COMMUNICATION ON PROGRESS

Implementing UN Global Compact Principles for the Smartiks Yazılım Anonim Sirketi

2021

Table of Contents

Message from the CEO and Statement in Support of UNGC

Dear Stakeholders,

Smartiks Yazılım A.S. was established in 2006 to generate effective business solutions and to render software development and consultancy services to its customers with its expert staff by using the highest technology components.

Smartiks acts with the vision of offering the truest solution within the shortest time. Smartiks, which offers service by always giving particular importance to productivity and service quality in its works to be mentioned with quality, consistently empowers and improves its staff with the understanding that its most important resource is human. Our company, which has shaped its rooted software traditions with a modern understanding according to today's technology and fast production needs with its international collaborations, has taken its place among leading technology development companies in the sector in a short time.

Our company, which has carried out many national and international projects on Customer Relationship Management Systems, Business Intelligence, e-Commerce applications, and Mobile applications successfully, also foresees emerging sectoral needs with its visionary approach and thereby, adds new products and services to its portfolio.

Continuing to grow with the projects that it has completed and each of which is shown as a reference in its sector, Smartiks has adopted the principle of strategic business partnership by offering complete support to its customers not only to meet the needs but also to foresee future innovations and new needs that may arise. Smartiks has strengthened its expertise in the advanced use of technology and consultancy for incorporating solutions with the products and solution partnerships it has developed since its establishment, ensures high-level customer satisfaction with its solutions and thereby, turns its experience into a success.

As Smartiks, we aimed to follow the economic, environmental, and social developments of our company as well as the opportunities and risks arising from these developments along with our financial indicators. To leave a sustainable world to future generations and serve as a model in this regard, we have undertaken to transparently share our environmental, social, and corporate activities with our shareholders.

> *I am glad to declare our company's, Smartiks Yazılım A.S., commitment and the continuity of our support to the 10 principles of the United Nations Global Compact which are globally accepted under the main titles of Human Rights, Working Conditions, Environment and Anti-Corruption. Within this scope, we aimed to explain our actions to integrate these principles into our business strategy, culture, and daily activities in our sustainability report. Furthermore, we undertake to share this information with all our stakeholders by using our primary communication channels.*

Hope to share the pride and happiness of many successes in line with our goals in the upcoming period.

Sincerely,

Mr. E. Hakan Celik
CEO, Smartiks Yazılım A.S.

Our approach to the 10 Principles

On 03.11.2020, the company signed the UN Global Compact which is the biggest corporate sustainability initiative of the world and is based on ten universal principles in **human rights, working standards, environment, and anti-corruption**. In this sense, the company is proud to be a part of the global movement of sustainable companies and stakeholders.

You can view the company's UNGC Company Card and the Engagement Letter by the link below: https://www.unglobalcompact.org/what-is-gc/participants/141907-Smartiks-Yaz-l-m-A-

The report serves as a statement of progress in accordance with the United Nations Global Compact (UNGC) to which we are a signatory since 2020. Smartiks COP refers to the 10 principles of UNGC concerning human rights, working standards, environment, anti-corruption and also summarizes the support and maintenance performance for these principles. All the information shared in the report intends to increase the awareness of all the shareholders, create value and integrate the principles of sustainability to all the business processes.
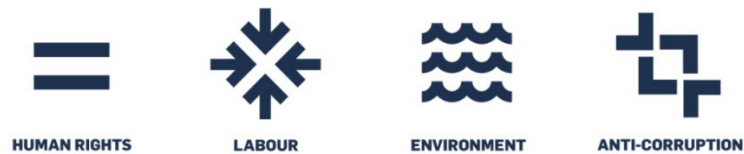
Principle 1: The business world should support and respect the declared human rights.

Principle 2: The business world should not be a party to the violations of human rights.

Principle 3: The business world should support the union and collective bargaining rights of employees.

Principle 4: Forced labor should be removed.

Principle 5: Any and all kinds of child labour should be removed.

Principle 6: Discrimination during employment and placement should be removed.

Principle 7: The business world should support preventive and protective measures towards the environment.

Principle 8: The business world should support any and all activities and organizations to promote responsibility towards the environment.

Principle 9: The business world should support the development and expansion of environment-friendly technologies.

Principle 10: The business world should fight against any and all kinds of corruption including bribes and rackets.

The UN Sustainable Development Goals (SDG)

Smartiks adopts UN Sustainable Development Goals (SDG) and implements the sustainability strategy according to the global targets in this regard. Evaluating the strategy based on the "protect, empower, improve and comply" concept under the light of SDGs, Smartiks contributes to the development targets of certain categories with the company's activities. The official website of the United Nations SDG is www.un.org/sustainabledevelopment

The report analyses the development and targets of sustainability under three categories which are

- **PROTECT: ENVIRONMENT**

- **EMPOWER: HUMAN RIGHTS & LABOUR**

- **COMPLY & IMPROVE: ANTI-CORRUPTION & CORPORATE GOVERNANCE**
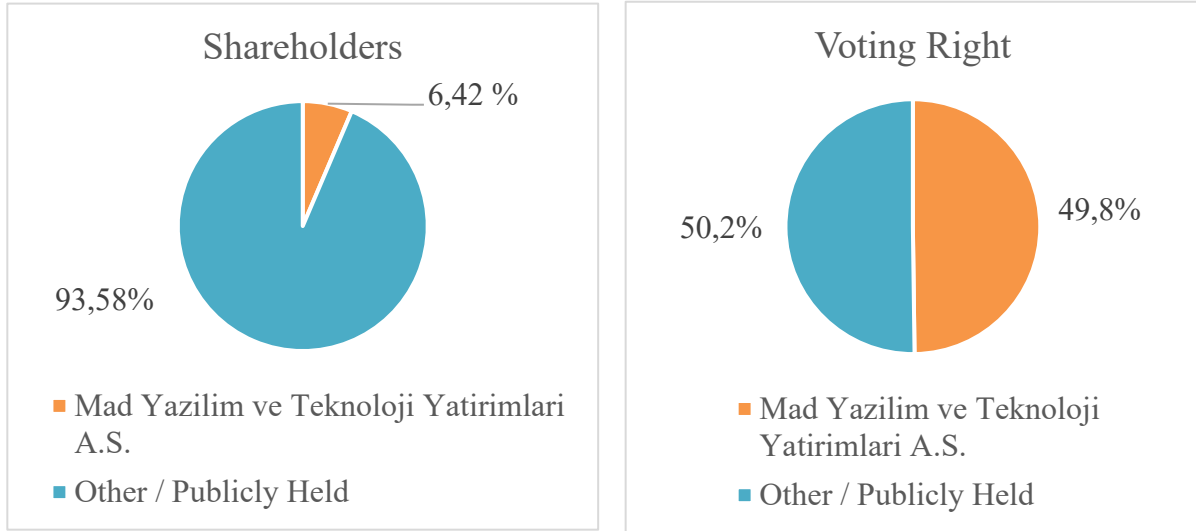
About Smartiks

Smartiks was established in 2006 to generate effective business solutions for its customers by using high technology components and to render software development and consultancy services with its expert staff. Smartiks, which has successfully carried out many national and international projects in the fields of *Customer Relationship Management Systems, Business Intelligence, e-Commerce applications, and Mobile applications* it has focused, also foresees emerging sectoral needs with its visionary approach and thereby, adds new products and services to its portfolio. Smartiks, which has strengthened its expertise in the advanced use of technology and consultancy in corporate solutions, with the products and solution partnerships it has developed since its establishment, provides a high level of customer satisfaction with its solutions and turns its knowledge into a success. Smartiks Yazılım A.S. has been listed in the Informatics Index of Borsa Istanbul since 10.05.2019. As of the end of 2021, our company's Share Rate in Actual Circulation is 93.24%. Since 2019, the company has been following the Capital Market Regulations and it continues its activities per the legislation, including corporate governance structures, financial reporting processes, and transparency principles.

