



ÜLKER

2019

Sustainability

Report




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About The Report

As Ülker Bisküvi Sanayi A.Ş., we share our economic, corporate governance, social and environmental performance with our stakeholders each year. The 2019 Sustainability Report is limited to our operations in Turkey and contains our sustainability performance from January 1 to December 31, 2019. Our report includes our future strategic plans and objectives to share the value we aim to create through our company's operations.

This report has been prepared in accordance with the GRI Standards: Core option. In addition, we have used the GRI Food Processing Sector Supplement and the Processed Foods Guidelines of the Sustainable Accounting Standards Board (SASB). We also share our contributions to the United Nations Sustainable Development Goals (SDGs) as part of our business model and leadership approach.

Please send all your questions, comments, and suggestions on our reporting and sustainability efforts to surdurulebilirlik.platformu@ulker.com.tr



MESSAGE FROM METE BUYURGAN



Dear Stakeholders,

We are seeing that rising food demand from a growing global population, changing consumer expectations, the need for a sustainable supply of raw materials, and environmental problems are of increasing importance on the agendas of food industry stakeholders. Consumers are paying more attention to how companies make their products, to what extent they take steps to protect the environment, how they contribute to the solution of problems facing communities in which they operate and even to whether they lead the way in tackling these problems. Consumers want to instantly access and stay informed about brands through digital channels. Furthermore, global environmental developments, the pressure on limited resources such as water, energy, and raw materials, and rising costs constitute a significant focal point.

Accordingly, as a responsible and leading food company, we closely follow all local and global trends to understand and respond to evolving customer needs. We are also determined to meet the expectations of our stakeholders through more

effective and transparent communication. We are committed to leading the transformation of the food industry in order to create a better world for future generations. This is why we have embraced the zero-waste philosophy from our very first day as a company and have striven to be an industry leader in sustainability ever since. In line with this philosophy, we are transforming our business model, incorporating the environment, the value chain, innovation, employees, social responsibility and leadership. We are excited to be making progress toward the sustainability goals we set for 2024, when we will celebrate our 80th year. We closely follow the latest trends and needs while contributing to the national economy with our strong export, job creation and production performance, and respond to the changing expectations of consumers. We continued our robust financial performance in 2019, increasing our sales by 31% and ending the year with a turnover of TRY 7.8 billion. We also expanded our domestic operations by 28% and our overseas operations by 37%. It was important for us to grow with all our stakeholders, that is, farmers, employees and customers, who are the essential links of our value chain. We understand the significance of working with different stakeholder groups in industrial and international initiatives. We believe that sustainability efforts can be successful only if embraced by the entire company and its employees. As outlined in our road map, our journey toward our objectives continues with the contributions of our colleagues and managers.

We focus on reducing our environmental impact.

The sustainability of our operations is closely related to the protection of land, water and biodiversity. Accordingly, we focus on reducing our environmental footprint and continue to grow as a business without increasing our carbon emissions. In 2019, we saved 2,502 MWh of power, which is equivalent to the annual power consumption of 1,500 households, and reduced our CO₂ emissions by 1,000 tons.

We consider packaging management a key issue. Besides packaging management, we are working on making our logistics processes, which include boxing, packaging and transportation, more sustainable. Saving space and optimizing routes are the two key areas in which we are endeavoring to improve our efficiency.

We act responsibly in our value chain.

Every single biscuit or other snack we offer to consumers begins its journey as wheat. We manage every step of this production chain responsibly. We work to ensure the sustainability of wheat, one of our most vital raw materials. This is why we have started a collaboration with Bahri Dağdaş International Agricultural Research Institute. We developed "Ali Ağa," a new wheat variety used in biscuit making, which is highly productive and disease- and drought-resistant, and registered it with the Turkish Ministry of Food, Agriculture and Livestock Variety Registration and Seed Certification Center. With this project, we aim to expand the cultivation of biscuit wheat across Turkey and contribute to the national agriculture and economy.

In 2019, as part of our sustainable supply chain project, we identified our key

suppliers based on criteria such as purchasing volume and criticality of the product supplied. We gave them self-assessment surveys and gathered their answers on social and environmental matters, including employee rights, work conditions, energy and water consumption, and waste management. In doing this, we aimed to ensure that our suppliers align themselves with our business practices.

We are driven by innovation and R&D, and involve our employees every step of the way.

Our investment in innovation and R&D plays a vital role in helping us attain our sustainability goals. In 2019, we allocated TRY 15.2 million to R&D, which marks a 35% increase year over year. As part of our R&D activities, we worked on 372 and completed 213 projects in 2019. As a result of these projects, we saved TRY 24.5 million. We continued to cultivate the innovative and entrepreneurial spirit of our employees with Akıl Küpü, a platform where employees share their creative ideas with their colleagues. We implemented 19% of the ideas shared. We encourage a balanced diet as part of our social responsibility.

We were shortlisted in three categories - Sustainability Reporting and Communication, Water Management and Logistics Management - in the Sustainable Business Awards, one of the most prestigious business awards worldwide. We were named a "Good Life Brand" in the food industry for the second time in a row in the "Good Life Survey," which focuses on consumers' lifestyles, consumption habits and values that redefine and reshape a good life.

We have been fighting as a country against the COVID-19 pandemic since the first quarter of 2020, as we were preparing this sustainability report. It was an unprecedented challenge for us and the world alike. We thus believe that we should not pass over the pandemic and refer to it briefly here. Putting people first, we acted quickly and with agility so that all our employees could adapt to the challenges of the age of COVID-19. Guided by the 14 Rules published by the Ministry of Health, we took comprehensive measures that cover our offices, factories and field teams. Thanks to our prudent approach and the measures we took across our supply chain, we avoided interruptions in production during the early stages of the pandemic. Our field teams ensured that our products reached the relevant sales points without interruption. We are delighted to have fulfilled our great responsibility in supplying sustainable and safe goods to our country and our people. We thank front-line healthcare workers for their dedicated efforts in fighting against the disease, and all professionals, especially those in the food industry, who worked selflessly to ensure that life continues as normally as possible.

I am pleased to present to you our 2019 Sustainability Report, which provides a detailed account of all our sustainability efforts. I also thank all the colleagues and stakeholders who contributed to our efforts. We will continue to do our best to achieve our sustainability goals in 2020.

