standard", at: <https://sciencebasedtargets.org/resources/files/Net-Zero-Standard.pdf>

<sup>20</sup> Sustainalytics notes that Ülker has been reporting on its scope 1 and 2 GHG emissions since 2018 and scope 3 GHG emissions since 2021.

<sup>21</sup> Ülker has communicated to Sustainalytics that the Onem factories are also included in the scope 3 perimeter.

<sup>22</sup> Greenhouse Gas Protocol, "Corporate Value Chain (Scope 3) Accounting and Reporting Standard", at:

[https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporting-Standard\\_041613\\_2.pdf](https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporting-Standard_041613_2.pdf)

FLAG sector-specific absolute contraction pathway.<sup>23, 24</sup> However, Sustainalytics considers KPI 2 to be directly linked to the Company’s environmental performance on the material issue of GHG emissions.

**Overall Assessment**

Sustainalytics considers KPI 1 to be very strong given that: i) it is a direct measure of the Company’s performance on a relevant and material environmental issue; ii) jointly with KPI 2 has a high scope of applicability; iii) it follows a clear and consistent methodology that is externally defined; and iv) supports benchmarking against GHG emissions reduction trajectories.

Sustainalytics considers KPI 2 to be strong given that: i) it is a direct measure of the Company’s performance on a relevant and material environmental issue; ii) it has a high scope of applicability; iii) it follows a clear and consistent methodology that is externally defined; but iv) does not support benchmarking against GHG emissions reduction trajectories such as the SBTi FLAG sector-specific absolute contraction pathway.

KPI	Strength of KPI			
KPI 1: Absolute scope 1 and 2 GHG emissions (tCO <sub>2</sub> e)	Not Aligned	Adequate	Strong	Very strong
KPI 2: Absolute scope 3 GHG emissions (tCO <sub>2</sub> e)	Not Aligned	Adequate	Strong	Very strong



**Calibration of Sustainability Performance Targets**

**Alignment with Ülker’s Sustainability Strategy**

Ülker has set the following SPTs for its KPIs:

- SPT 1: Reduce absolute scope 1 and 2 GHG emissions by 42% by 2030 from a 2021 baseline
- SPT 2: Reduce absolute scope 3 GHG emissions by 30% by 2030 from a 2021 baseline

Sustainalytics considers the SPTs to be aligned with Ülker’s sustainability strategy. Please refer to Section 2 for an analysis of the credibility of Ülker’s sustainability strategy.

Sustainalytics reviewed Ülker’s sustainability strategy and notes that Ülker has identified climate change, raw material supply chain, and packaging as some of its key focus areas. Ülker has also set relevant emissions reduction targets to address emissions from its operations, transport and supply chain management. The Company aims to achieve net zero GHG emissions across its value chain by 2050. To advance towards this goal, the Company has undertaken the following initiatives to reduce its emissions from its operations: i) efficient use of resources through implementation of digital monitoring systems to track parameters such as efficiency, waste and energy in its supply chain ; ii) reduce waste generation through elimination, reduction, recycling and reuse of waste in its own operations; and iii) increase renewable energy use and reduce the reliance on fossil fuels in its operations; iv) increase use of raw material from domestic agriculture and advance sustainable sourcing of raw material; and v) advance sustainable agricultural practices in wheat and hazelnut production in Türkiye.<sup>25</sup>

<sup>23</sup> SBTi, “SBTi FLAG Guidance”, (2023), at: <https://sciencebasedtargets.org/resources/files/SBTiFLAGGuidance.pdf>

<sup>24</sup> As per the SBTi FLAG Guidance, companies from the FLAG-designated sectors or companies with FLAG-related emissions that make up 20% or more of their total emissions across scope 1, 2 and 3 are required to set targets from April 2023. The food and beverage industry is part of the FLAG-designated sectors. Sustainalytics notes that the KPI is non-benchmarkable considering that the KPI has not been structured as FLAG-related targets and non-FLAG targets as per the FLAG Guidance.

<sup>25</sup> Ülker, “Sustainability Report”, (2022), at: <https://www.ulker.com.tr/documents/sustainability-report-2022.pdf>

### Strategy to Achieve the SPTs

Ülker intends to achieve SPT 1 through the following strategy:

- Ülker aims to transition to renewable energy by sourcing 100% of the electricity used in its factories and warehouses from renewable sources by 2025 and 2030 respectively. In addition, Ülker intends to expand its onsite solar generation capacity through the installation of solar panels in Ülker's facilities.
- Ülker plans to replace selected natural gas-powered equipment with equipment that is powered by solar energy and other renewable energy sources.
- Ülker intends to install energy monitoring systems in all its factories, conduct monthly energy performance evaluations and improve the energy efficiency of ovens, pumps, motors and other industrial facilities. In addition, to advance projects focused on improving energy efficiency measures in Ülker's factories, the Company plans to establish annually dedicated budgets for energy efficiency projects and collaborate with the Turkish Ministry of Energy and Natural Resources to receive support for "Efficiency Booster Projects".