Our Offices			
Headquarters	**Kozyatağı Branch**	**Dubai Branch**	**USA Branch**
Yıldız Technical University Davutpaşa Campus Technopark D2 Blok No: Z06 Esenler / Istanbul	Sahrayıcedit Mh. Halk Sk. Kayalar İş Merkezi No:39/A Kadıköy – İstanbul	Dubai Internet City, Building Number 12 Office 207-208 Dubai UAE	5201 Great America Pkwy Suite 320, Santa Clara, CA 95054, USA

Shareholding and Management Structure

Shareholders

6,42 %

93,58%

- Mad Yazilim ve Teknoloji Yatirimlari A.S.
- Other / Publicly Held

Voting Right

50,2%   49,8%

- Mad Yazilim ve Teknoloji Yatirimlari A.S.
- Other / Publicly Held

Board of Directors

As of 31.12.2021, Smartiks Software Board of Directors is as follows.

Board Member	Title
Mad Yazilim ve Teknoloji Yatirimlari A.S.(Represented by Mustafa Bahçuvan)	Chairman of the Board
Erdogan Hakan Celik	Vice-Chairman of the Board
Neval Onen	Member
Tugrul Gökcen	Member
Yuce Erim	Independent Board Member
Ibrahim Semih Arslanoglu	Independent Board Member

Solutions:

CRM (Customer Relationship Management)

Customer relationship management is an approach to managing a company's interaction with current and potential customers. It includes revealing customer expectations, analyzing processes, selecting the most suitable products for the project and making technical arrangements in the corporate transformation process of customers. Sales Force Automation, After Sales Service Automation, Marketing Management, Loyalty Management, Digital Content Management, Digital Service Solutions, Call Center Solutions are some of the solutions offered for consultancy.

Business Intelligence (BI)

It is about the data-based decision support steps that customers need in digital transformation processes. Solutions include rapid needs analysis, data migration, reference architecture recommendations, industry-specific enterprise data modeling, (Inmon/Kimball/Hybrid), establishment of corporate data warehouse, powerful visual reporting with new generation business intelligence tools, self-service BI, transfer of historical data, Big Data includes services such as ensuring that IOT data is available for strategic decisions.

Data Science

It includes providing advanced analytics solutions using the relational and non-relational data of companies. It aims to ensure the dissemination of algorithms built using R and Python languages on on-Premises, Microsoft Azure and AWS platforms and to support end-to-end architectural installations. Project competencies Time series forecasting, Customer segmentation (clustering), Product and campaign usage forecasting (matrix factorization, deep learning), Failure forecasting (classification, decision tree), Predictive maintenance, Customer life Calculation of the value (customer lifetime value) and Anomaly detection.

Data Security

Data provides a critical foundation for all operations of an organization. Safely protecting and using this foundation is central to its security strategy. In the era of digital transformation, technologies that are included in both our daily lives and the business world bring many benefits with them, but also pose risks that should be taken seriously, especially in terms of data security. When it comes to digital security, one of the most emphasized points is the differences between corporate information and individual user information and privacy/security threats against them. The simplest and most important way to ensure that this information in electronic media is not stolen or read by people who want to use it for malicious purposes is data masking and encryption. The encryption method, which is used by both individual users and large companies, is widely used to protect the confidentiality of user information sent between the browser and the server on the internet.

In addition to these services, Smartiks Yazılım A.Ş also provides services in **Analysis and Process Management, Software Solutions, HR Solution and Outsourcing.**
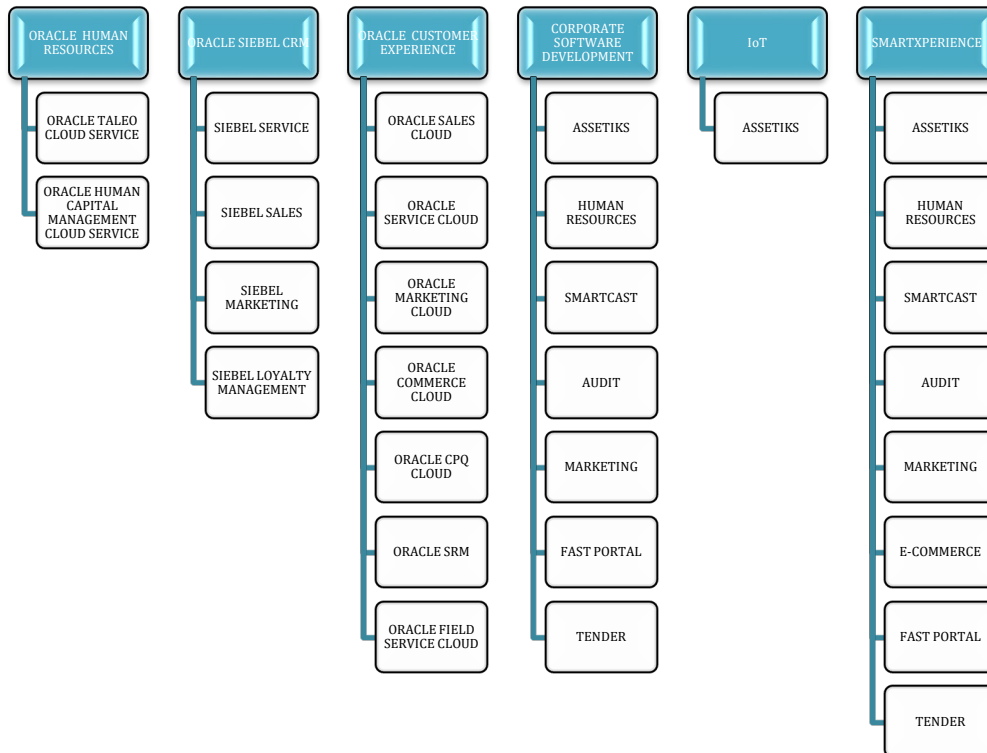
Our 100% Affiliate: Compello Bilgi Teknolojisi Hizmetleri ve Tic. A.S.

Smartiks Yazılım A.S, in line with its growth strategy and investment decisions on 27.09.2019, acquired all shares (100%) of the software company, ''Compello Bilgi Teknolojisi Hizmetleri ve Ticaret A.S.'' which was established as *big data and business intelligence-oriented* in 2012; and has successfully presented the high-value-added products that it has developed with its strong R&D infrastructure, to its customers in the countries such as England, USA, Australia, and Switzerland as well as Turkey; has worked with companies such as Barclays Bank in London, Nestle in Switzerland and Bendigo Bank in Australia for its product named ''Project & Portfolio Intelligence''; and has also made a contribution to the national economy by adding artificial intelligence products to its innovative product family thanks to its on-site R&D center certificate and various TUBITAK incentives.

PMI Analytics ▶	Cobit Analytics ▶	ITIL Analytics ▶	Cognos Add-Ons ▶
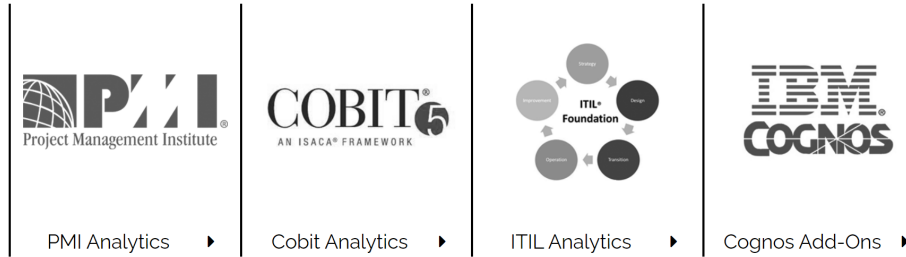
The purpose and subject of the Company are to install all kinds of technical, electronic, mechanical, and telecommunication infrastructure and user units and surrounding devices required to produce and distribute all kinds of information, computer software, internet services, and mobile services electronically, and to have them installed and ensure their installations; it engages in the production, domestic and foreign trade, maintenance, repair and assembly, marketing, sale, lease, provision of necessary services, storage, transportation, promotion and trade of these devices and necessary programs and/or software.

