



**SUSTAINABILITY** REPORT

2016-2017

**AYGAZ**

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## ABOUT THE REPORT

The 2016-2017 Sustainability Report provides detailed information about the performance of Aygaz A.Ş. in economic, corporate governance, social and environmental aspects.

We prepared the report, which covers the period from January 1, 2016 to December 31, 2017, in accordance with the 'core' option of the GRI (Global Reporting Initiative) Standards.

For the first time this year we identified the priority areas to focus our sustainability activities according to AccountAbility AA1000SE, the international stakeholder engagement standard, with the opinions of both our internal and external stakeholders.

For all your questions, comments and suggestions about the report, please feel free to contact us at [\\_aygazsurdurulebilirlik@aygaz.com.tr](mailto:_aygazsurdurulebilirlik@aygaz.com.tr).



We carry out our operations and production processes as well as our economic, corporate governance, social and environmental activities, without compromising sustainability principles, knowing that they have global impacts.



### Esteemed Stakeholders,

We have steered through two years full of global and regional agenda, and market volatility. Despite intense competition in our main fields of operation, the cylinder gas and autogas markets, we maintained our leading position in the industry. During this period, record levels were observed in consumer prices due to high spikes in international LPG prices and foreign exchange rates. With the steady growth that we achieved, our consolidated turnover increased by 33% compared to year-end 2015 to reach TL 8.5 billion. For the last 56 years, we have been striving to store and distribute LPG with low environmental impact to bring energy to all of the segments of the whole community. As of today we serve

60 thousand households and over a million vehicles with our products and services.

We owe our success in our operations and our leading position in the industry to the corporate values we always uphold and the integrated sustainability approach that helps us make a difference in our sector. We carry out our sustainability activities knowing that the products we offer to the markets worldwide and our operations have global impacts. To drive our activities further with a more comprehensive approach, for the first time ever, we conducted a prioritization study along international standards to integrate the opinions of our stakeholders. As a result, the

high priority areas to create value both for Aygaz and our stakeholders were identified as: R&D and Innovation, Technology and Digitalization, Customer Satisfaction and Privacy, Risk Management, Occupational Health and Safety, Operational Excellence and Security, Product Quality and Safety, Quality and Safety in Distribution Network, Corporate Governance and Business Ethics.

We always regard customer satisfaction as our main focus area. Independent studies conducted in 2017 demonstrate that Aygaz provided the highest customer satisfaction in both the cylinder gas and autogas sectors. We continue to work hard for even safer products of higher

quality for the ultimate satisfaction of our customers as well as all the stakeholders in our sphere of influence, and we remain committed to designing our products in a way to facilitate human life in line with the feedback we receive.

Investing in R&D and innovation to design the energy supply of the future from today and meet customer expectations are of utmost importance to us. In line with this approach, we allocated TL 7 million for R&D in 2017. As the holder of 48 patents, Aygaz is the leader in its sector in intellectual property rights. In order to shape our business models, we position our innovation culture at the core of our activities. Cylinder tracking that allows monitoring our cylinder gas product; Greenodor, the sulphur-free and nature-friendly odorant; the digital transformation program that enables increased digitalization in our processes; and Aythink Idea Collecting Platform, launched for our employees to share their ideas in line with company strategy, are only some of our projects that stand out. With all the activities we carry out in this context, we continue to improve operational efficiency, monitoring, transparency, product safety, effective quality management and personalization of products and services.

With the Climate Change Strategy and Action Plan we created in 2016, we identified the points where we could contribute to the fight against climate change within our means.

As Aygaz, we carry out energy management in line with our annual targets. With all of these processes, we achieved solid improvements in our environmental performance. This year, we reduced greenhouse gas emissions by 1.3 million kWh of energy and over 500 tons of CO<sub>2</sub>e. Greenhouse gas intensity, which is an indicator of greenhouse gas value per unit production, also kept decreasing in the last three years.

We updated our business model, which focuses on delivering energy to all segments of the community, in line with the right to access clean water as a basic need. We are already positioned among the top five brands in the drinking water sector with our Pürsu brand, which we designed by considering the advantage of Aygaz's wide distribution network. We also made use of our strong distribution network potential to start a new initiative involving cargo distribution integrated with Aygaz Express System to reach rural areas and eliminate the challenges in delivery.

We strengthen our corporate culture by investing in our most important human capital, our employees. To achieve this goal, we always work towards enhancing employee satisfaction and loyalty. As part of career and talent management, we make investments to ensure that our employees are equipped with the knowledge and skills of this age, preparing both our company and our employees for the future.

Our activities are not limited to the products and services we offer, also we act with corporate responsibility. With the vast coverage of our distribution network, we are in direct contact with all the different segments of communities all around Turkey. We are inspired by our experiences all around the country and accordingly, we invest in a variety of areas from community development, culture and the arts to health and sports.

I am pleased to present our Sustainability Report, which provides an overview of our activities and performance in the economic, corporate governance, social and environmental aspects of 2016 and 2017 based on transparency and accountability principles. I would like to thank all of our stakeholders and our employees in particular for their valuable contributions to our sustainability efforts.

With warm regards,

**Gökhan Tezel**  
General Manager





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# ABOUT AYGAZ

- Vision, Mission and Strategic Priorities
  - Shareholding Structure
  - Affiliates and Subsidiaries
  - Aygaz in Numbers-2017
  - Financial and Operational Performance
  - Key Financial Indicators
-

## ABOUT AYGAZ

Being the only integrated LPG company in Turkey, we carry out all processes from the procurement, storage and filling of LPG, to the production and sales of LPG equipment, as we maintain our leading position in the industry.

Aygaz is an integrated LPG company that carries out all processes from sourcing, storing, filling and selling LPG to production and sales of pressurized containers and LPG equipment. As the first and deep-rooted Koç Group company to operate in the energy sector, we maintain our leading position in the industry in which we have been active since 1961, thanks to our effective and widespread dealer network, close customer relations, service speed and quality.

As the first and only publicly traded company in the Turkish LPG market, which is the second largest market in Europe, we operate with over 4 thousand cylinder gas dealers and autogas stations in all 81 provinces. Every day, Aygaz cylinder gas enters 60 thousand households while more than 1 million vehicles run on Aygaz Otogaz.

According to the Istanbul Chamber of Industry's 500 Largest Industrial Enterprises 2017 list, we are now ranked as Turkey's 11<sup>th</sup> largest industrial company, up three places from the previous year. We continue to grow and lead the industry with the corporate business culture and pioneering innovation approach we have adopted since the very beginning.

We provide services with five terminals, including three sea terminals, six filling plants, nine distribution centers, and one production facility for pressurized containers and accessories. All of our

facilities are equipped with the latest technologies in line with international standards. With a total of 178,368 cubic meters, we have the largest LPG storage capacity in Turkey.

We use the most advanced technological infrastructure for the distribution of LPG and the production of LPG cylinders, tanks, valves and regulators, and we sell our products

both in domestic and international markets. Maritime transport of LPG by our own tanker companies is also among our activities. In fact, we run the largest LPG maritime logistics operation in Turkey.

As Aygaz we always aim for achieving the very best in all the fields in which we operate and surpassing our current position through sustainable growth.





## Vision, Mission and Strategic Priorities

### VISION

To be the leading company providing energy solutions in Turkey and other potential markets, particularly in LPG and natural gas

### MISSION

To offer the best products and services in all fields of operation and particularly in LPG by prioritizing high quality and safety standards with work principles that align with corporate values of the Koç Group and always respecting the community and the environment

### STRATEGIC PRIORITIES

#### *Sustain its market leadership in LPG by:*

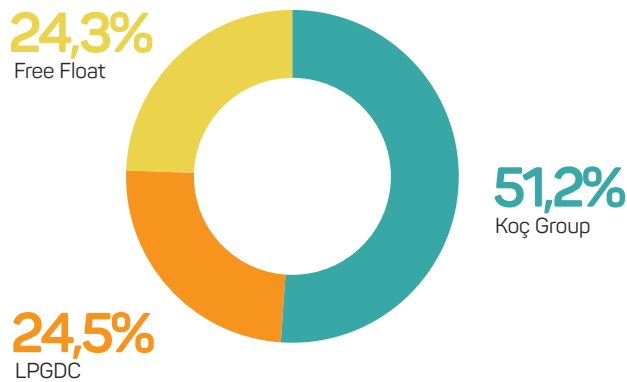
- Investing in the future with the responsibility of being the industry's highly reputable, reliable and consumer-oriented brand,
- Prioritizing high safety standards and product quality,
- Developing innovative products and services with solutions that place innovation and digitalization at the core.

#### *Ensure sustainable growth to move its current position forward by:*

- Following and seizing opportunities for mergers, acquisitions and investments at home and abroad,
- Improving efficiency in all processes from sourcing to selling LPG,
- Aiming to create value for all stakeholders.

Our vision, mission statement and strategic priorities are evaluated by the management at the annual Management Review and Strategic Plan meetings. When needed, we revise them in line with the targets of Aygaz.

## Shareholding Structure



## Affiliates and Subsidiaries

Our affiliates and subsidiaries, namely Aygaz Doğalgaz Toptan Satış A.Ş., Aygaz Doğalgaz İletim A.Ş., ADG Enerji Yatırımları A.Ş., Anadoluhisarı Tankercilik A.Ş., Kandilli Tankercilik A.Ş., Kuleli Tankercilik A.Ş., Kuzguncuk Tankercilik A.Ş., Akpa A.Ş., Entek Elektrik Üretimi A.Ş., Opet Aygaz Gayrimenkul ve Enerji Yatırımları A.Ş., play an important role in our success.

*Detailed information about our subsidiaries and affiliates is provided in the 2017 Aygaz Annual Report.*

## Aygaz in Numbers - 2017

**178,000 m<sup>3</sup>** - Turkey's largest LPG storage capacity

**335,000 tons** - cylinder gas sales

**759,000 tons** - autogas sales

**2,359** cylinder gas dealers

**1,710** autogas stations

**1,029 thousand tons** - bulk sales and exports

**28,800 m<sup>3</sup>** - Total LPG carrying capacity of Beykoz, Beylerbeyi and Kuzguncuk vessels

**29%** - Ratio of maritime transports and shipping operations by own fleet

**2,154,000 tons** - total LPG sales

**20%** - Return on equity

Industry leader in R&D with **48** patents

**1,319** employees

**TL 4.8 billion** - Market value

**38** hours - average training time per employee

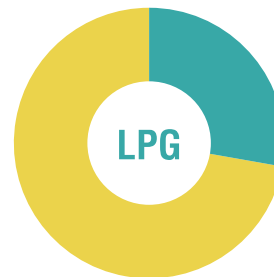
**9.36** - Corporate Governance Rating Score

**8.8 million** - Pürsu carboy sales

## Financial and Operational Performance

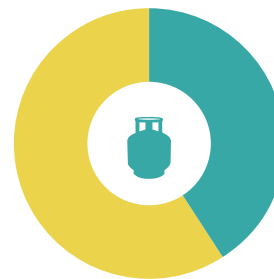
We left another successful period behind in the last two years in both financial and operational terms. We are by far the leader of the LPG market, where 94 companies operate according to Energy Market Regulatory Authority (EMRA) data. As of 2017 year-end, total market share was 28%. Market shares were 41% in cylinder gas and 24% in autogas, respectively.

In 2017, our combined domestic sales of cylinder gas, bulk gas and autogas amounted to 1.13 million tons. With the addition of wholesale, export and transit sales, this figure reached 2.15 million tons, the highest level in our history. As of 2017 year-end, we recorded TL 8.5 billion in consolidated turnover, including TL 1 billion in exports and transit sales.



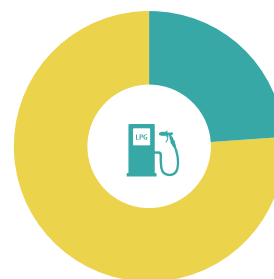
LPG MARKET SHARE

**28%**



CYLINDER GAS MARKET SHARE

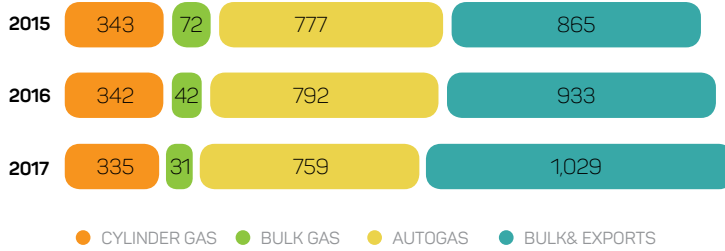
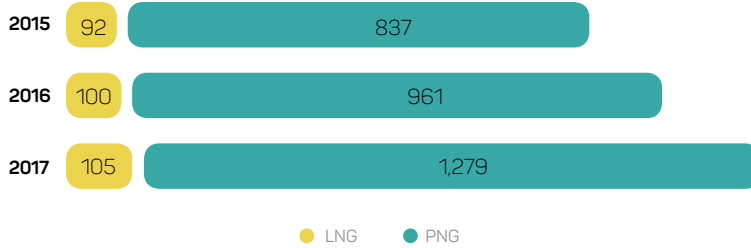
**41%**



AUTOGAS MARKET SHARE

**24%**

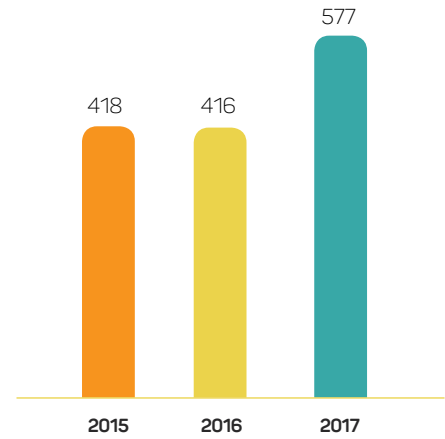
● AYGAZ ● OTHER

**LPG SALES QUANTITY** (thousand tons)**NATURAL GAS SALES VOLUME** (mcm)**KEY FINANCIAL INDICATORS**

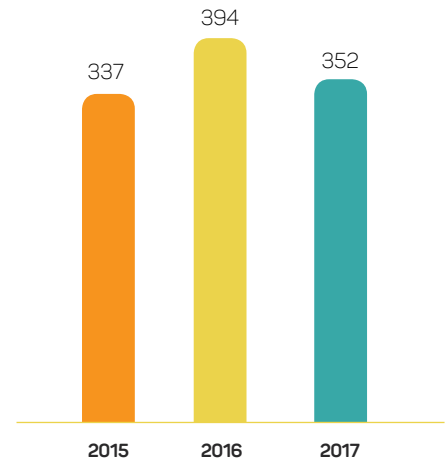
	2017	2016	2015	last year change
Sales revenues	8,469	6,749	6,420	25%
Gross profit	741	787	677	-6%
Operating profit	265	308	250	-14%
Pre-tax profit	621	469	458	32%
Net profit	577	416	418	39%
EBITDA	352	394	337	-11%
Gross profit margin	9%	12%	11%	-3
Operating profit margin	3%	5%	4%	-2
Net profit margin	7%	6%	7%	1
EBITDA margin	4%	6%	5%	-2
Current assets	1,588	1,277	1,025	24%
Fixed assets	3,379	2,954	2,891	14%
Total assets	4,966	4,231	3,916	17%
Short term liabilities	1,279	924	847	38%
Long term liabilities	764	566	459	35%
Shareholders' equity	2,923	2,742	2,611	7%
Total equity and liabilities	4,966	4,231	3,916	17%
Return on equity (ROE)	20%	15%	16%	5
Net debt/equity ratio	13%	2%	10%	11
Current ratio	1.24	1.38	1.21	-0.14