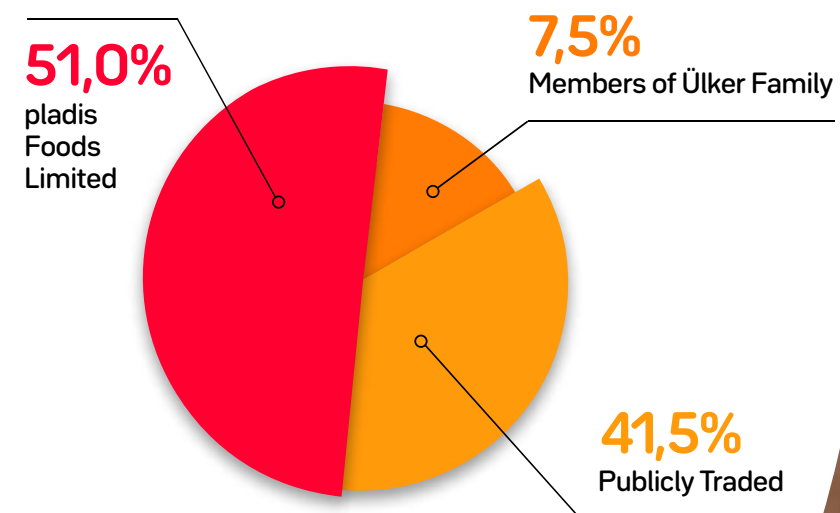
Sincerely yours,
Mete Buyurgan
 CEO

About Ülker Bisküvi

Founded in a small workshop in 1944, Ülker Bisküvi is now one of the leaders of the biscuit industry in the world. One of Turkey's leading food companies, we produce hundreds of different types of products in chocolate and cake categories in several locations. We manufacture our products in 10 factories, six of them in Turkey (three - Silivri, Hadımköy, and Topkapı - in Istanbul, and one each in Karaman, Kocaeli, and Ankara) and four overseas (one in Egypt, two in Saudi Arabia, and one in Kazakhstan). We supply our products to consumers worldwide, including the Middle East, the Central Asia, Europe, Africa, Americas, and Russia, besides Turkey.

We focus on adding value to the society and becoming a global brand. We upheld our successful production performance, raising our sales volume to 576,000 tons with a 4% increase compared with the previous year. In economic terms, we generated TRY 7.8 billion in revenues and TRY 1,154 million operating profit.

CAPITAL STRUCTURE¹

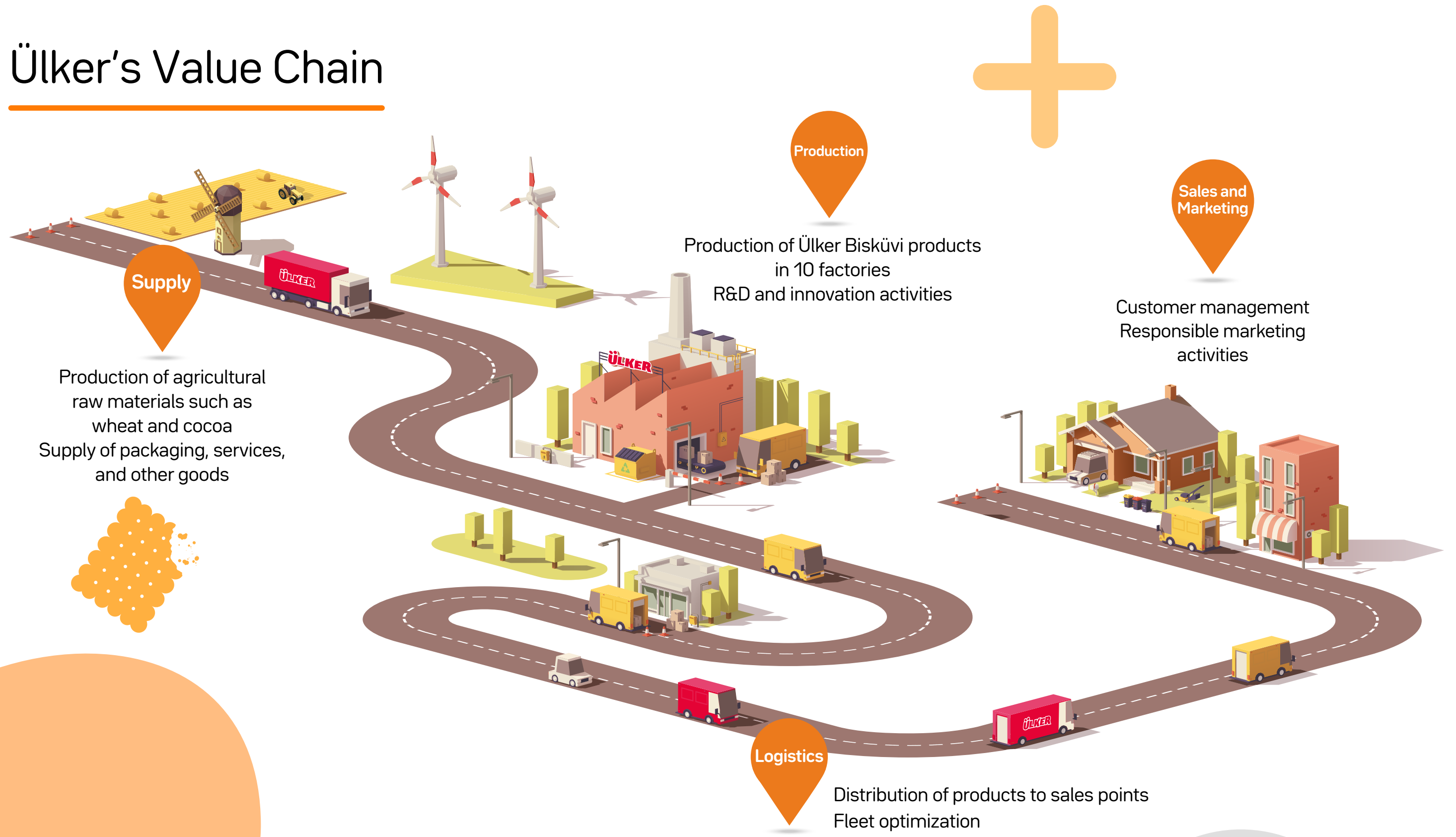


FINANCIAL HIGHLIGHTS

Summary Income Statement (million TRY)	2018	2019
Revenue	5.956	7.803
Gross Profit	1.560	2.139
Operating Profit	779	1.154
Net Profit for the Period [Equity Holders of the Parent]	701	905

¹Pladis was founded in 2016 by the merger of Godiva Chocolatier, United Biscuits, DeMet's Candy Company, and Ülker in the snacks group, the main business line of Yıldız Holding. Making up the largest part of Yıldız Holding with its revenues, Pladis, as a global company, operates with 17,000 employees in 180 countries with a product diversity to fulfill the expectations and needs of consumers in various parts of the world.