History and Awards

2006:

- Established in 2006 to render software development and consultancy services.

2014:

- Yıldız Technical University Technopark Office was opened.

2017:

- Dubai Office was opened to meet the demands for Smartiks solutions in the Middle East region more quickly and effectively.
- We were awarded the 'Cloud Transformation Partner of the Year 2017' by Oracle.

2018:

- The United States Branch was opened.
- Smartiks was awarded the "FY18 Central Asia & Turkey Partner of the Year (HCM Cloud)" and "FY18 Central Asia & Turkey Partner of the Year (Customer Advocacy)" by Oracle for its successful project and business partnership in 2017-2018.

2019:

- Our company was offered to the public and became listed company in Borsa Istanbul on May 09, 2019.
- In line with its growth strategy and investment decisions, on September 27, 2019, it acquired all shares of "Compello Bilgi Teknolojisi Hizmetleri ve Ticaret A.S.", a software company that was established as big data and business intelligence-oriented in 2012.
- We were deemed worthy of the 'Financial Transformation Business Partner of the Year' award at the 2019 Microsoft Business Partners Summit with 3 projects that we designed for Vakıf Participation Bank.

2020:

- It was accepted as a signatory company to the United Nations Global Compact.
- It concluded the Business Partnership Agreement for "Data Governance and Data Security" with SecuPi Security Solutions, Ltd which is headquartered abroad.

2021:

- Our product "Smartforecast (Statistical Forecasting Application)" on product and location-based estimation of sales / costs in a time period using statistical algorithms has been developed.
- 5-Year Major Supplier agreement with Microsoft and India-based Applicate IT Solutions Pvt Ltd. A 1-Year Business Partnership Agreement was signed with

- Smartiks Software took its place in the list of "Turkey's 250 Companies with the Highest R&D Expenditures" organized by Turkishtime Economy and Business Culture Portal on 23.06.2021, with a total R&D investment of 11.360.184 TL in 2020. (https://turkishtimedergi.com/arge250)

Operational and Financial Information

In 2021, Smartiks Yazılım A.S. has made service/product sales not only in the domestic market but also overseas countries such as the United Arab Emirates, Switzerland, Saudi Arabia, Canada and has made new strategic business partnerships with international companies.

The revenue reached 36.364.651 TRY as of 31.12.2021 indicating %33,7 growth compared to last year.

Among the revenue items, the predominant service item was Turn-Key Solutions.

Revenue (TRY)

Year	Revenue
2017	Ł21.383.489
2018	Ł23.779.843
2019	Ł27.103.878
2020	Ł27.203.245
2021	Ł36.364.651
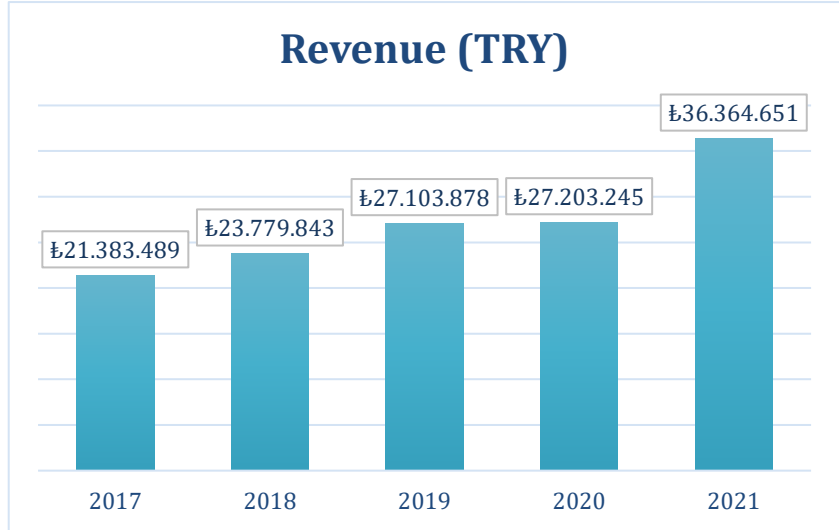
As of 31.12.2021, Gross Profit increased by 15% compared to the previous year and amounted to 20.645.802 TRY.

Gross Profit(TRY)

Year	Gross Profit
2017	Ł15.046.452
2018	Ł18.319.001
2019	Ł19.106.174
2020	Ł17.923.802
2021	Ł20.645.802

Operational Profit(TRY)
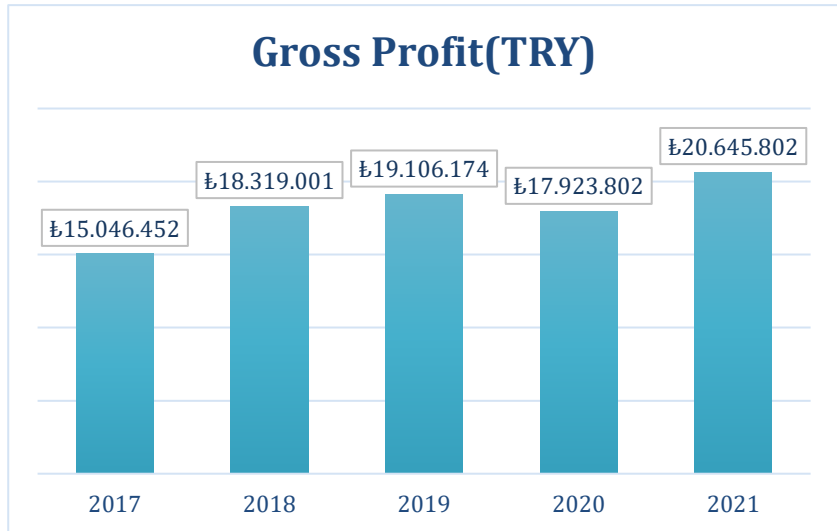
As of 31.12.2021, Main Operational Profit increased by 59% compared to the previous year and amounted to 4.655.234 TRY.

Year	Value
2017	Ł6.999.317
2018	Ł8.648.597
2019	Ł8.993.628
2020	Ł2.918.818
2021	Ł4.655.234
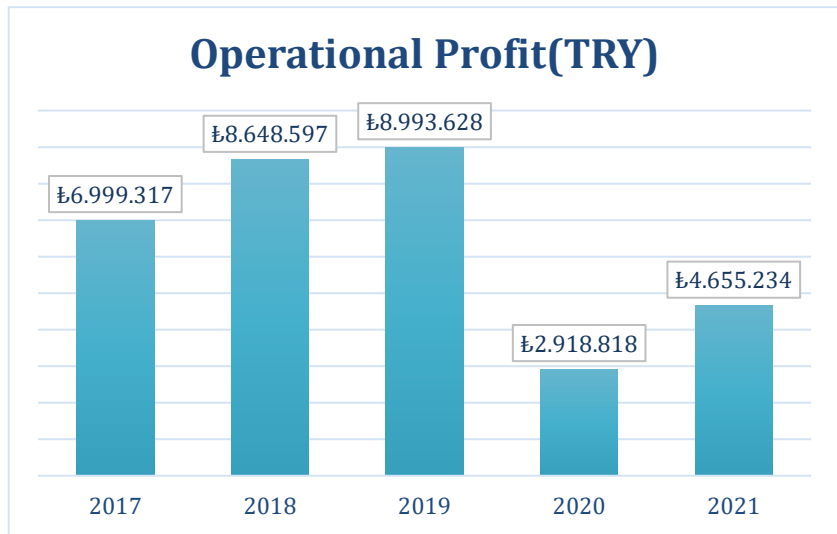
Net Profit (TRY)

As of 31.12.2021, Net Profit increased by 2% compared to the previous year and amounted to 3.813.732 TRY.