Ülker intends to achieve SPT 2 through the following strategy:

- Ülker intends to take a multi-pronged approach to enhancing its logistics through digitalization. This includes utilizing digital tools to track and manage its supply chain to optimize delivery routes, improve vehicle occupancy rate, monitor and potentially reduce the number of vehicles needed to optimize their use. In addition, Ülker aims to source raw materials from local sources, increase the use of rail transportation as an alternative to road transportation. Further, Ülker intends to develop projects focused on enabling the Company to transition from usage of fossil fuels, by increasing the number of electric vehicles used for distribution of finished products and for transporting employees and by engaging with suppliers asking them to share their SBTi targets and transition plans to move out from fossil fuels.
- Ülker intends to reduce emissions related to waste disposal and have implemented the Zero Loss and Zero Waste program which includes employing material balance and scrap management processes, minimizing food losses through proper production methods and utilizing food byproducts as animal feed. Additionally, the Company will focus on measures to advance sustainable packaging and include the use of standardized raw materials to increase the recyclability of packaging material. By 2025, all packaging is to be recyclable, biodegradable or compostable with the Company having started work on limiting the use of polyvinyl chloride (PVC), polyethylene terephthalate (PET) packing.
- The Company aims to increase the use of domestically sourced raw materials (except cocoa and palm oil) to more than 90% by 2030 to reduce GHG emissions related to upstream transportation. Further, it intends to source 100% of palm oil and cocoa through sustainable sources by 2030. Ülker also aims to implement regenerative agriculture practices for wheat production.

### Ambitiousness, Baseline and Criteria

To determine the ambitiousness of the SPTs, Sustainalytics considers: i) whether the SPT goes beyond a business-as-usual trajectory; ii) how the SPT compares to targets set by peers; and iii) how the SPT compares with science-based references.<sup>26</sup>

Ülker has set the baselines for the SPTs as 2021 because it is the first year the Company reported on its scope 3 emissions. In addition, the Company communicated to Sustainalytics that for SPT 1 the same year was considered since it intended to align the baseline year for SPTs 1 and 2. In addition, Ülker has communicated that for sustainability-linked loans obtained under the Framework, Ülker will set annual targets aligned with its existing 2030 targets for KPIs 1 and 2 in the relevant documentation of each loan transaction, as per the SLLP.

**SPT 1:** Sustainalytics was able to use the following criteria to assess ambitiousness: past performance, peer performance and science-based references.

Regarding past performance, Sustainalytics notes that Ülker's scope 1 and 2 GHG emissions for 2021 amounted to 141,347 tCO<sub>2</sub>e and 111,913 tCO<sub>2</sub>e in 2022, representing an average annual reduction of 21%. Ülker confirmed to Sustainalytics that the reduction was mainly due to: i) an increase in renewable energy usage with 43% of total electricity supply being procured from renewable energy sources including Turkish wind power plants; ii) the closure of its Esenyurt cake factory and the relocation of production lines to the existing Gebze facility which led to emissions reduction; iii) energy efficiency projects reduced operational energy use in 2022. Achieving SPT 1 implies a reduction in the Company's absolute scope 1 and 2 GHG emissions at an average annual rate of 4.67% between 2021(baseline) and 2030, and 3.34% between 2022 (the most recent year of reporting) and 2030. Therefore, Sustainalytics considers the targeted performance required to achieve SPT 1 to be below the historical performance.

Sustainalytics analyzed the performance of six peers in the processed foods sector within the broader food and beverages industry. Three peers have set absolute scope 1 and 2 GHG emissions reduction targets. SPT 1 exceeds the target set by two peers and is lower than the target set by one peer. In addition, three peers have not disclosed any targets publicly. Based on this, SPT 1 is assessed to be above peer performance.

In terms of comparison with science-based references, Sustainalytics notes that SPT 1 implies a 4.67% average annual linear reduction in absolute scope 1 and 2 GHG emissions between 2021 and 2030, which exceeds the minimum average annual linear reduction of 4.2% defined in the SBTi's cross-sector absolute contraction approach for alignment with the 1.5°C decarbonization pathway.<sup>27</sup>

**SPT 2:** Sustainalytics was able to use the following criteria to assess ambitiousness: past performance and peer performance and science-based references.

Regarding past performance, Sustainalytics notes that Ülker's scope 3 GHG emissions for 2021 amounted to 2,171,909 tCO<sub>2</sub>e and 2,143,763 tCO<sub>2</sub>e in 2022, representing an average annual reduction of 1.30%. Achieving SPT 2 implies a reduction in the Company's absolute scope 3 GHG emissions at an average annual rate of 3.33% between 2021(baseline) and 2030, and 3.64% between 2022 (the most recent year of reporting) and 2030. Therefore, Sustainalytics considers the targeted performance required to achieve SPT 2 to be above the historical performance.