Ülker's Value Chain



We aim to make people happy and be happy while doing our job.

OUR SUSTAINABILITY PRINCIPLES



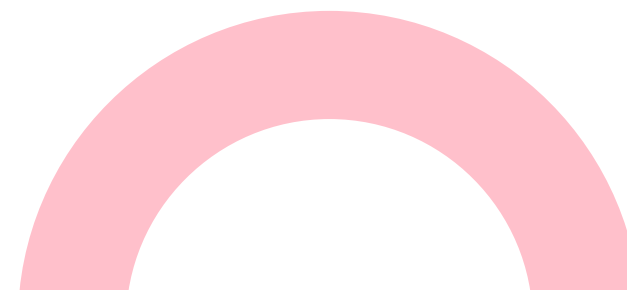
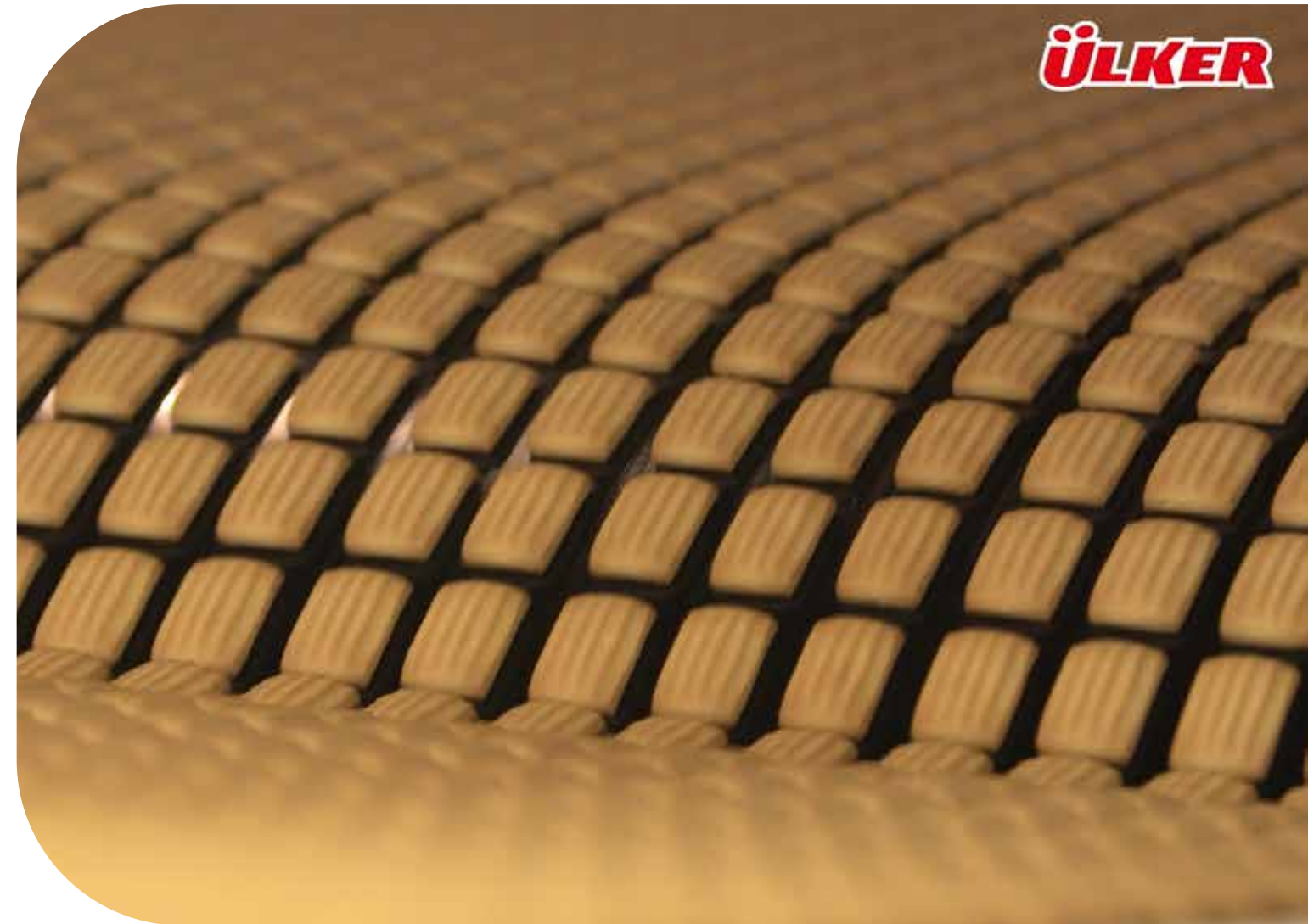
ENVIRONMENT

We lead the way in change, while embracing new and different ideas. We internalize the efficiency and excellence in our operations by taking necessary steps for environmental sustainability, zero waste generation, sustainable water management, carbon-neutral applications and raw material supply.



VALUE CHAIN

We follow the best practices in the industries in which we operate and aim to do better. We help all stakeholders to meet the core requirements, move forward especially with farmers and manufacturers. We integrate with the way we do business by blending values of sustainable society and the company.



OUR SUSTAINABILITY PRINCIPLES



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.



“ We act as a responsible **pioneer in the industry.** By putting our heart into what we do **with the determination** to succeed and **hard work**, we are able **to exceed our goals.** ”



EMPLOYEES

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



SOCIAL RESPONSIBILITY

We emphasize a healthy and active lifestyle by providing transparent information to all our customers and stakeholders. While promoting a healthy society we also focus on facilitating and simplifying life.

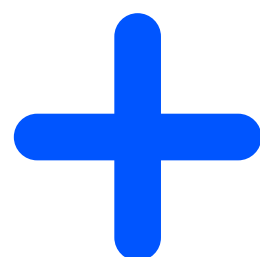


LEADERSHIP

We act as a responsible pioneer in the industry. By striving in our business with the determination to succeed and work hard, we are able to exceed the goals we set for ourselves. We follow global developments, set rules, and provide innovative and uniquely transformative leadership.