**NET PROFIT**

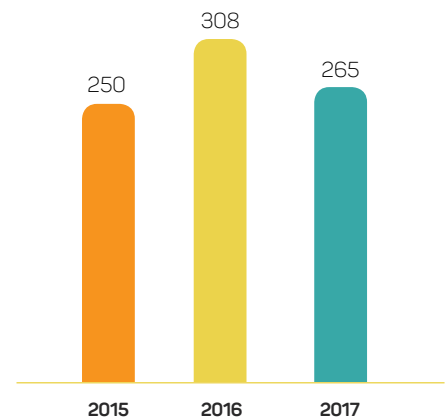
(TL million)

**EBITDA**

(TL million)

**OPERATING PROFIT**

(TL million)









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# CORPORATE GOVERNANCE

- Business Ethics
  - Fighting Bribery and Corruption
  - Risk Management
  - Sustainability Management
-

## CORPORATE GOVERNANCE

We carry out activities based on corporate governance principles to create sustainable value for all stakeholders and achieve long-term company goals.

Corporate governance contributes significantly toward creating sustainable value for all stakeholders, and particularly our shareholders, and attaining our corporate goals in the long run. Our approach is based on corporate governance principles and business ethics, serving as a tool for developing strong strategies and carrying out activities at Aygaz. We inform all stakeholders, and primarily our shareholders in a timely, accurate, complete and clear manner, respecting the principles of equality, transparency, accountability and responsibility, and disclose all information outside the scope of trade secrets. We assess the credibility of our activities through Corporate Governance Ratings. With our Corporate Governance Rating Score of 9.36 in 2016 and 2017, we have demonstrated the quality of our investor relations and corporate governance practices in international standards. All the departments, and Investor Relations in particular, adopt the principles that support our corporate governance approach.

*Further information about corporate governance is provided in the Corporate Governance Reports in the Investor Relations section on our website.*



16. Promote just, peaceful and inclusive societies



## BUSINESS ETHICS

We place ethical principles at the core of our corporate culture with the aim of sustaining our reputation without sacrificing the concepts of integrity and trust, and creating value for all of our stakeholders, especially our shareholders. Business ethics is among the top priorities for our company. In our ethical business culture, we take the principles of international organizations as our reference. We predicate our activities in every area that can be associated with business ethics from respecting human rights and fighting with bribery and corruption to fair competition and internal audits on the human rights and working principles set out in the United Nations Global Compact of which Koç Group is a signatory. We never compromise business ethics and respect all differences such as race, origin, religion, gender, social class, nation, age, physical disability, and we do not tolerate discrimination in these matters.

We manage all operations with transparency and undertake important activities to ensure that we never depart from this approach throughout our entire operation in the chain extending from suppliers to dealers as we deliver our products to every corner of Turkey. As a Koç Group company, we are guided by the Aygaz A.Ş. Code of Ethics and Implementation Principles, based on the Koç Group Code of Ethical Conduct and which we expect all of our stakeholders to uphold. A high level Ethics Committee, composed of the General Manager, relevant Senior Executives, Human Resources Manager and Legal Counsel, oversees the effective implementation of ethical conduct.

With these principles, which are presented in a booklet, we ensure that all of our human resource - including the new employees - is informed about our ethical code including the fight against bribery and corruption. As an integral part of our recruitment and orientation processes, we train our employees about the ethical principles. Within the scope of the Implementation Principle, we also provide detailed information about Obligations in Work Life regarding the processes to follow in case nonconformity of ethical rules that ethical codes are violated. Actions such as violating the law and committing theft, fraud, bribery and corruption that closely concern business ethics and threaten Aygaz and the general interests of the community and may lead to injustice as well as material and moral damages can be reported to our company in strict confidence through the Koç Holding central system (<https://kocsnow.koc.com.tr/denetim>).

*Aygaz A.Ş. Code of Ethics and Implementation Principles can be found on our corporate website.*

*Detailed information about reporting issues related to business ethics to the Board of Director is available under the Risk Management section of this report.*

## FIGHTING BRIBERY AND CORRUPTION

As Aygaz, we manage a vast operation and develop our activities through various collaborations. The fight against bribery and corruption makes up an important component of our business ethics approach. Fighting against bribery and corruption in line with our goal of operating in

accordance with the working principles set out in the United Nations Global Compact of which Koç Holding is a signatory, is of utmost importance for us. As a reputable company that adopts corporate governance, we expect our employees, as well as all third parties, particularly the suppliers and dealers we work with to adhere to our approach. We use the Koç Holding central system, mentioned in detail in the Business Ethics section of this report for reporting any violations that may be encountered in this context. In 2016, a violation of bribery and corruption involving an employee was reported via the system, and individual's employment was terminated following an investigation. No such violation was reported in 2017.

## RISK MANAGEMENT

We aim to maximize the value created for stakeholders by managing our strategic and financial goals in line with our corporate risk taking approach. We identify and prioritize potential risks to ensure the continuity of our operations and production and to sustain the trust we earned from our stakeholders as a company with deep roots, and develop solutions to eliminate any such risks. We approach risks with the aim of identifying their potential impact and turning them into opportunities. In line with the policies approved and the strategic objectives determined by the Board of Directors after considering feedback by the Executive Committee in particular and the internal departments, we apply risk management compatible with our sustainable growth priorities and in compliance with international standards.

We prioritize the risks faced in financial, operational and legal aspects according to their probability

We predicate our activities in every area that can be associated with business ethics from respecting human rights and fighting with bribery and corruption to fair competition and internal audits on the human rights and working principles set out in the United Nations Global Compact of which Koç Group is a signatory.

and impacts, and approach risks holistically, together with different departments in each risk area and the contribution of all departments.

The Risk Management Committee aims to ensure compliance with article 378 of the Turkish Commercial Code No. 6102 and Corporate Governance Communiqué of the Capital Markets Board (CMB) and effective functioning of the Board committees and carries out activities for early detection and effective management of risks that may jeopardize the company's existence, development and continuity, taking necessary measures against these risks and managing risks. The committee is chaired by independent Board Member Ayşe Canan Ediboğlu, appointed by the Board of Directors' decision dated March 31, 2017. The other member of the committee is Board Member Dr. Bülent Bulurlu. The Committee convenes to evaluate risk management process and the principles and data of risk reporting, analyzes the periodic risk reports and offers opinions on the measures to be taken regarding the issues that do not comply with the limits set in the risk management process. The decisions made by senior management regarding risks are monitored by the Board of Directors through the Risk Management Committee.

The company also has an effective Internal Control System in place. The Internal Audit Department operates

to provide risk-based advice and forecasts with objective assurance and thus to protect and improve organizational values.

The Internal Audit Department conducts effective and regular checks to ensure the integrity, consistency, reliability and timely availability of the information received from the accounting and financial reporting system. The Department analyzes issues that are closely associated with both business ethics and risk management in all business processes, including the fight against corruption and bribery, as well as environmental issues. In the coordination with the General Manager, all work including the results of audits and the investigations of reports and complaints submitted to the company through various channels are presented to the Board of Directors. The duty of evaluating and auditing the Aygaz Internal Control System, established to ensure that we achieve our strategic goals and targets and that our activities are carried out effectively in compliance with laws and regulations, corporate governance and ethical principles, is also within the scope of the Internal Audit Department's responsibilities. With the Internal Control System, activities encompassing the financial transactions, reporting, standard definitions of workflows, job descriptions, authorization system, policies and written processes are carried out. Furthermore, periodic

audits are carried out by Koç Holding Internal Audit Department and the Independent Audit Committee, and the audit results are reported to the Board of Directors.

Periodic environmental audits are carried out across the Koç Group companies by Koç Holding Audit Group and Koç Group Environmental Committee with the objective of identifying potential environmental impacts and indirect environmental risks that may be encountered. Environmental data obtained as a result of the audits are then monitored with indicators of sustainability criteria. In the case of Aygaz in this context, no materially significant non-compliance was identified in the seven inspections carried out from 2007 to 2017.

*Further information on risk management can be found in the Aygaz 2017 Annual Report.*

## SUSTAINABILITY MANAGEMENT

We are fully aware that sustainability management offers significant opportunities for protecting the reliable and reputable position we have achieved with our stakeholders. We see sustainability as a tool for integrating it into our business model and developing our operations with a holistic perspective. We know that we can only ensure effective management within an organization where all departments take ownership of sustainability.

We manage sustainability with all departments taking responsibility under the supervision of senior management. Committees such as the Audit Committee, Risk Management Committee, Executive Board and the Corporate Governance Committee, which play an important role in corporate governance, also take active part in sustainability management.

The Sustainability Working Group is responsible for monitoring the sustainability-related issues at Aygaz. The Sustainability Working Group consists of Corporate Communications Department, Finance Department, Quality System, HSE-S, Industry Relations Department and Human Resources Department. The Sustainability Working Group also involves all Aygaz business units in its activities when required. With this approach, we ensure that representatives of all critical functions of the company participate in sustainability management.

Sustainability issues are first reported to the General Manager by the Working Group. The General Manager makes an assessment based on the current agenda and reports the findings to the Board of Directors when necessary. In this context, determining the sustainability strategies and reviewing their performance are among the responsibilities of the Board of Directors. Within the scope of sustainability management, the Integrated Management Policy, established in accordance with the strategies and targets set by the Board of Directors, ensures that corporate governance, and social and environmental issues are managed in a holistic manner.

## INTEGRATED MANAGEMENT SYSTEMS POLICY

*Aygaz carries out all activities in its fields of operation and LPG in particular in accordance with the Objectives and Principles of the Kaç Group and adopts the following as its main policies.*

- Being a pioneering and innovative company in the industry,
- Prioritizing high quality and safety standards, offering the best products and services,
- Upholding ethical values,
- Working in compliance with regulations and standards,
- Seizing strategic growth opportunities,
- Ensuring that work processes are managed efficiently and developed continuously,
- Prioritizing customer perception, sustainable customer satisfaction and loyalty and offering applicable solutions for customer complaints with the Customer Complaints Management Commitment,
- Ensuring and improving optimal stakeholder satisfaction in accordance with corporate governance principles by considering stakeholder opinions,
- Maintaining the level of success in employee loyalty and satisfaction by regular surveying,
- Carrying out activities to support innovation, digitalization and climate change strategies,
- Working with respect toward the community and the environment, creating a healthy and safe work environment and developing preventive approaches against possible occupational diseases and injuries,
- Reducing the potential negative environmental impacts related to products and operations by conducting lifecycle analyses,
- Giving priority to energy efficiency in plants, building design and procurement processes,
- Preventing pollution, reducing waste and ensuring that waste is disposed of with recycling as a priority,
- Considering possible environmental impacts and occupational health and safety risks during actualization of investments,
- Informing the community regarding its operations.

All employees at Aygaz A.Ş. are responsible for implementing, developing and ensuring the required resources for the principles of the Integrated Management Systems Policy.

*The full text of the Integrated Management Systems Policy is available on the Aygaz corporate website.*





BEYLERBEYI

LPG





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# SUSTAINABILITY APPROACH

- Material Issues
  - Issues Considered in Stakeholder Analysis
  - Stakeholder Engagement
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# SUSTAINABILITY APPROACH

As we updated our sustainability approach, we addressed the most important topics that would create value for our stakeholders, together with our strategic priorities.

The LPG industry in which we operate, has the potential to become a solution to many of the sustainability challenges the world faces and turn problems into opportunities. We aim to create value in the future as well with our products, which are used by different segments across Turkey and which have less impact on the environment compared with other energy sources. Choosing the areas to concentrated our resources and efforts accurately is therefore critical both for our company and integrating sustainability into our strategic priorities.