Sustainalytics analyzed the performance of six peers in the processed foods sector in the food and beverages industry. Five peers have not set or disclosed absolute scope 3 GHG emissions reduction targets. Only one peer has set a target, which exceeds Ülker's scope 3 target. Noting that most of the peers do not have or have not publicly disclosed targets related to scope 3 GHG emissions, SPT 2 is assessed to be above peer performance.

In terms of comparison with science-based references, Sustainalytics notes that as per the SBTi's FLAG Guidance, food and beverage processing companies and companies with land-related emissions that account for more than 20% of their total emissions are expected to set FLAG science-based targets, have a no-deforestation commitment and include carbon removal activities. Sustainalytics notes Ülker is in the process of developing its FLAG targets and aims to submit them to the SBTi for verification by March 2025.

<sup>26</sup> We refer here to contextual benchmarks that indicate the alignment of targets with ecosystem boundaries.

<sup>27</sup> SBTi, "SBTi Corporate Net-zero Standard", at: <https://sciencebasedtargets.org/resources/files/Net-Zero-Standard.pdf>

Sustainalytics notes that SPT 2 targets emissions from agriculture, forestry and land use change and covers nearly 73% Ülker’s scope 3 emissions and 80% of purchased goods and services emissions. Nonetheless, Sustainalytics notes that the target average annual rate of reduction is 3.33% from the 2021 baseline has not been structured as a FLAG or non-FLAG target as prescribed in the FLAG Guidance. Sustainalytics also notes that Ülker does not have a no-deforestation commitment and does not have carbon removal activities. Therefore, Sustainalytics was not able to assess alignment with science-based references.

**Overall Assessment**

Sustainalytics considers the SPTs to be aligned with Ülker’s sustainability strategy and considers SPT 1 to be highly ambitious given that: i) it is below historical performance; ii) it is above peer performance; and iii) it is aligned with the SBTi’s 1.5°C scenario under the cross-sector absolute contraction approach.

Sustainalytics considers SPT 2 to be ambitious given that: i) it is above historical performance; ii) it is above peer performance; but iii) it does not align with the SBTi’s 1.5° C scenario in the absence of FLAG targets.

SPT	Ambitiousness of SPT			
SPT 1: Reduce absolute scope 1 and 2 GHG emissions by 42% by 2030 from a 2021 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 2: Reduce absolute scope 3 GHG emissions by 30% by 2030 from a 2021 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious



**Financial Characteristics**

Ülker has disclosed that the financial characteristics of the sustainability-linked instruments issued under the Framework will be linked to achievement of the SPTs in the form of a coupon or margin adjustment, or a premium payment. The financial characteristics of the sustainability-linked financial instruments issued under the Framework will be linked to the following trigger events: i) failure of one or more KPIs to achieve the SPTs on the target observation date; or ii) the verification of the SPT has not been provided and made public in a timely manner as defined in the legal documentation of the relevant instrument.

Sustainalytics recognizes that Ülker can issue multiple sustainability-linked instruments under the Framework. Ülker has further confirmed that all SPTs will be individually assessed and that KPI 1 and KPI 2 will always be selected together as part of any issuances. Sustainalytics considers the financial characteristics of the sustainability-linked financial instruments to be aligned with the SLBP and SLLP but does not opine on the adequacy of the magnitude and structure of the financial penalty.



**Reporting**

Ülker commits to report on an annual basis on its progress on the KPIs and expects to include the relevant figures in its Sustainability-Linked Financing Progress Report within its Annual Sustainability Report, published on Ülker’s website. This reporting will include: i) updated information on the performance of the selected KPIs, including the baseline where relevant; ii) a verification assurance report provided by an external verifier, outlining the performance of the KPIs against the SPTs and the related impact; iii) timing of such impact; and iv) any additional relevant information enabling investors to monitor progress towards the SPTs. Additionally, Ülker may also include, wherever feasible: i) qualitative or quantitative explanations on the contribution of the main factors behind the performance on an annual basis; ii) examples of positive sustainability impacts; iii) any reassessments of the KPIs due to any changes to the calculation methodology or significant changes in data due to better data accessibility; iv) any adjustments to the baseline or KPIs scope, if relevant, in line with the recalculation policy in

the Framework; v) updates on new or proposed regulations from regulatory bodies relevant to the KPIs and the SPTs. The reporting commitments are aligned with the SLBP and SLLP.



### Verification

Ülker commits to have an external verifier provide limited assurance against each SPT for each KPI at least once a year and in any case for any date or period relevant for assessing performance towards the SPTs leading to a potential financial adjustment until after the SPT trigger event. Ülker commits to publish the verification report on its website annually. This is aligned with the SLBP and SLLP on verification.