STRATEGIC APPROACH: MOVERS

Setting an organisation apart from the competition and achieving sustainable success in today's global business landscape where competition increases by the day is only possible through a sound and applicable strategy. MOVERS is our new framework that enables us to apply such a strategy. It's a concept, in fact, a lifestyle... It's the latest product of our 'Make Happy, Be Happy' philosophy. MOVERS is an acronym that is made up of the first letters of six key steps that we need to keep in mind in everything we do.



MONEY Are We Making Money?

The topmost goal of our strategy is to question whether we make money from what we do. Challenging what we do will increase the efficiency of our work and directly impact our growth targets.

OBJECTIVES What are the common goals?

In order to make money there needs to be a set of objectives that we all embrace and get us hyped. We need to think of objectives in the long term but, at the same time, we should phase them out into shorter terms.

VALUE How do we make value?

Our objective is to create values and set ourselves apart from our competitors through these values. We need to be aware that each step in the value chain has a potential to create more value.

EVALUATION What are the Risks and Opportunities?

In order to create value, it's imperative to take into account all internal and external factors that have a potential positive or negative impact on our business results. Effectively evaluating risks and opportunities will deliver results with a higher probability and success.

RIVALS Complete the Competition Environment

Accurately analysing the current competitive landscape and the future of competition is critical to effective risk and opportunity. We need to closely monitor our competitors inside and outside of our industry.

SUSTAIN How to Ensure Continuous Success?

In business, success which is not sustainable means nothing. That's why, sustainability is critical both for our business success and our impact on society and the environment.



SUSTAINABILITY APPROACH

We have always regarded sustainability with our "Make Happy, Be Happy" approach as an essential part of our business since the day we were founded. By touching our entire value chain, we work to develop and grow together with our stakeholders, from soil to farmers, from employees to customers. We gather all activities in six areas: Environment, Value Chain, Employees, Innovation, Social Responsibility, and Leadership.

In this journey, we take as a reference the goals we set for 2024 and our sustainability principles in six areas. We closely monitor national and international developments and global trends, as well as aim to contribute to the United Nations Sustainable Development Goals (SDGs) of 2030.

We believe that sustainability efforts can only be successful when embraced by the entire company and its employees. Hence, we keep working under the leadership of our Board of Directors, following the road map we developed to achieve our goals with the contribution of all our employees and executives. Progress regarding the goals also provides input to the performance indicators of employees and executives, including the CEO.



Since we accelerated our sustainability efforts in 2014, we strive for sustainability to be embraced by our employees and all of our operations. Thus, we train our employees and set our strategy and objectives through workshops with different units. **Our goals for 2024 define our road map.** We regularly monitor and review our goals.



FOCUS AREA

GOAL

PROGRESS (COMPARED WITH 2014)

SITUATION

ENVIRONMENT

Growing with zero carbon emission increase

Developing a long-term **energy efficiency** strategy

Reducing carbon emissions by **40%** per unit production

Reducing water consumption by **30%** per unit of production

Sending zero waste to landfills **through 100% recycling**

Reducing packaging waste by **50%**

Obtaining **BREEAM** Green Building Certificate for our Gebze Factory

Our carbon **emissions** have remained unchanged since 2014.

We saved 2,502 MWh of energy in **2019**.

CO₂ emissions per unit production were maintained. Efforts for renewable energy supply are in progress.

We outperformed our **2024 objective, attaining a 31.2%** reduction.

The rate of waste sent to landfills was **9%**.

We outperformed our objective by decreasing our flexible return packages **by 65%** and cardboard boxes **by 99%** compared with **2014**.

We obtained **BREEAM** Green Building Certificate at GOOD level.



VALUE CHAIN

Reducing logistics-based carbon emissions by **20%**

We reduced carbon emissions **by 4,263 tons in 2019**.



INNOVATION

Developing a **sustainable** packaging strategy and policy

Implementing projects **to reduce packaging**

We developed the strategy. We are preparing the policy in line with our strategy.

We used **355 tons of plastic, 96 tons of paper, and 10 tons of aluminum** less for our packages.



ENVIRONMENT



VALUE CHAIN



INNOVATION



Goal achieved. In progress. Behind the goal.

FOCUS AREA

GOAL

PROGRESS (COMPARED WITH 2014)

SITUATION

EMPLOYEES

Keeping regretted loss rate below **3%**

Ensuring that **all employees** get standard sustainability training

Reduce lost time injuries to **zero**

Collecting **at least 500 suggestions** from employees each year under the title of sustainability through Kaizen Ideas suggestion system

Keeping employee engagement at **65-100%**

Reducing employee turnover rate to **12%**

Regretted loss rate was **1.29%** in 2019.

A total of **2,500** employees got standard sustainability training. We aim to provide sustainability training on the online platform in 2020.

We reduced accident frequency rate by 78%.

1,207 suggestion were collected.

Employee engagement was **80,4%** in 2019.

Employee turnover rate was **10,7%** in 2019.

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SOCIAL RESPONSIBILITY

Reducing the amount of **saturated fat, salt, and sugar** in all product categories

Reducing customer complaints per million packages by **20%** compared with 2018.

Last year we reduced **180 tons of fat, 109 tons of sugar and 16.3 tons of salt** in all product categories.

We reduced complaints by 9.6%.