## MATERIAL ISSUES

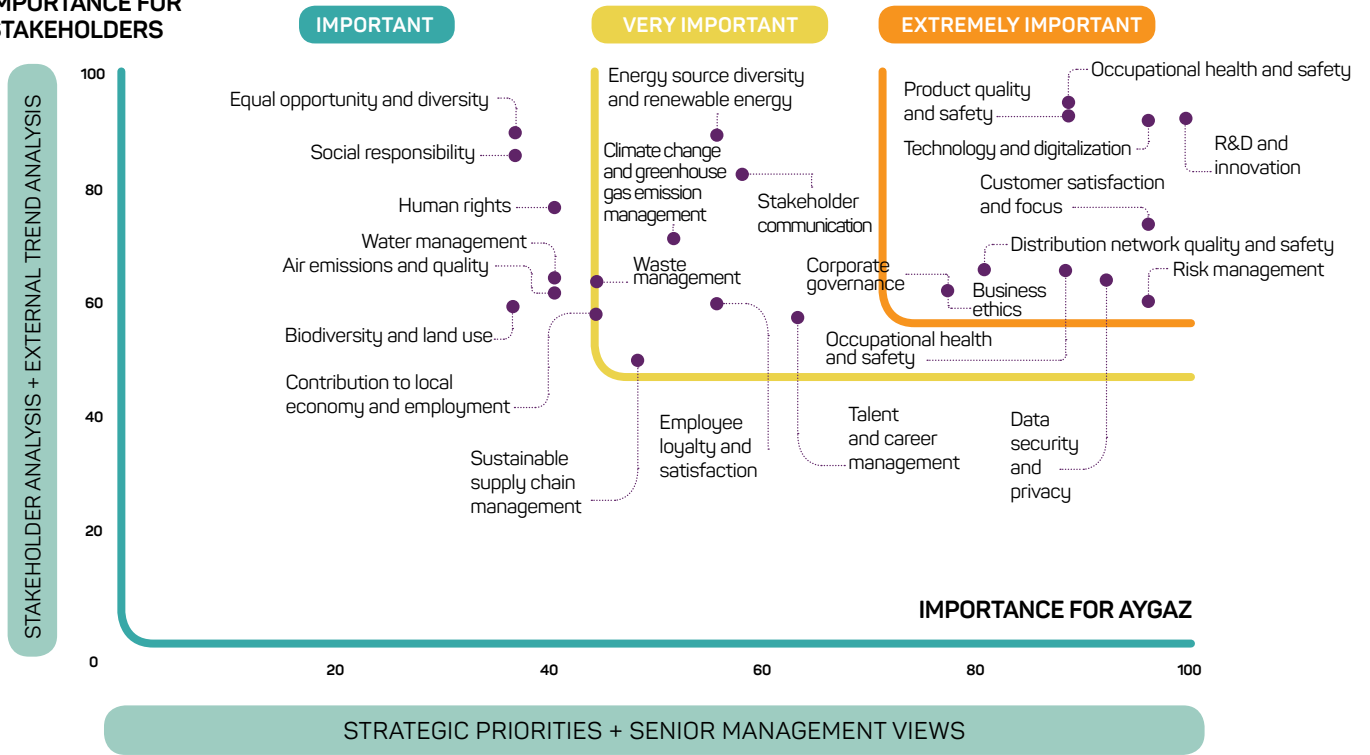
In order to bring a strategic approach to our Sustainability Report and our integrated management practices, and to update our priorities, which we previously identified at an internal workshop, in the light of international standards, we carried out a comprehensive prioritization study in 2017 together with an independent consultancy firm.

We identified the priority issues by considering the future trends that guide the industry and the global agenda as well as the views of different stakeholders, both internal and external, and the strategic and senior management priorities of the company.





**IMPORTANCE FOR STAKEHOLDERS**



The first phase of the study consisted of preparing a list of issues that we identified in the context of Sustainable Development Targets, the energy sector and the content created by important organization of the LPG industry. Then we started fieldwork and brought the issues that came to the forefront in our sector to the agenda of our stakeholders and conducted stakeholder analysis in accordance with the AccountAbility AA1000 SE (stakeholder engagement) Standard. In this context, we mapped all the stakeholders, which we communicated with and implemented various projects together, and prioritized key stakeholders, creating a sample of 184 stakeholders. We received responses from 45% of our stakeholders for the analysis, which we see as an opportunity to speak about Aygaz and our work.

We then combined stakeholder views with external trend analyses including industry trends, international principles, standards and recommendations. On the other hand, we also obtained the senior management's views by discussing the issues with General Manager and Assistant General Managers. We evaluated the views together with Aygaz's strategic priorities.

As a result, the high priority areas to create value both for Aygaz and our stakeholders were identified as: R&D and Innovation, Technology and Digitalization, Customer Satisfaction and Privacy, Risk Management, Occupational Health and Safety, Operational Excellence and Security, Product Quality and Safety, Quality and Safety in Distribution Network, Corporate Governance and Business Ethics.

The results of independent customer loyalty surveys conducted in 2016 and 2017 show that the Aygaz brand has the highest customer satisfaction in the industry both in cylinder gas and autogas.

We promote the corporate innovation culture across the organization and encourage employees to base their ways of doing business on innovative thinking.



### ISSUES CONSIDERED IN STAKEHOLDER ANALYSIS

The field study conducted for the first time this year also created the grounds for our stakeholders to communicate their views on some of our operations and activities. The views we received through this study enabled us to make some improvements in our policy and activities. For instance, we updated the Integrated Management Systems Policy, which allows us to manage quality, environment, and occupational health and safety as a whole.

Stakeholder Groups	Issues Considered in Stakeholder Analysis
<b>Dealers</b>	Promoting product quality and safety more in communication activities
	Sharing case studies on customer focus
	Using brand strength more
<b>Employees</b>	Continuing to support the development of social projects
	Increasing new generation approaches (flexible working hours, etc.) in human resources practices
	Increasing the ongoing internal entrepreneurship activities
	Talent management and career planning
<b>Business Partners</b>	Placing innovation at the core of customer experience
	Increasing new business channels and seizing opportunities
<b>Media</b>	Developing a corporate social responsibility project which reflects the strength of the Aygaz brand, and adopting and sustaining it for many years to come
<b>NGOs, Chambers and Labor Union</b>	Continuing activities with an environmental policy sensitive to the country's issues and adopting an integrated management approach to environment and quality
	Raising awareness of energy efficiency among end consumers
<b>Suppliers</b>	Carrying out activities to increase employment scope in countrywide operations
<b>University</b>	Always advancing quality, safety, occupational health practices further

## STAKEHOLDER ENGAGEMENT

Maintaining effective communication with stakeholders and partnering with them supports us as we strive to carry out pioneering activities in our industry and drive our business success further in all areas, particularly in extremely important issues.

Stakeholder Groups	Communication Methods	Communication Frequency
<b>Analysts, Shareholders, Investors</b>	Investor conferences, face-to-face meetings at the Head Office, responding to information requests received by phone or email, teleconferences, analyst meetings, senior management meetings, Investor Relations page on the website, annual report, sustainability report, company presentations, profit announcement, disclosure announcements, material disclosure announcements	At least once a quarter
<b>Business Partners and Dealers</b>	Dealer Line, satisfaction surveys, Aygaz Training Truck and Training Bus, joint projects, audits, dealer portals	Daily
<b>Employees</b>	Employee satisfaction and loyalty surveys, Online idea collection platform, intranet, internal communication events, announcements, committee meetings, trade publications, suggestion systems	Daily
<b>Subsidiaries and Affiliates</b>	Meetings, joint projects	At least once a quarter
<b>Public Institutions and Regulatory Authorities</b>	One-to-one meetings, official visits, industry meetings	At least once a month
<b>Customers</b>	Communication campaigns, advertisements and commercials, website, social media, Aygaz Mogaz Hotline, market and customer loyalty research, visits	Daily
<b>Media</b>	Press releases and media get-togethers, interviews, reputation surveys, website, corporate publications	Weekly
<b>NGOs and Chambers</b>	Following industry agenda, social responsibility topics, joint projects, sponsorships and donations, reputation surveys, working committees and boards	Weekly
<b>Labor Unions</b>	Face-to-face evaluations, collective bargaining, joint projects, General Assembly, open employer meetings	At least four times a year
<b>Suppliers</b>	Supplier portal, audits	Daily
<b>International Organizations and Initiatives</b>	Joint projects, conferences, seminars, corporate memberships	At least once a month
<b>Universities</b>	Conferences, trainings	At least once a month

*The list of organizations and institutions, which Aygaz is a member of or collaborates with, is available in the Annexes of this report.*



17. Strengthen implementation and revitalize the global partnership for sustainable development



**AYGAZ**

**AYGAZ**

**TEHLİKELİ VE  
YANICI MADDE**

**ÖZ TEMEL LTD. ŞTİ.**

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# RESPONSIBLE PRODUCTS EVERYWHERE, FROM HOMES TO THE ROADS

- Product Quality and Safety
  - Customer Focus and Satisfaction
  - Technology and Digitalization
  - R&D and Innovation
-

## RESPONSIBLE PRODUCTS EVERYWHERE, FROM HOMES TO THE ROADS

Ensuring the quality and safety of our products, meeting customer expectations and demands, incorporating new technologies into processes and designing future energy supply, in line with an innovative corporate culture constitute the focus of all our operations.

We enter homes in all 81 provinces of Turkey, supply the energy of thousands of vehicles and in short, touch the lives of our customers with our products. We act with the responsibility of being the leading player of the LPG industry in all areas where we come into contact with our customers. Fully aware of the obligations that our position entails, we continue to work with the aim of meeting the basic needs of the community and ensuring that all segments of the society have access to particularly energy and water. The activities we carry out in this context also align with the United Nations Sustainable Development Goals.

As we develop our products, which we believe have an important place in our customers' lives, we strive to make sure that they are user-friendly in all aspects from safety and ergonomics to efficiency and aesthetics. Ensuring the quality and safety of our products, meeting customer expectations and demands, incorporating new technologies into processes and designing future energy supply in line with an innovative corporate culture constitute the focus of our responsible product approach. Within the framework of the material issues of our sustainability efforts,



6. Ensure accessibility and sustainable management of water and sanitation for all



we aim to be a reputable company that has earned high customer trust and satisfaction in the industry with products and distribution safety standards at international levels, offering innovative solutions through innovation and digitalization. We create value for all stakeholders by offering responsible products in line with our mission of "maintaining our leading position in the LPG industry".

### PRODUCT QUALITY AND SAFETY

In addition to delivering superior products to all segments of the society, assuring the quality and safety of the distribution operations is also a priority for Aygaz. With the aim of ensuring the safe use of LPG, we implement management systems that encompass all processes from production to delivery of our products to the consumers in compliance with all the applicable legislation.

Activities related to product quality carried out under the coordination of Product Quality Management continue to evolve in line with our corporate Total Quality Management approach. We manage all of our operations within the scope of the Aygaz Integrated Management Systems Policy. All Aygaz employees are responsible for considering this policy, which includes quality, environment, occupational health and safety, customer complaints, energy and information security, in their respective processes. Therefore, we manage our quality management activities in accordance with this policy.

We are certified as an Authorized Economic Operator, a status granted to companies that fulfill customs obligations, have an organized and continuous record keeping system as well as safety and security standards and control their own mechanism. We manage our processes with a process management approach defined within the scope of integrated management systems. In addition to this, we conduct regular information security management system audits as part of ISO 27001. We also hold CE and PI marking certification documenting free movement within the European Union. In Turkey, we are certified as a Customer Friendly Organization and Customer Friendly Brand by the Turkish Standards Institute. We produce all of our products in plants that hold international product safety and quality management systems certifications.

In order to ensure countrywide quality in the supply stage, we regularly analyze and check the products selected for the LPG Sampling Plan. Accordingly, samples collected from distribution are tested in LPG Analysis Laboratories. In this context, we tested over 10 thousand samples in 2017. Samples taken from filling stations are also analyzed along with product samples.

Under the coordination of the Product Quality Management, we run a Monthly Comparison Program together with seven Aygaz Analysis Laboratories, three Tüpraş Laboratories and the Middle East Technical University (ODTÜ) Petroleum Research Center (PAL). In this

While delivering our superior products to all segments of the society, we take great care to assure the quality and safety of our distribution operations.



7. Ensure access to affordable, reliable, sustainable and modern energy for all

Aygaz Cylinder gas subscribers \*

**3.3 million**

Aygaz autogas customers \*\*

**4.1 million**

Aygaz bulk gas clients

**2,789**

Pürsu customers

**150,000**

\* Cylinder gas subscriber number is calculated based on the market share in proportion to total number of customers in the sector.

\*\* Vehicles with at least three LPG purchases in the 24-month period analyzed for automation data and LPG constituting at least 30% of all purchases.

In the **Turkey Customer's Voice Survey** conducted by Quality Association of Turkey in partnership with Ipsos, we were named the brand with highest customer loyalty in the cylinder gas and autogas segments for the third consecutive year, maintaining our leading position in this field.

In the 2017 **Lovemarks Survey** conducted by MediaCat and IPSOS to identify the brands most loved in Turkey, we were voted as Turkey's most popular cylinder gas brand.

context, the results of analyzes made on the same products are compared and continuous improvement and learning are provided in the test processes. Additionally, the inter-laboratory comparison program, which ODTÜ PAL carries out twice a year, gives us an opportunity to observe the position of our high performing laboratories among the other laboratories in the country. Our cylinder gas products are subjected to safety tests by our experts at various stages of their lifecycle and marked for safety after the final checks on the cylinders that pass the tests successfully. In every entry and exit activity in the related storage tank at our plants, we take samples that represent the lot in the tank and analyze them. After all checks and approval of Product Quality Management, we prepare the products for shipment. We periodically share the reports of the final inspections before products are shipped for distribution with our clients.

In 2017, no inconsistencies regarding the health and safety impact of our products were found within the scope of legal and company guidelines.

## CUSTOMER FOCUS AND SATISFACTION

We carry the responsibility of offering a product with the potential to make clean energy accessible for all segments of the society. We have established a broad network of customers across Turkey. As the number of customers, whose lives we touch with our products, continues to increase, their opinions about our products also gain more importance each day. We have built a corporate culture that places the customer at its core. We anticipate customer needs and demands across our product development and service processes in line with feedback we receive from our customers, and we strive to ensure

ultimate customer satisfaction by continuously improving product quality and further expanding our distribution network. The ISO 10002 Customer Complaints Management certification we hold covers all products as of 2017. Through our wide reaching network, we deliver energy and drinking water to various layers of society. As of 2017, we have 3.3 million cylinder gas subscribers, more than 4.1 million autogas customers, 2,789 bulk gas clients and 150,000 Pürsu customers.

We monitor our customer satisfaction performance through customer satisfaction surveys that we regularly conduct for different product segments. Accordingly, customer satisfaction levels of cylinder gas subscribers rose 9% and 2% compared to 2016, reaching 85 and 74, respectively for Aygaz Tüpgaz and Mogaz-Lipetgaz. In autogas, we saw 2% increase in customer satisfaction for both Aygaz Tüpgaz and Mogaz-Lipetgaz with the respective values of 82 and 74. The results of independent customer loyalty surveys conducted in 2016 and 2017 also show that the Aygaz brand has the highest customer satisfaction in the industry both in cylinder gas and autogas.

We regard customer feedback as an important opportunity in terms of providing an enhanced experience by better understanding expectations. We follow the complaints received through communication channels such as telephone, email, website, social media accounts and mobile apps, particularly those of Aygaz, and investigate them diligently. We maintain close contact with customers regarding such complaints. In this context, the number of complaints received via these communication channels by the customers decreased 19% compared to 2015, in direct proportion to the





increasing customer satisfaction value. Customer data privacy, a global trend that increasingly gains prominence, is among the priorities of AYGaz. We assure the security of customer data in all activities within the framework of our privacy agreements with third parties. For the protection of personal information, we store all customer data in a database blocked against any unauthorized access on KoçSistem servers. Our dealers are only allowed access to limited information about their customers. Furthermore, the privacy of dealer data is legally ensured with dealer agreements renewed every five years.