## Section 2: Assessment of Ülker's Sustainability Strategy

### Credibility of Ülker Sustainability Strategy

In 2014, Ülker developed an approach to sustainable business practices by introducing the following core pillars: i) Planet, ii) Value Chain, iii) Employees, and iv) Social Investments. Ülker aims to achieve its sustainability agenda of managing environmental and social impacts by adopting regenerative and sustainable practices in collaboration with its stakeholders. In 2022, Ülker updated its materiality analysis and identified the topics that form the foundation for the focus areas of its sustainability strategy. These include the following topics, which are relevant to the Framework: i) climate crisis; ii) water; iii) waste and wastewater; iv) packaging; v) raw material supply; and vi) food quality and safety.<sup>28</sup>

In line with its sustainability approach, Ülker aims to become a net zero company by 2050. To achieve this, the Company has set the following targets under its planet and value chain pillars: i) reduce scope 1 and 2 emissions by 15.77% and scope 3 emissions by 4% by 2025 compared to the 2021 baseline; ii) power its factories and warehouses to 100% renewable energy sources by 2025 and 2030 respectively; iii) reduce logistics-related carbon emissions by 30% by 2030 compared to the 2019 baseline; iv) achieve 100% recyclable, reusable or compostable packaging by 2025; v) recycle a total of 250,000 m<sup>3</sup> water and wastewater reclamation by 2030; vi) reduce the water consumption per product to 1.32 m<sup>3</sup>/tonne by 2025; vii) reduce net losses in food to below 0.5% by 2030; viii) sustainably source 100% of the main raw materials (such as cocoa and palm oil) sustainably by 2030; ix) increase domestic agricultural raw material use (except cocoa and palm oil) to 90% by 2030; x) ensure the implementation of regenerative agricultural practices on 10,000 acres of land where production operations are carried out; and xi) contribute to the transition to sustainable agricultural practices in wheat and hazelnut production in Türkiye.<sup>29</sup>

To align with its net zero goal, Ülker expanded its scope 3 carbon emissions calculations and committed to enhance its efforts through emissions reduction goals aligned with the SBTi guidance. For example, Ülker digitally monitors and controls logistics processes, utilizing railway transport to reduce GHG emissions. Leveraging new digital tools, the Company achieved more than 96% vehicle occupancy in 2022, thereby reducing emissions. Additionally, Ülker minimizes water waste in factories by utilizing rainwater and wastewater recovery systems at treatment plants. In collaboration with Ankara University Water Management Institute<sup>30</sup> and BCSD Türkiye,<sup>31</sup> Ülker leads the Water Risks Project to analyze the impact of climate change on water resources and develop efficient irrigation strategies in agriculture. The Company has also joined the 10x20x30 initiative<sup>32</sup> to reduce global food loss and waste by 0.5% by 2030. Ülker conducts innovation studies in packaging to save materials and reduce environmental impacts, developing recyclable options with less waste. Moreover, the Company actively limits the use of PVC and PET packaging and collaborates with licensed companies to recycle and recover all packaging waste generated during the production phase. Ülker accelerates efforts to locally source imported raw materials and find substitutes, while establishing systems to monitor and audit suppliers' environmental, social and ethical compliance.<sup>33</sup>

To support its sustainability commitments, Ülker collaborates with and is a member of Turkish and international organizations such as the Ankara Chamber of Industry<sup>34</sup> and the Istanbul Chamber of Industry,<sup>35</sup> having memberships at the Foreign Economic

<sup>28</sup> Ülker, "Sustainability Report", (2022), at: <https://www.ulker.com.tr/documents/sustainability-report-2022.pdf>

<sup>29</sup> Ibid.

<sup>30</sup> Ankara University, at: [http://bbs.ankara.edu.tr/Amac\\_Hedef.aspx?bno=4292&bot=1908](http://bbs.ankara.edu.tr/Amac_Hedef.aspx?bno=4292&bot=1908)

<sup>31</sup> BCSD Türkiye, at: <https://www.wbcd.org/Overview/Global-Network/Regions/Europe-and-Middle-East/Tuerkiye/BCSD-Tuerkiye>

<sup>32</sup> Champions 12.3, "10x20x30", at: <https://champions123.org/10-20-30>

<sup>33</sup> Ülker, "Sustainability Report", (2022), at: <https://www.ulker.com.tr/documents/sustainability-report-2022.pdf>

<sup>34</sup> Ankara Chamber of Industry, at: <https://www.aso.org.tr/en/>

<sup>35</sup> Istanbul Chamber of Industry, at: <https://www.iso.org.tr/Home/>

Relations Board,<sup>36</sup> ILSI Europe,<sup>37</sup> Food Drink Europe,<sup>38</sup> European Food Information Council,<sup>39</sup> World Cocoa Foundation,<sup>40</sup> Turkish Food and Beverage Industry Association<sup>41</sup> and Carbon Trust.<sup>42,43</sup>

Considering the above, Sustainalytics considers that the Framework will further support the Company's sustainability initiatives and sustainability efforts.

