

**THIS IS OUR  
WORLD**



# 2016

**SUSTAINABILITY REPORT**



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## Murat Ülker



Our Esteemed Stakeholders,

Ülker was founded as a small biscuit atelier in the first half of the 20th century in Istanbul, and finally became the core of the global company pladis, which was established in Turkey in the 21st century.

Under the roof of pladis, along with Godiva and McVities, Ülker constitutes an important part of the production of 83 million tons of biscuits and 460,000 tons of chocolate products in 83 plants in 14 countries.

Ülker's success recounts a challenging yet patient 73-year industrial journey. I believe that the preservation and implementation of Ülker's core founding values has a role in this permanence, which is rarely seen in Turkey.

Our core values have always been simple, clear and applicable. What are they? Specifying the products that consumers want for a better life, and producing them using carefully selected raw materials and environmentally friendly advanced technologies under completely hygienic conditions.

In the 1950s and '60s, environmental problems were not as threatening as they are today. The production processes were always carried out by using cutting-edge technology at Ülker, and as a result of correct business practices environmental preservation was ensured even if environmentalism was not a priority. During these times, the idea that natural resources could eventually be depleted did not occur to anybody. However, Ülker's

no-overusecompany model required economical use of all resources including water and wheat. For example, back then our company already had today's recycled or reused packaging practices. The boxes containing product packages were recollected and reused.

These practices were sometimes imperative, but the relationship between environment and cost was discovered very early by Ülker. The less you waste, the more you earn. I think these practices correlate with the sustainability approach of today.

In today's world, conditions have changed and we are obliged to manage our business operations according to these new conditions. More efficient use of the world's scarce resources has become essential for both the continuity of companies and the lives of future generations. Sustainability is, of course, a corporate responsibility. But at the same time, working efficiently and preserving and developing natural resources are also essential efforts for the profitability and future of our companies. In this sense, our inherited no-overuse business model has facilitated our sustainability practices..

We know today that in the new economic order, profitability in the business world may only be achieved through the application of business models which also consider the society and the social development. For this reason, we are implementing a business model which measures not only the economic but also the environmental and social impacts of our activities, promotes innovation and industrial development to be sustainable for all stakeholders and creates value.

The sustainability targets we have declared for 2024, the year we will celebrate our company's 80th anniversary, correspond both to the goal of our company's longevity and the goal of leaving behind a world that is livable in all aspects for future generations.

We are delighted to share with you our second "Sustainability Report", in which you may find our progress and efforts towards our 2024 sustainability targets. I would like to thank all my colleagues and our stakeholders for their contribution to our devoted work.

Kind Regards,

Murat Ülker  
**Chairman**

## Mehmet Tütüncü

Dear Stakeholders,

While doing our business, we strive to bequeath a world in which the younger generations can live happily. Our founder Sabri Ülker's "no-overuse company" model was the starting point of our corporate sustainability efforts. The model is built on conserving even the smallest amounts of water, flour and human labor against going to waste and our current sustainability operations are founded on this model we inherited. With this perspective, two years ago, we set our goals for 2024, the year we will celebrate the 80th anniversary of Ülker. At the end of this year, we are leaving behind encouraging results towards meeting our goals.

It is crucial that we spread the positive impact of our sustainability efforts by ensuring our stakeholders' participation and open communication throughout this process. Our strategy, which we conceptualized as "This is Our World", has been awarded under the "Sustainability Communication" category in Sustainable Business Awards organized by Sustainability Academy. With our second sustainability report, we are sharing with you our last year's performance against our 2024 Sustainability Goals and our contributions to the Sustainable Development Goals.

Some of the important steps we took last year regarding sustainability are as follows:

- We reached half of our target by reducing water consumption per unit of production by 15% since 2014.
- A pioneer within pladis group, our Topkapı factory received the ISO 50001 Energy Management System Certificate. Ankara, Esenyurt, Gebze and Karaman factories will be certified by the end of 2017.
- We achieved significant success by entering the FTSE4Good Emerging Markets Sustainability Index.
- We delivered the same amount of products to our consumers with 2 million km less transportation compared to the previous year.
- We increased the resources allocated for R&D and innovation and pladis Turkey Chocolate R&D unit received the "R&D Center" certificate from Ministry of Science, Industry and Technology. The unit continues its operations under the name of "Necdet Buzbaş R&D Center".
- The greenhouse gas emissions we stated in the Sustainability Report were assured by an independent auditor.



- We support local development projects for the sustainable supply of hazelnut, wheat and cocoa, which are among the main raw materials of our products. We continued the Sustainable Hazelnut Agriculture project, which we had launched together with WWF Turkey in 2015 with the goal of protecting hazelnut species in Giresun and supporting hazelnut producers, with pilot applications in gardens and capacity building efforts.

In the following period, we will continue our efforts to contribute to the sustainable development of our industry and our country in line with our strategy and 2024 goals. I would like to thank my colleagues and all our stakeholders for contributing to the preparation of this report.

Wishing to continue working together to leave a better future for our children...

Mehmet Tütüncü  
**ÜLKER CEO**

## About The Report

At Ülker Bisküvi, we believe that the sustainability reports that we prepare in accordance with our sustainability approach and vision are among the most important communication channels for sharing information with our stakeholders in a responsible and transparent way. In the second sustainability report we publish, we are sharing information on our goals, performance and progress in the field of governance, and environmental and social issues.

We prepared the report in accordance with the "core" option of the Global Reporting Initiative (GRI) Standards, while referring to the GRI G4 Food Sector Supplement and Processed Foods Guideline of Sustainability Accounting Standards Board (SASB). We also demonstrated the link between our operations and the Sustainable Development Goals, and shared our contribution to these goals.



We finalized the stakeholder analysis based on the AA1000 Stakeholder Engagement Standard. The report covers our performance of the operating period between January 1 and December 31, 2016. The facilities in Egypt and Saudi Arabia, which are incorporated into Ülker this year, are not covered by the report.

You may contact us with your questions, opinions and suggestions via [surdurulebilirlik.platformu@ulker.com.tr](mailto:surdurulebilirlik.platformu@ulker.com.tr)

## About Ülker Bisküvi

Launched with a small atelier seventy-three years ago, today we have become a global brand running our production at 8 plants in Ankara, Esenyurt\İstanbul, Gebze\İstanbul, Silivri\İstanbul, Topkapı\İstanbul, Karaman, Egypt and Saudi Arabia. Throughout this progress, we have witnessed Turkey's social and economic development. We focused on becoming a global brand by creating a shared value for the society which we have grown together with.

We bring hundreds of products such as biscuits, chocolates and cakes to consumers from all over the world, including Turkey, Middle East, Central Asia, Europe, Africa, America and Russia.

Our turnover has reached 3.9 billion TRY in 2016. In 2015, we were the first food company to be listed on the



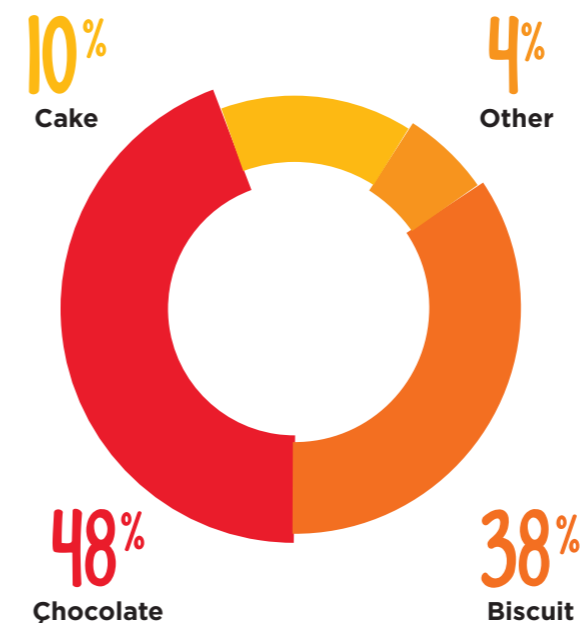
Borsa Istanbul Sustainability Index and in 2016, our success continued to increase. In 2016, the first year of FTSE4Good Emerging Markets Index, we were listed with our globally approved environmental, social and corporate management practices.



FTSE4Good

Our public market value has reached **2.295 billion TRY.**

Graph 1: Ülker Bisküvi Net Sales



Yildiz Holding, has brought together its core biscuit and confectionery businesses, Godiva Chocolatier, United Biscuits, Ülker and DeMet's Candy Company, to form a new global company called pladis in 2015. Since 2015, we have been competing in the global market under our brand "pladis". By bringing our products to the customers all around the world, pladis brand has reached 26.000 employees and a turnover of 5.5 billion dollars (14.5 billion TRY) as of 2016. For many years, we have been growing sustainably to become one of the top brands of the food sector on a global scale, while increasing our innovation efforts and creating a shared value to the society.

**pladis**

## Materiality Analysis

In order to determine the topics that we focus on in the report, we do materiality analysis. At the beginning of the analysis, we identified the list of issues that will be evaluated within the analysis. We created this list by conducting a literature review which covers global trends, reports of international institutions related to the sector and the local agenda. Afterwards, we determined "Material Issues for Ülker Bisküvi" in line with our strategy and the opinions of executives, and "Material Issues for Stakeholders", using the stakeholder and external trend analyses. We mapped the issues that can affect or have the potential to affect both the stakeholders and Ülker Bisküvi on the "materiality matrix". Intersecting topics, which are important for both the stakeholders and Ülker Bisküvi, have constituted our material issues.

## Material Issues for Ülker Bisküvi

As we determined the material sustainability issues of Ülker Bisküvi, first, we created a list of issues within the frame of our GOAL21 goals<sup>1</sup> as well as the strategy and vision of Ülker Bisküvi, and we listed the issues in accordance with their level of priority. Afterwards, we took the opinions of sustainability platform members and senior executives through a survey. Besides the financial, social and reputational risks and opportunities, we also considered the potential effects of legislative changes. At the end of this step, our strategy and executive's remarks shaped the material issues for Ülker Bisküvi.

**G** OYA  
**0** DEFECT  
**A** ALIGNMENT  
**L** EADER  
**2** SECOND  
**1** FIRST

<sup>1</sup>pladis's road map has been shaped around the GOAL21 goals. According to this, G: GOYA stands for don't sit around anymore, move; 0: zero defect; A: Alignment, unity of purpose; L: Leadership; while, 2 and 1 means ranking first or second in all areas of operations.

## Material Issues for Stakeholders

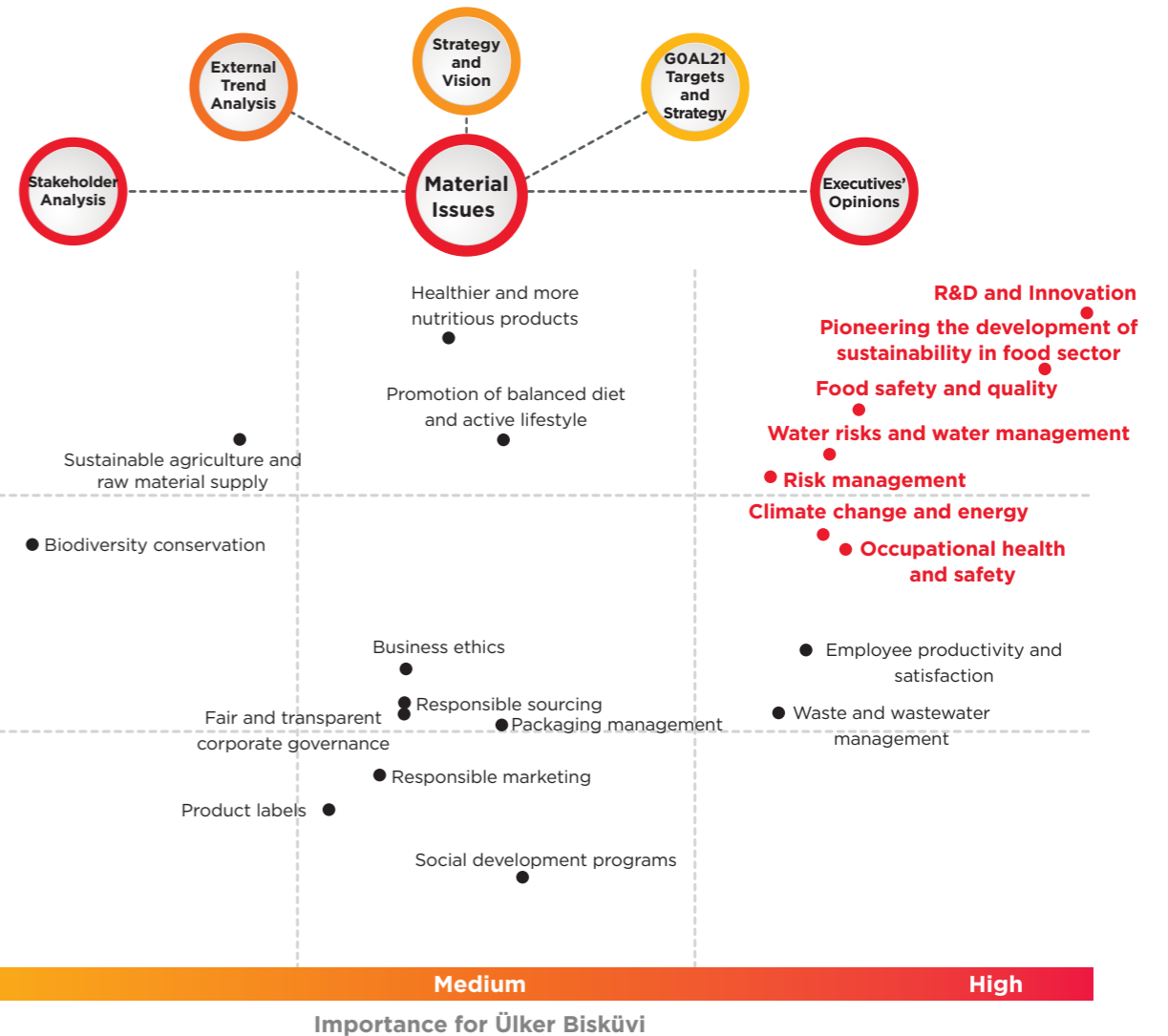
In the context of sustainability, we identified the material issues for stakeholders through stakeholder analysis. Accordingly, we followed a path that focuses on learning the perceptions, thoughts and expectations of the stakeholders regarding Ülker Bisküvi. The stakeholder analysis was conducted by an independent consultancy, in accordance with the AA1000 Stakeholder Engagement Standard.

On the first step of the analysis, we identified the key stakeholders that have the greatest impact on our strategies and activities, and the ones that are influenced to the greatest extent by our activities. Accordingly, we evaluated all stakeholder groups depending on the criteria of responsibility, impact level, degree of proximity, representation of people and institutions, degree of dependency and impact on policy and strategic intent, and we mapped high-priority stakeholders. We reached high-priority stakeholders via online surveys.