## TECHNOLOGY AND DIGITALIZATION

We follow the latest technological innovations to enhance quality and capture high customer satisfaction by identifying customer expectations and accordingly improve our processes further. We have integrated digitalization, which is increasingly adopted by many

industries across the world, into our processes, particularly in line with global trends, and we have introduced improvements in the fields of production, ordering, distribution and customer feedback with the aim of increasing the efficiency of our operations and offering better experiences for our customers. The digital transformation that we launched for this purpose brings convenience for our customers to track their orders and products while helping us to personalize and expedite our services.

We value the contribution of our employees to the digital transformation program and provide trainings in order for them to gain skills in this field. The main topics of training programs that we offer for this purpose include mobility, design thinking, data analysis and evaluation, artificial intelligence and machine learning.

The outcomes of the digital transformation program are of great importance in terms of understanding

customer needs and expectations, and effectively managing them. We have updated our corporate website in line with the feedback we received from both our stakeholders and our employees. As a result, we created a better looking and easy-to-use interface, which helps us to improve our communication with all stakeholders.

We are in the process of enhancing the AYGaz Express (AES) app, which is our main channel for receiving customer orders, within the scope of digital transformation. We are designing the new AES system, which will be able to analyze and process big data, to be integrated into smartphones. In this manner, we will bring our services even closer to the customers in a much more convenient way.

As a result of our efforts to make life easier for our customers, we launched [online.aygaz.com](http://online.aygaz.com), the website for ordering cylinder gas products, Pürsu



drinking water and other devices. The site allows users to compare different products and offers access to the vast distribution network of Aygaz. Moreover, by enabling payment by credit card to purchase the products online, we introduced a first in the industry. Another innovation that we offered for the use of our customers to respond to evolving consumer demands is [www.keyiflibahce.com](http://www.keyiflibahce.com). The website features a variety of balcony, terrace and garden products, allowing customers to order LPG-powered barbecues, lawn mowers and outdoor heaters online.

### R&D AND INNOVATION

While we continue our operations without compromising our superior quality and service approach, we are already in the process of designing future business models and products. We concentrate particularly on R&D and innovation to better manage evolving customer demands by gaining advantage against competition under increasingly competitive market conditions and to add value to all stakeholders. We aim to enrich and spread our innovation approach, which focuses on aspects such as servicing, digitalization, big data, artificial intelligence and sharing economy, across the entire organization.

The R&D and innovation activities are carried out with the aim of developing new business areas and business models with an innovative approach by also considering issues related to climate change in R&D operations in connection with the Aygaz A.Ş. Climate Change Strategy. Accordingly, we allocated a total budget of TL 7 million for R&D investments in 2017.

New product development, machine and process development and alternative

fuels constitute the focus areas of the R&D activities at Aygaz. We benefit from the R&D grants and incentives offered by the Scientific and Technological Research Council of Turkey (TÜBİTAK) and the Technology and Innovation Grant Programs Directorate (TEYDEB) for the studies we conduct in this context. We also make use of a vast pool of ideas by carrying out the projects in collaboration with universities and Teknokent companies.

We manage a growing portfolio of intellectual property rights with trademarks and patents, registered for the domestic and international markets or currently in the application stage. As part of managing intellectual property rights, ideas generated within the company as well as marketing and operations are protected at every stage. We solidified our pioneering position in the industry further in 2017 with the addition of two new patent applications.

**Cylinder Tracking:** We continue to introduce innovative applications as a result of our R&D and innovation activities. The cylinder tracking system using QR code scanning, launched in 2015 was fully implemented in all plants and facilities in 2017. This system enables tracking the cylinders effectively across its entire journey from the plant to the dealer and all the way to the customer. With the QR code application, which enables completely transparent tracking in terms of logistics and quality management as well as order tracking processes, we ensure efficiency in a number of aspects including legal regulations, sales and marketing, and inventory management while we also monitor the life cycle of the cylinders more effectively and create high customer satisfaction. As the pioneer of the industry and the

### Aygaz R&D Organization

- *New Product Development*
- *Machine and Process Development*
- *Alternative Fuels*

owner of intellectual property rights, we will also license this system to other players in the sector. Our aim with this contribution is to spread transparency and productivity across the industry.

#### **Robotic applications in production:**

Conventional methods continue to be replaced with technologies of the future at our Gebze plant, which has a very important place in the production of cylinder gas. At the Gebze plant robotic applications were expanded to the cylinder factory. With six new robots installed this year, we introduced innovations in the fields of automated production and advanced technology. Using 13 robots in total in the production stages elevates our quality standards as well as operational efficiency higher. As another important development at the Gebze plant, smart camera systems have been integrated to improve monitoring of the pressurized container area.

**Greenodor:** Given that LPG is an odorless component, sulfur-containing odorants are widely used in the industry for immediate detection purposes. Since sulfur is a harmful chemical, development of a noticeable sulfur-free odorant was completed by the Aygaz R&D department. Detailed information on the project is provided in the Environmental Responsibility section of this report.

**Arı Kovanı (Bee Hive):** Within the scope of the digital transformation program and innovation activities, we opened co-working space called Arı Kovanı (Bee Hive) to the use of our employees with the objective of triggering creative thinking and internal entrepreneurship initiatives. Furthermore, projects were developed for 22 innovation ideas in the last two years and 12 of these were selected to receive financial support to



be tried as pilot projects while a decision was made to implement four projects.

**Aythink Platform:** With the Aythink Platform, employees periodically get the opportunity to share their ideas in certain areas in accordance with the company strategy. In this context, 367 ideas were collected and evaluated. One idea selected from the suggestions was turned into a project, led by the idea owners, and implemented.

**Turkey's Distribution and Delivery Point:** By leveraging the wide reach Aygaz has achieved through dealers and distribution capabilities, we stepped into a brand new segment outside the scope of the current business plan and started cargo delivery. We set off with the objective of using the available resources of Aygaz efficiently and considered the fact that delivery to rural areas, particularly at a distance to bigger cities could be quite challenging and launched this system with the experience we have gained to date. The system, which is integrated with the Aygaz Express System (AES) brought a new dimension to the cargo delivery industry by partnering with companies like Arçelik, Koçtaş and Unilever as well as e-commerce companies. By putting the strong distribution network potential of Aygaz into use to serve the

cargo delivery sector, greater customer satisfaction was ensured. We plan to expand the scope of this project in the coming period.

**Design Thinking Workshops:** We also test the projects of our employees, who create new project ideas with the insights and experience they gain through their interactions with the customers, with customers and other stakeholders. For an efficient innovation culture, we value both the ideas generated within the organization but also those of our external stakeholders. In this context, we organize Design Thinking Workshops with the participation of various stakeholder groups. In the 2017, 253 business ideas emerged in the workshops.

#### **Innovation and Entrepreneurship**

**Climate Survey:** We promote the corporate innovation culture across the organization and encourage employees to base their ways of doing business on innovative thinking. In order to monitor how much the concept of innovation is internalized within the organization, we conduct a survey called Innovation and Entrepreneurship Climate every other year. Based on the feedback received through these surveys, we make improvements in our innovation culture according to employee expectations.





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# SUSTAINABLE OPERATIONS

- Quality and Safety across Distribution Network
  - Supply Chain Management
-

## SUSTAINABLE OPERATIONS

We aim to improve operational efficiency with innovative applications that include dealers and customers.

Operations at Aygaz cover the entire value chain from sourcing the LPG to delivering and collecting products to and from the consumers and are managed with an integrated approach to sustainability. At every stage of this chain, operational excellence and safety remain our top priorities. We carry out our activities with a broad dealer and logistics network spanning Turkey in order for all to have access to our products.

### QUALITY AND SAFETY ACROSS DISTRIBUTION NETWORK

**Dealers:** Our products are delivered to the consumers through our dealers. Our dealers have an extremely important share in our success and in ensuring customer satisfaction. Under the Aygaz and Mogaz brands, 2,359 cylinder gas and 1,710 autogas dealers deliver our products to customers. The wide dealer network is expected to provide service in the best standards and fully comply with safety and quality requirements.

The trainings we give to our dealers and the regular relationships we have established with them enable us to reach the quality and customer satisfaction levels we have defined. We remain in contact with our dealers through regional dealer meetings,



dealer visits, campaigns, dealer portal and the Dealer Communication Hotline. We also measure and monitor the satisfaction and loyalty of our dealers with dealer satisfaction surveys conducted through Koç Holding. We listen to the complaints and suggestions expressed by dealers at events we organize to meet with them, during dealer visits and via the dealer portal. The dealers can communicate all their feedback related to new products, services and applications to Aygaz via this portal. Suggestions and feedback are used both to elevate dealer satisfaction and to improve products and services. Furthermore, successful implementations are rewarded.

We also work on improving operational efficiency with innovative applications that include dealers and customers

in the value chain. With the Cylinder Tracking Project, which we started in 2015 and spread across the country in 2017, we monitor the cylinders' movements using QR code systems in the plant-dealer-customer cycle. Detailed information about the project is provided in the R&D and Innovation section of this report.

**Logistics:** We run Turkey's largest LPG logistics operations, including LPG sourcing and delivery by land and maritime transport. By managing these operations in the most efficient way, we strive to achieve the best standards without compromising quality and safety. We optimize the number, capacity and distribution route of our vehicles using digital systems and data analytics according to the volume and distribution of our sales. With more than 200 auto gas tanker

*We provide service and safety trainings for our dealers and their employees with the **Aygaz Training Truck and Training Bus**. Therefore we strive to travel to all locations across Turkey with the aim of instilling corporate culture, vision and values and ensuring that ethics, quality and service standards are internalized. In this context, we provided 378 hours of training for 564 dealers in 2017.*



trucks, we have the largest LPG land transportation fleet in Turkey. We use Station Inventory Management and Routing system in supplying LPG to nearly 1,700 autogas stations and we carry out logistics operations in the most efficient way. By creating orders accurately, we manage the distribution network with optimum routes, ensuring efficiency and reducing fuel consumption. With fleet and route improvements we made this year, we were able to eliminate 164 tons of carbon emissions.

Safe transportation of LPG, a flammable and explosive substance, is of utmost importance and safety in logistics operations is among our top priorities. We operate in compliance with European Norms, the European Agreement concerning the International Carriage of Dangerous Goods by Road (AD) and Turkish Standards, and we take all security measures accordingly. To ensure the safety of the fleet, we monitor the land transport fleet with the 24/7 Vehicle Tracking System and monitor speed. We also provide safe and economical driving trainings for drivers.

We carry out land and maritime transportation activities. The maritime fleet includes three specially equipped, fully pressurized ships with a total payload of 28,800 cubic meters and average age of 12. This year, the fleet's carriage constituted 29% of sourcing and maritime shipping activities.



In addition to the large land and maritime fleet, we also have the largest LPG storage capacity in Turkey. Our five sea terminals, with a total volume of 178.4 thousand cubic meters, are in international standards and feature the latest technologies. As with our operations at every stage, we serve with the highest quality and safety standards.

### SUPPLY CHAIN MANAGEMENT

At Aygaz, the only integrated LPG company in Turkey, the first link in our value chain starts with the sourcing of LPG and other goods and services. Safety is our top priority in the supply chain as with all stages of our value chain. Furthermore, environmental, social and ethical conditions are among the aspects we consider along with quality. Supply chain management plays a key role in spreading responsible production and consumption practices in line with the Sustainable Development Goals.

We manage our supply chain through our Supplier Portal, which we built to

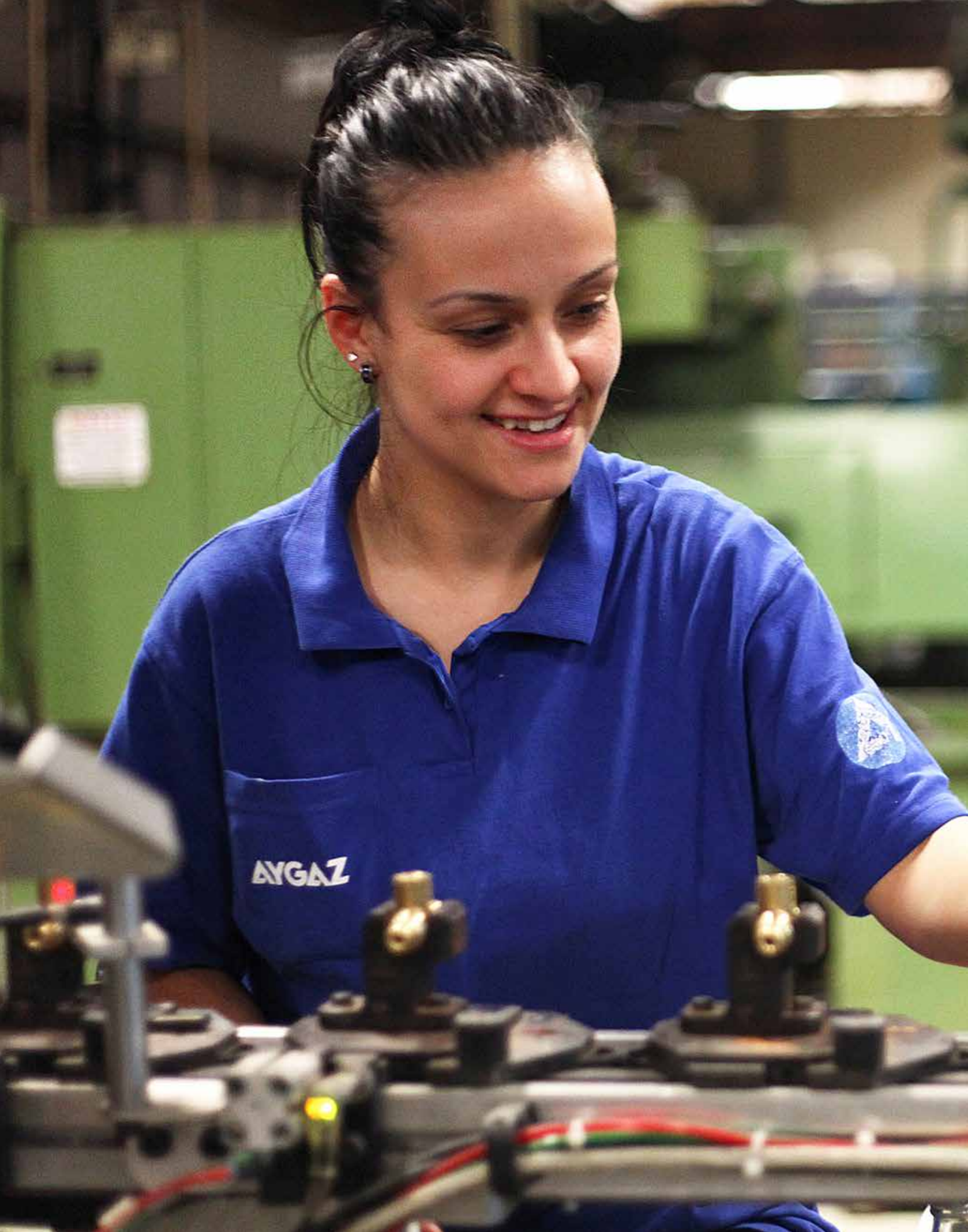
ensure transparent, fast and accurate procurement processes. For services and products other than LPG, local suppliers take precedence. We work with 415 suppliers, 95% of which are local suppliers. In the selection of suppliers, we consider several criteria, which include declaration of compliance with United Nations Global Compact. The suppliers declare compliance with Global Compact in the areas of human rights, labor conditions, occupational health and safety, fight against corruption and environmental issues, and products and services are not procured from suppliers that do not declare this commitment. In 2017, we conducted audits at 200 suppliers in this context.