### **Ülker's Environmental and Social Risk Management**

Sustainalytics recognizes that Ülker's defined targets are impactful but notes that achieving the SPTs bears environmental and social risks related to land use and biodiversity;<sup>44</sup> emission, effluents and waste;<sup>45</sup> resource use;<sup>46</sup> product governance;<sup>47</sup> human rights;<sup>48</sup> and corporate governance.<sup>49</sup>

Sustainalytics comments below on Ülker's ability to manage or mitigate such potential risks.

- To mitigate risks related to land use and biodiversity in supply chain, Ülker has developed a biodiversity policy to establish a framework for integrating biodiversity protection and promotion into its sustainability strategy. The Company commits to integrating biodiversity into its operations and supply chain by conducting assessments of biodiversity impacts throughout the value chain and implementing mitigation measures. Key points include protecting vital natural areas, avoiding deforestation and peatland destruction, adopting sustainable land management practices, undertaking responsibility to compensate for negative environmental impacts, and prioritizing nature-based solutions.<sup>50</sup> Further, the Company ensures compliance with the Sustainable Cocoa Standard and implemented agricultural projects to introduce initiatives related to traceability and transparency, prevention of child labour and deforestation, climate change, agroforestry, certified procurement and the use of chemicals and pesticides in agriculture. The Company uses the Starling application<sup>51</sup> to assess whether cocoa cooperatives avoid deforestation. With Starling's advanced satellite imaging, the Company conducted monitoring to prevent deforestation on cocoa farms.<sup>52,53</sup>
- Ülker has committed to prioritizing waste minimization, supporting reuse and emphasizing recycling practices. To achieve these objectives, the Company has established a zero-waste management system in six of its factories, and all its factories are certified with ISO 14001.<sup>54</sup> The Company has installed meters at all points with high water consumption to track daily water consumption and take actions to reduce water waste. Additionally, Ülker has committed to: i) reducing waste and wastewater to the minimum possible level; ii) using raw materials and water efficiently; and iii) increasing water recycling as part of its environmental policy. Furthermore, one of its factories is involved in the European Union project Zero Waste Practices in the Food Industry, coordinated by the Istanbul Governorship and the Provincial Directorate of Environment.<sup>55,56</sup>

<sup>36</sup> Foreign Economic Relations Board, at: <https://www.deik.org.tr/deik-about-us>

<sup>37</sup> ILSI Europe, at: <https://ilsi.eu/>

<sup>38</sup> Food Drink Europe, at: <https://www.fooddrinkeurope.eu/>

<sup>39</sup> European Food Information Council, at: <https://www.eufic.org/en/>

<sup>40</sup> World Cocoa Foundation, at: <https://worldcocoafoundation.org/>

<sup>41</sup> Federation of Food and Drink Industry Associations of Turkey, at: <https://www.tgdf.org.tr/en/>

<sup>42</sup> Carbon Trust, at: <https://www.carbontrust.com/en-as>

<sup>43</sup> Ülker, "Sustainability Report", (2022), at: <https://www.ulker.com.tr/documents/sustainability-report-2022.pdf>

<sup>44</sup> Sustainalytics' MEI Land Use and Biodiversity focuses on how companies' manage their impact on land, ecosystems and wildlife. Topics include land conversion, land rehabilitation and forest management.

<sup>45</sup> Sustainalytics' MEI Emissions, Effluents and Waste focuses on the management of emissions and releases from a company's own operations to air, water and land, excluding GHG emissions.

<sup>46</sup> Sustainalytics' MEI Resource Use focuses on how efficiently and effectively a company uses its raw material inputs (excluding energy and petroleum-based products) in production and how it manages related risks.

<sup>47</sup> Sustainalytics' MEI Product Governance focuses on how companies manage responsibilities to their clients. Emphasis is put on quality management systems, marketing practices, fair billing and post-sales responsibility.

<sup>48</sup> Human rights include the right to life and liberty, freedom from slavery and torture, freedom of opinion and expression, the right to work and education, etc. UN, "Human Rights", at: <https://www.un.org/en/global-issues/human-rights>

<sup>49</sup> Sustainalytics' MEI Corporate Governance represents foundational structures for the management of ESG risks.