In addition to the stakeholder analysis, we conducted a comprehensive external trend analysis, in which we evaluated the local and international tendencies that affect or have the potential to affect Ülker Bisküvi. Correspondingly, we scanned resources such as the Sustainable Development Goals, UNGC Food and Agriculture Business Principles, and WBCSD Food and Land-use pathway. We evaluated the results of our studies along with the results of stakeholder analysis, and thus determined the material issues for stakeholders.

## "Shared" Material Issues

The shared material issues for stakeholders and Ülker Bisküvi shaped the content of the report. We determined our material issues as R&D and innovation, leadership in the food sector, food safety and quality, water risks and water management, risk management, climate change and energy, and occupational health and safety.



According to the results of the stakeholder analysis, suppliers demand us to support research on agricultural raw materials to protect food safety and quality. In addition, they also request awareness-raising on sustainability issues for the entire value chain, from suppliers to distribution channels. Associations and non-governmental organizations recommend us to focus on food safety and quality, and responsible marketing issues and to support certification systems for sustainable agriculture primarily in hazelnut production. Additionally, other stakeholders expect us to develop practices that will serve as examples for the society to raise awareness on issues such as healthier and more nutritious products, balanced nutrition and active lifestyle, human and employee rights in the value chain, sustainable agriculture and conservation of biodiversity. Due to our effective role in the food industry, all stakeholder groups want us to show leadership in sustainability issues and to raise stakeholders' awareness for the transformation of the sector towards this direction.

We strongly support your continuously improving profile in this important matter.

**Johannes Loefstrand**  
**T. Rowe Price International - Investor**

I find Ülker's posts on sustainability on their website very useful. Therefore, everyone can follow the work being done.

**Adnan Gürsoy**  
**Öz Gıda Trade Union**



Ülker is a brand that stands close to children. By informing and educating children about the climate change, Ülker can increase children's interest and knowledge on the subject. Packaging can also be an important communication tool for this. There is great benefit in its use for delivering messages.

**Barış Doğru**  
**EKOIQ - Media**



## Communication with Stakeholders

For a continuous improvement on our sustainability strategy and performance in the relevant areas, we believe that the dialogue with stakeholders is a fundamental element. We group the stakeholders under employees, associations, distributors, shareholders, public institutions, media, sectoral organizations, trade unions, non-governmental organizations, suppliers, consumers and universities.

We determine the communication methods and frequency according to the reciprocal effects on us and our stakeholders. In line with stakeholders' expectation that we show leadership to the food industry in sustainability issues, we continue to contribute to sectoral and international initiatives. We proceed to develop and strengthen partnerships with organizations such as WWF-Turkey, World Cocoa Foundation (WCF) and Processor Alliance for Cocoa Traceability and Sustainability (PACTS). In the journey of leadership in sustainability, we aim to proceed with the contributions of stakeholders at all stages and to increase cooperation by actively participating in different platforms.

**Table 1: Methods for Stakeholder Communication**

Employees	Satisfaction surveys, HSE board meetings, announcements and informational reports, internal publications, annual reports, sustainability reports, training, workshops, website, industrial relations boards, employee support line, Akil Küpü (Kaizen Ideas), stakeholder analysis
Associations, Sectoral Organizations, Non-Governmental Organizations and International Organizations	Memberships and executive board memberships, active participation in meetings and collaborations, annual reports, sustainability reports, announcements, seminars, conferences, website, stakeholder analysis
Distributors and Suppliers	One-on-one interviews, annual reports, sustainability reports, quality audits, related policies and documents, website, stakeholder analysis
Shareholders and Investors	General Assembly, special occasion disclosures, press statements, one-on-one meetings and correspondence, conference attendance, brokerage/bank reports, periodical informing, annual reports, sustainability reports, website, perception studies, stakeholder analysis

Public Enterprises and Trade Unions	One-on-one interviews, annual reports, sustainability reports, stakeholder analysis
Media	One-on-one interviews, press conferences, annual reports, sustainability reports, announcements and statements, website, social media, stakeholder analysis
Consumers	Ülker Customer Contact Center, website, annual reports, sustainability reports, news, announcements, social media, consumer surveys, stakeholder analysis
Universities	Active participation to collaborations, annual reports, sustainability reports, website, internship programs, career days, conferences, stakeholder analysis

You may find the list of organizations we participate in and collaborate with in Appendix-1.

## The Approach

We consider sustainability as an integral part of our business. Since the day we were founded, our most important goal was to make our farmers and workers who produce our products, and our customers and consumers who guide us happy with their choices.

In order to maintain and sustain a healthy and happy world for the future generations, we have put sustainability at the heart of our business with an approach against wasteful spending that we have inherited from our founder Sabri Ülker. In 2015, our sustainability efforts, that constitute the core of our business since our establishment in 1944, were assembled under the roof "This is Our World".

# THIS IS OUR WORLD

We aim to be one of the first companies that comes to mind regarding sustainability in the global market by 2024, among other areas. With this purpose, we set our sustainability principles and strategy in 2015 with the contribution of our executives.

Today we continue our journey that we started in Eminönü Nohutçu Han, with our global operations. In line with our sense of responsibility towards our stakeholders that increases as we open up to the world, we share our sustainability principles in the fields of environment, value chain, innovation, employees, social responsibility and leadership.

## Our Sustainability Principles

### Environment:

We pioneer the change; we embrace new and different ideas. We take the necessary steps in terms of environmental sustainability. We fully internalize efficiency and perfection through our sustainable water management and raw material supply operations with zero waste and carbon-neutral applications.



### Value Chain:

We pursue the best practices in the sectors we operate and aim to improve. We help all stakeholders in the value chain to meet their basic needs, and move forward together, especially with the farmers and producers. By blending corporate values and sustainable community values, we integrate them in our business models.



### Innovation:

We aim for leadership in the areas we operate. We work very hard and challenge ourselves with the motivation of being the first to provide the best. We continuously generate value for all of our stakeholders and investors by internalizing a respectful understanding of competition in accordance with the values of our company.



### Employees:

Our employees are the most important element of Ülker Bisküvi's' sustainability efforts. We develop sustainable approaches for our employees, just as we do in different areas of our business. We are aware that we can achieve success only with the collective efforts of all our employees. We respect individual differences and strive as a single team for the same goal. The human-centric approach we present in our business allows us to create the environment for the development of the skills. We avoid hierarchy in our internal communications and value each one of our employees.



### Social Responsibility:

We promote a healthy and active life. We inform all our consumers and other stakeholders in a transparent manner on this matter. While promoting a healthy society, we also focus on facilitating and simplifying life.



### Leadership:

We act with the responsibility of being a pioneer in the industry. We set our heart on our business with the determination to succeed and work hard. We exceed the goals we set. We follow global developments, set rules, and lead transformatively in an innovative and unique manner.


















We have set our goals and commitments about our sustainability principles for 2024, the year that we will celebrate the 80th anniversary of our establishment. In 2015, we shared our 2024 goals, which we gathered under the titles of environment, value chain, innovation, employees, social responsibility and leadership. Our goals are based upon our 2014 performance. We take responsibility at all levels to reach our targets in six areas, including climate change and employee satisfaction.

We have set our corporate sustainability goals, aligned with the global sustainable development goals. With our 2024 Goals, we also contribute to the United Nations Sustainable Development Goals which guides the global sustainable development agenda. We contribute to the global goals primarily in Climate Action, Responsible Production and Consumption, Accessible and Clean Energy, Industry, Innovation and Infrastructure, End of Hunger and Humanely Work and Economic Growth.

We regularly monitor our sustainability performance, identify areas for improvement and continue to work towards achieving the goals.



Table 2: 2024 Sustainability Targets

FOCUS AREA	TARGET	PROGRESS (2014 BASELINE)	RELATED SUSTAINABLE DEVELOPMENT GOAL
ENVIRONMENT	Growth with zero carbon emissions increase	Total emissions were at the same level as in 2014.	     
	Reducing carbon emissions by 40% per unit production	The carbon emission per ton production was 314 kg CO <sup>2</sup> .	
	Improving energy efficiency by 25%, Installing solar panels on the roofs of eligible plants	We saved 9.3 thousand MWh of energy. Feasibility studies are continuing to identify the plants to install the panels.	
	Reducing water consumption by 30% per unit production,	By achieving a 15% reduction in water consumption per unit production, we reached half of the target in two years.	
	Zero waste to landfills through 100% recycling, Reducing packaging returns by 50%, <sup>2</sup>	We have reduced our waste sent to landfills from 11% to 9%. We reduced plastic packaging (OPP) waste by 7%.	
	Achieving Green Building standard for the Gebze Plant	We have made the factory suitable for the green building standard. We target to receive the certificate in 2017.	
	Reducing the environmental impact of products through life cycle assessment analysis studies	We completed the life cycle assessment studies of Biskrem and Çokokrem.	
	VALUE CHAIN	Reducing logistics-related carbon emissions by 20%	
INNOVATION	Reducing the use of plastics in our flexible packages by 20%	We reduced the use of plastic in flexible packages by 4.8% of total consumption.	 
	Reducing the use of paper by 20% in our parcels and boxes	The use of paper in parcels and boxes decreased by 0.8% of total consumption. <sup>3</sup>	
EMPLOYEES	Increasing training hours per person by approximately 40%	We increased training per employee by 11%.	   
	Reducing employee turnover rate from 5% to 3.5%.	Our employee turnover is 9%.	
	Increasing employee satisfaction from 77% to 85%.	We will receive the results of the survey we conduct every two years in 2017.	
	Zero occupational accidents	We reduced the number of work accidents by 65%.	
SOCIAL RESPONSIBILITY	Increasing the unionization rate to 100%	We increased the unionization rate to 100%.	  
	Using 8,000 tons less saturated fat in the baked goods category and 2,000 tons less saturated fat in all fat products 3,000 tons fat reduction in chocolate products	We made the following changes to 6 products; 19% less fat, 58% less saturated fat and 61% less sodium. We reduced the fat content of all chocolate products by 5%	
LEADERSHIP	Reducing complaints from the sales and distribution channels by 20%	We continue our efforts for the continuity of our consumer food safety and quality values.	
LEADERSHIP	Continuing partnerships with leading organizations for projects in their respective fields for public health and	We continue supporting our project with WWF Turkey for sustainable hazelnut agriculture and biodiversity project and World Cocoa Foundation. Aliağa biscuit wheat variety is registered.	

<sup>2</sup>Reference year of the target is 2015.

<sup>3</sup>This is the ratio of packaging reductions made to innovation in 2016 to total package usage.

## What we achieved in 2016?\*

### ENVIRONMENT

#### ISO 50001

The Topkapi plant received the ISO 50001 energy management system certificate and became the first factory to be certified within pladis Group.

We reduced the amount of waste sent to landfill to **9%**

We achieved a **10%** reduction in water consumption per unit production.

#### ISO 14001

Silivri plant received ISO 14001 environmental management system certification.

We completed life cycle assessment of Biskrem and Çokokrem.

### VALUE CHAIN

We increased our GreenPalm certified palm oil sourcing by approximately 2.7% and 28.7% of our palm oil purchase was GreenPalm certified.

We increased the use of trailer trucks from 78% to 82% and the use of double-decker trucks from 35% to 43% in shipment.

We took the first step to improve the scope of supplier audits and established a system to identify our strategic suppliers. We created our environmental and social criteria set for supplier self-assessment.



### INNOVATION



#### pladis

Turkey Chocolate R&D Department received the "R&D Center" certificate from Ministry of Science, Industry and Technology.

#### 15,4 Milyon TL

We increased R&D investments by approximately 40% to 15.4 million TL.

#### 1 Million TL

We saved more than 1 million TL by developing innovative applications on packaging usage.

### EMPLOYEES

We increased the number of employees represented in the Occupational Health and Safety (OHS) Committee by 19%, up to 56%.

#### OHSAS 18001

We effectively manage all factories with OHSAS18001 Occupational Health and Safety Management System, without any exceptions.

#### 22 Hours

Our trainings per employee increased to an average of 22 hours.



### SOCIAL RESPONSIBILITY



We made the following changes to the range of 16 "canteen" products: **19%** less fat, **58%** less saturated fat and **61%** less sodium content. Among these products, the fat content of those containing chocolate has been reduced by **5%**.

### LEADERSHIP

#### FTSE4Good

We are listed in FTSE4Good Emerging Markets Index.

We successfully maintained our position in the Istanbul Stock Exchange (BIST) Sustainability Index. We also became the first food company to be included in the index in 2015.

#### CDP

We started responding to the Carbon Disclosure Project (CDP).

We received an award in the "Sustainability Communication" category at the Sustainable Business Awards.



\*Compared to 2015

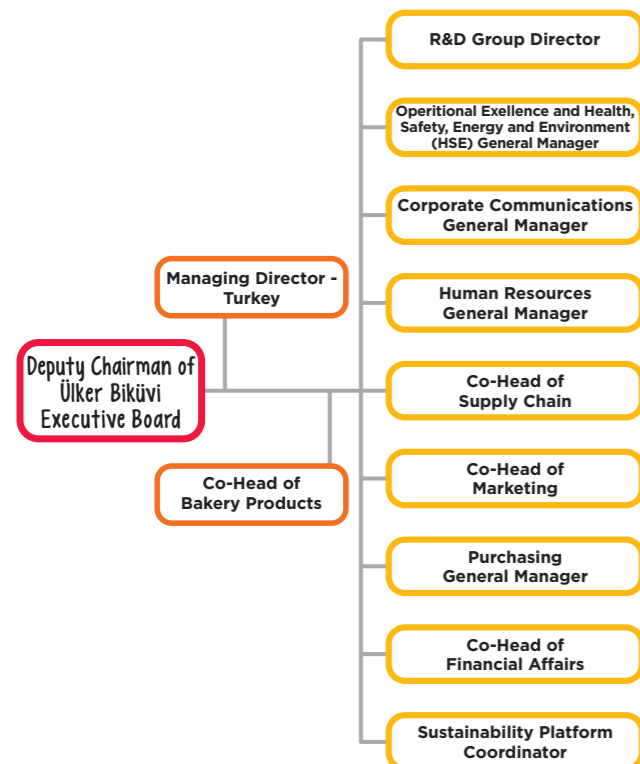
## Sustainability Management

We continue our sustainability efforts with a one of a kind approach based on Ülker Bisküvi's sustainability vision and principles. Within the scope of our unique sustainability approach, we address sustainability issues in different ways and integrate them into all aspects of our operations, including R&D, human resources, corporate communications, financial affairs, operational excellence, marketing, procurement and supply chain.

Ülker Bisküvi Sustainability Platform was initiated with the purpose of coordinating sustainability efforts, and we undertake the task of ensuring harmony and cooperation between business units. We also report our work to the Board of Directors of Ülker Bisküvi, as we are responsible for establishing the policies, strategies and objectives related to sustainability and communicating with our stakeholders.