Year	Value
2017	Ł5.647.870
2018	Ł6.003.313
2019	Ł7.683.264
2020	Ł3.739.410
2021	Ł3.813.732

Assets (TRY)
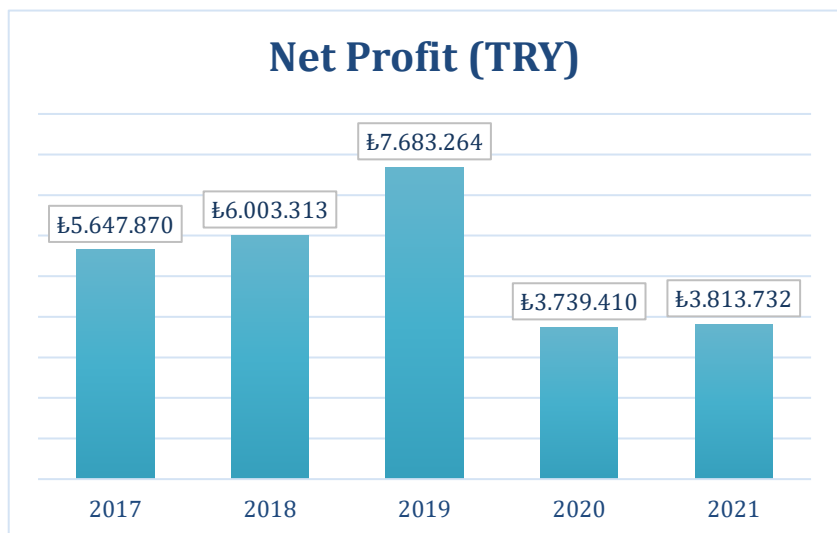
As of the end of 2021, our total assets increased by 12.8% and reached 93.292.733 TRY.

Year	Value
2017	Ł30.610.101
2018	Ł43.688.226
2019	Ł73.408.540
2020	Ł81.320.478
2021	Ł93.292.733
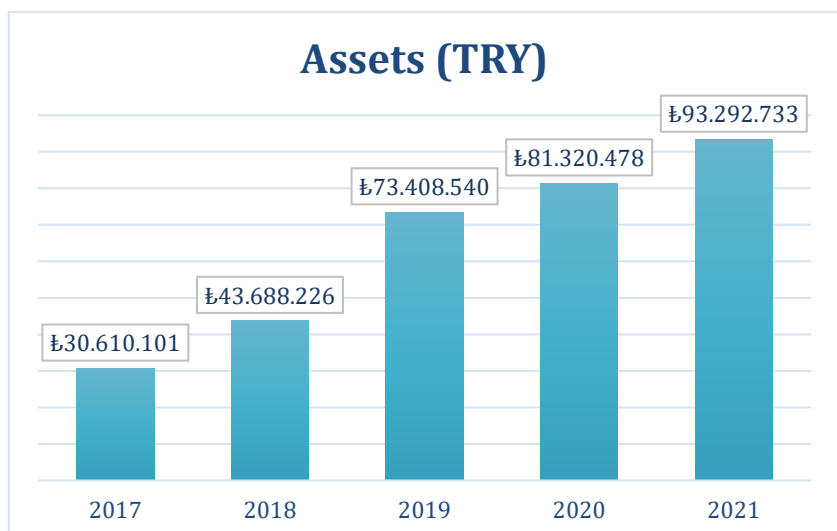
smartiks

Smartiks Sustainability Strategy: PROTECT – EMPOWER – IMPROVE -COMPLY

To follow the principles that will protect the environmental heritage and carry it to future generations

To bring miscellaneous practices into action to promote the inclusive corporate culture, to become a preferred business, and to support local communities and the supply chain

PROTECT:
ENVIRONMENTAL PRINCIPLES

EMPOWER:
SOCIAL PRINCIPLES

IMPROVE:
STAKEHOLDERS, INTERNATIONAL STANDARDS AND INITIATIVES

COMPLY:
CORPORATE GOVERNANCE PIRNCINPLES COMPLIANCE REPORT

To bring innovative products and services into action by focusing on R&D and technology

To make our business practices sustainable by integrating effective corporate governance into all our processes

1-) PROTECT: ENVIRONMENT

Corporate Sustainability Policy

Our Company's Corporate Sustainability Policy has entered into force with the Board of Directors Decision dated 30.12.2020 and numbered 2020/24. The purpose of this policy is to determine the procedures and principles regarding conducting "Environmental, Social, Corporate Governance (ESG) Studies" within the Corporate Governance Principles and Sustainability Principles Compliance Framework of the Capital Markets Board.

Principle 7: The business world should support the preventive and protective measures towards the environment.

Principle 8: The business world should support any and all activities and organizations to promote responsibility towards the environment.

In the performance of sustainability activities, the Company pays attention to support the economic development to improve the life quality of the society, to follow environmentally-friendly policies in all its activities, to support various projects prepared for social and cultural purposes in this direction, to interiorize the transparency, fairness, accountability, and responsibility, which are the fundamental principles of corporate governance, and thereby, render valuable services in all areas such as education, health, barrier-free living, environment, culture, etc., to support social development in all business processes, and to encourage the efforts to raise employee awareness by taking part in social responsibility projects with its employees.

Based on environmental, social, and corporate governance, the Corporate Sustainability Policy covers the following principles;

- Continuously improve all business processes by managing the risks effectively
- Work with the zero-accident principle on occupational health and safety
- Raise company performance and production efficiency
- Ensure an open communication environment by encouraging employees to active participation
- Use energy efficiently, to protect the ecological balance and natural resources
- Raise the knowledge and social awareness of stakeholders on climate change
- Follow up a sustainable environmental management policy based on national environmental legislation, relevant environmental standards, and the best technologies in this field
- Ensure information security and business continuity in all activities
- Comply with national and international legal requirements
- Manage relations with its stakeholders in a transparent manner and common sense
- Ensure continuity in customer satisfaction
- Develop its suppliers in terms of sustainability practices
- Share its sustainable environmental policy practices with the public in a transparent manner
- Submit Corporate Social Responsibility activities to its stakeholders in line with Company strategies, goals, and priorities
- Adopt the Corporate Governance Principles as the corporate culture, particularly ethical values and anti-corruption.

Energy Management

The Power Consumption (kwh) of Smartiks Technopark Branch is as follows. In 2021, **11% savings** were achieved in the amount of energy consumed compared to the previous year.