<sup>50</sup> Ülker, "Biodiversity Policy, at: <https://ulkerbiskuviiinvestorrelations.com/en/corporate-governance/biodiversity-policy.aspx>

<sup>51</sup> European Space Agency, "How Starling works", at: [https://www.esa.int/ESA\\_Multimedia/Images/2021/06/How\\_Starling\\_works](https://www.esa.int/ESA_Multimedia/Images/2021/06/How_Starling_works)

<sup>52</sup> Ülker, "Biodiversity", at: <https://ulkerbiskuviyatirimciiliskileri.com/surdurulebilirlik/cevresel-surdurulebilirlik/biyocesitlilik.aspx>

<sup>53</sup> Ülker, "Sustainability Report", (2022), at: <https://www.ulker.com.tr/documents/sustainability-report-2022.pdf>

<sup>54</sup> ISO, "ISO 14001:2015", at: <https://www.iso.org/standard/60857.html>

<sup>55</sup> Ülker, "Sustainability Report", (2022), at: <https://www.ulker.com.tr/documents/sustainability-report-2022.pdf>

<sup>56</sup> Ülker, "Environmental management system", at: <https://ulkerbiskuviiinvestorrelations.com/en/corporate-governance/biodiversity-policy.aspx>

- To support responsible procurement practices to ensure the sustainability of resources, Ülker has introduced the following measures to reduce negative environmental impacts from its business operations: i) implementation of restorative agricultural practices; ii) restoration of water resources and the preservation of the water cycle; iii) implementation of rainwater recovery systems and wastewater treatment; iv) prioritize sourcing from areas with no deforestation using satellite tracking; v) collaborations with palm oil suppliers to address environmental issues; vi) development sustainable packaging strategies and policies; and vii) support the increase in recycling rates.<sup>57</sup>
- Ülker conducts internal and external audits at all factories, adhering to international quality and food safety standards. The Company also audits suppliers based on Ülker Quality & Food Safety standards through risk analysis. Additionally, Ülker performs periodic inspections of distributor warehouses and provides factory employees with relevant training. The Company also assesses and resolves all customer complaints through the customer contact centre.<sup>58</sup> The Company follows national and international quality standards such as those of the Turkish Standards Institute,<sup>59</sup> Occupational Health and Safety Advisory Services (OHSAS),<sup>60</sup> BRC Global Standards (BRCGS)<sup>61</sup> and International Featured Standards (IFS).<sup>62,63</sup>
- Regarding human rights in the supply chain, Ülker's Human Rights Policy aims to identify human rights risks from its activities and take action to mitigate them. This policy applies to all business relations, including factories, activities, major partners, suppliers and third-party contractors and is informed by the Universal Declaration of Human Rights (UDHR),<sup>64</sup> UN Global Compact (UNGC),<sup>65</sup> UN Convention on the Rights of the Child,<sup>66</sup> ILO Conventions,<sup>67</sup> OECD Guidelines for Multinational Enterprises,<sup>68</sup> the UN Guiding Principles on Business and Human Rights (OHCHR)<sup>69</sup> and national laws. Additionally, the Company conducts social compliance audits for its key suppliers to monitor adherence to human rights, ethics and environmental protection, covering aspects such as child labour, forced labour, union processes, occupational health and safety, disciplinary practices, working hours, employee evaluation processes, remuneration, migrant workers, work ethics and environmental management.<sup>70,71</sup> Ülker's Supply Chain policy outlines the environmental, social, and ethical responsibilities expected from all its suppliers. The Company's suppliers are expected to comply with the policy and share its principles with their employees and suppliers. This Policy is part of all supplier contracts globally, and suppliers are selected based on their adherence to it.<sup>72</sup>
- Ülker's Sustainability Platform provides an integrated approach to define and implement relevant policies, strategies and targets while actively engaging with stakeholders to embed sustainability throughout the Company's processes. The platform also includes processes to oversee activities and report to the board of directors, which is ultimately responsible for monitoring compliance with the Company's sustainability strategy, policies and targets.<sup>73</sup> Additionally, the Company has established a Code of Conduct that prescribes ethical business practices, mandates strong stakeholder relationships and establishes guidelines on anti-corruption and anti-bribery. The Company conducts training sessions for all employees and contractors, requiring its suppliers to incorporate these principles into their business operations.<sup>74</sup>
- Ülker employs a comprehensive risk management strategy that considers both financial and non-financial risks. The Company conducts thorough analyses of risks across its value chain, from raw material sourcing to product delivery,

<sup>57</sup> Ülker, "Sustainability Report", (2022), at: <https://www.ulker.com.tr/documents/sustainability-report-2022.pdf>

<sup>58</sup> Ibid.