You may access more information about the structure, functions and working principles of the Sustainability Platform through the Sustainability Management Approach page on the Investor Relations website.<sup>4</sup>

### Sustainability Platform Board Members



## Sustainability Risks Management

Just like our world, our business is shaped and transformed by various global trends. Trends such as the climate change, increasing population, shifting global economic balances and technological developments are closely linked to the future and continuity of our business. With these global trends, new risks and opportunities arise. We update and develop our strategic perspective in light of these risks and opportunities.

Within the frame of our risk management approach, we improve our ability to respond to all kind of financial and non-financial risks that may arise throughout the process which starts in the fields and ends when our products reach the consumers.

The risk management activities of our company are run by the Ülker Bisküvi Risk Committee consisting of three members, including two independent members. Within this scope, we are audited at regular intervals by our main partner Yıldız Holding's audit unit as well as independent organizations. In 2015, we mapped the environmental, social and governance risks that affect our activities. We identified our material risks in 2017 using a risk matrix. Hence, we established a comprehensive framework for risk management by setting out the risks, impacts and timelines of sustainability factors.

We build our risk management approach based on the identification of potential factors which can impact our company, management of these risks based on our risk profile and provision of adequate assurance against these risks. We aim to achieve sustainable profitability and growth with our effective risk management system, increase our competitive strength, comply with legal regulations and make sound decisions by identifying opportunities and threats.

Our production and sales activities in different countries bring new financial and non-financial risks such as exchange rate and interest risks, fluctuations and irregularities in raw material prices due to climate change, risks arising from partnerships and new investment in different geographies and compliance with human rights. While managing these risks, we proactively establish the necessary mechanisms; strengthen our resilience against risks with systematic sustainability efforts and audits.

As a company dependent on agriculture, the main risks we face are the climate change, human rights and working conditions in agricultural production. We regard the sustainability of agricultural production as the most

effective measure against risks that may arise within the value chain. Our efforts in the fields of human rights and the supply of sustainable raw materials allow us to deliver hygienic and superior quality products that are produced in fair working environments, at affordable prices, and at international standards to our customers all the time.

## Corporate Governance and Code of Conduct

We are aware that one of the main requirements of being a global and modern company is to have fair, transparent and accountable corporate governance. With the awareness of this responsibility, we manage our intangible assets and our relations with our stakeholders in the framework of our ethical principles and business ethics. We adopt a corporate governance culture based on our Code of Conduct, values and data.

We see our Code of Conduct as a guide to the way we conduct our business. Our understanding of corporate governance, which is the assurance of our fair and responsible internal operations in regard to our shareholders and to the world, guides us to protect and enrich the value of our brand. Maintaining our corporate governance practices at the highest level and guiding our activities with transparent management in line with our ethical principles are among the foundations of our strategy. Against the risks of corruption and bribery, our Ethical Principles prohibit corruption, bribery, facilitation payments and anti-competitive behavior. Our Code of Conduct prohibits donations made to political parties and ensures that benefactor relationships with non-profit organizations and foundations are carried out in a transparent manner. This way, we proactively manage high-risk bribery and corruption issues. Our Code of Conduct is the foundation of the principles we adhere to and it defines our responsibilities in our relationships with employees, shareholders, suppliers, customers, public organizations, competitors and the community, both inside and outside the organization. Therefore, we organize trainings in order to explain our code of conduct to our close stakeholders, primarily including employees, suppliers and contracted institutions that we have one-on-one relations with. In 2016, we provided Code of Conduct training, including the topics about fighting against corruption and bribery, to 385 employees of which one third were female employees. For the first time in the year, our 216 suppliers and representatives of contracted organizations have completed ethical principles training. When we published our Code of Conduct in 2014, 83% of our employees had the Code of Conduct training. The number of employees who received the Code of Conduct training has increased by 24% since 2014.

Besides the trainings, our employees can reach to the Code of Conduct anytime they want via our web page and via Human Resources Department, and they can ask their questions about ethical issues to the managers and representatives of the Human Resources Department.

Employees may report to [etikbildirim@ulker.com.tr](mailto:etikbildirim@ulker.com.tr) in case they think there is a violation of the Code of Conduct. All notifications that are reported to this address by the employees are kept confidential and delivered to the Ethics Committee every two months. Depending on the type of feedback, Human Resources and Legal and Internal Audit Departments can also provide their opinion on the matters. In 2016, we received 38 reports on ethical issues in various topics involving violations of the Code of Conduct. 34 of these reports were processed as mentioned and the necessary measures were taken. Two of the four other are currently being treated in the Disciplinary Committee and two of them will be evaluated at the next Ethics Committee meeting. Throughout the year, an ongoing disciplinary hearing was launched against an employee suspected of corruption.

No public prosecutions regarding crimes or alleged breaches to our Code of Conduct including corruption and bribery has occurred. There were no public prosecutions regarding anti-competitive practices about Ülker Bisküvi either.

In line with our commitment to operate in accordance with our Code of Conduct and fundamental human rights, we launched our Human Rights Policy in 2016. The policy is based on the principles of the OECD Guidelines for Multinational Enterprises and the International Labor Organization. The human rights policy has been translated to the languages of the operation regions in order to be understood by all stakeholders. The Ethics Committee oversees implementation of the Human Rights Policy. We also cooperate with international organizations to expand fair working conditions within our supply chain. You may read more about this topic in the Value Chain section.

**You may access Ülker Biscuit Code of Conduct from this link:**

[http://ulkerbiskuviinvestorrelations.com/\\_assets/pdf/surdurulebilirlik/code\\_of\\_conduct.pdf](http://ulkerbiskuviinvestorrelations.com/_assets/pdf/surdurulebilirlik/code_of_conduct.pdf)

<sup>4</sup><http://ulkerbiskuviinvestorrelations.com/en/sustainability/sustainability-approach/management-approach.aspx>

# ENVIRONMENT



## The Environment

We believe that a happy world is only possible if environmental balance is maintained. Knowing that our products depend on soil, water and nature, we embrace environmental sustainability as one of the six pillars of our strategy.

We approach environment under climate change and energy, natural resource management, packaging and waste management and biodiversity. We follow and manage our environmental performance in these areas according to our 2024 targets.

Target	Progress (Compared to 2015)
Growth with zero carbon emission increase	Our total emissions are at the same level as in 2014.
Increasing energy efficiency by 25%	We saved 9.3 thousand MWh of energy.
Reducing carbon emissions by 40% per unit production	The carbon emission per ton production was 314 kg CO <sub>2</sub> .
Reducing water consumption per unit of production by 30%	We achieved a 10% reduction in water consumption per unit production.
Zero waste to landfills through 100% recycling Ambalaj firesini %50 azaltmak.	We increased our recycling rate and reduced the rate of waste to landfills to 9%.
Reducing packaging returns by 50% <sup>5</sup>	We reduced plastic packaging (OPP) waste by 7%.
Installing solar panels on the roofs of eligible plants	Feasibility studies are continuing to identify the plant to install panels.
Achieving Green Building Standard for the Gebze Plant	We have made the factory suitable for the green building standard. We target to receive the certificate in 2017.
Decreasing environmental impact of products through lifecycle assessment	We have completed the lifecycle assessment, and this study will guide us in reducing the environmental impact of our products.

## Environmental Management

The first step in reaching our environmental goals depends on effective environmental management and evaluation. After setting goals and accelerating our sustainability efforts, we began improving the data collection processes and integrating new management systems into our operations.

With Silivri facility being certified in 2016, all our plants now have an ISO 14001 environmental management system. Topkapi factory has received the ISO 50001 energy management system certificate and for remaining factories other than Silivri, we plan to complete ISO 50001 certification process in 2017 and for Silivri factory in the end of 2018.

Table 3:	Management System ISO 9001:2015	Environmental Management System ISO 14001	Energy Management System ISO 50001
Ankara	✓	✓	⌚
Esenyurt	✓	✓	⌚
Gebze	✓	✓	⌚
Karaman	✓	✓	⌚
Silivri	✓	✓	⌚
Topkapi	✓	✓	✓

✓ : Has certificate

⌚ : Certification process ongoing

Environmental policy plays a guiding role in environmental management processes. We are organizing trainings to raise employees' awareness on environmental sustainability from a perspective that includes the entire value chain and employees. We communicate our environmental commitments to our suppliers and encourage them to develop their own environmental policies. We receive the support and contribution of employees, suppliers, customers, board members and all business partners to reach our goals. We make processes more efficient by implementing improvement projects related to energy, water, waste and packaging. Operational Excellence and Zero Defect projects, and GOAL<sup>21</sup> goals are leading us in this direction. You may access the environmental policy and commitments on the investor relations website.<sup>6</sup>

## Life Cycle Assessment

To reduce our impact on the environment, we should first understand the stages where we have the largest environmental impact. Life cycle assessment begins from the raw material production of a product, and takes the entire life cycle and analyzes the environmental impacts, including final waste disposal. *With this perspective, we began analyzing the life cycles of our two important brands, Biskrem and Çokokrem, and we completed this study in 2016.*

110 grams Biskrem's and 500 grams Çokokrem's different phases were analysed beginning from raw material production to delivery to consumers. The results of the study guide our R&D and innovation processes. By implementing improvements, we aim to make our products more environmentally friendly. We are working not only to reduce the environmental impacts by evaluating these products' global warming potentials, but also to reduce the environmental impact of their packaging.



## Climate Change and Energy

We think that climate change, one of the biggest problems affecting the world and people, can be solved by collective action and with the collaboration of companies, individuals, public, international and civil organizations. Climate Action, one of the Sustainable Development Goals, also focuses on climate change and the collective action of countries, companies, institutions and organizations against its impacts. We work to provide solutions within this framework. Climate change has significant effects on natural balance from extreme climate events to depletion of water resources, and these effects are expected to get more severe in the long run. Agriculture, which depends on nature and water resources, is among the most important sector affected by climate change. Thus, it is one of our priorities to manage the risks and changes that climate change brings both in the short and long run. In order to explain the priorities and the steps we have taken transparently, we began disclosing our climate change strategy and performance under the Carbon Disclosure Project (CDP).



<sup>5</sup>Reference year of the target is 2015.

<sup>6</sup><http://ulkerbiskruinvestorrelations.com/en/sustainability/Environmental-Sustainability/Environmental-Management-System.aspx>

Within the scope of our climate change strategy that we have developed in line with the Sustainable Development Goals and the Paris Agreement, we aim to keep our carbon emissions at the same level as in 2014 while keep growing.

We manage energy and carbon in line with our target to grow with zero increase in carbon emissions, a target set considering the impacts of climate change. Our goals to increase our energy efficiency by 25%, receive green building certification, and place solar panels on the eligible factory roofs, have been developed in line with our main carbon reduction target. With energy efficiency projects, we saved 9.3 thousand MWh of energy and saved 950 thousand TL.

We applied to the Ministry of Energy and Natural Resources Efficiency Improvement Project (VAP) grant program with our efficiency projects in cooling and cold-water transmission systems that we plan to implement at the Esenyurt, Karaman and Topkapi plants in 2017, and we have been qualified to receive grants for Karaman factory. We are planning to reach efficiency ratios between 40% and 70% and energy savings of about 3,600 MWh with the projects.

### Air Emissions

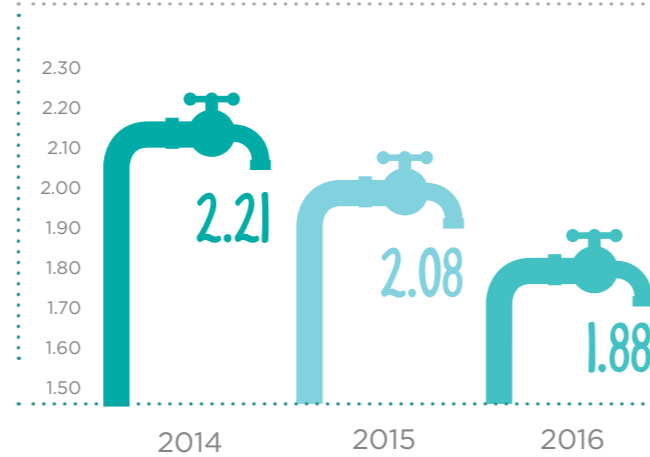
In addition to monitoring our greenhouse gases, we also track other emissions. We take the necessary measures and make sure that the emissions stay below limit values set by the applicable legislation. We aim to reduce our SO<sub>2</sub> and NO<sub>x</sub> emissions per unit product to 3% by 2024, from the 2014 values of 0.006878 kg and 0.1182 kg per product.

## Natural Resources and Water Management

Rapid population growth and the increase in food demand necessitates sustainability in raw material and water consumption. As a food company, it is a critical issue for us to be able to sustain long-term supply of high quality natural resources. Therefore, we are working both with suppliers and farmers in our value chain and we are reducing our raw material waste and water consumption by making our operations more efficient.

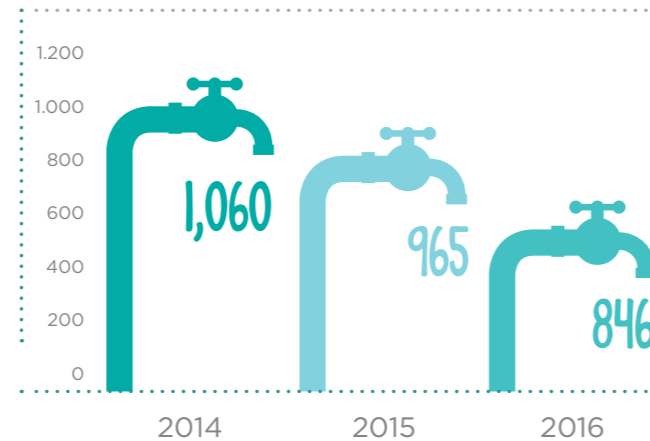
We took important steps since 2014 in the direction of our goal to reduce water use per unit production by 30%. As a result of our efforts, we reduced water consumption per unit production from 2.21 m<sup>3</sup> to 1.88 m<sup>3</sup> by 15% and have already reached half our goal. Our total water consumption decreased from 1,060,000 to 846,000 m<sup>3</sup> (Graph 2).

Graph 2: Water use per unit production (m<sup>3</sup>)



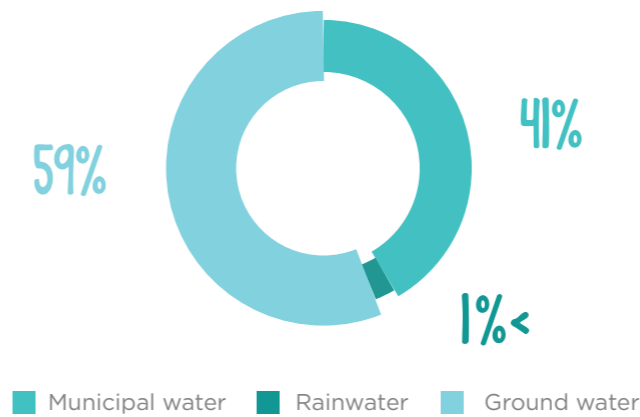
In line with our goals, we are increasing the number of measurement points. We identify the areas where water is used the most and make improvements in these areas. We raise awareness to ensure the responsible use of water. (Graph 3).