LEADERSHIP

To continue projects and cooperation with leading organizations for public health and future

- Sustainable Hazelnut Agriculture Project
- World Cocoa Foundation support
- Food Drink Europe and EUFIC membership
- TÜSİAD Environment and Climate Change Working Group
- TÜSİAD Energy Efficiency Task Force
- Active participation in seminars and conferences

SOCIAL RESPONSIBILITY



LEADERSHIP



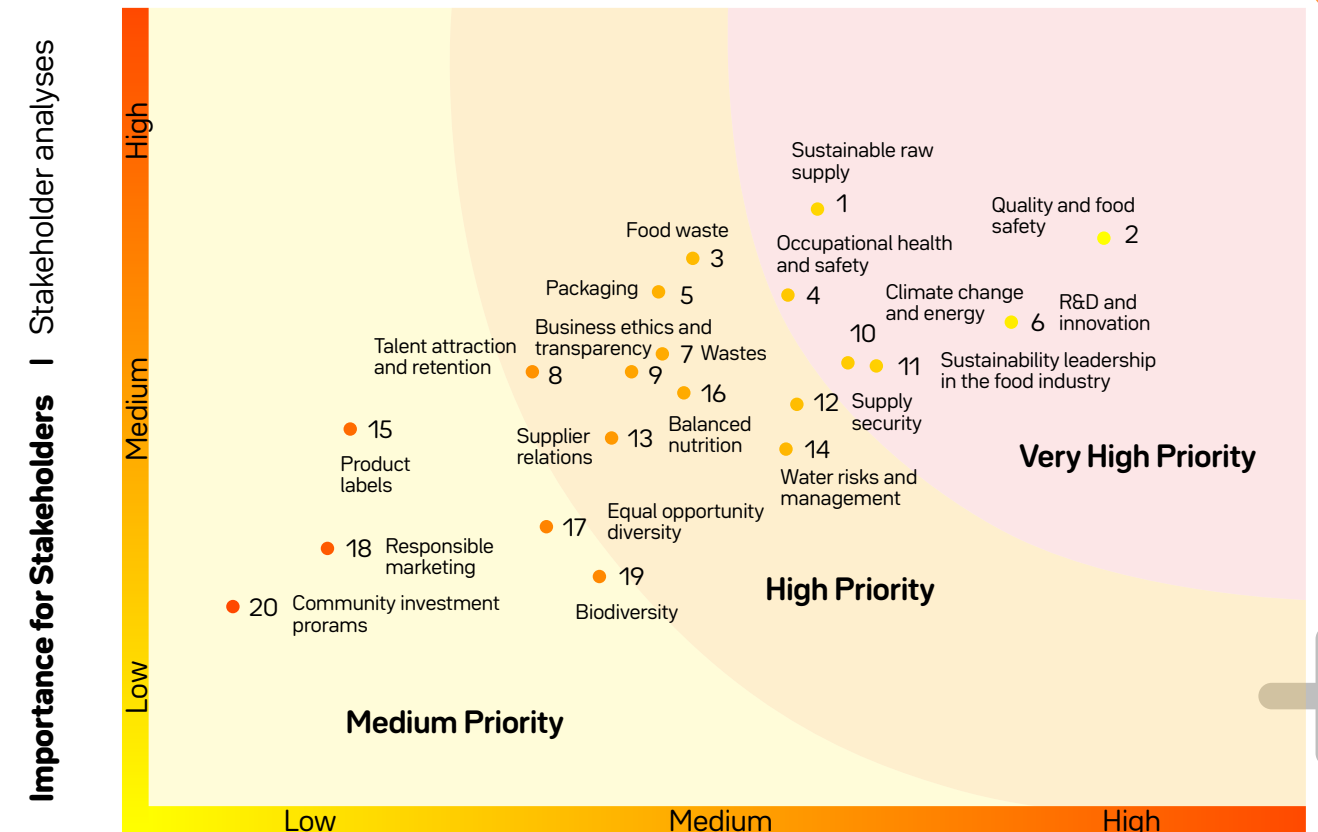
👍 Goal achieved. ... In progress. X Behind the goal.

Material Issues

We use materiality analysis to drive our sustainability strategy and efforts in line with material issues updated on a yearly basis. This analysis enables us comprehend our stakeholders' expectations and global agenda better and respond to them in the best manner. We also shape the content of the report in line with the material issues. While we continue to monitor high-priority issues based on our objectives and strategic steps, emerging issues describe us the fields that we plan to focus on in the future.

- Making a long list of topics** We prepare a long list of topics, including our industry-related issues, by a comprehensive literature review.
- Stakeholder analysis** Different groups of stakeholders prioritize the long list of topics through online surveys based on a comprehensive stakeholder analysis. We regularly interact with our stakeholders and ask them about the material issues of Ülker and their opinions and expectations about the efforts of Ülker.
- Executive opinions and external trend analysis** The opinions of the executive management, business strategy, and external trend analysis provide input regarding setting the company's priorities. We use the reports of international and sectoral initiatives and associations, global trends, and the priorities of other industry players for our external trend analysis.
- Identifying material issues** We identify the common issues with the highest level of importance between the stakeholder priorities determined by a stakeholder analysis and company priorities determined by executive opinions and external trend analysis.

Fields	Material Issue
Environment	Climate change and energy
Value Chain	Sustainable raw material supply Quality and food safety
Innovation	R&D and innovation
Employees	Occupational health and safety
Leadership	Sustainability leadership in the food industry



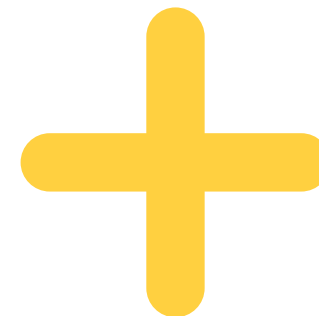
Importance for Ülker Bisküvi | Strategy + Executive Opinions + External Trends

- 1 Sustainable raw material supply
- 2 Quality and food safety
- 3 Food waste
- 4 Occupational health and safety
- 5 Packaging
- 6 R&D and innovation
- 7 Wastes
- 8 Talent attraction and retention
- 9 Business ethics and transparency
- 10 Climate change and energy
- 11 Sustainability leadership in the food sector
- 12 Supply security
- 13 Supplier relations
- 14 Water risks and management
- 15 Product labels
- 16 Balanced nutrition
- 17 Equal opportunity and diversity
- 18 Responsible marketing
- 19 Biodiversity
- 20 Community investment programs

Dialogue with Stakeholders

We believe in the importance of collaborations and effectively communicating with stakeholders to achieve our sustainability goals and to lead in this area. We engage in regular dialogue with our internal and external stakeholders, and include them in our decision-making mechanisms.

We believe that a systematic cooperation with different stakeholders is essential to overcome global challenges. Hence, we cooperate with different groups of stakeholders in industrial and international initiatives. We collaborate with organizations such as food associations, the World Cocoa Foundation (WCF), and the Processor Alliance for Cocoa Traceability. We aim to proceed with the contribution of stakeholders in all processes and increase our cooperation in different platforms by active participation.