TOTAL ENERGY CONSUMPTION (KWH)

	2019	2020	2021
JANUARY	7.298	11.991	6.918
FEBRUARY	8.554	10.163	8.638
MARCH	7.643	7.176	7.934
APRIL	6.261	4.493	10.876
MAY	5.885	4.181	6.345
JUNE	7.057	5.337	4.082
JULY	8.152	7.785	4.600
AUGUST	7.363	7.739	5.821
SEPTEMBER	6.610	6.458	6.657
OCTOBER	5.662	5.491	4.712
NOVEMBER	5.681	6.736	4.454
DECEMBER	8.415	8.437	5.149
TOTAL	**84.582**	**85.988**	**76.185**

SMARTIKS HEADQUARTER

2020-2021
%11 ENERGY SAVING
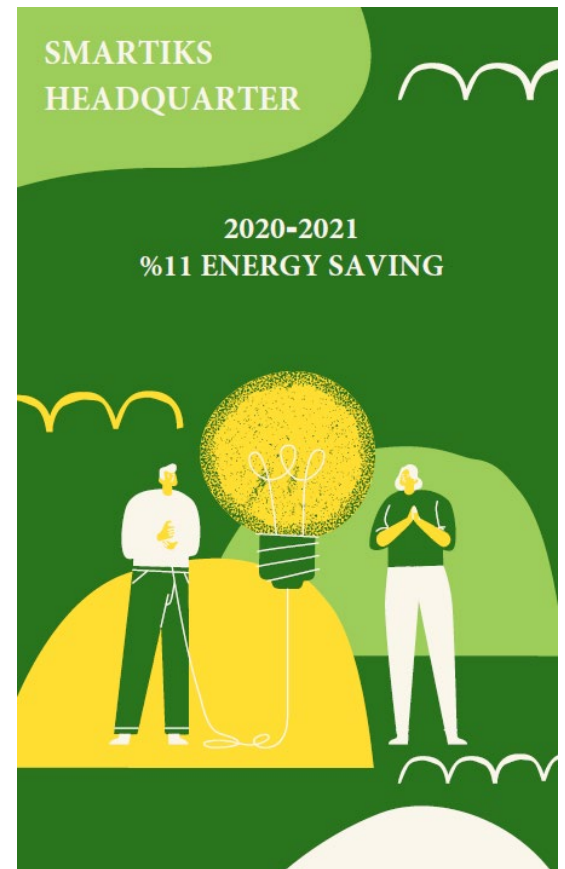
Measures Taken During the Pandemic Process

Due to Covid-19 that started to be seen in our country as of March, we aspired to take all kinds of measures to protect the health of our employees and to lend assistance to them in this process. The measures that started to be taken in 2020 continued in this context in 2021 as well. Within this process,

- All our employees were provided the opportunity to work from home.
- Disinfectants were supplied to various parts in the office, and our offices were disinfected periodically.
- To ensure the safety of the employees, we made a call to our personnel who are diagnosed with Covid-19 themselves, or someone around them diagnosed with Covid-19, or show symptoms or are in the risk group, to inform our company.
- Our Human Resources Department made various disclosures and suggestions through communication channels for stress management during the pandemic process.

Company Practices for Reducing Paper Waste

- All applications and forms related to HR Processes (permission form, embezzlement form, purchase form, etc.) were moved to the company's online portal, thereby reducing paper usage.
- In our company's head office, recycling bins in the Technopark common area are used for paper, battery and glass recycling.
- In all legally possible platforms and contracts, e-signature is preferred instead of original handwritten signature.

Global Goals Addressed in the COP Part 1 - PROTECT: ENVIRONMENT

3 GOOD HEALTH AND WELL-BEING

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

2-) EMPOWER: HUMAN RIGHTS & LABOUR

Smartiks acts faithfully to human rights and ethical values in the organization and implementation of all recruitment and working processes. It provides its employees the opportunity to improve themselves equally, in line with their qualifications and demands. Acting within the framework of universal human rights in all its business processes, Smartiks does not discriminate on language, religion, race, ethnic origin, political opinion, or gender in its relations with any of its stakeholders, including its employees, suppliers, and customers.

Our company respects the Universal Declaration of Human Rights and the International Labor Organization (ILO) Conventions and Recommendations. It conducts its activities with the awareness of its duty and responsibility to enhance these values and improve the quality of life within the framework of common human values.

Our Company's Human Resources Policy aims to make Smartiks Yazılım A.Ş. a preferred company by creating a competent organization consisting of highly committed employees. In line with this purpose, it is based on the principle of continuous improvement in the following main strategic priorities:

Principle 1: The business world should support and respect the declared human rights.

Principle 2: The business world should not be a party to the violations of human rights.

Principle 3: The business world should support the union and collective bargaining rights of employees.

Principle 4: Forced labour should be removed.

Principle 6: Discrimination during employment and placement should be removed.

- Providing equal opportunities to people on equal terms in recruitment, training and development, remuneration and career planning
- Equal treatment of employees in matters of development and promotion; Creating development policies and plans for employees to increase their knowledge, skills and experience
- Institutional development of key organizational competencies that will increase competitiveness
- Promoting high engagement and performance
- Building a common corporate culture that can hold differences together and benefit from this richness

In this sense, Smartiks has aimed to develop an inclusive workplace strategy sensitive to equality between women and men and to take all actions to develop and implement internal policies that will prevent all kinds of inequality both during and after the recruitment processes.

Continuous Labor Procurement

With its more than 100 employees, the company has been continued its recruitment activities in ordinary flow during the Covid-19 process which has dramatically affected the country and the world. As of the end of 2021, our company solely has a total of 132 personnel with professional knowledge and experience above the industry average.

Within the years, our company's sole labor performance and employee portfolio are as follows:

TOTAL NUMBER OF PERSONNEL OVER YEARS

	2018	2019	2020	2021
	114	101	104	132
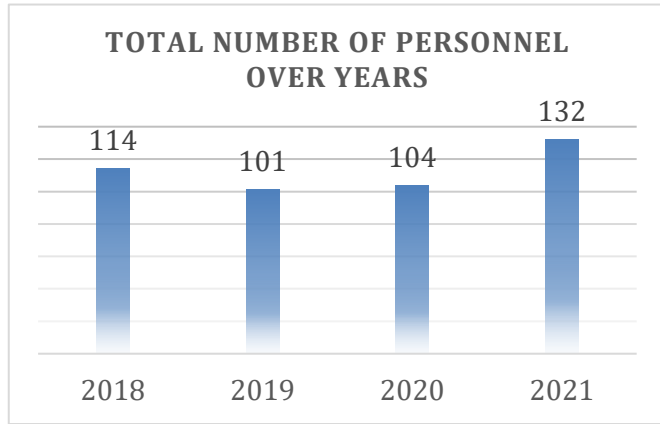
YEAR	ADMINISTRATIVE TEAM	TECHNICAL TEAM (TECHNOPARK/R&D PERSONNEL)	TOTAL
2021	22	110	132
2020	9	95	104
2019	10	91	101
2018	12	102	114

Between 2020-2021, there has been a **27% increase** in the number of our solo personnel.

Increasing women's participation in the workforce

As of the end of 2021, **33% of our employees are women**. Between 2020-2021, there has been a **27% increase** in the rate of female employees employed by our company.

YEAR	Number of Male Employees	Number of Female Employees	Total	Ratio of Female Employees %
2021	88	44	132	33%
2020	69	35	104	34%
2019	80	21	101	21%
2018	86	28	114	25%

Our Company aims to reach the minimum recommended target rate of 25% for the rate of female members in the board of directors in the article of Capital Markets Board Corporate Governance As of 31.12.2021, 1 (16%) of our 6 Members of the Board of Directors is a woman.

In the technology sector, our company became one of the business partners participating in the "Female Technical Talent" program, which was created by Microsoft Turkey in order to have more women in technical roles in the fields of Data Analytics, Artificial Intelligence and Application Modernization.

Strict Fight Against Child Labor

Smartiks is strictly against child and forced labor. No cases have been reported across the company and its subsidiaries to this date. Furthermore, Smartiks does not tolerate any form of child labor and forced labor in its suppliers and business associates. Smartiks is under the obligation to respect and observe human rights as fundamental values in accordance with the European and UN Conventions on Human Rights. This is particularly applies to the prohibition of child and forced labor, equal treatment of employees, the right to represent interests , and collective bargaining negotiations.

Principle 5: Any and all kinds of child labour should be removed.

YEAR	0-18 Years Old	19-35 Years Old	35+ Years Old	Total Number of Personnel
2021	-	96	36	132
2020	-	73	31	104
2019	-	69	32	101
2018	-	75	39	114

Employee Loyalty

Employee loyalty is at the forefront of the most fundamental elements that we aim to provide to transfer value to our customers. Smartiks aims to create a culture where the employee plays an active role in his/her development and career planning and the managers monitor employees' performance closely and provide feedback, and development is adopted as a role.