Graph 3: Total water consumption (thousand m<sup>3</sup>)



At Topkapi factory, we started collecting rainwater and begin to use municipal water instead of groundwater. As a result, the ratio of underground water in total consumption reduced from 78% in 2015 to 59% (Graph 4).

Graph 4: Water use by source

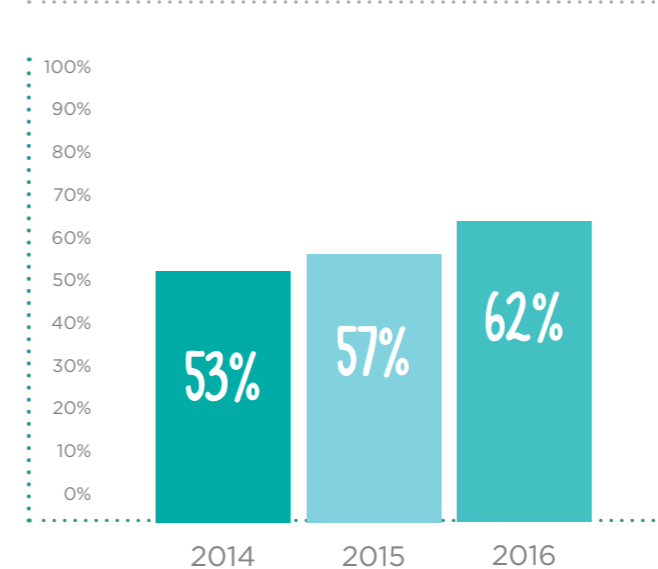


## Waste and Wastewater Management

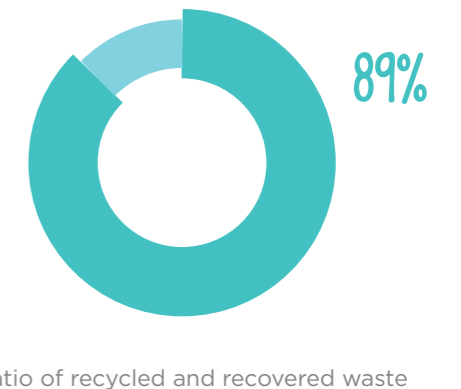
We believe that waste management is an important part of natural resource efficiency and it creates sustainable production and consumption habits. We aim to reduce the use of natural resources by generating less waste and recycling. We took an important step towards this target and set the goal of "zero waste to landfill with 100% recycling". As we move towards our target, we recycle more waste every year and send less to landfills.

Compared to 2014, we increased the recycling rate by 10%, up to 62%. The total ratio of recycled waste and recovered waste as by-product has reached 89% (Graph 5).

Graph 5: Ratio of Recycled Waste



Graph 5.1: Ratio of Recycled and Recovered Waste



We send about 27% of our total waste to producers to be used as animal feed. We contribute to the circular economy by ensuring that waste is used as an input in other products. Hazardous waste, which make up 1% of total waste, has also decreased substantially in last three years (Table 4).

Table 4:

Amount of Waste by Type	2016 (ton)	2016(%)
Recycled	10,972	62%
Recovered as by-product	4,756	27%
Sent to landfill	1,639	9%
Hazardous	111	1%
Recovered for energy generation	99	1%
Total amount of waste	15,578	100%

Besides solid waste, it is also important for us that our wastewater meets the discharge parameters. We ensure the discharge of wastewater is in accordance with the legislation, and we regularly monitor the quality. We improved the suspended solids and chemical oxygen demand value by implementing a wastewater treatment plant at Karaman facility. We aim to improve the quality of wastewater and reduce the amount of wastewater by 3% (compared to 2014), until 2024.

## Packaging Management

With a holistic approach, our goal to reduce environmental impacts also include packaging. Reducing packaging waste and raw materials used in packaging are among our priorities in this area.

Table 5:	Rate of Plastic Packaging (OPP) Waste	Rate of Paper Packaging Waste
2015	2.74%	2.05%
2016	2.51%	3.17%

We also evaluate the environmental impact of product packaging with life cycle assessments. We aim to develop packaging standards in this area and lead our sector. We have recovered approximately 22,000 tons of paper packaging as a part of our collecting efforts. We carried out various packaging projects on Dankek products, such as box minimization, thinning down plastic packaging material and pallet optimization. As a result, we saved about 2.5 million TL. By accelerating our packaging waste-reduction efforts, we aim to reduce packaging waste by 50% by 2024.

### Biodiversity



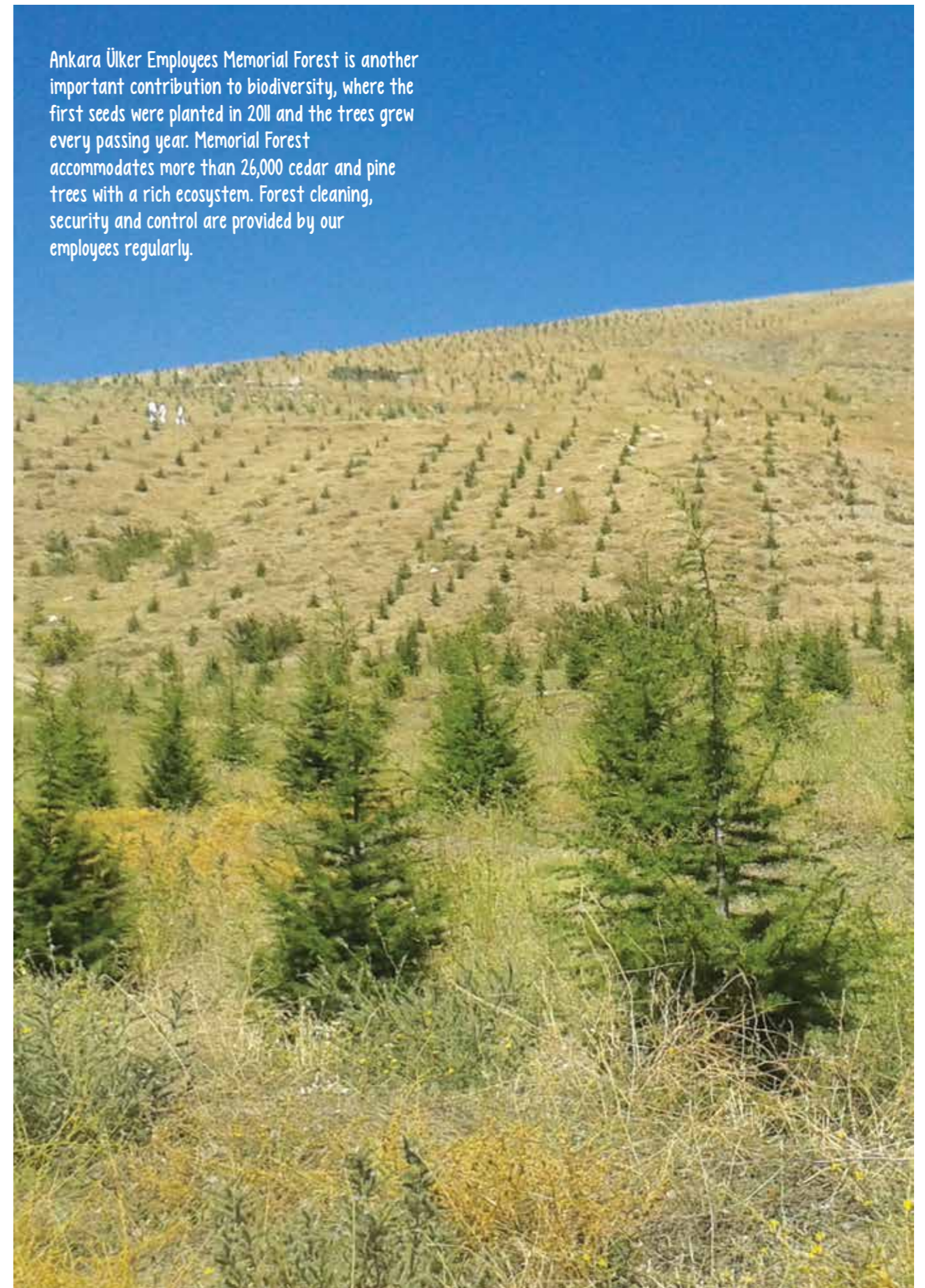
Biological diversity has an important role in the continuity of food industry. We regard the protection of biodiversity, which affects soil productivity, as a priority. In accordance with our objective of protecting, restoring and supporting the sustainable use of terrestrial

ecosystems as referred by the 15th Sustainable Development Goal, biodiversity conservation and management is an integral part of our sustainability vision and strategic goals. We believe that sustainable agriculture and biodiversity should be supported in Turkey, as Turkey has a significant diversity in agricultural products.

We started the Sustainable Hazelnut Farming Project in 2015 in partnership with WWF-Turkey (World Wildlife Fund) with the objective of preserving the hazelnut diversity.



As a part of the project, we are determining the current status of hazelnut production in Giresun province and developing solutions for hazelnut production compatible with nature. We will share the results of the research in "Towards Sustainable Hazelnut Production in Giresun" Report, which will be published in 2017. At the same time, we started pilot applications and capacity improvement trainings in the farmlands that we selected in Giresun.



Ankara Ülker Employees Memorial Forest is another important contribution to biodiversity, where the first seeds were planted in 2011 and the trees grew every passing year. Memorial Forest accommodates more than 26,000 cedar and pine trees with a rich ecosystem. Forest cleaning, security and control are provided by our employees regularly.

# VALUE CHAIN





## Value Chain

Our value chain is defined by the journey of cocoa, hazelnut and wheat from the farmlands to the consumers in the form of Ülker products. At every step of this journey, sustainability principles guide the way we work. We regard the environmental, social and economic impacts of the packaging, transportation and distribution stages of products until they reach the consumers. We also care about the happiness of the farmers who produce by using the diverse resources provided by earth and nature.

Target	Progress
Reducing logistics-related carbon emissions by 20%	We reduced logistics-related carbon emissions by about 430 tons.

Responsible supply chain management helps to detect the possible risks that might occur in the supply chain timely and to manage according to international standards. This approach also improves the quality of our products and our competitiveness.

By creating our Supply Chain Policy, we have taken the first step towards adopting sustainable business practices to guide suppliers in line with our own sustainability approach. Our policy includes fundamental human rights, working conditions and environmental protection aspects based on international agreements, such as the International Labor Organization (ILO), the United Nations Global Compact, and it aims to encourage suppliers to develop a similar sustainability approach. In line with our strategy to develop our supplier network, we support and encourage suppliers to participate in international certification systems. We organize supplier audits to assess their compliance with international standards, especially regarding food and packaging. Following these audits, we request improvements in the necessary areas that we identify and ensure that our suppliers continue their production in compliance with global manufacturing standards. In 2015, we included internal environmental audits, risk analyses, and supplier self-assessment questions in supplier audits and in 2016, we audited 176 suppliers.

As part of our sustainable supply chain efforts, we classify and prioritize our suppliers according to a specific criteria set. In 2017, according to our Supply Chain Policy, we will begin self-assessment and auditing of our key suppliers, to ensure their alignment with our

sustainability principles. The self-assessment questionnaire includes questions about environmental management and working conditions.

You may access our Supply Chain Policy on Ülker Investor Relations' web site.<sup>7</sup>

### Sustainable Agriculture and Supply of Raw Materials

We purchase various food products from all over the world to use in the production of biscuits and other products. The taste of our products is the results of our use of the finest ingredients grown in different parts of the world, such as hazelnuts from the Black Sea Region, cocoa from West Africa, and wheat from Central Anatolia.

To ensure production continuity and quality, it is of great importance that we supply the same quality of raw materials at the same frequency. Therefore, we support sustainable production facilities and agricultural studies for the supply of sustainable raw materials in agriculture.

Many global and local problems such as irregular migration from rural to urban areas, destruction of agricultural lands, loss of biodiversity due to human activity and increase in climate change impacts resulting from the destruction of forests to create land for agriculture, could all be avoided by ensuring the sustainability and future of the economic activity of farmers. Therefore, another important aspect of sustainability in production comes up in the process of raw material use. Using the raw materials that we have purchased in a more efficient way and reducing the returns and quarantine rates as much as possible increase our operational efficiency while enabling resources to be used without wasting. For this reason, our goal for 2024 is to reduce the quarantine and extermination rates of returned raw materials and finished products.

**The United Nations Sustainable Development Goal 2, End Hunger, focuses on the issues of efficiency in agricultural production, sustainability, and improving the socio-economic conditions of farmers**

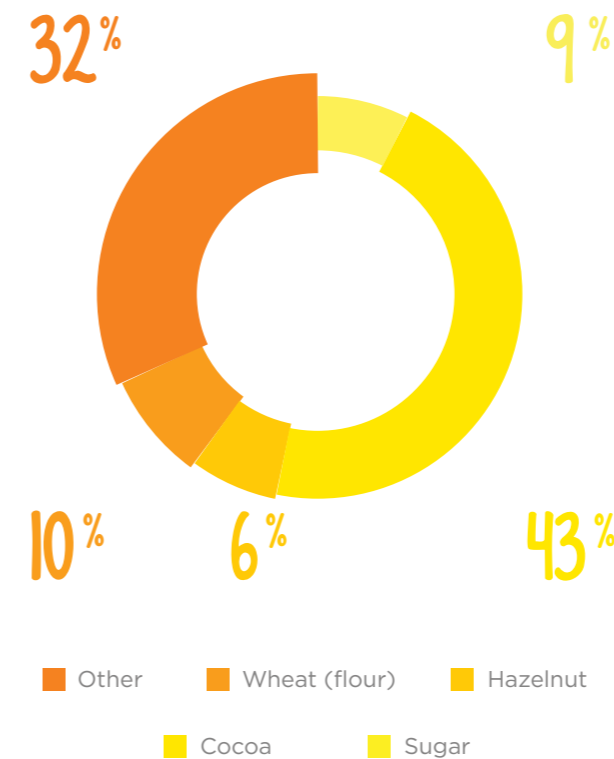
**and reducing the environmental impacts of agricultural production. Target 2.3 projects agricultural efficiency and secure and equal access to non-agricultural employment opportunities by 2030. The target 2.4 is committed to ensure the safety of sustainable food production systems by 2030 and to put agricultural practices that help sustain ecosystems and increase production and efficiency into effect.**

About half of the main raw materials we used during the year is wheat, and the remaining part consists of sugar, palm oil, cocoa and hazelnuts. Wheat is among the fundamental elements of our nutrition. Almost all categories of our products use wheat and wheat flour products. The wheat plant, which originates from Mesopotamia, has been growing in Anatolia for centuries. On the one hand, we supply 80% of our wheat from domestic sources, with our approach of supplying locally whenever possible, and we prioritize purchasing from our contracted farmers. On the other hand, for the past decade, we have been working on breeding the ideal wheat for biscuits with Bahri Dağdaş International Agricultural Research Institute. As a result of this research, we have developed a high yielding, disease-tolerant and drought-resistant wheat species named Ali Ağa, and it has been officially registered by the Turkish Ministry of Food, Agriculture and Livestock Directorate of Seed Registration and Certification. Following this step, we will start working on spreading the use of Ali Ağa.