Centralization of procurement processes is one of the projects we implemented in the supply chain. Within the scope of the project, which creates more efficient procurement processes, the ratio of procurement through the Purchasing Department increased from 53% to 76% in the last three years.

*By leveraging the wide reach Aygaz has achieved through dealers and distribution capabilities, we stepped into a brand new segment outside the scope of the current business plan and started **cargo delivery**. The details of the project we developed in this context can be found in the R&D and Innovation section of this report.*



12. Ensure sustainable consumption and production patterns





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# EMPLOYEES

- Equal Opportunity and Diversity
  - Talent and Career Management
  - Trainings
  - Employee Loyalty and Satisfaction
  - Safe Workplace
-



## EMPLOYEES

We provide an inclusive and transparent working environment where our employees can develop their talents and work in happiness and peace.

As the only integrated LPG company in Turkey, we provide energy with Aygaz products for 60 thousand households and more than 1 million vehicles every day. Sustaining our success with quality and innovative solutions can only be possible with a qualified and highly motivated human resource. We place the words of our founder Vehbi Koç, "Our human resources are our most important asset," at the core of our human resources practices and we strive to create an inclusive and transparent work environment where our employees can develop their talents and work in happiness and peace.

Equal opportunities for all, hiring and appointing the right person for the right job, equal pay for equal work, merit based promotion, timely recognition and appreciation, continuity and efficiency in job performance, effective internal communication and sensitivity toward the community make up the essential human resources policies at Aygaz. Accordingly, we offer equal opportunities for all of our employees and support diversity, and provide training opportunities by appraising their performance objectively. We take necessary precautions for a healthy and safe workplace by creating



8. Promote inclusive and sustainable economic growth, employment and decent work for all

action plans that increase employee satisfaction. Our human resources practices are aligned with the Sustainable Development Goals.

As Aygaz, we employ a total of 1,195 people, including 601 office employees and 594 field employees. Our employees consist 11% of women and 89% of men. At managerial level, the female employee ratio reaches 16%. Overall, 26% of our employees are covered by the Collective Labor Agreement.

## EQUAL OPPORTUNITY AND DIVERSITY

We believe that diversities enrich our corporate culture and we stand against all kinds of discrimination. We implement performance management, career change, remuneration, training and development practices for our employees, taking the principle of equal opportunity as basis. We promote elimination of social inequalities toward achieving Sustainable Development Goals.

In 2016, we became a signatory of the Women's Empowerment Principles, formed in partnership with the United Nations Global Compact and the UN Women, the United Nations Entity for Gender Equality and the Empowerment of Women. In the light of these principles, which guide the steps taken to strengthen women in society, business life and economic life, we aim to develop practices that are sensitive to gender equality in the predominantly male energy sector. We started our work to promote gender equality by first raising awareness among employees. We focus on

ending violence against women within the framework of ensuring the health, safety and wellbeing of women workers as stated in the Women's Empowerment Principles. By publishing the Domestic Violence in the Workplace Policy, we introduced a first in the private sector. We partnered with the Mor Çatı Women's Shelter Foundation to train our managers on awareness of domestic violence.

Volunteers selected from Koç Group companies participated in the "train the trainer" trainings in three-day sessions sponsored by AÇEV (Mother and Child Education Foundation). 10 volunteering employees from our company participated in these trainings to advance their gender equality knowledge and develop presentation techniques, and subsequently gave nearly three-hour long trainings at all Aygaz locations. A total of 1,343 people attended the trainings that were completed by the end of 2016 as we ensured that all of our employees benefited from trainings. We plan to include these trainings in the orientation program for new employees.

We established an Emergency Helpline in order to prevent domestic violence

in the workplace. As part of the project, we conducted a study to find out why the Emergency Helpline, which was offered for employees who were subjected to violence in the company, was never called. As a result of the study, we concluded that we needed to organize trainings on gender equality and preventing violence. As the next step, we plan to hold workshops aimed at all our field workers to prevent domestic violence.

The activities we carry out within the framework of Women's Empowerment are not limited to our employees.

*You can find out more about our extensive work on this subject that concerns the entire community in the Social Responsibility section of this report.*

We participate in Koç Group's efforts to promote equal opportunity and diversity. As Aygaz, we support the "For My Country" project, which aims to develop a participatory attitude toward social issues. The project focuses on different issues for two-year periods, with the theme of Gender Equality selected for the 2015-2017 period. Aiming to provide the most effective contribution to the project,

## Employee Opinion

*Given its position and power, Aygaz has the potential to reach large audiences. The company can take the lead in social issues and pave the way to a number of innovations and projects for the benefit of the community.*



10. By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

we established the Equal Opportunity Committee, which includes the Human Resources Manager and senior management level executives. In this context, our employees voluntarily started contributing to the project. We value the importance of ensuring that our employees, who provide services to thousands of homes every day, are aware of gender equality because we believe that in the predominantly male energy sector we can pioneer a change that shows zero tolerance to violence. We organized Information Mill seminars for employees to promote a work environment sensitive to this issue. In the seminars supported by AÇEV, this topic was explained with real life examples of experiences from childhood to adulthood. The seminars continue with our volunteers who are trained on the subject while we also provide training for employees of dealers.

### TALENT AND CAREER MANAGEMENT

We aim to improve the skills of our employees by offering continuous training and development opportunities, and subsequently to attain our future goals by considering our company's strategic priorities. In order to develop innovative products and diversify our services, we also place importance on talent management while considering the personal needs of our employees and the business requirements of our company.

First, we conduct objective performance appraisals to identify the employees' personal development areas and potential and plan trainings to develop their skills accordingly. The Performance Management System is based on the principle of spreading the targets from senior management to

all employees. We follow performance with target cards and evaluate them with numerical criteria. We include all permanent office workers except those employed temporarily or in special status in the performance appraisal process.

According to the results of performance appraisals, we create a pool of managerial potential. At Human Resources Planning Meetings we create succession plans and prepare the employees identified as potential for the next position by offering special training and development opportunities. We announce all open positions available within Koç Group in the internal announcement system. In this manner, we offer our employees the opportunity to apply for other positions not only at Aygaz but also in other Koç Group companies.





We reward achievements to motivate our employees and encourage their development. Within the scope of the Reward and Suggestion System, we give awards such as Outstanding Achievement Award, Service Award, Most Successful Coach Award, Innovation Award, Aygaz's Stars Award and Invention Award. We also reward employees that develop projects in areas of significance, creating added value with superior creativity and sacrifice regarding the company's strategy and priorities, delivering successful results or preventing serious damage.

Performance appraisal results also reflect on in employee salaries. For remuneration, we use an international job assessment system that measures the contribution of each job toward achievement of corporate goals and ranks jobs in scale. The current salary structure of the company is based on a competitive remuneration policy defined in line with market position, competition and business solvency.

We provide fringe benefit packages with a wealth of options for employees. With membership in the Koç Pension and Aid Trust Foundation, social benefits, private health insurance, trainings, rewards, membership in the KoçAilem privileges program, meal card/cafeteria service, workplace healthcare service, transportation and personal liability insurance and a flexible fringe benefit program. In addition to fringe benefits for all, we also provide other supplementary rights depending on the job and responsibilities.

## TRAININGS

We measure the skills of employees and plan for their personal and professional development, taking into account managers reviews as well as feedback from their teammates. In



this context, we organize trainings for employees by integrating personal and company needs to improve their expertise, develop skills with the aim of spreading digitalization across business processes and enhance foreign language skills.

We allocate resources for the training and development of employees at every level. We provide leadership and digitalization trainings within the scope of Koç Holding LEAD and Aygaz LEAD programs and contribute to the development of employees with management potential through Lider Sensin (You are the Leader) and Yenibir Lider (A New Leader) Association's Leadership Programs. Furthermore, every year some employees attend Koç University Executive MBA and Technical MBA programs. We also carry out the Field Development Program to train field managers as sales specialists that make a difference and to ensure more efficient dealer management. We offer one-to-one and in-class English language lessons within the scope of function-specific professional and technical trainings. In addition to traditional classroom

training, we also carry out leadership development programs, online trainings, reading materials, outdoor trainings, rotations and project work through KoçAkademi.

We provide an orientation program to introduce the Koç Group and the Aygaz Group to familiarize new employees with the corporate culture. The Orientation program also includes training on occupational health and safety and environmental issues. More information on this subject can be found in the Environmental Responsibility section.

The trainings we offered for our employees increased 2% in the period from 2015 to 2017, with training per employee reaching 38 hours. Meanwhile, trainings provided for the employees of subcontractors amounted to approximately 1 hour per person on average.

## EMPLOYEE LOYALTY AND SATISFACTION

Ensuring that our employees, whom we regard as our most valuable stakeholders, work with satisfaction



and add value to their jobs is one of our most important objectives. We have been regularly measuring employee satisfaction and loyalty since 1996 with detailed breakdowns every year while we evaluate the working conditions of our office and field employees separately. In 2017, we measured employee loyalty and satisfaction as 71% for our office employees and 74% for our field employees. While the satisfaction and loyalty of our office employees showed similarity to the levels of 2015, the satisfaction and loyalty of our field employees increased 26 points. Overall, satisfaction and loyalty rates of all employees rose to 73%, up 13% from 2015 to 2017. We evaluate the results of the surveys at BIZ (Time to Move Forward Together) workshops attended by managers and employees and use them to make decisions to improve our working conditions.

Our employees are able to give their feedback through different channels. With the Koç Holding central system as the most effective of channels, our employees can communicate with the company via the web page <https://kocsnow.koc.com.tr/denetim> in confidence. Accordingly, the Human Resources department organizes

meetings with different departments and takes remedial actions.

We prepare an annual internal communication plan, taking into account the feedback of employees to improve employee satisfaction and create a culture of internal communication within the company. We also carry out activities such as business result sharing meetings, Biz Bize (Between Us) talks, cultural excursions, sports festivals, end of year communication meeting and celebration, and social activity groups.

We believe that out-of-office activities with employee participation contribute significantly to employee loyalty. The Aygaz-Opet Turkish Music Choir, first formed in 2004 with Aygaz and Opet employees interested in classical Turkish music, brings together 33 people outside the office environment. With this and similar collaborative activities, we foster the development of team spirit and help to reduce the stress of work.

### SAFE WORKPLACE

Occupational Health and Safety, which is among the highest priorities for our company, is closely related to providing

a safe work environment for our employees. Since the establishment of our company, we continue to ensure production conditions that eliminate the possible risks in the industry in which we operate with the aim of Zero Work Accidents within the scope of occupational health and safety (OHS) beyond legal obligations.

We manage OHS in accordance with applicable legislation and standards in all our business units. With international OHSAS 18001 Occupational Health and Safety Management System certifications for 12 locations in total including the Head Office, the Gebze Plant and other facilities, we monitor our performance with systematic inspections annually.

*Further information about our OHS practices and applications is available on the Aygaz corporate website.*

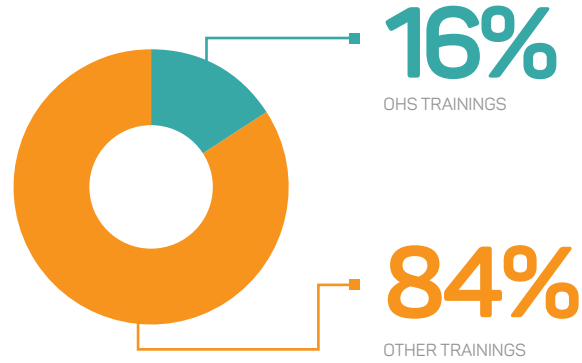
Within the scope of OHS practices, the Quality System, HSE-S and Sectoral Relations Manager reports directly to the Deputy General Manager, Technical and Investments as the management representative. Therefore, the highest-ranking executive responsible for OHS is the Deputy General Manager, Technical and Investments. The OHS Committees, in effect in every facility, include employer representatives, occupational safety specialists, workplace physicians, employees, employee representatives and labor union representatives, where applicable, and convene regularly every month to discuss OHS-related issues and prepare improvement plans. Furthermore, we at Aygaz served as the Secretary of the Koç Holding Occupational Health and Safety Coordination Committee in 2016-2017. In this context, we cooperate with other organizations operating in the

energy sector at the Occupational Health and Safety Platform meetings held for all business lines under the coordination of the Holding. The Quality System, HSE-S and Sectoral Relations Department organizes quarterly meetings with the wide participation of the Filling Plants, Investments and Facilities, Purchasing, Industrial Relations, Land Logistics and R&D Departments. At the meetings, all OHS activities and targets are discussed. In order to ensure that our approach to quality and safe products and operations is fully adopted by all employees, we focus on OHS trainings. We regularly provide OHS trainings for our employees and subcontractors' employees through occupational safety specialists and workplace physicians. In 2016 and 2017, the OHS trainings we delivered, amounted to an average of 8 hours and 6 hours per employee, respectively. In 2017, the OHS trainings constituted 16% of all trainings given through the year.