As of the end of 2021, **18%** of our employees have been working in our company for more than 5 years. (2020: 20%)

Working Time			Total number of Employee
Year	Under 5 Years <	Over 5 Years >	
2021	108	24	132
2020	83	21	104

Our company organizes an Employee Satisfaction Evaluation Form on a quarterly basis. Within the scope of the feedback received, our HR department evaluates opinions and suggestions, improves working conditions and takes actions to increase employee satisfaction.

Education Support and University Collaborations

By the end of 2021, 94% of our employees have bachelor's and higher degrees. Smartiks designs processes where employees can reveal their potential and provides opportunities and environments for their continuous development.

Graduation Degree of Employees				
Year	Primary School	Highschool	University	+Master's/Doctorate
2021	3	5	111	13
2020	3	3	91	8
2019	3	6	80	11
2018	3	9	90	12

The main certifications that our employees hold and in which they are specialized are as follows:

Name of Certificate	Number of Personnel Holding Certificate (2020)	Number of Personnel Holding Certificate (2021)
.net	4	-
AL 100	-	3
AZ 900	-	3
DA 100	-	5
DP 100	-	4
DP 101	5	-
DP 102	5	-
DP 203	-	7
DP 300	-	1
DP 900	-	4
MS SQL	6	-

Smartiks Yazılım A.Ş. has cooperation with Çukurova University in terms of internship programs, sponsorship support, participation in events and projects of computer engineering departments. The company also cooperates with Yıldız Technical University in recruiting interns. Within the scope of our R&D programs, we employ new graduates and have internship programs. In addition, our HR department determines the training and certification processes as performance targets and supports our current employees in achieving these targets. Incentives are provided for master's and doctorate programs, and employees can use special permissions to participate in these programs.

Smartiks Yazılım A.Ş. was the "Silver Sponsor" for the "Google Solution Challenge People & Peace Hackathon" which is organized by Developer Student Clubs Turkey at Galatasaray University on March 5-7, 2021, with the attendance of many university students. Challenge's mission is to solve a problem that addresses one or more of the United Nations Sustainable Development Goals (global goals 1,2,3,4,5 and 16).

Smartiks sponsored the "ProCenga Electrical, Electronics and Computer Engineering Project Competition", which was held for the fifth time by Çukurova University Computer Engineering Student Community on 20-23 May 2021.

Our company, which steers digital solutions, has assigned 15 interns to the CRM, Software, Business Intelligence departments in the summer term of 2021 within the scope of the "Smart Talents" program for the development of new graduates and students.

Occupational Health and Safety

Occupational Health and Safety is one of the fundamental and indispensable elements of its management approach . In 2020, a total of 65 employees completed Occupational Health and Safety Training. OHS training activities were suspended due to the covid epidemic in 2021 and all personnel working from home afterwards. The routine training calendar will continue in 2022. The training certificates are provided by our company upon the demands of the employees. All our company employees benefit from private health insurance.

The relevant training mainly includes but not limited to the following topics:
- Labor Legislation
- Legal Results Arising from Occupational Accidents and Occupational Diseases
- Occupational Diseases
- First aid
- Harms of Tobacco Products and Passive Exposure
- Causes of Occupational Accidents, Protection Principles, and Technical Practices
- Evacuation and Rescue
- Fire and Electricity Protection

In 2021, there is no judicial decision against the company due to liability related to work accidents.

Personal Data Protection Law

Within the scope of the Personal Data Protection Law, Smartiks obtains written consent from all personnel for the processing of their data.

The Disclosure on the Law ("KVKK") has been presented to all of our employees on our company's website: https://www.smartiks.com.tr/Content/static/KVKK%20Smartiks.pdf

Global Goals Addressed in the COP Part 2 - EMPOWER: HUMAN RIGHTS & LABOUR

3-) COMPLY & IMPROVE: ANTI-CORRUPTION & CORPORATE GOVERNANCE

Anti-Corruption and Anti-Bribery Policy

The policy aims to set the principles and rules of Smartiks Yazılım A.S. for the detection and prevention of possible actions that can be considered within the scope of corruption and bribery, to raise awareness of the employees through in-house regulations, to guide them, and to ensure maximum compliance with national and international regulations. Smartiks Yazılım is against all kinds of bribery and corruption. Accepting or giving bribes for whatever purpose is unacceptable. The business relationships with third parties that want to do business with Smartiks Software through bribery or corruption should be terminated.

> **Principle 10:** The business world should fight against any and all kinds of corruption including bribes and rackets.

Bribery and corruption can be made in many ways, including cash payments, political or other donations, commissions, social benefits, gifts, hosting, and other benefits.

Anti-Bribery and Corruption Procedures:

a) *Companies and Business Associates from/to which Goods and Services are Purchased and Sold:*

It is obligatory for the companies and business associates from/to which goods and services are purchased and sold, to comply with the principles of the Policy and other relevant legal regulations and thereby, the businesses with individuals and organizations that do not comply with these are terminated.

At the selection of companies and business associates from/to which goods and services are purchased and sold, the technical competency and criteria such as experience, financial performance, technical competence, and other performance criteria determined by the Purchasing Department as well as their ethical level and having a positive background in this field are also taken into consideration by the senior management. It does not collaborate with the companies and business associates, who are known to have an undesired experience as regards bribery and corruption even though they meet the other criteria. Within this scope, the responsibility for conducting the necessary research and evaluations before entering into any business relationship is assumed primarily with the senior management. The Quality Department evaluates in its audits whether the aforesaid issues are complied with.

In agreements and contracts to be concluded with companies and business associates that have a positive background and meet other criteria, the following requirements are included:

- To fully comply with the principles specified in the policy and other relevant regulations,
- To ensure that employees internalize these principles and act accordingly,
- To ensure that employees receive policy-related training periodically,
- To remind its employees about notification obligations and ethical practices on regular basis and to encourage them to notify in case they encounter such situations.

The provisions stipulating that the employment and the contracts in force will be terminated for justified reason in case of non-compliance with these or a situation contrary to the Policy.

b) Gift:

A gift is a product that does not require any monetary payment and is generally given by people or customers with whom we have business relationships as a means of appreciation or business courtesy. All kinds of gifts offered or given to third parties by Smartiks Yazılım must be offered publicly, in good faith, and unconditionally. Accepting a gift is subject to the same principles, and no gift should be accepted except for the symbolic gifts with a low material value which are included in these principles. Furthermore, gift acceptance should not be frequent even if it is within this scope, and the ones accepting a gift should notify the HR and senior management of the company through his/her immediate supervisor.

c) Facilitation Payments:

The persons and organizations under this Policy cannot offer facilitation payments to facilitate or expedite a routine transaction or process (obtaining permits and licenses, obtaining documents, etc.) with government agencies.

d) Donations:

Smartiks Donation and Aid Policy has entered into force with the Resolution of the Board of Directors dated 27.12.2019 and numbered 2019/28.

Our Board of Directors can make donations on behalf of our company within the upper limit determined by our shareholders at the General Assembly meeting. In this regard, our Board of Directors acts per the principles set out in the Donation and Aid Policy and the regulations to be made by the Capital Markets Board in this regard.

Principles Concerning Donations and Aids:

- Smartiks can donate and aid the persons, non-governmental organizations, public institutions and organizations, associations and foundations, who/that carries on a business in the fields of education, arts, and culture or related to the field of activity.

- The upper limit to be valid for the sum of donations and aids that can be made by Smartiks in each fiscal year is submitted to the approval of the shareholders at the ordinary General Assembly meeting to be held by the Board of Directors for the previous fiscal year.