World Cocoa Foundation

**Graph 6: Main Raw Material Consumption Rates**



<sup>7</sup>[http://ulkerbiskuviinvestorrelations.com/\\_assets/pdf/surdurulebilirlik/Ulker\\_Tedarik\\_Zinciri\\_Politikasi\\_ENG.pdf](http://ulkerbiskuviinvestorrelations.com/_assets/pdf/surdurulebilirlik/Ulker_Tedarik_Zinciri_Politikasi_ENG.pdf)

Table 6:	2014 (ton)	2015 (ton)	2016 (ton)
Cocoa	37,781	38,560	26,951
Palm oil	65,424	66,759	60,719
Wheat	224,798	229,386	167,416
Sugar	126,678	129,263	112,541
Hazelnut	5,299	5,067	6,356



We are one of the main cocoa buyers in Turkey. We were the first company from Turkey to join the World Cocoa Foundation in 2012. The Foundation aims to improve the socio-economic conditions of cocoa farmers with agricultural activities, and

we also contribute to the Foundation's sustainable cocoa supply efforts. This work aims to increase the welfare of cocoa farmers, who produce the raw materials for chocolate production, and also includes research and training of the farmers and their families.

We share the experiences gained through PACTS (Processor Alliance for Cocoa Traceability and Sustainability) sustainable cocoa production and procurement program supported by Yıldız Holding. The PACTS program is run in the Ivory Coast, one of the world's leading cocoa producers. The program aims at educating cocoa farmers, adapting innovative production methods, and increasing productivity with scientific methods in cocoa agriculture. While the benefits of PACTS guide farmers, other projects leverage local development. In this context, with the help of the Yıldız Holding, we support the efforts to facilitate access to drinking water and to meet the lighting and energy needs of the local people by using solar energy at the fermentation and drying center in Ivory Coast.

Just like wheat, hazelnut is also among our main raw materials. We cooperate with the World Wildlife Fund (WWF Turkey) to investigate the biodiversity impacts of the local hazelnut variety "Giresun Quality". We also focused on the social and economic development of hazelnut producers. You can read the details of our studies on the topic of hazelnut in the biodiversity section of our report.

We also monitor and aim to reduce the quarantine and disposal rates of raw materials and finished products within our sustainability efforts regarding raw material supply. We have reduced our finished product disposal rate by 40% since 2015, as a result of our efforts in this context.



## Logistics Network

Our expansive distribution and supply network allows us to deliver the products produced in 6 different regions in Turkey to our consumers all over the country in the fastest and safest way. Making the journey of products from the factory to the consumers more efficient and sustainable is an important part of our supply chain management.

We aim to reduce logistics-related carbon emissions as a part of our sustainability leadership goals. We transport products directly from the factories using lorries instead of trucks, and by doing so we deliver more products with less mileage. We fill the pallets that are loaded onto the lorries more efficiently, optimize intermediate stops and therefore make our logistics network as efficient as possible.

As a result of our efficiency efforts, we reduced carbon emissions in distribution channels by about 430 tons compared to 2014. Our work in logistics efficiency involves reducing the number of trips while increasing

vehicle occupancy rates, the use of lorries and the efficiency of the pallets.

**We have increased the rate of lorry use in shipments from 66% to 82%, and the use of double-decker lorries from 12% to 43% since 2014. Also, we reduced secondary shipments (between warehouses) and increased direct shipment from production warehouses to customers from 49% to 54%.**

Moreover, thanks to the reorganization we have completed, we have been able to reduce logistics-related carbon emissions from raw materials, packaging and other purchases by 20% since 2014 and caused about **2,000 tons less carbon emissions** in the first leg of our logistics network.



# INNOVATION



## Innovation

Innovation is critical in ensuring sustainable growth while generating added value. In the path to our GOAL21 goals, we focus on delivering solutions that meet the needs and expectations of consumers. We aim to deliver the best and the newest to the consumer by developing innovative projects that create added value. We utilize innovation as a tool to improve our social and environmental performances in the journey to reach our 2024 Sustainability Goals. In line with the 9th Sustainable Development Goal, we are increasing employment in R&D to promote innovation, and we are increasing our research investments.



Target	Progress <sup>8</sup>
Reducing the use of plastics for flexible packaging by 20%	Reducing the use of paper by 20% for our parcels and boxes
Reducing the use of paper by 20% for our parcels and boxes	We reduced the use of paper in parcels and boxes by 0.8% of total consumption.

We have come a long way towards integrating our global structure with consumer-focused innovation approach. With the completion of our global R&D organization structure, we have set our global targets regarding our R&D work on biscuits.

In the past five years, we have been managing our innovation processes with the contribution of all our departments from production and marketing to supply chain and sales, led by the R&D team which has steadily grown in number, to 56 employees. We have increased our R&D investments by approximately 40% compared to the previous year, to TL 15.4 million. In 2017, we predict a 7% increase in the budget allocated to R&D and innovation. [pladis Turkey Chocolate R&D Department](#) received the "R&D Center" certificate from Ministry of Science, Industry and Technology and we completed our preparations for the Baked Goods R&D Center. We will continue to offer the best products and services to our customers and consumers with the incentives and grants that we will be eligible with the R&D Center status.



With the efforts of our R&D unit, we ran more than 1,000 projects this year in areas such as new product development, improving existing products, cost improvement, process and quality improvement and the use of alternative raw materials. We also developed over 100 new products.

"Achieving innovations that will create demand" is an integral part of our strategy. Thanks to our R&D and innovation processes, we are expanding our product range and reaching more consumers both on local and global scales. In this regard, we are helping stakeholders to meet their needs and expectations while increasing our competitive power. By developing innovative processes, we make our activities more efficient and consume less resources.

Product quality is always at the focus of our R&D activities. We develop new products without sacrificing quality and conduct improvement projects for existing products in accordance with the demands and needs of our stakeholders. We are working with the Department of Consumer Technical Research of Northstar, Turkey's first fast moving consumer goods and food R&D company. In this context, we have conducted over a total of 50 consumers, QSI and discrimination tests, and QDA studies. We aim to continue making our consumers happy with the products we have developed through these research and studies.<sup>9</sup>

In accordance with our 2024 Sustainability Targets, we continued to develop innovative practices in packaging. Thus, we continue to record savings while reducing our environmental impact. As a result of the improvements we made on the pre-existing branches within the

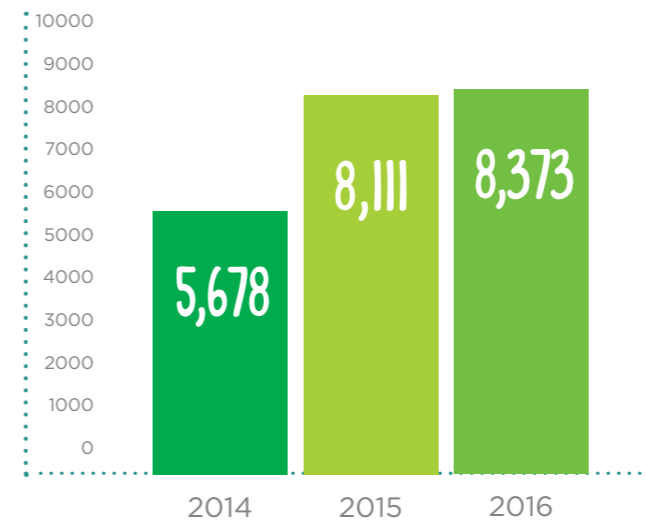
Karaman factory, we saved over TL 125.000 in the use of 18 tons of corrugated cardboard. Similarly, we saved TL 780,000 with our studies on 21 kind of packaging material at our Gebze facilities. Our efforts to thin down Mini Halley packaging at the Ankara factory resulted in savings of TL 87.500 per month.

### Innovation Culture in the Company

We believe that, for the proliferation of innovative ideas, the ideal working environment should be based on participation. We adopt an open innovation culture as an important part of our "We Culture". In accordance with this, we involve our consumers as well as our employees in our product development processes. Through our Akıl K p  (Kaizen Ideas) system, we offer employees the opportunity to share their suggestions regarding our activities since 1990.

This year, we received 8,373 recommendations from our employees through Akıl K p  (Kaizen Ideas) and we implemented 8.3% of them (Graph 7). Compared to last year, we have experienced an increase over 3% in the number of recommendations received from our employees by encouraging them to be involved in the innovation processes.

Graph 7: Number of Ideas Received Through Akıl K p  (Kaizen Ideas)



We are planning to continue our efforts to increase the number of proposals received from employees through Akıl K p  by 40% and to achieve the goal of realizing 20% of these proposals by 2024.

Likewise, through Yildiz Holding's "Innovation, Inspiration and Idea Platform" [Idea Stars](#), we offer to our employees the opportunity to share their ideas and put them into practice. In this way, our employees can share their thoughts ranging from processes to business models to realize different ideas and find solutions to problems. Additionally, our employees can win certain prizes by competing under the "calls" that we offer with Idea Stars. As  lker Bisk vi, we have shared approximately 150 ideas through the Idea Stars platform.



Thanks to the improvements we made to the Cocostar production process by the suggestions from the employees, we reduced preparation time from 270 minutes to 70, saved both from work force and energy.

We support the dissemination and internalization of in-house innovation culture. "Innovation Days" is among our activities that supports our strong human resources and innovation. We have chosen this year's theme to be "Innovation is a way of life" in accordance with our value "We are empowered by change". Through the projects that compete under the product category during Innovation Days, group companies can participate in product development processes. Additionally, we provide our employees the ability to track the inspirational talks of leaders from different sectors online. Similarly, we reward the winners under "Innovation" category to encourage new and diverse ideas to be realized within the "Stars of The Year and Quality" event, which allow them to share best business practices. Through such activities, we contribute to the development of innovation culture and improvement of employee satisfaction and motivation.

<sup>8</sup> Indicates the ratio of packaging reductions resulting from the innovations in 2016 to the total use of packaging in 2016.  
<sup>9</sup> Detailed information on the R&D activities we carried out in 2016 can be found in the "Quality and R&D Studies" section of the 2016 Annual Report.

# EMPLOYEES



## Employees

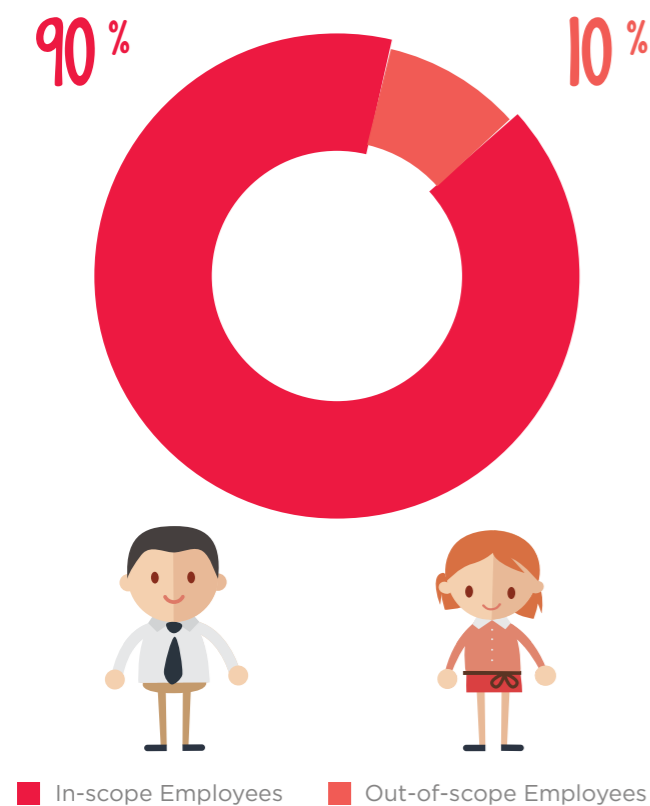
Employees are our most valuable capital; they are architectures of all the work we devote to the happiness of the society and consumers. It is among our priorities to provide a participatory and safe working environment where our employees can always present their ideas and suggestions and develop their talents. Because, we know that we can succeed in our practices and efforts towards a better future by acting together in a business environment that promotes improvement. As always, our

principle "We Will Succeed Together!" guides to all our activities.

We are a large family of 6,026 people, and approximately 1 out of 3 employees are female. Depending on their agreement type, we classify the rights of our employees under two categories: in-scope and out-of-scope. The employees covered by the collective labor agreement that we call in-scope, constitute 90% of our workforce, where the remaining 10% are out-of-scope employees (Graph 8).

Targets	Progress (Compared to 2015)
Increasing training hours per person by approximately 40%	We increased the training hours per employee by 30%, up to 22 hours.
Reducing employee turnover to approximately 3.5%	Our employee turnover is 9%.
Increasing employee engagement to 85%	We will receive the results of the survey we conduct every two years in 2017.
Zero occupational accidents resulting in lost workdays	We reduced the number of occupational accidents by 39%.
Increasing the unionization rate to 100%	We increased the unionization rate to 100% by emphasizing the union rights of our employees.

Graph 8: Employee Ratios per Category



What makes our "We will succeed together!" motto meaningful is the continuity of our employees to be part of our family for many years by contributing to our company. For this reason, we care about retaining our talents and receiving their support as they are specialized in their fields and are a part of our culture. 46% of our employees have been working with us for more than five years and over 29% have been with us for more than 10 years. While the employee turnover rate was 24.2% for all employees, the turnover rate in the out-of-scope category was 9%. Our target is to reduce our employee turnover rate each year, down to 3.5% within the scope of our 2024 goals.

### Talent and Performance Management

We provide employees with an objective and competence-based performance management and development-oriented career management systems to ensure that they are satisfied during their career journeys and deliver effective performance. Through our management approach, we help them on their career journeys and to improve their skills. From the very beginning of the recruitment to their career journeys, we strive to ensure that all employees are aware of their own knowledge, skills and potentials, while trying to provide the best position possible where they can achieve their maximum potential.