We support the awareness of OHS issues not only by trainings, but also through creative communication activities. We use educational OHS posters in our plants, facilities and Aygaz offices. We also carry out developmental activities in this extremely important issue for our company with the support of volunteering employees. We aimed to bring a different perspective to OHS trainings with an interactive theater play titled *Bize Bir Şey Olmaz Abi* (Nothing Will Hurt Us Brother) staged by a professional drama company and participated by the employees to convey the importance of OHS. The play was watched by more than 1,000 employees at the Gebze Plant, filling facilities and Head Office.

Taking into consideration the risk assessments carried out at Aygaz Filling Plants and the Gebze plant and facilities, we created posters featuring photos from our own work areas related to the messages we wanted to convey to employees, visitors and subcontractors about OHS. As an outcome of creating a healthy and safe work environment in our company, no occupational diseases were observed and no fatal incidents occurred among employees and subcontractors' employees.

## TRAINING RATIOS



## Employee Opinion

*Over the years, we received numerous trainings on occupational health and safety at Aygaz. I found the training, which was in the form of a theater play, to be very effective for us. I learned how to do things in the right and safe manner while working.*





**AYGAZ**

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# ENVIRONMENTAL RESPONSIBILITY

- Climate Change and Energy Management
  - Improvements in the Climate Performance of Products
  - Awareness Activities
  - Waste Management
  - Water Management
  - Biodiversity
-

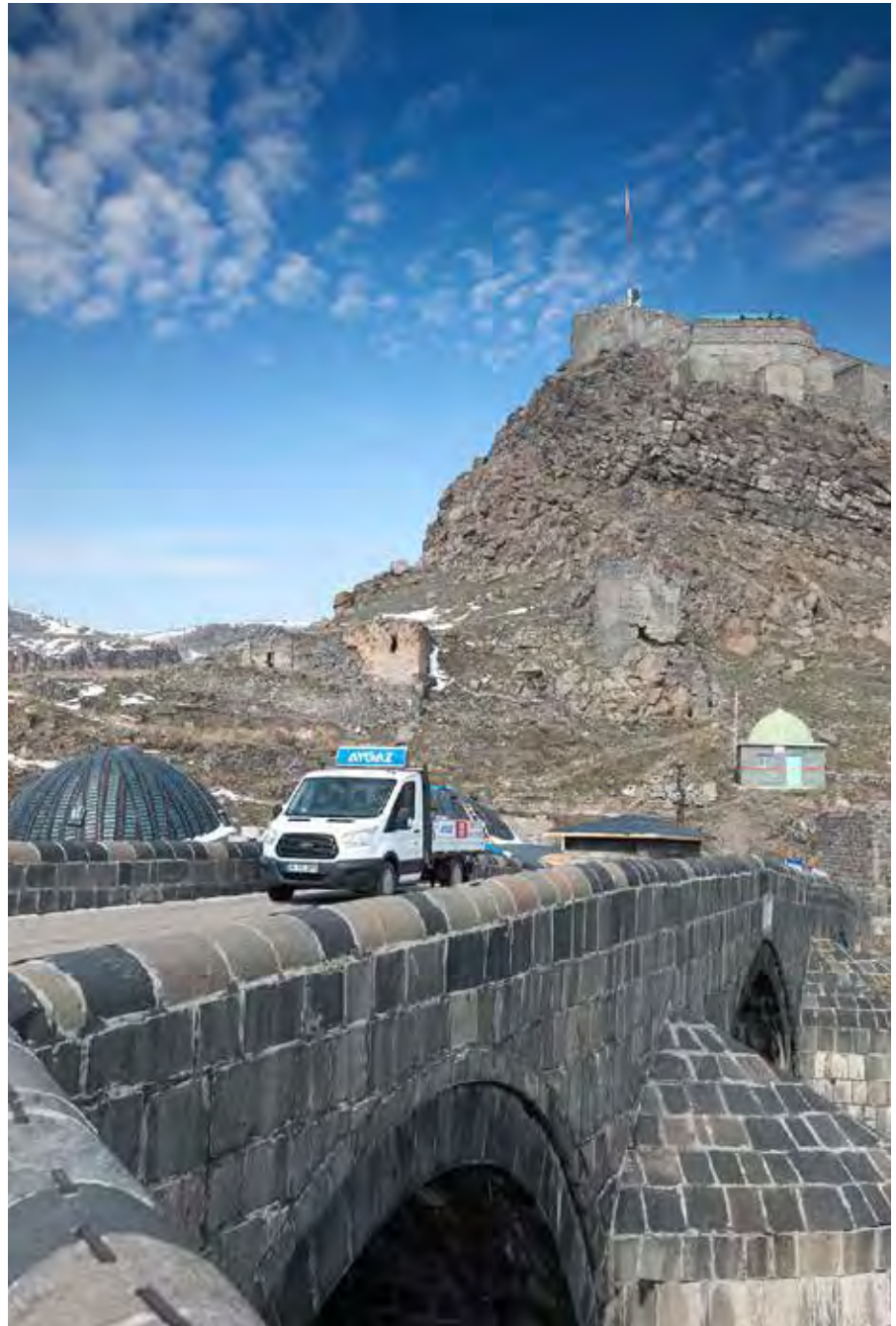


## ENVIRONMENTAL RESPONSIBILITY

We consider it as our responsibility to monitor the environmental impacts of our activities and products in relation to the goals we set and managing and improving them in accordance with applicable legislation and international standards.

Climate change and the frequent and worsening weather events caused by climate change are among the most important problems of our time. Problems such as pressure, pollution, deforestation and decrease of biological diversity on limited natural resources exacerbated increasing world population continue to grow by the day. Such environmental problems also impose operational, commercial and reputational risks on the business world, in addition to affecting the social and economic spheres adversely. As stated in the Paris Agreement, the most important agreement on global scale in combating climate change, the business world plays an important role in the solution of these problems.

We consider it our responsibility to monitor the environmental impacts of our activities and products in relation to the goals we set and managing and improving them in accordance with applicable legislation and international standards. We manage our environmental impacts in line with the Koç Group Goals and Principles and within the framework of the Integrated Management Systems Policy and Aygaz Climate Change Strategy. Accordingly, our 12 locations including the Head Office, the Gebze plant and other facilities are certified for the ISO 14001 Environmental Management System, and two facilities for the ISO 50001





Energy Management System while we monitor system performance with regular internal and external audits every year. In internal audits carried out by 61 internal auditors, 75 business units were audited in 2017. On the other hand, as part of the Integrated Management Systems external audits, 25 man\*hours of inspection was conducted in six facilities. In external audits, five minor nonconformities and 22 issues were observed and necessary actions for these findings were completed in a planned manner. As Aygaz, we carry out the processes related to environmental management by the Quality System, HSE-S and Sectoral Relations Department under the Deputy General Directorate of Technical and Investments in coordination with the Investments and Facilities Department Enterprises and all the facilities. Furthermore we take part in the Koç Group Environment Committee and we continue our activities in line with the decisions reached by the Committee. As part of our Environmental Responsibility, both legally compulsory and non-compulsory insurances are made.

In all our fields of operation as well as the environmental management activities encompassing our value chain, we adopt an approach focused

on contributing to Sustainable Development Goals. We develop environment friendly production processes that use energy and water efficiently, implement projects that reduce greenhouse gas emissions and waste generation and produce innovative products cause lower environmental impact throughout the lifecycle. We also organize trainings on environmental issues, raise awareness with events and Environmental Newsletters and develop collaborations to preserve biodiversity.

In 2017, we provided our employees a total of 2.388 man\*hours of training and 48 man\*hours for subcontractors' employees to raise environmental sensitivity and awareness. These include anti-pollution trainings we organized to be prepared for possible pollution that may be caused by oil, hazardous wastes and other harmful substances. In addition, we are practicing marine pollution exercises at sea terminals. Furthermore, our environmental investments and expenditure in the 2016 – 2017 period exceeded TL 12 million. Thanks to our effective environmental management, no environmental fines have been imposed on us for the last three years including the reporting period.



## Letters to the Future

*As part of the Environment Day activities, we launched the Letters to the Future project to draw attention to the Sustainable Development Goals of Climate Action, Life Below Water and Life on Land. We distributed paper, envelopes, and sprout pencils (with seeds) produced from recycled materials to members of the Aygaz family and asked them to put their predictions into writing about how the world would be in 2030 in terms of the environment. 109 letters describing the predictions were compiled in a book. The book was added to Aygaz's archives. Also the writers of the first three letters chosen after an evaluation were rewarded within the scope of the project*



12. Ensure sustainable consumption and production patterns



13. Take urgent action to combat climate change and its impacts



14. Conserve and sustainably use the oceans, seas and marine resources



15. Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss



### CLIMATE CHANGE AND ENERGY MANAGEMENT

The devastating effects of climate change are already being felt in many parts of the world. Climate change is directly related to environmental, social and economic problems, from the increasing frequency and impacts of hurricanes, floods and drought and the decline of productivity in agriculture to the rising waves of migration and the danger of extinction of countless species. Turkey is among the countries under significant risk due to climate change and estimated to be affected much more in the future.

Global greenhouse gas emissions have to be urgently reduced in order to combat climate change. As Aygaz, we define climate change as an important risk causing environmental

and socio-economic consequences. In the process that ensued after the Paris Agreement, we created the Aygaz Climate Change Strategy and Action Plan in 2016 and identified the aspects where we as a company could contribute to the fight against climate change. Accordingly, we reduce the energy consumptions, greenhouse gas emissions and air emissions caused by our operations, supply chains and products by developing pioneering within the framework of our climate change strategy.

*Aygaz A.Ş. Climate Change Strategy is available on our website.*

At Aygaz, we carry out energy management in line with the annual numerical targets we set. Through investments and efficiency

improvement projects, we set our target for 2018 as 4.91 per ton of average consumption/production, the same level as the previous year. Accordingly, for 2018 we aim to keep electricity consumption at the 2017 levels as well. Furthermore, we target a reduction of 6.31% in energy consumption at the Gebze plant on TEP basis.

In addition to the energy consumption targets at the plants and facilities, we also set energy consumption targets for the projects we have implemented or planned. In this context, we have reached our goal of reducing energy consumption by 1.3 million kWh in 2017 in energy efficiency projects, which we regard as important. We recorded an energy consumption of approximately 83,621 GJ and 14,705 tons of CO<sub>2</sub>e

*We continue to monitor global developments on climate change closely. In 2017 we participated in the 23<sup>rd</sup> Conference of the Parties (COP23) with the representation of our Quality System and HSE Manager.*

greenhouse gas emissions as a result of our operations.

We continue to invest in process improvement and energy efficiency at our plants and facilities. In 2017 we achieved 260,000 kWh of savings by switching to LED luminaires at Terminal Directorates, filling plants and cylinder distribution centers. We also reduced our natural gas consumption by an average of 30% per product, by switching from domestic cylinder deep drawing press and reheating furnaces to new technology burners and furnaces with fully automated heat control. In addition, natural gas consumption was reduced by an average of 3% per product with the new system that we installed to make use from recuperative burners. Through all of these processes, we eliminated energy consumption of over 1,879,000 kWh in 2017. We also achieved greenhouse gas reduction or more than 500 tons of CO<sub>2</sub>e and cost advantages of over TL 170,000.

### IMPROVEMENTS IN THE CLIMATE PERFORMANCE OF PRODUCTS

During the use of LPG, which contains a lower carbon-hydrogen ratio compared to other conventional fuels, lower carbon emissions as well as lower solid particulate (PM) and nitrogen oxide emissions (NO<sub>x</sub>) occur. According to the World LPG Association data, the carbon footprint of LPG used for heating purposes is 20% less than fuel oil and 50% less than coal. Since the energy efficiency per unit of LPG is high, energy expected from other fuels can be obtained by consuming less LPG. Accordingly, using LPG, which has lower impact

### Arinna Project

Renewable energy investments are among our projects aimed at reducing greenhouse gas emissions. In the pilot phase of the **Arinna Project**, which aims to generate electricity from solar power on the roofs, the installation of Solar Power System (SPS) on the roof of Aygaz Gebze Plant's office building was completed and the SPS was activated. The total 75 kW power plant, consisting of three different solar panel technologies (monocrystalline, polycrystalline and thin film solar panels), each with 25 kW capacity, is used to generate clean and renewable electricity from solar power and reduce the plant's energy costs. Meanwhile we compare different solar power technologies under the same conditions to reach the optimal solar energy solution for the rooftops in the region.



### GreenOdor, a sulphur-free odorant

Even though LPG is an odorless gas, odorant chemicals are added to the LPG content to make it noticeable in case of a leakage while the majority of these chemicals contain sulphur. The emission of sulphur has adverse effects on the environment. With this in mind, we initiated the **Sulphur-Free Odorant Project** in 2012 with the aim of reducing sulfur emissions, which have significant impact on our air emissions.

For the project we started with R&D funding of TÜBİTAK TEYDEB and under the consultancy of Istanbul University Teknokent, we identified two key steps: product development and field tests. In the project that we conducted in cooperation with R&D and Product Quality Management departments, more than 20 candidates were subjected to tests and experiments for their chemical, physical and biological properties during the product development phase completed in 2016. Numerous tests were conducted in Turkey and abroad to determine whether the smell of the chemical mixture was distinguishable from the smells of daily life and created a sense of danger. When the mixture that would become the final product was determined, we obtained the patent and brand name GreenOdor.

We believe that the product we have developed will be of interest both for local and international LPG companies since it is a first for the global LPG industry sector and also reduces the sulphur content limit in LPG significantly. With the completion of the project, we aim to implement the GreenOdor product throughout Aygaz and eliminate the emission of about 24 tons of sulfur annually.





We enhance our efforts to combat climate change with activities aimed at raising awareness among our employees and in the community.

on climate change and air pollution in comparison to other fuels, can contribute to the reduction of greenhouse gas emissions and air pollution in the cities particularly. Similarly, the use of autogas as vehicle fuel can provide 10-12% reduction in carbon emissions compared to gasoline. At Aygaz, we contribute to the consumers' fuel efficiency and reduction of greenhouse gas emissions with Aygaz Autogas, which we have specially formulated. In this context, consumers who preferred Aygaz Autogas in 2017 eliminated over 20,000 tons of CO<sub>2</sub>e emissions with their fuel savings.

### AWARENESS ACTIVITIES

We enhance our efforts to combat climate change with activities aimed at raising awareness among our employees and in the community. In this context, we launched an awareness initiative with the slogan

“One small for you, one giant leap for climate change” to draw attention to the Sustainable Development Goal of Climate Action and to inform our employees about carbon footprints.