- Donations and aids to be made by Smartiks are made with the resolution of the Board of Directors. The Board of Directors may decide to make donations and aids within the upper limit determined at the ordinary General Assembly meeting.

- Amendments to the Donation and Aid Policy suggested by our Board of Directors are also submitted to the information of our shareholders at the General Assembly meeting.

- Activities and Sponsorships carried out by Smartiks within the scope of the Corporate Social Responsibility Policy are conducted within the framework of the general authorization granted by our Board of Directors, independent of the Donation and Aid Policy.

e) Fault-free Record Keeping:

The issues that Smartiks Yazılım has to comply with concerning its accounting and recording system are stipulated by legal regulations. Accordingly,

- All kinds of accounts, invoices, and documents related to relations with third parties (customers, suppliers, etc.) shall be recorded and stored reliably in a complete, accurate, and correct manner,

- Falsification should not be made on the accounting or similar commercial records for any transaction, and the facts should not be distorted.

f) Training and Communication

Anti-Bribery and Anti-Corruption Policy has been announced to Smartiks Yazılım employees and it can be continuously and easily accessible through its website. Training is an important instrument to raise the awareness of employees. Within this scope, the Human Resources Department designs training programs together with the Quality Department and Financial Affairs, Legal Accounting, and Investor Relations Department, and all employees are obliged to attend this training.

g) Policy Breaches and Notification

In cases that are or may be contrary to the policy, the case is investigated by the Senior Management, and necessary sanctions are applied when any improper behavior is detected. In the contracts made with companies from/to which goods and services are purchased and sold, or with the persons and organizations working on behalf of Smartiks Yazılım, the provisions concerning the unilateral termination of the works/contracts in force by Smartiks Yazılım for a justified reason if any behavior, attitude or activity contrary to the Policy is determined, and in the event of a policy breach, these provisions are applied without exception.

Technopark Campus and Technopark Projects

Yıldız Technical University Davutpaşa Technopark Branch of Smartiks was opened in 2014, and this branch was registered at the trade registry on 10.07.2014, and thereby, the registration process was announced in Turkish Trade Registry Gazette dated 16.07.2014 and numbered 8613. Within this scope, our Company is subject to Law No. 4691 on Technology Development Zones and Law No. 5746 on Supporting Research and Development Activities which are effective until 31.12.2028 and provides support, discounts, and incentives. A two-year rental agreement was concluded between Yıldız Technology Development Zone and our Company covering the dates 15.07.2021 - 14.07.2023.

As of 31.12.2021, Smartiks has a total of 14 R&D projects completed or under development in Technopark. The list of these projects is as follows:

Project Type	Project Name	Product Statement	Project Ending Date
Technopark	Relational Survey Engine Phase 2	It is a survey application that can prepare questions related to each other and generate points according to the answers given.	28.02.21
R&D	Smart Yellow Pages	Ad configurator. All categories of the objects can be defined parametrically, and advertisements such as house, car, personnel, or job advertisements can be published together on the same site.	28.02.21
R&D	Electricity Generation Forecasting	It is an application that predicts the expected values of the parameters (Exchange rates, weather, etc.) to occur in the future, combines these data with the realized generation data, and makes the estimation of the expected electricity production in a certain time interval.	30.04.21
R&D	Audience Wizard	It is the application where campaign scenarios are created, and potential customer candidates are determined.	31.05.21
R&D Center - TÜBİTAK Technopark	Artificial Intelligence Based Customer Segmentation and Campaign Management System	It is an application that can segment the characteristics of the campaigns and suggest new campaigns to potential customers based on the success of the previous campaigns. This application also has the feature of recommending products to customers.	31.07.21
Technopark	Performance Scorecard Phase 2	It is an application where duties are distributed among related personnel toward the company's general targets, its follow-up and realization of the targets.	30.09.21
Technopark	Online and Physical Auction	It is an application that allows physical and online tenders to be made simultaneously through a single platform.	15.11.21
Technopark	Artificial Intelligence Based Electricity Market Clearing Price Prediction	It is an application that estimates PTF (Market Clearing Price) for electricity by making the forecasts (Various algorithms and future-proof stock market, weather, exchange rates etc.) within itself.	31.03.22
R&D	Cloud Ready Dynamic Data Transfer Application	It is a data transfer application designed to work in cloud environments.	31.12.22
R&D	Internet Ads Revenue Optimization Project	It is the portal that will enable the Advertising Services in electronic media to be managed from a single center and an analytical information system in which various methods are used to analyze the effect of the advertising data collected on this portal on the sales data of the companies.	30.06.23
R&D	Tender Customers Segmentation Project	It is the project of examining the tender data collected in online and physical tenders by methods such as segmentation and categorizing the dealers and the sold product.	30.06.23

Technopark	Variance Analysis and Reporting	It is a decision support application that uses various R&D algorithms to make drug patent purchases and company acquisition decisions, especially in the pharmaceutical industry.	09.02.23
Technopark	Artificial Intelligence and Statistics Based Voice and Data Traffic Forecasting Software for Mobile Networks	Today, with new generation communication technologies and increasing bandwidths, the provision of more capacity to users increases the amount of mobile voice and data traffic dramatically. On the other hand, the increase in mobile data packages, which have become cheaper in our country compared to the past, despite having lower quotas and higher prices compared to other countries, draws attention. Estimating the increasing amount of traffic in line with these indicators has great importance for operators in terms of network capacity analysis and correct sizing of investment requirements, thus increasing the service quality to be offered to the subscriber. The general aim of the project is to develop artificial intelligence and statistics-based traffic forecasting software for mobile operators in order to determine the amount of future voice and data traffic. Three different approaches will be applied to estimate voice and data traffic: 1. Prediction with deep learning methods based on time series 2. Estimation with statistical methods based on time series 3. Prediction with machine learning methods based on supervised learning In line with these approaches, estimation models will be created with related methods. The performances of the prediction models to be developed will be evaluated with the Mean Absolute Percentage Error (MAPE) error metric, which is frequently mentioned in the literature. After all the results of the forecasting models are received, the final forecasting model(s) will be determined. Python programming language and related libraries will be used for these processes. The final forecasting model(s) determined will be integrated into the interface to be developed. Interface development will be carried out with the Vue.js software language. With the prediction models and software to be developed, it will be possible to predict voice and data traffic with acceptable error rates for mobile operators.	24.05.23

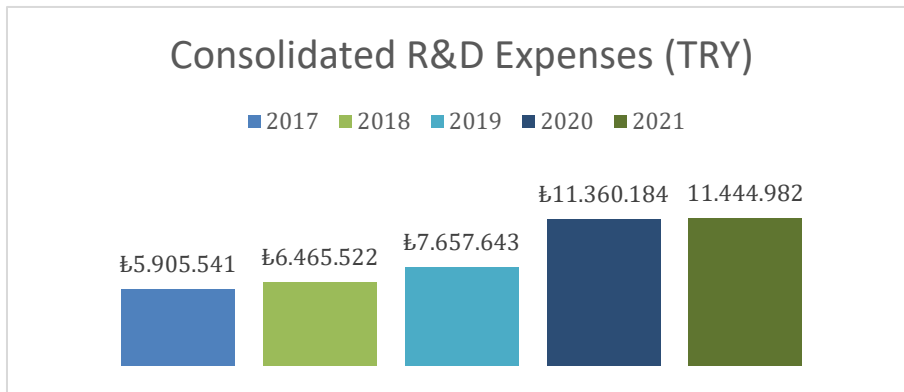| Technopark	Aircraft Loading Recommendation System	In this project, all the values specified in the Weight and Balance Form of the aircraft are collected from the surrounding systems, supported by image processing algorithms, and loaded to both passenger seats and baggage and cargo loading sections in order to ensure that the values that define the balance with automatic calculations running in the background remain within the region called MAC. will be created.	27.06.23

R&D Investments

The consolidated budget allocated for Research and Development Activities increased steadily over the years:

YEAR	R&D EXPENDITURES (TRY)	INCREASE RATIO
31.12.2021	11.444.982	1%
31.12.2020	11.360.184	48,4%
31.12.2019	7.657.643	18,4%
31.12.2018	6.465.522	9,5%
31.12.2017	5.905.541	67,7%
31.12.2016	3.522.071	-

On 11.05.2020, the "Artificial Intelligence Based Customer Segmentation and Campaign Management System" project, as of one of our 14 R&D studies, received TÜBİTAK (The Scientific and Technological Research Council of Turkey) support to be valid between 01.05.2020 and 31.07.2021.