In our performance management system, which we have developed to objectively and effectively evaluate employees' contribution to our company, all contributions to our company goals and the competence improvements are considered. At the beginning of the working year, we develop a performance plan together with the employees that will cover the entire year. Mid-term evaluations during the year shape the performance improvement. With a final assessment at the end of the year, we measure employees' performances, and make our conclusions regarding the following year. All the competencies mapped in our system as leadership, supporting the team, being result oriented, innovation, anticipating the future, adding value and celebrating success, allow us to evaluate our employees comprehensively.

Competencies in our Performance Management System



With an increase of 3% compared to the previous year, we comprehensively evaluated the performances of 40% of our employees. Also, 96% of our out-of-scope employees, almost all of them, has undergone performance evaluation. **Our environmental, social and corporate management goals are directly affecting the performance evaluation system that we use for executives. We consider the progress of the employees regarding the goals they are responsible for as the key performance indicators.**

**In context of our Employee Benefit Package, the out-of-scope employees can create an Employee Benefit Package tailored for themselves and according to their needs they can choose from a variety of benefits among options such as individual pension, personal accident insurance, private health insurance etc.**

While determining the wages and benefits of the employees, we consider the principle of "equal pay for equal work", we do not discriminate based on factors

such as gender and we take the market conditions and performance into account. We manage the benefits of nonunion employees with the Flexible Employee Benefits Platform, and unionized employees within the framework of Collective Labor Agreements.

**We have increased the unionization rate to 100%, in line with the goal we had set last year to prioritize the union rights of employees.**

Our dynamic and growing organization constantly introduces new career and rotation opportunities for employees working in different units. The internal recruitment system, and applications such as rotation and project duties are among the important opportunities that support this journey.

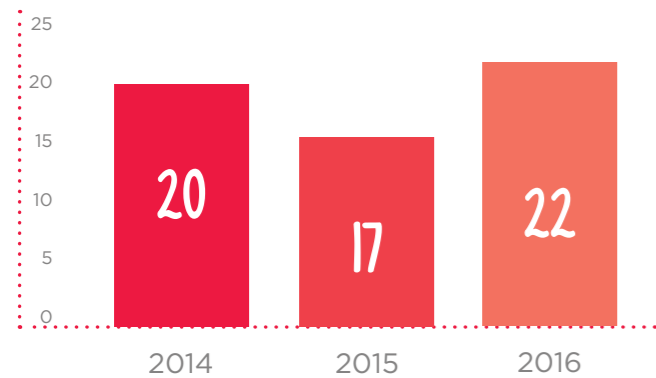
**With the confidence we have in the power of our motto, "We will succeed together!", we are conducting internal recruitment within the scope of our "Us First" system. All approved open positions are primarily announced to employees through internal announcements. Particularly, the managerial positions are recruited using internal resources via internal recruitments, promotions.**

### Trainings

We care about personal and professional development of our employees as a company aiming a continuous development and renewal of capabilities and skills. Career management and performance evaluations are also decisive for any training plan that will guide our employees' career development. With the training budgets, employees can get any training they wish without any limit to the number of trainings they can receive. Development plans are prepared within the scope of career management, and career progressions and developments of employees are monitored with the action follow-up reports provided to senior managers. We continue to organize systematic trainings for the perpetuity of high performance and improvement of competencies, and we make additions to the Annual Learning and Development Catalogue. During the

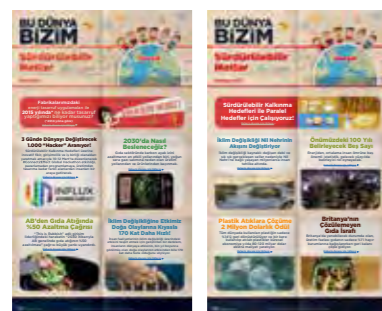
reporting period, we increased our training per employee by 30% compared to 2015, up to an average of 22 hours (Graph 9).

**Graph 9: Average Training Hours per Employee**



In addition to the basic training programs such as competency improvement, occupational improvement, professional development, foreign languages, occupational health and safety, orientation, food safety and zero defects, quality system and sustainability trainings, we organize leadership development programs for our employees in all levels under the title of "Journey to Leadership". We organize training activities called "First Step to Leadership" for the first-tier executives, training entitled "Leadership Map" for mid-level executives, training entitled "Leadership Compass" for senior executives and trainings entitled "Leadership Summit" for the general managers and higher executives.

We support the knowledge and experience of employees not only through the classic trainings, but also with the regular written material we publish.



To ensure that sustainability is understood well by the employees, and to increase their engagement in sustainability, we help them to keep up with the news in this field through a digital bulletin called *Sürdürülebilir Notlar (Sustainable Notes)* prepared monthly by experts.

**Dialogue with Employees**

Our effective and non-hierarchical communication with employees nourishes the "We Culture". The tools we have developed ensure the continuity of our communication.

**Akıl Küpü (Kaizen Ideas):** Through "Akıl Küpü" system, we encourage our employees to take part in the product development processes, thus we enable them to share their ideas and experiences.

**Youth Platform:** In order to understand our Generation Y employees better, improve their level of engagement, provide them with a platform where they can share their ideas and thoughts, foster innovation and spread the "We Culture", Yıldız Holding created the Genç Platform. Through this platform, we run projects initiated by young employees and build bridges between all employees, ranging from the top executives to the interns.

**Master & Apprentice Meetings:** Through participating in "Master & Apprentice Meetings" of Yıldız Holding, we bring our senior executives together with our employees born in or after 1988 to create a working environment where experience and knowledge can be shared not just in a top-down fashion but also laterally, allowing peer-to-peer exchange.

**"Yıldızların Sesi" Employee Engagement Survey:** Every second year, we hold the "Yıldızların Sesi" Employee Engagement Survey to identify our organization's strengths as well as opportunities to improve and measure levels of employee engagement and to understand their needs, expectations and suggestions. We survey them under categories such as leadership, performance, rewards, communication and talent management, share the results with transparency and take the necessary actions for improvement. In 2015, our employee engagement rate reached 75 and we had a participation rate of 94% in the survey. We aim to improve our contribution to the happiness and satisfaction of our employees and raise the rate of employee engagement up to 85% by 2024.

**Occupational Health and Safety**

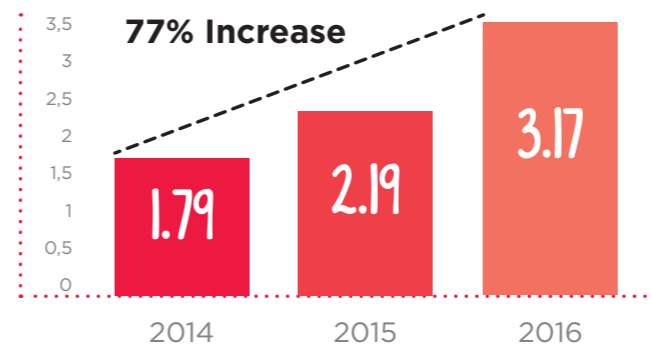
Our "zero incidents" goal is at the core of our Occupational Health and Safety (OHS) policies. We are committed to provide a safe working environment for our employees and business partners. We encourage them to take all the necessary precautions and to possess the necessary knowledge for a safe and healthy work environment.

**We are effectively managing all factories, without exception, using the OHSAS 18001 Occupational Health and Safety Management System.**



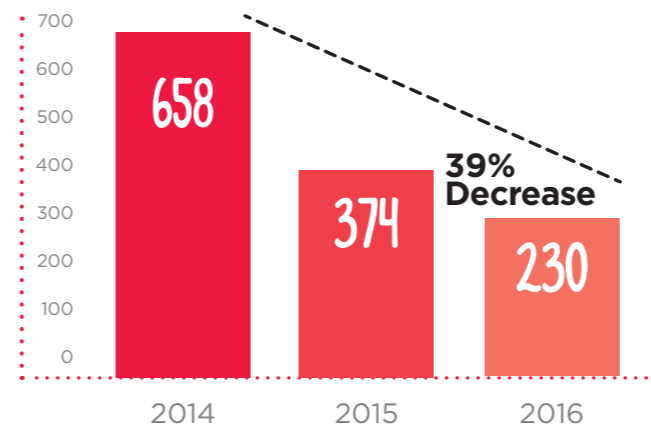
We handle OHS issues within the framework of our OHS policy under the supervision of the managers of the Operational Excellence team and the Health Safety Energy Environment (HSE), and the senior executives who are members of the Ülker Sustainability Platform. OHS trainings constitute 14% of all trainings of an average of 22 hours we give to our employees. Since 2014, we have increased the average OHS training per employee up to 3.17%, and by 2016 we have increased the average training per employee by 45% compared to the previous year. We increased the number of employees represented in the Occupational Health and Safety (OHS) Committee up to 56% with an increase of 19% (Graph 10).

**Graph 10: Average Hours of OHS Training per Employee**



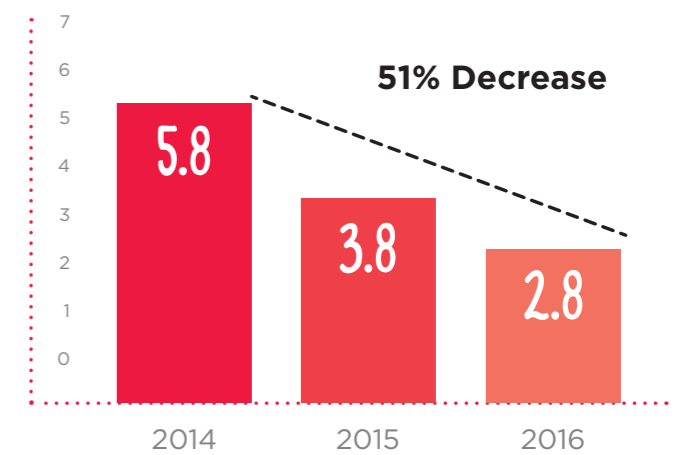
We aim to evaluate assess potential OHS risks proactively and take the necessary precautions to prevent minor accidents that we often see in factories such as hand and finger smashing or crushing and head concussions. As a result of our efforts towards raising awareness, the number of work accidents that cause loss of working days decreased 39%, to 230 compared to 374 days in 2015 (Graph 11).

**Graph 11: Number of Accidents**



We also reduced the number of lost days due to work accidents and the frequency of accidents. This year, the rate of lost days was 0.0017, which is below last year's 0.0020. We reduced the frequency of accidents by 51%. In last three years, no occupational diseases have been observed at our factories and there were no fatal accidents (Graph 12).

**Graph 12: Incident Rate<sup>11</sup>**



**We have been awarded a gold medal in the Training and Development category of Brandon Hall Awards with the "Zero Defect Training Program" we have been running since 2012 with the motto "Target Zero Defect".**

We consider our 2,536 subcontracted employees as members of the family. We also tracked the data regarding our last year's targets for subcontracted employees. We track their performance to make the necessary improvements within the OHS policies (Table 6).

**Table 6: Subcontractors**

Number of subcontracted employees	2,536
Number of occupational accidents	39
Absence	3,352,5
Number of lost days	447

<sup>11</sup>Incident Rate = Number of incidents resulting in lost days x 200.000 / Total working hours  
Incident Rate = Number of incidents resulting in lost days / Total working hours

# SOCIAL RESPONSIBILITY

LESS

# FAT



LESS

# SALT





## Social Responsibility

At Ülker, we believe when happy children become happy adults, it will benefit them, the society and the entire humanity. In this context, we focus on social responsibility projects, and encourage children to do arts and sports.

Target	Progress (compared to 2015)
Using 8.000 tons less saturated fat in all bakery products. 3.000 tons fat reduction in chocolate products.	We made the following changes to the range of 16 "canteen" products: 19% less fat, 58% less saturated fat and 61% less sodium. Among these products, the fat content of those containing chocolate has been reduced by 5%.
Reducing complaints from the sales and distribution channels by 20%.	We continue our efforts for the continuity of consumer food safety and quality values.

## Responsible Marketing

We think that developing proper dietary habits and providing information about food safety are important for public health. Our sense of responsibility is reflected upon all our marketing and communication efforts. Not only we make effort to explain ourselves accurately, we also try to understand our consumers accurately.

In order to consolidate the sense of trust between us and the consumers, we share ingredients, quality and production of food items transparently in accordance with the Turkish Food Codex Regulation on Labeling. We also work to meet our costumers' expectations at the highest level possible and to improve their satisfaction. We appreciate feedback from our consumers, record all notices for evaluation and make the necessary adjustments.

**We responded to 99% of the 3.398 feedbacks received by the Customer**

**Contact Center. The opinions and suggestions of consumers have shaped our improvement efforts.**

## Healthy and Nutritious Products

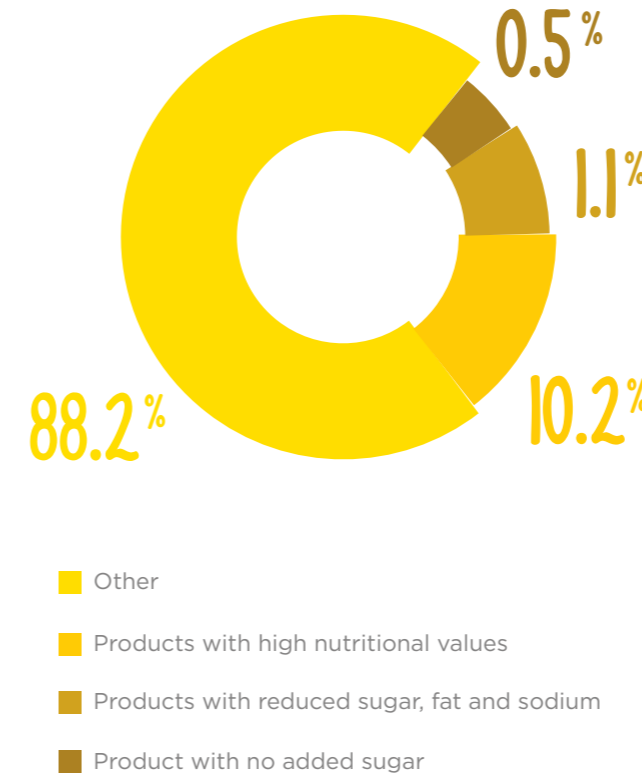
World Health Organization emphasizes the importance of balanced nutrition while pointing out the impacts of overnutrition and malnutrition. Studies are also being carried out in Turkey to prevent unbalanced nutrition. By following technological developments and scientific studies in the in the global food industry with the R&D and innovation team, we have increased our efforts to develop nutritious products that support balanced nutrition. We created a product portfolio that focuses on healthy nutrition for children by reducing the calorie, sodium, fat and saturated fat contents of the products.