<sup>59</sup> TSE Türkiye, at: <https://www.iso.org/member/2168.html>

<sup>60</sup> OSHAS, at: <https://ohsas.org/>

<sup>61</sup> BRCGS Food Safety Global Standard, at: <https://www.brcgs.com/our-standards/food-safety/>

<sup>62</sup> IFS, at: <https://www.ifs-certification.com/en/>

<sup>63</sup> Ülker, "Code-of-Ethics – 6. Product and Service Quality", at: <https://ulkerbiskuviinvestorrelations.com/en/corporate-governance/code-of-ethics.aspx>

<sup>64</sup> UDHR, at: <https://www.un.org/en/about-us/universal-declaration-of-human-rights>

<sup>65</sup> UNGC, at: <https://unglobalcompact.org/>

<sup>66</sup> UN Convention on the Rights of the Child, at: <https://www.unicef.org/child-rights-convention>

<sup>67</sup> ILO, at: <https://www.ilo.org/>

<sup>68</sup> OECD Guidelines for Multinational Enterprises, at: <https://mneguidelines.oecd.org/mneguidelines/>

<sup>69</sup> OHCHR, "Guiding Principles on Business and Human Rights", at: [https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr\\_en.pdf](https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_en.pdf)

<sup>70</sup> Ülker, "Sustainability Report", (2022), at: <https://www.ulker.com.tr/documents/sustainability-report-2022.pdf>

<sup>71</sup> Ülker, "Ülker Bisküvi Sanayi A.Ş. Human Rights Policy and Guiding Principles", (translated from Turkish) at: [https://ulkerbiskuviyatirimciiliskileri.com/\\_assets/pdf/surdurulebilirlik/ulker-insan-haklari-politikasi.pdf](https://ulkerbiskuviyatirimciiliskileri.com/_assets/pdf/surdurulebilirlik/ulker-insan-haklari-politikasi.pdf)

<sup>72</sup> Ülker, "Ülker Bisküvi Sanayi A.Ş. Supply Chain Policy", at:

[https://www.ulker.com.tr/documents/Politikalarimiz/ulker\\_tedarik\\_zinciri\\_politikasi\\_eng.pdf](https://www.ulker.com.tr/documents/Politikalarimiz/ulker_tedarik_zinciri_politikasi_eng.pdf)

<sup>73</sup> Ülker, "Sustainability Report", (2022), at: <https://www.ulker.com.tr/documents/sustainability-report-2022.pdf>

<sup>74</sup> Ülker, "Ülker Bisküvi Ethical Principles And Business Principles", (translated from Turkish) at:

[https://ulkerbiskuviyatirimciiliskileri.com/\\_assets/pdf/surdurulebilirlik/Etik\\_Ilkeler.pdf](https://ulkerbiskuviyatirimciiliskileri.com/_assets/pdf/surdurulebilirlik/Etik_Ilkeler.pdf)

with a particular emphasis on climate-related risks and their impacts. The risk unit and the Company's internal Sustainability Platform together play a vital role in facilitating the identification and evaluation processes of these risks.<sup>75</sup>

In addition to the above, Sustainalytics has found no evidence of any major environmental or social controversies related to Ülker. Overall, Sustainalytics considers that Ülker has management programmes and policies to mitigate the above risks.

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<sup>75</sup> Ülker, "Sustainability Report", (2022), at: <https://www.ulker.com.tr/documents/sustainability-report-2022.pdf>

## Section 3: Impact of the SPTs

### Importance of reducing GHG emissions in the food industry

The global food system was responsible for 15.8 GtCO<sub>2</sub>e emissions, equivalent to 30% of the world’s total.<sup>76</sup> Agricultural production accounted for nearly 40% those in 2021,<sup>77</sup> followed by the food supply chain and post-retail activities (including cooking and waste), which accounted for 17.22% and 11.66% of the sectors GHG emissions respectively.<sup>78</sup> Every year, the food supply chain generates up to 16,900 GtCO<sub>2</sub>, with this figure expected to increase by another 30% by 2050.<sup>79</sup> Hence, achieving the goals of the Paris Agreement and the UN SDGs requires substantial contributions from the food system, encompassing both supply-side actions in agricultural production and transportation and demand-side initiatives, such as dietary shifts and minimizing food waste, all while enhancing food security and safety.<sup>80</sup>

Research indicates that even if eliminating all non-food GHG emissions was currently possible, the emissions from the global food system alone would still push global warming beyond 1.5°C and make a 2°C target difficult to achieve.<sup>81,82</sup> In this context, the SBTi established the FLAG framework for companies operating in land-intensive sectors to set science-based targets in line with the Paris Agreement’s goal of limiting global warming to 1.5°C.<sup>83</sup> Under the FLAG framework, businesses engaged in activities that include food retail are required to set FLAG targets if their FLAG-related GHG emissions account for at least 20% of their total GHG emissions.<sup>84</sup> In addition, the 10x20x30 initiative, launched by Champions 12.3 to fight food loss and waste,<sup>85,86</sup> unites 10 major food retailers and providers, each engaging 20 priority suppliers to halve food loss and waste by 2030.

Based on the above, Sustainalytics is of the opinion that Ülker’s efforts to reduce its scope 1, 2 and 3 emissions will positively contribute to reducing its environmental footprint.

### Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Framework are expected to help advance the following SDGs and targets:

KPI	SDG	SDG Target
KPI 1: Absolute scope 1 and 2 GHG emissions (tCO <sub>2</sub> e)	7. Affordable and Clean Energy	7.2. By 2030, increase substantially the share of renewable energy in the global energy mix.  7.3. By 2030, double the global rate of improvement in energy efficiency.
KPI 2: Absolute scope 3 GHG emissions (tCO <sub>2</sub> e)	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

<sup>76</sup> EC, “Field to fork: global food miles generate nearly 20% of all CO<sub>2</sub> emissions from food”, (2023), at: [https://environment.ec.europa.eu/news/field-fork-global-food-miles-generate-nearly-20-all-co2-emissions-food-2023-01-25\\_en](https://environment.ec.europa.eu/news/field-fork-global-food-miles-generate-nearly-20-all-co2-emissions-food-2023-01-25_en)

<sup>77</sup> Ritchie, H. (2021), “How much of global greenhouse gas emissions come from food?” Our World in Data, at: <https://ourworldindata.org/greenhouse-gas-emissions-food>

<sup>78</sup> Ibid.

<sup>79</sup> Irtiq, S. et al. (2023), “Carbon footprints evaluation for sustainable food processing system development: A comprehensive review”, ScienceDirect, at: <https://www.sciencedirect.com/science/article/pii/S2666833523000011>

<sup>80</sup> Costa, C. et al. (2022), “Roadmap for achieving net-zero emissions in global food systems by 2050”, Scientific Report, at: <https://doi.org/10.1038/s41598-022-18601-1>

<sup>81</sup> M.A. Clark, et al. “Global Food System Emissions Could Preclude Achieving the 1.5 and 2°C Climate Change Targets,” Science, 370 (6517): pp. 705–708, (2020), at: <https://www.science.org/doi/10.1126/science.aba7357>

<sup>82</sup> Global Alliance for the Future of Food, “Submission by the Global Alliance for the Future of Food on the First Global Stocktake (GST)”, (2022), at: <https://unfccc.int/sites/default/files/resource/202208100817---Future%20of%20Food-Global%20Stocktake%20Submission-20220808.pdf>

<sup>83</sup> SBTi, “Forest, Land and Agriculture (FLAG)”, at: <https://sciencebasedtargets.org/sectors/forest-land-and-agriculture>

<sup>84</sup> KPMG, “Introducing SBTi – FLAG”, at: <https://kpmg.com/ie/en/home/insights/2022/10/science-based-targets-sustainable-futures.html>

<sup>85</sup> The Consumer Goods Forum, “Collaborating for a Common Goal”, at: <https://www.theconsumergoodsforum.com/environmental-sustainability/food-waste/key-projects/10x20x30-initiative/>

<sup>86</sup> World Resources institute, “Major Food Retailers & Providers Join New ‘10x20x30’ Food Loss and Waste Initiative”, at: <https://www.wri.org/news/release-major-food-retailers-providers-join-new-10x20x30-food-loss-and-waste-initiative>

	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
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## Conclusion

Ülker intends to issue sustainability-linked bonds and loans and will tie the financial characteristics, such as a coupon or margin adjustment or a premium payment to achievement of the following SPTs:

- (1) SPT 1: Reduce absolute scope 1 and 2 GHG emissions by 42% by 2030 from a 2021 baseline
- (2) SPT 2: Reduce absolute scope 3 GHG emissions by 30% by 2030 from a 2021 baseline

Sustainalytics considers KPI 1 to be very strong given that: i) it is a direct measure of the Company’s performance on a relevant and material environmental issue; ii) jointly with KPI 2 has a high scope of applicability; iii) it follows a clear and consistent methodology that is externally defined; and iv) supports benchmarking against GHG emissions reduction trajectories.

Sustainalytics considers KPI 2 to be strong given that: i) it is a direct measure of the Company’s performance on a relevant and material environmental issue; ii) it has a high scope of applicability; iii) it follows a clear and consistent methodology that is externally defined; but iv) does not support benchmarking against GHG emissions reduction trajectories such as the SBTi FLAG sector-specific absolute contraction pathway.

Sustainalytics considers the SPTs to be aligned with Ülker’s sustainability strategy and considers SPT 1 to be highly ambitious given that: i) it is below historical performance; ii) it is above peer performance; and iii) it is aligned with the SBTi’s 1.5°C scenario under the cross-sector absolute contraction approach. Sustainalytics considers SPT 2 to be ambitious given that: i) it is above historical performance; ii) it is above peer performance; but iii) it does not align with the SBTi’s 1.5° C scenario in the absence of a FLAG target.

Additionally, Sustainalytics considers the reporting and verification commitments to be aligned with the Sustainability-Linked Bond Principles 2023 and Sustainability-Linked Loan Principles 2023.

Based on the above, Sustainalytics considers the Ülker Sustainability-Linked Financing Framework to be in alignment with the five core components of the Sustainability-Linked Bond Principles 2023 and Sustainability-Linked Loan Principles 2023 and the prospective achievement of the SPTs to be impactful.

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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world’s leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

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