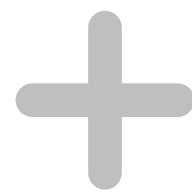
World Cocoa Foundation



SUSTAINABILITY AND RISK MANAGEMENT

We manage sustainability with a unique structure through the Sustainability Platform. Sustainability Platform's responsibilities include determining policies, strategies and goals regarding sustainability and receiving feedback from stakeholders. The platform incorporates different functions, including R&D, human resources, corporate communication, financial affairs, operational excellence, quality and food safety, HSE (Health, Safety, Energy, Environment), marketing, procurement and supply chain, which enables to handle operations with an integrated approach.

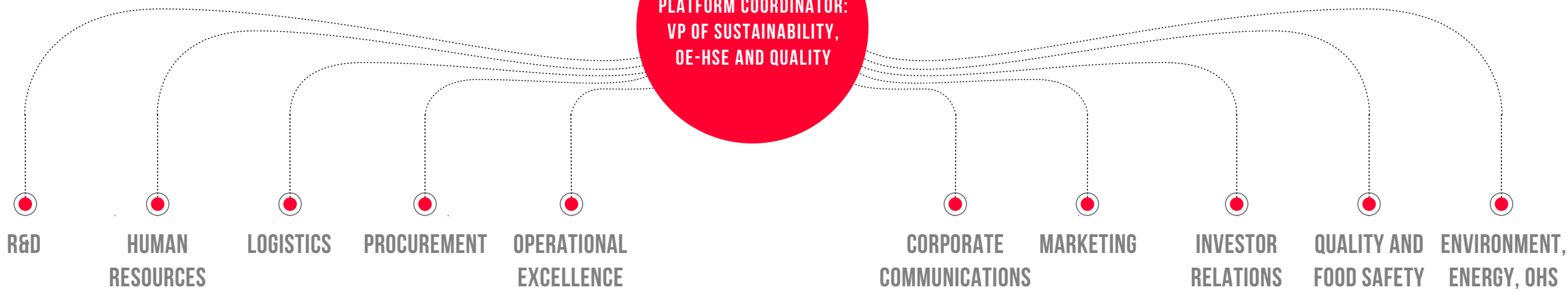
The platform convenes four times a year to address the developments and progress in line with the goals. Where necessary, topic-based workshops are organized and goals are updated. In addition, the platform is responsible for ensuring coordination and cooperation among the business units. Moreover, it is accountable for supervising whether the sustainability activities are performed and reporting it to the Board of Directors, as well as monitoring the efforts to keep the Board of Directors' sustainability strategy and goals up to date.



CHAIRMAN OF BOARD

HEAD OF THE SUSTAINABILITY PLATFORM – ÜLKER CEO

PLATFORM COORDINATOR: VP OF SUSTAINABILITY, OE-HSE AND QUALITY



Risk Management

The Risk Committee reporting to the Board of Directors conducts the risk management activities of Ülker Bisküvi. The Risk Committee performs early detection of the risks that could jeopardize the existence, development, and continuity of the company, implementation of the measures identified for those risks, and management of risks, convenes four times a year, and reviews risk management systems, at least, once a year. A Risk Management Business Unit was established within Yıldız Holding to coordinate risk management with a standard approach to create synergy across the Group Companies of Yıldız Holding.

The Risk Committee is accountable for regularly monitoring the risks defined in the risk matrix, their spheres of influence, the first actions to be taken, and the types of risks. It is a priority to determine the threats that could affect the strategy in identifying the risks. Hence, all risks that could hinder attaining the company's objectives are determined under the guidance of executive management and detailed analyses of the relevant specialists. After the assessment of the determined risks, severity and effects of the risks are ascertained, priorities are identified, actions to be taken for the risks prioritized according to the assessments of the risk officials are determined and implemented. Changes in risk

levels are regularly monitored to take necessary measures. The committee reports regularly to the Board of Directors and is audited independently by the audit teams of Yıldız Holding.

We monitor our risks under the categories of financial, operational, strategic risks, compliance risks, and other risks. We consider non-financial risks, as well as financial risks, to follow a comprehensive risk management framework. We cover all risks in the chain, from raw material supply to delivery to customers, and estimate their impact on Ülker Bisküvi. We monitor the risks in matters such as foreign currency and interest rates, raw material price changes due to climate change, partnership and new investment risks in different regions, and compliance with human rights. We work to ensure that all employees internalize the risk culture, and we attach importance to each unit's identification and assessment of risks.



ETHICS

It is the fundamental value of Ülker Bisküvi to act ethically. Code of Conduct cover anti-corruption and anti-bribery regulations, as well as our relations with our stakeholders. We keep track of non-compliance with the Code of Conduct through reporting hotlines and provide training so that both white and blue collar employees of our company internalize these principles. All employees received 1,584 person-hours of training on ethics, covering anti-corruption and anti-bribery topics.

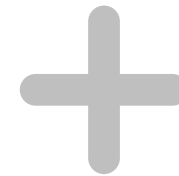
Our employees can access the Code of Conduct through the website and through Human Resources and convey any notifications regarding ethical issues. All reports sent by employees are kept confidential and resolved by submission to the Ethics Board, which convenes at two-month intervals and with contributions of different units such as Human Resources, Legal, and Internal Audit, depending on the content. Violations are reported to etikbildirim@ulker.com.tr.


All six reports made to the ethics hotline this year have been resolved. Of those reports, one was about corruption and five were about working conditions and employee rights. No act of corruption or public legal action has been filed against the company.


In addition, our ethical code of conduct covers respect for human rights in the entire value chain. The Human Rights Policy we created for this purpose is based on the OECD Guidelines for Multinational Enterprises and the International Labor Organization Conventions. We translate the policy into the languages of the regions in which we operate. We share the policy with our stakeholders in Arabic in Egypt and Saudi Arabia, and in Kazakh and Russian in Kazakhstan.



**While doing our job,
we adopt the ethical way
of doing business
that takes care of all
our stakeholders.**



 You can access Ülker Bisküvi Code of Conduct [here](#).

 You can access Ülker Bisküvi Human Rights Policy [here](#).

ENVIRONMENT



+



WE RECYCLED AND

REUSED

91%

OF OUR WASTE.

ENVIRONMENT

The sustainability of our operations depends on the protection of land, water, and biodiversity. We aim to minimize our environmental impact while doing business. Our innovative practices guide the industry in sustainability of food and agriculture. We consider our stakeholders' opinions and suggestions and overall expectations of our external stakeholders such as the private sector, public sector, NGOs, and universities to enhance our environmental performance. We evaluate our environmental performance in the context of climate change and energy and water usage, waste and package management, and protection of biodiversity.