★ We reduced the fat content of the following products by 19%, saturated fat content by 58% and sodium content by 61%: Ülker Çubuk Kraker, Krispi Baharatlı, Krispi Acılı, Çizi, Krispi Tırtıklı Acılı, Krispi Tırtıklı Baharatlı, Ülker Kremalı Sade, Hanımeller Fındıklı, Çokprens, Pöti Meyveli, Pöti Hindistan Cevizli, Pöti Kakaolu, 8 Kek Karamelli, 8 Kek Muzlu, Smartt Sütkek and Piko. Among these products, the fat content of those containing chocolate has been reduced by 5%. For example, we reduced the sodium content of Balık-Badem crackers by 34%.



★ None of the products in our biscuits, cakes and chocolates categories contain trans fats.  
★ The shares of product groups in the turnover are as follows; products with high nutritional value 10%; products with reduced sugar, fat and sodium 1%; products with no added sugar 0,5%.

**Graph 13: The Ratios of Product Types in The Turnover of Ülker Bisküvi**



## Food Safety

The food industry has vital responsibilities in reducing the health risks associated with food safety. As the pioneer of Turkey's food sector, we have a Quality Management System that enables us to provide our customers with high quality products all the time.

Among Sustainable Development Goals, we are supporting the 2nd Goal aimed at ending hunger, achieving food security and improving nutrition, and the 12th Goal towards ensuring sustainable consumption and production patterns.



## Quality Management System

All of the products are subject to advanced control systems at the plants, which are all nationally and internationally certified.

- ✓ We are running our factories in compliance with the Turkish Standards Institute and the Turkish Food Codex.
- ✓ We run our production at the international safety and quality standards, in compliance with ISO 9001 Quality Management System, ISO 22000 Food Safety Management System, ISO 14001 Environmental Management System, OHSAS 18001 Occupational Health and Safety Management System, Level A BRC Food Safety Standard and the highest level International Food Standard (IFS) certifications.
- ✓ We have continued working with the American Institute of Bakery (AIB) for maintaining food safety from supplier to consumer. AIB International Prerequisite and Food Safety Programs differ from other programs in a way that they inspect the important requirements that must be fulfilled in order to identify, reduce, eliminate and prevent food safety hazards in a facility, to produce reliable food products and to reveal risky practices and issues that are not visible on paper. They do not only reveal the findings but also focus on the root causes of the problems and ensure that the staff is trained through interaction. We created opportunities for continuous improvement in all of our factories by subjecting them to unannounced AIB inspections twice a year.

- ✓ We have been trained about the changes in the AIB 2017 standard and have updated our internal audit teams and our work in line with the changes.
- ✓ Within the scope of the quality system, we monitor the quality of the products by following the critical control parameters stated in the specifications and monitor the elements that may pose a risk to food safety with Critical Control Points (CCPs) and take all types of risks under control.

With the Quality Management System, we make sure that our products are produced and inspected with the zero defect principle regarding input, process and physical& microbiological factors such as color, smell, taste and deformation in order to ensure food safety. We have renewed our Zero-Defect Handbook to reach the GOAL21 "0" Defect target at the value chain. Esernyurt Factory's booth at the "Stars of The Year and Quality" was chosen as the best of Zero Defect Project Fair. In the Zero Defect Project Competition, Gebze Factory was one of the three finalists with the project "We are measuring the colour of biscuits".

This year, we continued to refer to the criteria of the Gold Standard in Esenyurt, Gebze and Ankara factories to ensure that the ideal products were obtained and we produced within the framework of appropriate standards for food safety and quality that meet consumer expectations. Operational Excellence efforts contribute greatly to the sustainability of our quality system. Towards this goal, we encourage production line employees for active participation in improving the quality problems and finding solutions. Star Improvement Teams (YGT) containing production line employees evaluate the identified problems and deliver solutions.

**We continue our efforts to reach our interim annual targets and 20% reduction in complaints in sales and distribution channels by 2024.**



**Sports :**

**Turkish Football Federation (TFF) - Football Schools and University:** As Ülker, we have brought together primary school students with university students who have been training in sports academies in partnership with TFF. Within the scope of the project, students of School of Physical Education and Sports gave basic moves, flexibility, and familiarity with the ball, coordination and basic technical lessons in football to children aged 6 to 10 years. 38,000 children have received football training in Turkey with the support of Ülker.

**TFF – Ülker İstanbul 13 Years Old School League:** With the collaboration of TFF, Ülker İstanbul Provincial Directorate of National Education and Provincial

**Social Responsibility**

We always consider common needs and interests of the society in our work. We believe that children are our future. Therefore, we have been running social responsibility projects focusing on "children and happiness" since the day we have founded. Our corporate social responsibility projects, which are based on creating shared values, have grown together with us and have reached thousands of children today. We invest in the areas such as sports, arts and cinema for the physical, social, cultural and mental development of children.

Scientific studies show that regular involvement in sports and physical activities increase versatility, help dealing with stress, and develop children physically, mentally and socially.<sup>10</sup> We have touched the lives of more than one million children with our social responsibility projects related to sports, art and cinema.

Directorate of Youth and Sports Services, a league has been formed (U-13 League), in which footballers under 13 years old can participate. Within the scope of the project, football teams were formed by 10 primary school students from each of the 38 districts of İstanbul and they competed in the U-13 League formed with the support of Ülker during the 2015- 2016 season.

**TFF- Elite Football Villages:** We started the project in 2007, aiming to make important contributions to social, cultural and personal developments by combining talented children from all over Turkey on the football platform. In 2016, 102 children, consisted of 45 girls and 57 boys, participated in the project and the children who participated in the camp were trained about the fundamentally inherent topics in football such as fellowship, fairplay, sharing and solidarity, as well as advanced football education at the Football Villages.

**Culture & Art :**

**Ülker Children's Art Workshop:** We hosted approximately 2,000 children at the Ülker Children's Art Workshop held as part of Contemporary İstanbul, the international contemporary art fair at Lütfi Kırdar International Congress and Exhibition Center between November 3-6, 2016. The children who attended the workshop met young artists working in different disciplines such as painting, sculpture, installations and they had the opportunity to create with them. In the puppet workshop, children designed puppets with pieces cut from famous paintings, sculptures and



**İstanbul Modern "Your Thursday" :** As a part of our sponsorship, İstanbul Modern is open for free visits every Thursday for longer hours. Thus, people can visit all the exhibitions at İstanbul Modern for free as well as they can attend events and watch video screenings every Thursday. The project also includes free to attend art workshops for adults on one Thursday every one. Each month, a different artist shares ideas and artistic experiences with the participants during "Your Thursday" Artist Workshops. Within this context, a communication campaign focusing on digital platforms has been organized with the slogan "Art is Good" to further publicization of Ülker's support, and the produced movies have reached 39.2 million views. With this project we have reached nearly 130,000 people.

self-portraits of artists, and they transformed the Ülker Children's Art Workshop logo into a unique design with their own work during the Doodle workshop. In the Virtual Reality Area, children watched the production process of the works and had the chance to see the current status of digital art.

**Ülker Cinema Festival for Children:** Through Ülker Children's Cinema Festival, we nurture children's imagination and contribute to their personal development. The 9th Ülker Cinema Festival for Children welcomed over 100,000 children in 158 movie theaters in 59 cities on Saturday, April 16, 2016. 666 people actively worked for the film screenings, and at the end, the children were given gift boxes containing Ülker products.

**BAKSI Museum- Free Entry Tuesdays:** As part of our partnership with BAKSI Museum, visitors can visit the museum free of charge every Tuesday with free transportation from the city center. 4,069 people have visited the BAKSI Museum free of charge with Ülker's support up to today.

**Salt Galata – One and The Many Exhibit:** At Ülker, we were among the contributing companies to the One and The Many Exhibit. One and Many is a research-based exhibition that looks into the production and distribution of goods. It tackles the period 1955-95 in Turkey, by following the material results of gradual industrialization as well as its contingent infrastructural disposals.

<sup>10</sup> [http://www.who.int/dietphysicalactivity/factsheet\\_young\\_people/en/](http://www.who.int/dietphysicalactivity/factsheet_young_people/en/)

# LEADERSHIP

## 3. SÜRDÜRÜLEBİLİR İŞ ÖDÜLLERİ SUSTAINABLE BUSINESS AWARDS



## Leadership

We owe our current position as one of the world's leading biscuit producers to our pioneering and innovative character that backs up our competitiveness. The results of the Ülker perception surveys that we are conducting at regular intervals has indicated that we have a strong reputation and high level of appreciation in fast-moving consumer goods sector amongst stakeholders especially the public, suppliers and mothers. Since our stakeholders hold us in such high regard, we are encouraged to take pioneering responsibility in certain areas in the industry. Today, we are breaking grounds with our global goal of becoming one of the leading companies in sustainability until 2024.

Our view of leadership includes contributing to the development of the food industry. With Ülker Bisküvi's unique sustainability perspective, which we have developed within the context of Global Sustainable Development Goals, we aim to shape the industry by encouraging the proliferation of innovative sustainability practices.



Our work which is led by our leadership goal is also being recognized by indices that assess sustainability performance. While maintaining our position at BIST Sustainability Index in 2016, we took part in the FTSE4Good Emerging Markets Index for the first time.



We are aware of the importance of acting with our stakeholders along our journey for leadership. As we are aware of the value of different ideas, we have opened our innovation process to our stakeholders' contributions. We have transformed Innoday into an open innovation platform where everyone can express their views and participate in the innovation process.



For the first time, this year we have started reporting our efforts to manage our impact on climate change, which is one of the major global trends affecting our industry, by responding to the Carbon Disclosure Project.

To guarantee product quality and brand value, since 2012, we have been running our "Zero Defect Training Program" at our facilities with our understanding of excellence. The program was awarded a gold medal in the Best Results of a Learning Program category at the Brandon Hall Awards.

We gathered all these efforts under a single roof, This is Our World, and then annuciated them with our stakeholders in a transparent manner. Our communication work, through which we share our sustainability principles, goals and performance, was awarded in the Sustainability Communication category at Sustainable Business Awards.



## Appendices

### Appendix 1: Memberships and Partnerships

Istanbul Chamber of Industry  
 Kocaeli Chamber of Industry  
 Gebze Chamber of Commerce  
 Istanbul Chamber of Commerce  
 Economic Research Foundation  
 Foreign Economic Relations Board – Gulf Business Council  
 Foreign Economic Relations Board – Middle Eastern Business Council  
 Foreign Economic Relations Board – European Union Business Council  
 Foreign Economic Relations Board – African Business Council  
 Foreign Economic Relations Board – American Business Council  
 KalDer (The Turkish Society for Quality)  
 Yased International Investors Association  
 The Union of Chambers and Commodity Exchanges of Turkey (TOBB)  
 Ankara Chamber of Industry  
 Ankara Chamber of Commerce  
 Ankara Commodity Exchange  
 Istanbul Commodity Exchange  
 TEGEV Foundation for the Development of Technological Education and Training Independent Industrialists' and Businessmen's Association (MÜSİAD)  
 SEMAD Turkish Association of Confectionery Manufacturers  
 Turkish Food Safety Association  
 Istanbul Exporters' Association  
 GOSBSA GOSB (Gebze Organized Industrial Zone) Industrialists Association  
 ILSI Europe  
 EUFIC AISBL  
 World Cocoa Foundation  
 Turkish Food and Beverage Industry Employers Association (TÜGİS)

### Appendix 2: Reporting Principles and Tables

Reporting principles cover the data collection and calculation principles regarding the greenhouse gas (GHG) emissions data and the energy consumption data included in this report.

2014 was chosen as the reference year for greenhouse gas (GHG) emissions due to the availability of complete and reliable data and due to its accurate representation of current activities. "GHG activity data multiplied by emission or removal factors" based calculation methodology has been applied for calculating GHG.

GHG emissions were calculated in accordance with World Resources Institute (WRI) / World Business Council on Sustainable Development (WBCSD) GHG Protocol. Boundaries of the organization were addressed with a control approach, and GHG emission from all buildings, vehicles and generators in Turkey under the control of Ülker Bisküvi were included in the inventory. Operation boundaries are determined as Scope 1 (direct) and Scope 2 (indirect). CO2 equivalent factors for emissions CO2, CH4, N2O, and HFCs (refrigerant gas) were used in calculations. Global Warming Potential (GWP) coefficients were taken from Intergovernmental Panel on Climate Change (IPCC) 5th Assessment Report. Grid emission factor has been calculated by using the relevant annual data provided by Turkish Electricity Transmission Company (TEİAŞ).

The breakdown of GHG generating sources is as follows:

**Scope 1:** Fuel consumed at buildings and facilities, emergency diesel electric generators and devices.

**Scope 2:** Electricity consumption. Grid emission factor is calculated and updated annually by TEİAŞ. Lower calorific values of energy sources and ton of oil equivalent coefficients were taken from Lower Calorific Values and ton of Oil Equivalent Conversion Coefficients table in Annex II of Regulation on Increasing Efficiency of Energy Resources and in Energy Usage as issued in Official Gazette dated 27 October 2011, issue number 28097. The rates used in energy unit conversions are as follows: 1 kcal = 4.184 kJ and 1 GJ = 0.2777 MWh (1 MWh = 3.6 GJ)

**Restatements** The measuring and reporting of assured environmental data inevitably involves a degree of estimation. In exceptional circumstances, restatements for prior year reported data may be required. Restatements are considered where the data differs by more than 5% at the Company level.

Emission Factors	CO <sub>2</sub>	CH <sub>4</sub>	N <sub>2</sub> O	Total kg CO <sub>2</sub> e
Natural Gas	1.9365	0.0048	0.0009	1.9422
LPG	2.8777	0.0013	0.0012	2.8802
Diesel	2.6248	0.0039	0.0366	2.6652
Gasoline	2.2164	0.0034	0.0483	2.2681
Diesel (stationary)	2.6248	0.0099	0.0056	2.6403
Gasoline (stationary)	2.2164	0.0080	0.0057	2.2301
Refrigerant gases - R22	1760.0			1760.0
Refrigerant gases - R410A	1923.5			1923.5
Refrigerant gases - R404A	3942.8			3942.8
Refrigerant gases - R407C	1624.2			1624.2
Refrigerant gases - R134A	1300.0			1300.0
Fire extinguishers - HFC 227ea	3350.0			3350.0
Fire extinguishers - Halon 1301	6290.0			6290.0
SF <sub>6</sub>	23500.0			23500.0
Electricity (grid) (2014)	0.4931	0.0002	0.0012	0.4945
Electricity (grid) (2015)	0.5504	0.0002	0.0014	0.5520
Electricity (grid) (2016)	0.4898	0.0002	0.0013	0.4913

No environmental fines were issued during the reporting period.