We organized the Changing Climate and Us photography competition in 2017, similarly aiming to draw attention to climate change and raise awareness. We reviewed 53 photographs submitted for the competition and awarded the top three participants with various gifts. We also joined the World Wildlife Fund's (WWF) Earth Hour initiative. By turning of the lights in the Head Office building, we showed how much we valued the importance of raising awareness about climate change.

### WASTE MANAGEMENT

In line with our sustainability principle, efficient use of natural resources and effective waste management are of strategic

importance in all business processes. We focus on improving our products at every step by tracking them throughout the entire lifecycle, from sourcing and using to recycling or disposal. We also carry out activities to primarily recycle the scraps and waste generated during the production process and along the value chain and when this is not possible, to dispose of them safely.

As part of our waste management activities, we focus primarily on the Gebze Plant, which accounts for approximately 79% of the wastes generated by all our facilities. In 2018 our target for the Gebze Plant is to reduce waste generation by 10.76% compared to 2017. We are also working on reducing the amount of zinc dust we sell as scrap, according to the target we set.

With the improvements made in 2017 in the paint cabin spray gun systems and subsequent reduction in paint consumption and therefore lower paint sludge production at our Safranbolu Filling Plant, we achieved a waste reduction of nearly 700 kg. Furthermore, we reduced the water amount by filtering the waste paint sludge in the cylinder painting processes. Thanks to an application

that resulted in saving approximately 600 kg of waste paint sludge, we also saved from waste shipping costs, calculated according to weight. With two activities we carried out to reduce waste, we achieved economic savings as an additional benefit. We implemented the project that enables recovering the returned and expired cylinders from customers and the returned Aygaz tanks, and also sending the unrecoverable cylinders and tanks to recycling at our Eskişehir Cylinder Distribution Center where the environmental licensing process has been completed.

Regarding the hazardous waste generated as a result of our operations, we work with licensed companies to ensure that they are recycled or disposed with the regular storage method. In this context, the amount of hazardous waste, which was 710 tons in 2016, decreased 13% to 618 tons.

### WATER MANAGEMENT

Water resources are at serious risk due to irresponsible use by the rapidly growing population, environmental pollution and the effects of climate change. Using this limited and priceless resource consciously and efficiently is of

paramount importance for the future of Turkey as well, considering that we are part of a geographic region prone to droughts. Therefore, we carry out a number of activities in order to use water efficiently and consciously in all our operations and to recycle and recover maximum amount of water in the processes.

With the waste heat recovery project implemented in 2017 at the Gebze Plant, with the highest water consumption, we saved 7,500 tons of water by decommissioning the cooling tower. The project enabled us to reduce the amount of water used at the plant approximately 18%. We also contributed positively toward our targeted consumption/production ratio of water consumption at the Gebze Plant, which we follow annually. Our target for 2018 is to achieve a reduction of 18.8% compared to the previous year. We reduced water consumption at the Ambarlı Filling Plant by installing a new system to prevent condensation in the line from the steam boiler to the filling stations, saving 360 m3 of water, and by installing a mechanical system that purifies the continuous mains water consumed in the pressurized washing system of oil and sludge, saving further 840 m3



### Time to Convert Waste to Creativity

As part of World Environment Day 2016 awareness raising events, we carried out **the Time to Convert Waste to Creativity activity** for the 6-14 age group children of our employees with the aim of emphasizing the importance of recycling and fostering environmental awareness from a young age. The children who participated in the contest created designs from the waste materials and we presented them environmental kit game models as gifts. We also rewarded three children whose designs won the highest votes from our employees with skates. We exhibited these designs in the lobby of the Head Office building.

Another key topic we prioritize in water management is related to the measures against adverse environmental impacts of the wastewater we generate.



#### Water consumption by source (m<sup>3</sup>)

	2015	2016	2017
Mains water	42,142	48,622	35,777
Underground water	65,053	61,188	42,511
Rain water	0	5,000	5,280
Other (delivery by tankers)	27,890	30,205	26,857

#### Recovered water and wastewater (m<sup>3</sup>)

	2015	2016	2017
Recovered water	115,019	256,143	112,625
Wastewater	40,850	61,992	56,956

of water. At the Samsun plant we switched to drip irrigation system in the gardens and saved 400 m<sup>3</sup> per year. With all the water efficiency projects that we implemented, we saved approximately TL 75,000.

In 2017, we reduced water consumption by 26.4% and underground water use by 30.5% compared to 2016 through our efforts to improve water efficiency.

The measures for the adverse environmental impact of the wastewater we generate are among the key issues in our water management activities. All wastewater generated at our plants and facilities is discharged through water treatment plants in accordance with the legislation after undergoing chemical and



biological treatment depending on the requirements.

## BIODIVERSITY

As Aygaz, we adopt the approach of respecting nature in all our operations. We are aware of the risks that our operations may pose on biodiversity because we operate in areas such as energy and maritime transport. We carry out our activities in line with Koç Holding's Biodiversity Policy, created in cooperation with the Nature Conservation Center, by focusing on protecting ecosystems and their components, habitats, ecosystem services and all species. Aiming to effectively manage the risks related to biodiversity, we review our activities and potential investment areas with a multidimensional approach and take necessary precautions against possible adverse effects on biodiversity. In investment decisions, we consider the results of environmental impact assessments.

Accordingly, we do not operate in locations designated as natural conservation areas by international conventions and Ramsar sites in compliance with applicable legislation. There is no land or water resource affected in terms of biodiversity value due to our operations. We also develop partnerships in the field of nature

conservation to reduce the impacts of our activities. We continue to support the Mediterranean Conservation Society in various areas since 2015. By donating TL 100,000 to the Society's Gökova Bay Marine Protection Areas Monitoring and Protection project in 2015, we helped to protect species such as the Mediterranean Monkfish (*Monachus monachus*) and Sandbar Shark (*Carcharhinus plumbeus*). As these areas were gradually

closed to fishing and included in the scope of protection, the project grew over time and eventually became the Marine Rangers Project. This international success story was awarded the Whitley Gold Award in 2017. As Aygaz, we also contributed to the translation of a book published in Spain into Turkish on Mediterranean Marine Species as part of our continued support of the Mediterranean Conservation Society in 2016.



*We hold annual Management Review Meetings at the end of each year within the scope of management systems practices; in 2017, we donated 102 tree seedlings to the TEMA Foundation (The Turkish Foundation for Combating Soil Erosion, for Reforestation and the Protection of Natural Habitats) to offset the carbon emissions generated due to participation in these meetings. By presenting the tree planting certifications of TEMA to all participants, we helped to expand awareness. Furthermore, we donated tree seedlings for each office employee until 2016. We also help to protect the nature in the areas where we operate by cultivating the land of our plants and facilities, growing hundreds of fruit trees unique to specific regions and over 1,400 trees of more than 20 different species.*





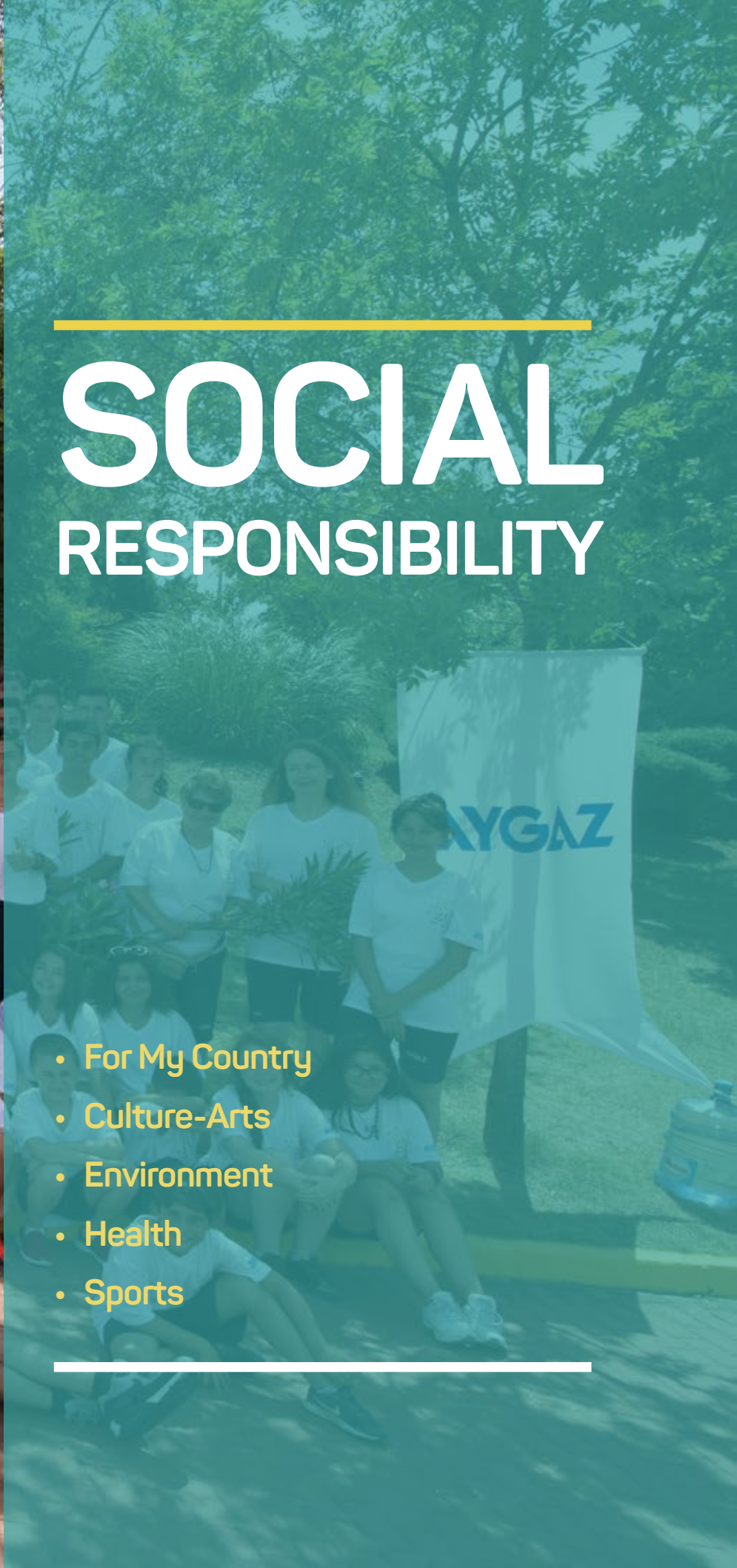




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# SOCIAL RESPONSIBILITY

- For My Country
  - Culture-Arts
  - Environment
  - Health
  - Sports
- 





## SOCIAL RESPONSIBILITY

With our social responsibility approach, we launch pioneering projects in a variety of areas from community development, culture and the arts to health and sports.

Since the very beginning, we have adopted the notion of adding value to the community beyond our activities as our mission. We consider stakeholder expectations along with the needs and development areas of the community while designing social projects. We launch pioneering projects that invest in the future in a variety of areas from community development, culture and the arts to health and sports. We strive to ensure that our volunteering employees, dealers and suppliers as well as stakeholders in our value chain adopt the same sense of responsibility and include them in community projects.

### FOR MY COUNTRY

#### Women's Empowerment Project

While working on the project "I Support Gender Equality for My Country" promoted by Koç Group, we decided to focus on violence against women as one of the biggest obstacles to achieving gender equality in response to the question "what more and what else can be done" and continued in that direction. We became the first company to publish the Domestic Violence in the Workplace Policy among the 17 pilot companies promoting the development of a corporate culture that shows no tolerance for violence



against women in the workplace. With this policy, we aimed to support employees subjected to domestic abuse and seeking help and to provide guidance for managers in dealing with domestic violence. In this context, we partnered with the Turkish Federation of Women's Associations (TKDF) and Mor Çatı Women's Shelter Foundation. As a corporate sponsor of TKDF domestic Violence Emergency Helpline, we provided training focused on violence against women through Mor Çatı Women's Shelter Foundation. In 2017, we placed label showing the Domestic Violence help line of the Turkish Federation of Women's Associations, with Aygaz as corporate sponsor, in all autogas stations for an entire month and carried out social media communications simultaneously.

The objective of this project was to communicate the help line number to more people and raise awareness about violence against women. On November 25, 2017, International Day for the Elimination of Violence against Women, we continued to support the 16 Days of Activism against Gender-Based Violence Campaign that UN Women organizes every year. In this context, Aygaz Head Office building was covered in orange with the theme "Say No to Violence Against Women". Beşiktaş Mogaz Men's Handball Team, which we support with the Mogaz brand, opened all the matches played during this period with an orange banner showing "Say No to Violence Against Women". As part of the BizBize talks, an internal communication activity carried out within the company, we hosted Sunay Akın, who talked "On Women".



5. Achieve gender equality and empower all women and girls



As a signatory of the UN Women's Empowerment Principles, we continue to work to ensure gender equality through a number of projects.

## CULTURE-ARTS

### Aygaz Library

The Aygaz Library is a project launched in 1996 to impart our cultural and historic heritage onto future generations. With the Library, we aim for arts enthusiasts, scholars and university students to benefit from a wealth of reference on a number of topics ranging from history to archaeology. Since its foundation, Aygaz Library published 15 books on various topics.

Nemrut – The Mountain of the Gods, The Photographers of Constantinople, The Treasures of Troia, The Beginning of the Second Constitutional Era, and Kat'ı - Cut Paper Works and Artists in the Ottoman World are some of the noteworthy titles in the Library. Most recently, Your Excellency's Obedient Servant, a book featuring a selection of hand-written letters by some of the leading figures that made their mark on the course of history was added to the Library in 2017.

### Publishing Ottoman Era Diplomatic Documents in Book Form

We continue to compile documents and supplementary information

from the Ottoman archives as part of this project to publish the Ottoman Era diplomatic documents in book form. With ten more books published in the last two years, the total number of published works now stands at 60.

### Sagalassos Ancient City Excavations

We continue to support the excavations at the Sagalassos Ancient City, located at the foothills of the Taurus Mountains, with the first settlement dating back to 4200 BC, since 2005.

Restoration of the Antonine Nymphaeum was completed in 2016 and the monumental fountain became functional. Following the completion of that project, the restoration of the structures in Upper Agora, the heart of the city, started. The focus of the restoration works in 2017 was on the Agora floor. Many of the blocks of the agora floor, which were enlarged during the reign of Emperor Augustus and covered with limestone blocks, were discovered in their original places as a result of the excavations.