GOAL

Growing with zero carbon emission increase

Developing a long-term **energy efficiency** strategy

Reducing carbon emissions by **40% per unit production**

Reducing water consumption by **30%** per unit of production

Sending zero waste to landfills through **100% recycling**

Reducing packaging waste by **50%**

Obtaining **BREEAM** Green Building Certificate for our Gebze Factory

PROGRESS (COMPARED WITH 2014)

Our **carbon emissions** have remained unchanged since 2014.

We saved 2,502 MWh of energy **in 2019**.

CO₂ emissions per unit production were maintained. Efforts for renewable energy supply are in progress.

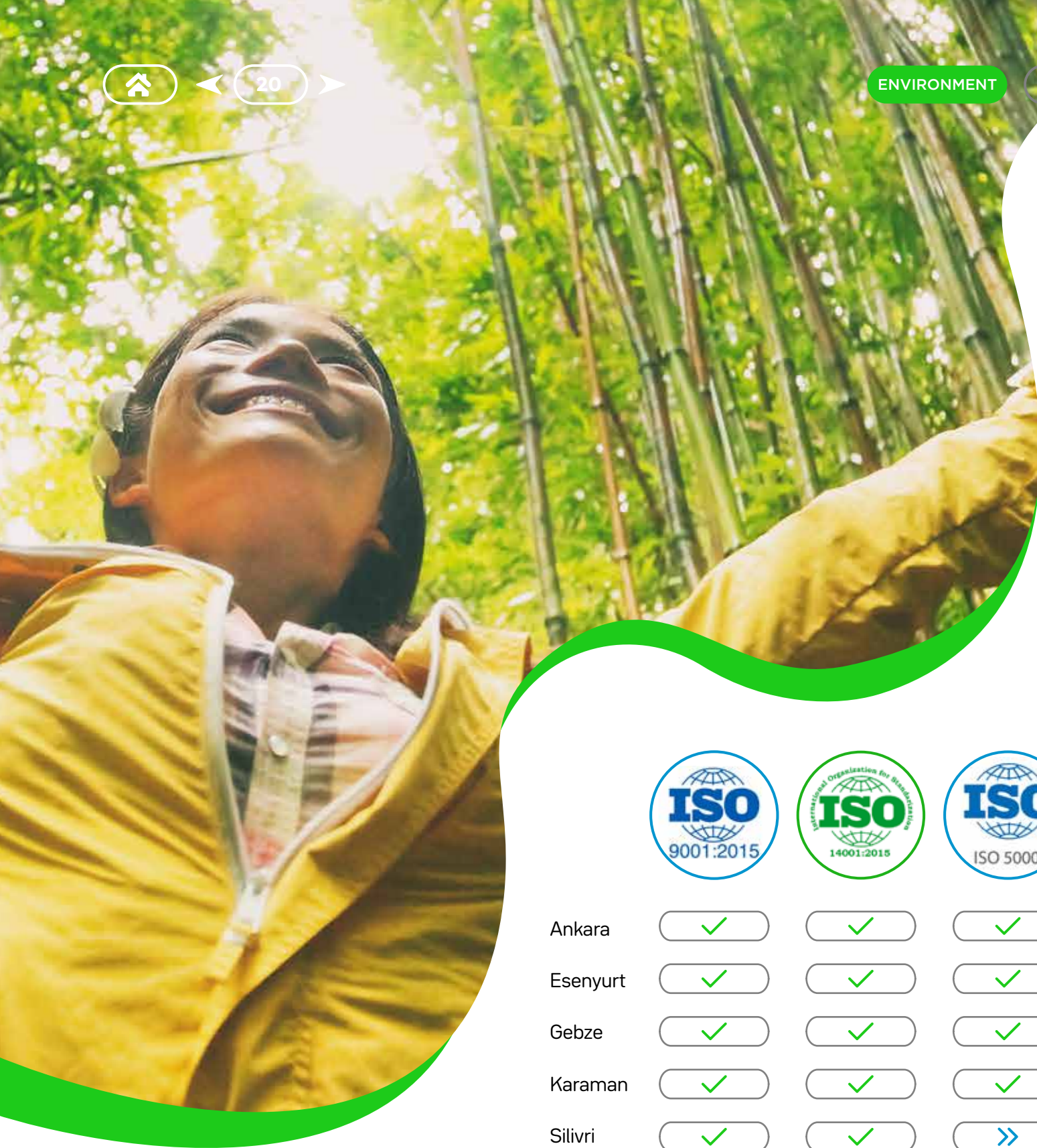
We outperformed **our 2024 objective**, attaining a **31.2% reduction**.

The rate of waste sent to landfills was **9%**.

We outperformed our objective by decreasing our flexible return packages by **65%** and **cardboard boxes by 99%** compared with 2014.

We obtained **BREEAM** Green Building Certificate at GOOD level.





Our 2024 goals enable us to continually enhance our performance in material environmental issues. We implement projects to accomplish our performance objective, improving our environmental impact every year. To be able to achieve our goals, we gradually increase our environmental investments every year. Accordingly, our 2019 investments and expenditures in environment almost tripled compared to 2018, reaching TRY 2.8 million.

We included criteria related to climate change and the environment in employee performance assessment processes, aiming to embed environmental sustainability into our organizational culture. In addition to this, we train our employees on environmental issues and engage in activities to raise awareness. In 2019, we provided 2,840 hours of training on environmental issues to 3,737 employees.

Policies and international standards are decisive and play a fundamental role in

managing our environmental performance. We manage operations in all factories with the ISO 9001 Quality Management System and ISO 14001 Environmental Management System certificates. Moreover, all our factories, except for the Silivri factory that is at the final stage, are certified for compliance with the ISO 50001 Energy Management system, and we have integrated this system with the Greenhouse Gas Release Inventory and Verification System. Certification of the Silivri factory is projected to be completed in 2020. In all factories, we continue to implement the innovations and developments under the ISO 50001:2018.

We focus on our environmental impact associated with not only our operations but also production and consumption of our products. Our analyses enable us to manage our environmental impact better. We apply Lifecycle Assessments to analyze the environmental impacts of our products, from raw material production to disposal.