### Appendix 3: Environmental Performance Indicators

Energy Consumption (MWh)	2014	2015	2016*
Electricity	137,299	137,164	141,275*
Natural Gas	323,747	316,332	304,825*
Diesel (Generator)	1,337	1,856	2,496*
<b>Total</b>	<b>462,383</b>	<b>455,352</b>	<b>448,597*</b>
Production (tons)	479,553	465,231	450,307*
Energy consumption per ton of production (MWh/tons)	0.964	0.979	0.996*

Greenhouse Gas Emissions (ton CO <sub>2</sub> )	2014	2015	2016*
<b>Scope 1</b>	<b>65,923</b>	<b>64,561</b>	<b>72,177*</b>
Vehicles	-	-	198*
F-gases	-	-	9,297*
Fuel used in buildings	65,565	64,063	61,747*
Generators (diesel)	359	498	670*
SF <sub>6</sub>	-	-	2642
<b>Kapsam 2</b>	<b>75,803</b>	<b>75,729</b>	<b>69,415*</b>
Electric consumption	75,803	75,729	69,415*
<b>Toplam</b>	<b>141,727</b>	<b>140,290</b>	<b>141,592*</b>
Greenhouse gas emission per ton of production (ton CO <sub>2</sub> /ton)	0.296	0.302	0.314*

Greenhouse gas emission per ton of production (ton CO <sub>2</sub> )	2014	2015	2016
<b>Scope 1</b>	<b>65,923</b>	<b>64,561</b>	<b>72,177</b>
CO <sub>2</sub>	65,741	64,382	71,984
CH <sub>4</sub>	147	144	156
N <sub>2</sub> O	35.6	35.1	37
<b>Scope 2</b>	<b>75,803</b>	<b>75,729</b>	<b>69,415</b>
CO <sub>2</sub>	75,563	75,489	69,203
CH <sub>4</sub>	26	26	26
N <sub>2</sub> O	214	214	185

Wastewater volume <sup>19</sup> (thousand m <sup>3</sup> )	2014	2015	2016
	742	676	592

Wastewater Discharge Parameters	Ülker Production Plants Average
Suspended Solids (SS) (mg/L)	150
Chemical Oxygen Demand (COD) (mg/L)	520
pH	7.2

	NOx	SO <sub>2</sub>
Annual air emission values between 2014-2016 <sup>12</sup>	58	4.4

## Appendix 4: Social Performance Indicators

Number of Employees by Employment Duration and Ratios	2014		2015		2016	
	Excluded	Included	Excluded	Included	Excluded	Included
Employed for 5-9 Years	106	708	191	1030	124	911
Employed for 10 Years or More	172	1088	257	1366	247	1471

Number of Executives by Gender and Age	2014		2015		2016	
	Women	Man	Women	Man	Women	Man
Over 50 Years Old	0	5	0	4	0	1
Between 31-49 Years Old	1	9	3	17	2	20
Under 30 Years Old	0	0	0	0	0	0
<b>Total</b>	<b>1</b>	<b>14</b>	<b>3</b>	<b>21</b>	<b>2</b>	<b>21</b>

<sup>11</sup> The volume of wastewater is calculated to be 70% of the water consumed.

<sup>12</sup> Based on the hourly data provided in Emission Reports which were prepared for six factories between 2014 and 2016. It was assumed that all factories work 300 days a year, 24 hours a day and at 70% capacity for the calculations. As a result of the hourly measurements, the measurements, made every two years, exhibit differences depending on the products produced that year and the capacity.

Number of Employees by Gender and Category	2014		2015		2016	
	Women	Man	Women	Man	Women	Man
Out-of-Scope	280	400	100	566	95	534
In-Scope	2756	4497	2135	4040	1705	3692
<b>Total Number of Employees</b>	<b>7933</b>		<b>6848</b>		<b>6026</b>	

Number of Employees Returned to Work After Parental Leave (by Gender)	2014		2015		2016	
	Women	Man	Women	Man	Women	Man
Number of Employees on Parental Leave	22	130	156	218	86	232
Number of Employees Returned to Work After Parental Leave	12	130	101	218	61	232

Number of Employees Who Quit Work (by Gender and Age)	2014		2015		2016	
	Women	Man	Women	Man	Women	Man
Over 50 Years Old	0	6	12	27	10	39
Between 31-49 Years Old	123	293	335	540	427	372
Under 30 Years Old	114	605	285	479	291	325
Number of Employees Who Quit Work During the Year	1202	1911	632	1046	728	736
Number of Transferred Employees	4	8	1	7	6	25

Number of New Employees by Gender and Age	2014		2015		2016	
	Women	Man	Women	Man	Women	Man
Over 50 Years Old	1	1	0	3	0	2
Between 31-49 Years Old	110	215	60	226	32	102
Under 30 Years Old	149	831	107	461	67	204
<b>Total Number of New Employees</b>	<b>700</b>	<b>1505</b>	<b>167</b>	<b>690</b>	<b>99</b>	<b>308</b>

Number of Employees Subjected to Performance Evaluation (by Gender and Category)	2014		2015		2016	
	Women	Man	Women	Man	Women	Man
Employees Excluded	45	325	85	500	91	514
Employees Included	67	1951	59	1908	52	1767
<b>Total Number of Employees</b>	<b>112</b>	<b>2276</b>	<b>144</b>	<b>2408</b>	<b>143</b>	<b>2281</b>

Trainings	2014	2015	2016
Total Training Hours	156,709	114,789	132,098
Training per Employee	19.8	16.8	21.9
OHS Training per Employee	1.79	2.19	3.17

## GRI Standard

GRI STANDARD	DISCLOSURE	PAGE NUMBER/ LINK	OMISSION REASON
<b>GRI 101: Foundation 2016</b>			
<b>General Disclosures</b>			
<b>GRI 102: General Disclosure 2016</b>	<b>Organizational Profile</b>		
	102-1	4	
	102-2	4,5	
	102-3	<a href="http://www.ulker.com.tr/en/info/contact/address.aspx">http://www.ulker.com.tr/en/info/contact/address.aspx</a>	
	102-4	4,5	
	102-5	<a href="http://ulkerbiskuvinvestorrelations.com/en/about-ulker/shareholder-structure.aspx">http://ulkerbiskuvinvestorrelations.com/en/about-ulker/shareholder-structure.aspx</a>	
	102-6	4,5	
	102-7	4,5	
	102-8	36-39	
	102-9	26-29	
	102-10	5,26	
	102-11	14	
	102-12	8,50	
	102-13	50	
	<b>Strategy</b>		
	102-14	1-3	
	102-15	14	
	<b>Ethics and Integrity</b>		
	102-16	8,15	
	102-17	15	
	<b>Governance</b>		
	102-18	14	
	102-19	14	
	102-20	14	
	102-21	8,14	
	102-22		
	102-23	<a href="http://ulkerbiskuvinvestorrelations.com/_assets/pdf/kurumsal-yonetim-ilkeleri-uyum-raporu/Corporate-Governance-Report-2016.pdf">http://ulkerbiskuvinvestorrelations.com/_assets/pdf/kurumsal-yonetim-ilkeleri-uyum-raporu/Corporate-Governance-Report-2016.pdf</a>	
	102-24		
	102-25		
	102-26	8,14	
	102-28	36	
	102-29	14	
	102-30	14	
	102-31	14	
	102-32	3,6	
	102-36	<a href="http://ulkerbiskuvinvestorrelations.com/en/corporate-governance/remuneration-policy.aspx">http://ulkerbiskuvinvestorrelations.com/en/corporate-governance/remuneration-policy.aspx</a>	

GRI STANDARD	DISCLOSURE	PAGE NUMBER/ LINK	OMISSION REASON
<b>GRI 102: General Disclosure 2016</b>	<b>Stakeholder Engageme</b>		
	102-40	6-8	
	102-41	37	
	102-42	6	
	102-43	8	
	102-44	7	
	<b>Reporting Practices</b>		
	102-45	4	
	102-46	4,5	
	102-47	7	
	102-48	4	
	102-49	4	
	102-50	4	
	102-51	4	
	102-52	4	
	102-53	4	
	102-54	4	
	102-55	54-57	
	102-56	58	
	<b>GRI 200: Economic Standard Series</b>		
	<b>Economic Performance</b>		
<b>GRI 201: Economic Performance 2016</b>	201-1	2-4 <a href="http://ulkerbiskuvinvestorrelations.com/en/financial-and-operational-data/annual-reports.aspx">http://ulkerbiskuvinvestorrelations.com/en/financial-and-operational-data/annual-reports.aspx</a> page	
	<b>Procurement Practices</b>		
<b>GRI 204: Procurement Practices 2016</b>	204-1	27	
	<b>Anti-Corruption</b>		
<b>GRI 205: Anti-Corruption 2016</b>	205-1	15	
	205-2	15	
	205-3	15	
<b>GRI 300: Environmental Standard Series</b>			
	<b>Materials</b>		
<b>GRI 301: Materials 2016</b>	301-1	26-28	

GRI STANDARD	DISCLOSURE	PAGE NUMBER/ LINK	OMISSION REASON
	Energy		
GRI 302: Energy 2016	302-1	51	
	302-3	51	
	302-4	18	
	Water		
GRI 103: Management Approach 2016	103-1	20,21	
	103-2	20,21	
	103-3	20,21	
GRI 303: Water 2016	303-1	20,21	
	303-3	20,21	
	Emissions		
GRI 103: Management Approach 2016	103-1	19,20	
	103-2	19,20	
	103-3	19,20	
GRI 305: Emissions 2016	305-1	51,52	
	305-2	51,52	
	305-4	51	
	305-5	29	
	305-7	52	
	Effluents and Waste		
GRI 306: Effluents and Waste 2016	306-1	21	
	Environmental Compliance		
GRI 307: Environmental Compliance 2016	307-1	51	
	Supplier Environmental Assessment		
GRI 308: Supplier Environmental Assessment 2016	308-1	26	
<b>GRI 400: Social Standard Series</b>			
	Employment		
GRI 401: Employment 2016	401-1	36,52,53	
	401-2	37	
	401-3	53	

GRI STANDARD	DISCLOSURE	PAGE NUMBER/ LINK	OMISSION REASON
	Occupational Health and Safety		
GRI 103: Management Approach 2016	103-1	38,39	
	103-2	38,39	
	103-3	38,39	
GRI 403: Occupational Health and Safety 2016	403-1	13	
	403-2	39	
	403-3	39	
	Training and Education		
GRI 404: Training and Education 2016	404-1	38	
	404-2	37,38	
	404-3	36,37	
	Diversity and Equal Opportunity		
GRI 405: Diversity and Equal Opportunity 2016	405-1	52	
	Customer Health and Safety		
GRI 416: Customer Health and Safety 2016	416-1	42-44	
	416-2	42,43	
<b>Food Processing Sector Disclosures</b>			
GRI STANDARD	PAGE NUMBER/ LINK		OMISSION REASON
	Purchasing		
G4-FP2	12		
	Product Responsibility		
G4-FP5	43,44		
G4-FP6	42		
G4-FP7	42,43		





To the Board of Directors of Ülker Bisküvi Sanayi A.Ş.

Introduction

We, PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. ("PwC Turkey"), have been engaged by the board of directors of Ülker Bisküvi Sanayi A.Ş. ("Ülker Bisküvi") to perform an independent limited assurance engagement in respect of Ülker Bisküvi's Sustainability Report 2016 (the "Sustainability Report"). The scope of our independent limited assurance work is restricted to data marked with the ("\*\*") as set out in the Sustainability Report on page 51 consisting of energy consumption, direct greenhouse gas emission (Scope 1) and indirect greenhouse gas emission (Scope 2) for the year ended 31 December 2016 comprising the relevant production facilities and management units in Turkey (all together the "Selected Information") and does not extend to information in respect of earlier periods or to any other information in the Sustainability Report.

Ülker Bisküvi's responsibilities

- The board of directors of Ülker Bisküvi are responsible for:
- Designing, implementing and maintaining internal controls over information relevant to the preparation of Selected Information that is free from material misstatement, whether due to fraud or error,
  - Establishing objective assessments and preparing a reporting guidance ("Reporting Guidance", see page 51 of the Sustainability Report) with the purpose of measuring, recording and reporting of the Selected Information,
  - Measuring Ülker Bisküvi's performance based on the Reporting Guidance document and
  - Determining the content of the Sustainability Report.

Our responsibilities

- We are responsible for:
- Planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error,
  - Forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained and,
  - Reporting our conclusions to the board of directors of Ülker Bisküvi.

Professional standards applied and work done

We comply with International Standard on Assurance Engagements 3000 (Revised) - 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' ("ISAE 3000") and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements 3410 - 'Assurance Engagements on Greenhouse Gas Statements' ("ISAE 3410") issued by the International Auditing and Assurance and Assurance Standards Board (IAASB), and the applicable independence and competency requirements as articulated by the International Federation of Accountants (IFAC)

Code of Ethics for Professional Accountants. To comply with those standards, our work was carried out by an independent and multi-disciplinary team of sustainability and assurance specialists.

Assurance, defined by IAASB, gives the user confidence about the subject matter assessed against the reporting guidance. Reasonable assurance gives more confidence than limited assurance, as a limited assurance engagement is substantially less in scope in relation to both the assessment of risks of material misstatement and the procedures performed in response to the assessed risks.

We performed the following procedures for our independent limited assurance:

- Made enquiries of relevant Ülker Bisküvi management,
- Evaluated the design and implementation of key processes and controls over the Selected Information. However, this did not extend to testing that the controls operated as intended for the period under review,
- Assessed source data used to prepare the Selected Information for the year 2016 including re-performing a sample of calculation,
- Carried out analytical procedures over the Selected Information,
- Limited substantive testing on a selective basis of the Selected Information and
- Assessing the disclosure and presentation of the Selected Information.

Understanding reporting and measurement methodologies

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. It is therefore important to read and understand the Reporting Guidance (within the Sustainability Report) that Ülker Bisküvi has used to evaluate and measure the Selected Information.

In particular, the conversion of different energy measures to megawatt-hour (mwh) and energy used to carbon emissions is based upon, inter alia, information and factors generated internally and/or derived by independent third parties as explained in the Reporting Guidance. Our assurance work has not included examination of the derivation of those factors and other third party information.

Conclusion

As a result of our procedures, nothing has come to our attention that indicates that Ülker Bisküvi Sanayi A.Ş.'s Selected Information for the year ended 31 December 2016 is not prepared in all material respects in accordance with the Reporting Guidance.

Limitations

This report, including the conclusion, has been prepared for the Board of Directors of Ülker Bisküvi as a body, to assist the Board of Directors in reporting Ülker Bisküvi's sustainability performance and activities. We permit the disclosure of this report within the Ülker Bisküvi's Sustainability Report 2016, to enable the Board of Directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Selected Information for the year ended 31 December 2016. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors as a body and Ülker Bisküvi for our work or this report save where terms are expressly agreed and with our prior consent in writing.

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

Ediz Çiinsel, SMMM Partner

Istanbul, 23 June 2017

CONTACT

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Reporting Consultant  
S360

Desing  
rekare; creative cesign works



# THIS IS OUR WORLD

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