The restoration work carried out in the Upper Agora aims to present Sagalassos in a more articulate and comprehensible manner and ensure the most effective protection for monuments in this area. Once

restoration is completed, the Upper Agora will transform into a museum for visitors to admire and will tell an almost millennium-long story of the city center with the aid of technology and host various arts events. These activities also pave the way for the ancient city to be included on the Unesco World Heritage List.

### Ancient City and Castle of Van and Tumulus excavations

Since 2010, we support the excavations at the Van Castle Tumulus with the permission of the Ministry of Culture and Tourism, Directorate General of Cultural Assets and Museums, carried out on behalf of Istanbul University. The excavations were expanded continue in 2012 to three sites spanning an area of 95 hectares, including the Ancient City and Castle of Van and Tumulus. The significant archaeological data obtained in recent years contribute to the understanding of the chronology of the region. The excavations going on in the Tushpa, the capital of the magnificent Anatolian kingdom of Urartu, shed light on Urartian history. In particular, the architectural and small find groups belonging to Post Urartu/ Late Iron Age have led to reinterpretation of the archaeological stratification in the region. Important data concerning the Urartu and the Early Bronze Age were obtained in the tumulus area. Some of the findings indicate that permanent



settlement in the Van Lake Basin date back to the 4th millennium BC. The ancient city of Van bears remnants and artifacts of the 12th century Seljuks as well as those of the Ottoman city structure and monuments from the 16th century to early 20th century. The restoration is ongoing in this area to protect the architecture unearthed so far.

#### **Istanbul Theater Festival and Biennial Sponsorship**

As part of our support of the theater for many years, we have co-sponsored the Istanbul Theater Festival since 2004. In 2017, our sponsorship continued with the 21st edition of the Festival, which presents various international plays to the Turkish audience. This year, we also sponsored a student project within the scope of the festival and introduced young people to the theater. Meanwhile, our support of the Istanbul Biennial is also ongoing.

#### **Sevgi Gönül Theater Days Sponsorship**

Since 2006, we have been supporting the Sevgi Gönül Theater Days at Koç University, where university clubs and professional theater companies perform plays, and talks and workshops with actors, writers and directors are held.

#### **Rahmi Koç Museum Ticket Sponsorship**

Our ticket sponsorship of the Istanbul

Rahmi Koç Museum and Ankara Çengelhan Rahmi Koç Museum since 2005 continued this year.

### **ENVIRONMENT**

#### **What will the weather be like tomorrow?**

The project titled "What will the weather be like tomorrow?", which is most commonly identified with the Aygaz brand and launched in collaboration with the Regional Environmental Center (REC), continued with the support of the Ministry of Environment and Urban Planning (Ministry of Environment and Forestry). We also offer educational programs at the Rahmi M. Koç Museum since 2012 to raise awareness about climate change among people. In 2017, 13,170 students from 304 schools attended the Climate Change Awareness Workshop hosted in the museum's "Discovery Globe".

### **HEALTH**

#### **Diabetic Children's Camp**

In the public health sphere, we have supported the Diabetic Children's Camp organized by the Child and Adolescent Diabetics Association since 2004. The 25th camp, which is one of the first health camp for children in Turkey, was organized in Kocaeli in August with the participation of approximately 100 diabetic children. This camp aims to teach diabetic children to become self-sufficient while having fun and making new friends. Having hosted nearly 2,100 children in its 25-year long

history, the Diabetic Children's Camp is a great example for other health camps.

#### **Safe Motherhood Project**

We work with Turkish Family Health and Planning Foundation (TAPV) to support projects aimed at raising awareness among pregnant women and mothers about their own and their babies' health, which has long been one of the most important health issues in Turkey. Our goal with this project is to reduce mother and infant mortality rates and to elevate the life quality of mothers and babies. The scope of the Safe Motherhood Project carried out in cooperation with TAPV was expanded in 2016 as we also supported the Women's Health Training Program (KSEP) that aims to enhance life quality and health awareness of families with limited financial means and education levels, who migrated or were forced to migrate to the city. Since the start of this project, we reached approximately 8,500 women.

### **SPORTS**

#### **A part of sports with Mogaz brand**

Since 2013, we have sponsored the Beşiktaş (BJK) Handball Team with our Mogaz brand. With this sponsorship by a private sector company as a first in the handball discipline, the team has come to be known as Beşiktaş Mogaz Handball, proudly representing Turkey in the European Handball Federation (EHF) Champions League.



## Corporate Memberships

- Adana Chamber of Commerce
- Advertisers Association
- Aegean Region Chamber of Industry
- Aerosol Manufacturers Association
- Aliağa Chamber of Commerce
- Ankara Chamber of Commerce
- Ankara Chamber of Industry
- Antalya Chamber of Commerce and Industry
- Association of Corporate Communication Professionals
- Association of Investor Relations
- Association of Technology and Licensing Managers
- Bursa Chamber of Commerce and Industry
- Business World and Sustainable Development Association (SKD)
- Chamber of Shipping (IMEAK DTO)
- Chemical, Petroleum, Rubber and Plastics Industry Employers Association (KİPLAS)
- Corporate Governance Association of Turkey (TKYD)
- Denizli Chamber of Commerce
- Diyarbakır Chamber of Commerce and Industry
- Dörtüyl Chamber of Commerce and Industry
- Energy Efficiency Association
- Erzurum Chamber of Commerce and Industry
- Eskişehir Chamber of Commerce
- Eskişehir Chamber of Industry
- European LPG Association (AEGPL)
- Foreign Economic Relations Board (DEİK)
- Foreign Trade Association of Turkey
- Gaziantep Chamber of Commerce
- Gaziantep Chamber of Industry
- Gebze Organized Industrial Zone
- Gebze Organized Industrial Zone Manufacturers Association
- International DME Association
- International Chamber of Commerce (ICC)
- Isparta Chamber of Commerce and Industry
- Istanbul Mineral and Metals Exporters' Association
- İskenderun Chamber of Commerce and Industry
- Istanbul Chamber of Commerce (İTO)
- İstanbul Chamber of Industry (İSO)
- İstanbul Foundation for Culture and Arts (İKSV)
- İzmir Chamber of Commerce
- Kayseri Chamber of Commerce
- Kırıkkale Chamber of Commerce and Industry
- Kırıkkale Provincial Employment and Professional Training Board
- Kocaeli Chamber of Industry
- Körfez Petroleum Products and Manufacturers Association
- Körfez Chamber of Commerce
- Lüleburgaz Chamber of Commerce and Industry (LTSO)
- Mersin Chamber of Commerce and Industry
- Turkish Employers Association of Metal Industries (MESS)
- Nazilli Chamber of Commerce
- People Management Association of Turkey (PERYÖN)
- Safranbolu Chamber of Commerce and Industry
- Samsun Chamber of Commerce and Industry
- The Union of Chambers and Commodity Exchanges of Turkey (TOBB)
- Trabzon Chamber of Commerce and Industry
- Turkish Confederation of Employer Associations
- Turkish Industry and Business Association (TÜSİAD)
- Turkish LPG Association
- Turkish Marine Environment Protection Association - TURMEPA
- Turkish Quality Association (KALDER)
- World Energy Council Turkish National Committee
- World LPG Association

## Collaborations

- Akdeniz Koruma Derneği
- Deniz Temiz Derneği - TURMEPA
- İstanbul Kültür Sanat Vakfı
- Koç Üniversitesi
- Körfez Belediyesi
- Rahmi M. Koç Müzecilik
- Türk Eğitim Vakfı (TEV)
- Türk Kanser Derneği
- Türkiye Kadın Dernekleri
- Vehbi Koç Vakfı (VKV)

## Environmental Performance Indicators

### ENERGY CONSUMPTION BY TYPE

	2015	2016	2017
Natural gas (m <sup>3</sup> )	162,170	169,698	169,316
Electricity (kWh)	10,509,718	10,997,176	11,122,168
LPG (kg)	482,331	432,259	41,897

### GREENHOUSE GAS EMISSIONS (TONS CO<sub>2</sub>e)

	2015	2016	2017
Scope 1	5,794	6,221	4,814
Scope 2	10,652	10,152	9,891

### ENERGY AND GREENHOUSE GAS INTENSITY

	2015	2016	2017
Total energy consumption (GJ)	94,890	94,676	83,621
Total greenhouse gas emission (tons CO <sub>2</sub> e)	16,446	16,372	15,664
Total annual generation (tons)	2,414,661	2,319,189	2,261,490
Energy intensity (GJ/ton generated)	0.039	0.041	0.037
Greenhouse gas intensity (ton CO <sub>2</sub> e/ton generated)	0.0068	0.0071	0.0069

### EMISSIONS TO AIR (KG/HOUR)

	2015	2016	2017
NO <sub>x</sub>	2.49	1.92	1.94
SO <sub>x</sub>	0.39	0.20	0
Volatile organic compounds (VOC)	28.77	5.38	14.35

### REDUCTIONS THROUGH EFFICIENCY PROJECTS

	2015	2016	2017
Energy savings (kWh)	351,428	1,922,899	1,083,155
Greenhouse gas reduction (tons CO <sub>2</sub> )	164.82	901.84	508

**TOTAL ENVIRONMENTAL INVESTMENTS AND EXPENDITURE**

	2015	2016	2017
Total environmental investments and expenditure (TL)	9.246.744	6.791.469	5.224.180

**WASTE AMOUNT**

	2015	2016	2017
Total hazardous waste (tons)	625.54	709.88	618.38
Total non-hazardous waste (tons)	12,125	12,896	12,180
Total recycled non-hazardous waste (tons)	89.94	115.03	69

**Social Performance Indicators****NUMBER OF EMPLOYEES BY GENDER AND CATEGORY**

	2015		2016		2017	
	Female	Male	Female	Male	Female	Male
Office Employees	89	479	112	485	118	483
Field Employees	19	581	18	567	16	578
Total Number of Employees	1,168		1,182		1,195	
Number of Unionized Employees	321		303		311	

**NUMBER AND RATIO OF EMPLOYEES BY EMPLOYMENT TERM**

	2015		2016		2017	
	Female	Male	Female	Male	Female	Male
0-5 Years of Employment	39	533	54	484	53	383
5-10 Years of Employment	18	174	21	191	24	288
+10 Years of Employment	51	353	55	377	57	390



## Social Performance Indicators (continued)

### NUMBER OF EMPLOYEES IN SENIOR MANAGEMENT POSITIONS BY GENDER AND AGE

	2015		2016		2017	
	Female	Male	Female	Male	Female	Male
Over 50	-	18	-	19	-	23
31-49 Ages	21	90	21	87	20	83
Under 30	-	-	-	-	-	-
Total	21	108	21	106	20	106

### NUMBER OF EMPLOYEES TAKING/BACK FROM MATERNITY/PATERNITY LEAVE BY GENDER

	2015		2016		2017	
	Female	Male	Female	Male	Female	Male
Employees on Maternity/Paternity Leave	8	0	2	0	6	0
Employees back from Maternity/Paternity Leave	6	0	0	0	2	0

### NUMBER OF EMPLOYEES RESIGNED BY GENDER AND CATEGORY

	2015		2016		2017	
	Female	Male	Female	Male	Female	Male
Over 50	0	6	0	14	1	9
31-49 Ages	11	107	7	103	11	92
Under 30	6	198	3	186	4	123
Total Number of Employees Resigned	17	311	10	303	16	224

### NUMBER OF NEWLY HIRED EMPLOYEES BY GENDER AND CATEGORY

	2015		2016		2017	
	Female	Male	Female	Male	Female	Male
Over 50	-	1	-	3	-	-
31-49 Ages	4	34	5	27	4	32
Under 30	6	28	7	35	13	42
Total Number of Newly Hired Employees	10	73	12	65	17	74

**NUMBER OF EMPLOYEES SUBJECT TO PERFORMANCE APPRAISAL BY GENDER AND CATEGORY**

	2015	2016	2017
Office Employees	537	567	576
Field Employees	-	-	-
Total Number of Employees	537	567	576

**TRAININGS**

	2015	2016	2017
Total Training Hours	44,803	37,214	45,695
Training per Employee	38.3	31.5	38.2
OHS Training per Employee	10,8	7.7	6.2

**OHS DATA ON EMPLOYEES**

	2015	2016	2017
Number of fatal injuries	0	0	0
Number of work-related diseases	0	0	0
Total injury rate (IR)	15.54	11.86	24.4
Lost day rate (LDR)	0.27	0.2	0.31

**OHS DATA ON CONTRACTOR EMPLOYEES**

	2015	2016	2017
Number of fatal injuries	0	0	0
Number of work-related diseases	0	0	0
Total injury rate (IR)	42.65	26.11	42.53
Lost day rate (LDR)	0.28	0.27	0.44

<sup>1</sup> Injury Frequency Rate Formula- Number of work injuriesx 1,000,000 / Totalman\*hours

<sup>2</sup> Injury Weight Rate Formula- Work injury-related lost days X 1,000 / Total man\*hours

## GRI Content Index



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	102-51	Aygaz Sustainability Report 2014-2015		
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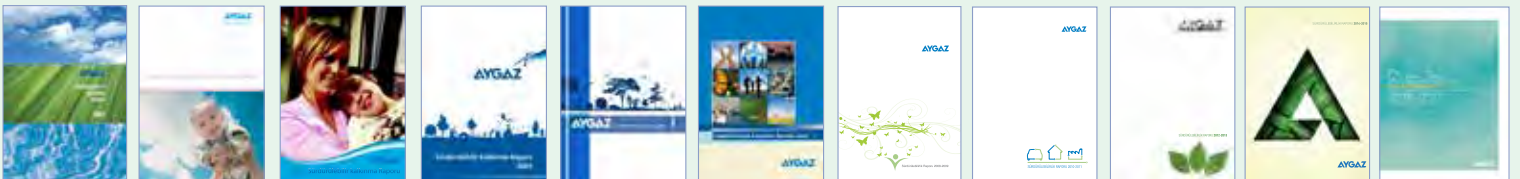
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Aygaz 2016-2017 Sustainability Report is prepared for the stakeholders. Please contact us for all your comments and suggestions at [\\_aygazsurdurulebilirlik@aygaz.com.tr](mailto:_aygazsurdurulebilirlik@aygaz.com.tr).





## NOTES

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