Principle 9: The business world should support the development and expansion of environment-friendly technologies.

Consolidated R&D investments increased by 1% in 2020-2021.

Consolidated R&D Expenses (TRY)

■2017 ■2018 ■2019 ■2020 ■2021

₺5.905.541 ₺6.465.522 ₺7.657.643 ₺11.360.184 11.444.982

Our projects supported by TUBITAK

Until now, many project proposals of Smartiks Yazılım were found worth supporting as a result of the evaluations made by the Scientific and Technological Research Council of Turkey, and a project support decision letter was received.

Our Smartiks Software Projects supported by TUBITAK İN 2021 are as follows:

- **Artificial Intelligence Based Customer Segmentation and Campaign Management System (01.05.2020-31.07.2021)**

Most marketers and salespersons have difficulty in identifying the right customers for successful campaigns or in recommending suitable campaigns to customers. With this project, it is planned to offer an innovative approach to the marketing needs of companies by both offering appropriate campaigns to customers and identifying (segmenting) customers who are suitable for the campaigns. In the literature, there are studies such as machine learning and deep learning, which are sub-sets of artificial intelligence related to campaign suggestions. However, these studies were not adequately reflected the sector in real-time analyses, and they were not reinforced by customer segmentation. With this project, it is planned to offer machine learning and deep learning-based models in the field of suggestion systems and thereby, create a cutting-edge domestic product.

- **"Development of Market Clearing Price Prediction System" of our 100% Subsidiary Compello Bilgi Teknolojileri Hizm. ve Tic. A.Ş. R&D Project (01.03.2021 – 30.06.2022)**

On 27.07.2021, the R&D project of our company's 100% subsidiary Compello Bilgi Teknoloji Hizmetleri ve Ticaret A.Ş., titled "Development of Market Clearing Price Forecasting System", was supported as a result of the evaluation made by the Scientific and Technological Research Council of Turkey (TÜBİTAK). The related project support is 416.242,73 TRY and covers the project activities dated 01.03.2021 – 30.06.2022.

Electricity market system in our country (Wholesale Electricity Market) consists of components such as bilateral agreements markets, or day ahead, intraday, balancing power markets and ancillary services which are organized by the market and/or system operator where wholesale purchase and sale of electrical energy, capacity or their derivative products are taken place. The Market Clearing Price (PTF), on the other hand, is the hourly electrical energy price that is formed by matching the offers submitted to the day ahead market according to supply and demand and is the reference price in the electricity market. As of 14:00 every day, 24-hour MCP is announced by Energy Markets Operation AŞ (EPİAŞ) for the next day.

Accurate estimation of MCP is the most vital issue for electricity producing companies, and all market costs and revenues are formed according to these prices. For electricity producing companies, better guess means more effective planning, more accurate production and sales strategy in terms of time, cost and performance, and more satisfied customers.

The overall aim of the project is to develop PTF estimation software for use in the electrical energy sector, which will implement two different approaches based on Machine Learning / Deep Learning based time series combined with time delay integration/optimization and supervised learning based on Feature Selection (FS).

International Standards, Initiatives, and Certifications

ISO/IEC 27001: INFORMATION SECURITY MANAGEMENT SYSTEM (International Organization for Standardization, Quality Management System)

ISO 27001 Information Security Management System is an international framework that helps companies to protect their financial data, intellectual property, and sensitive customer information. Thanks to ISO 27001, companies can identify their risks and manage or reduce the risks in terms of confidential information.

Smartiks Yazılım A.S. was audited by Türcert Teknik Kontrol ve Belgelendirme A.S. based on the report numbered 2020051401QMS to remain in force until 14.05.2022 and thereby, it was certified by ISO/IEC 27001.

BEING A SIGNATURE TO THE UNITED NATIONS GLOBAL PRINCIPLES CONTRACT (UNGC)

The United Nations Global Compact is a non-binding United Nations pact that encourages businesses worldwide to adopt sustainable and socially responsible policies and report on their practices. On 03.11.2020, our company was accepted as a signatory company to the "United Nations Global Compact", which is the world's largest corporate sustainability initiative and based on ten universal principles in the field of human rights, labor standards, environment and anti-corruption.

Reporting Standards

Our company's financial reporting is subject to IFRS (International Financial Reporting Standards) and VUK (Turkey Accounting Standards).

Global Goals Addressed in the COP Part 3 - COMPLY & IMPROVE: ANTI-CORRUPTION & CORPORATE GOVERNANCE

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

17 PARTNERSHIPS FOR THE GOALS

PERFORMANCE EVALUATION AND GOALS FOR THE NEXT PERIOD:

Our Company's Corporate Governance Committee regularly informs the Board of Directors and Senior Management about the sustainability efforts which also covers the COP items and prepares a report on a yearly basis. Smartiks also provide the certifications and audit reviews showing the performance regarding Information Security Management System, anti-corruption, social security, employee's well-being and energy consumption. HR Department, constantly work to improve working conditions, take all necessary actions by implementing related policies, monitor the "yearly performance and development review" and conduct surveys to analyze employee satisfactions on a regular basis. Our goals for following periods:

To measure our firm's carbon footprint

Carbon footprint is shown as the main cause of global warming. By definition, it means the release of carbon dioxide (CO2) into the atmosphere by the use of fossil fuels which generates the formation of gases that leads to the greenhouse effect and the damage left to the world by the use of energy that individuals and companies spend in the production of products.

Operational and technical preparation and infrastructure work is ongoing on the way to net zero in order to reduce our firm's global carbon emissions and minimize the effects of climate change. In 2021, our Investor Relations Department completed the ISO 14001 Environmental Management System Standard and ISO 14064 -1: 2018 Greenhouse Gas Emissions Inventory Measuring and Reporting Training.

Improving Our Collaboration with Universities and Creating Training Programs for Our Employees

Collaboration made between Smartiks Yazılım A.S and Çukurova University includes implementations such as providing internship, participation in computer engineering department events/activities and projects and sponsorship support. Moreover, we cooperate with Yıldız Technical University in recruiting interns. Within the scope of our R&D programs, we employ new graduates and provide internship programs. In addition, our HR department determines the training and certification processes as performance targets and supports our existing employees in achieving these targets. Incentives are provided for master's and doctorate programs, and employees can use special permissions to participate in these programs.

Our firm, which guides digital solutions, has assigned 15 interns to the CRM, Software Developing, Business Intelligence departments during the summer of 2021 as part of the "Smart Talents" program for the development of new graduates and students.

Increase the size of R&D Investments

As of 31.12.2021, there are 14 R&D projects developed and still under development by Smartiks in Technopark. The consolidated budget devoted to Research and Development Activities over the years has increased regularly. R&D expense, which was 11.360.184 TRY in 2020 and 11.444.982 TRY in 2021. In the current period, two of our projects are receiving support from TÜBİTAK (The Scientific and Technological Research Council of Turkey).

Have a higher rate of employee satisfaction

Our company provides an Employee Satisfaction Evaluation Form on a quarterly basis. Within the scope of the feedback received, our HR department evaluates opinions and suggestions, ensures the improvement of working conditions and takes actions to increase employee satisfaction.