	ISO 9001:2015	ISO 14001:2015	ISO 50001
Ankara	✓	✓	✓
Esenyurt	✓	✓	✓
Gebze	✓	✓	✓
Karaman	✓	✓	✓
Silivri	✓	✓	»»
Topkapı	✓	✓	✓

✓ : Achieved

»» : In progress



You can access Ülker environmental management policy and environmental commitments on Ülker Investor Relations [website](#).



CLIMATE CHANGE AND ENERGY

 **1.500** households

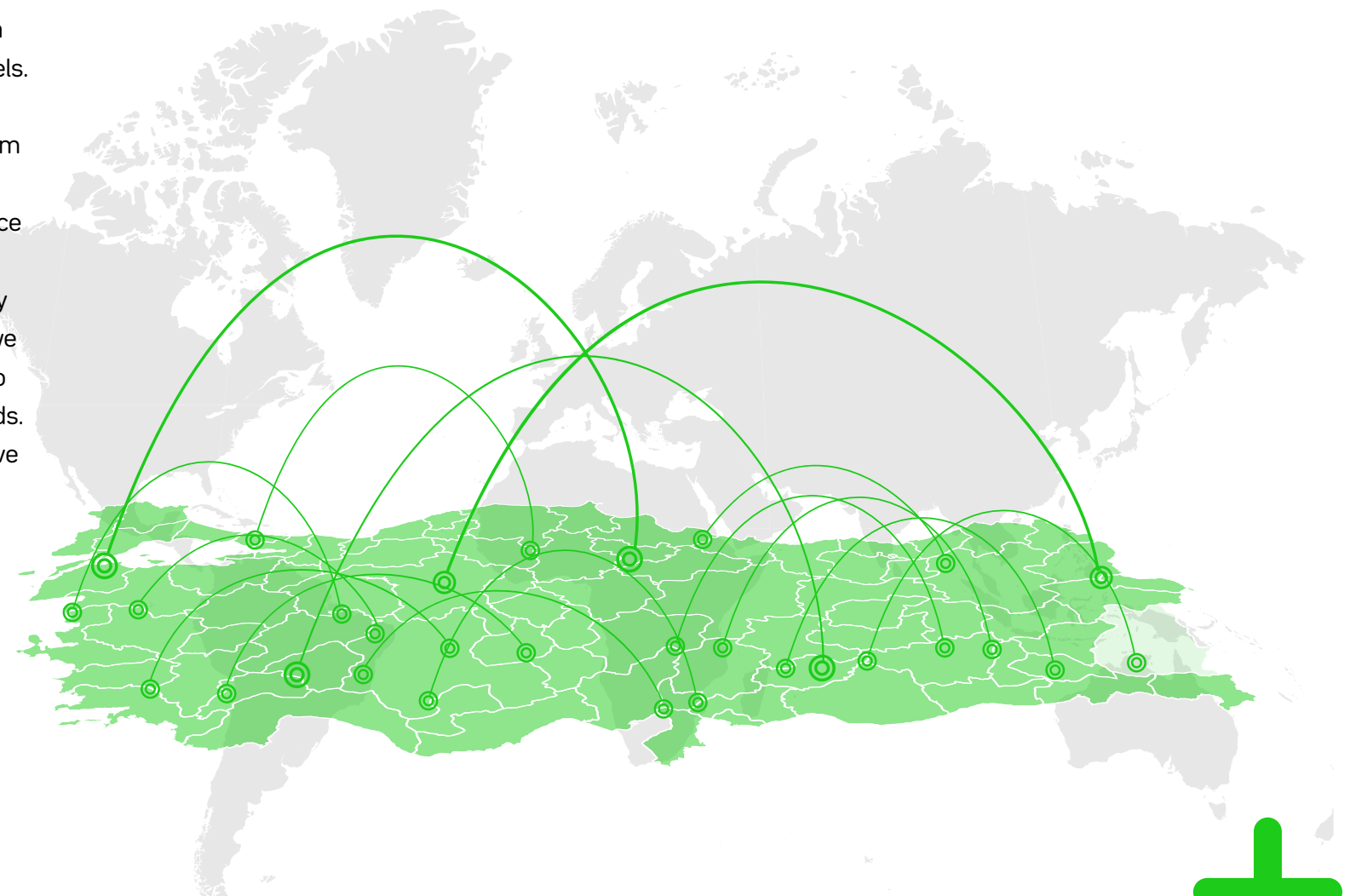
 **2.502** MWh of energy saved

 financial saving **TRY 1** million

Global climate change and the resulting extreme weather conditions, drought, and rising sea levels are some of the most fundamental issues we are facing today. All stakeholders, especially the business world, share a responsibility in tackling climate change. Thus, business models should be aligned to this effort. In the fight against climate change, all stakeholders should collaborate under the leadership of public sector, private sector, and nongovernmental organizations.

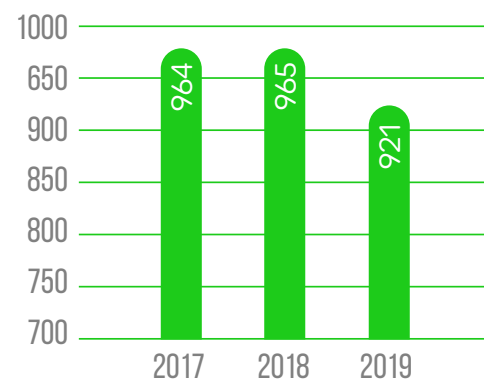
As Ülker Bisküvi, we work to reduce its carbon emissions and energy consumption effectively and share our performance transparently every year. Since 2016, we regularly report our climate change strategy, carbon emissions and energy-related performance to Carbon Disclosure Project (CDP).

With our growing activities and operations, we aim to keep carbon emissions per product at 2014 levels. Corroborating this objective, we closely monitor Scope 1 and Scope 2 values stemming directly from our emissions, as well as Scope 3 values, which make up emissions from our value chain. We reduce energy consumption by constantly improving our current technology and by implementing efficiency measures in all our business processes. In 2019, we saved 2,502 MWh of energy, which is equivalent to the yearly energy consumption of 1,500 households. Reduced consumption of energy enabled us to save nearly TRY 1 million financially and reduce CO₂ emissions by 1,000 tons.

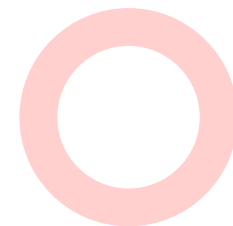
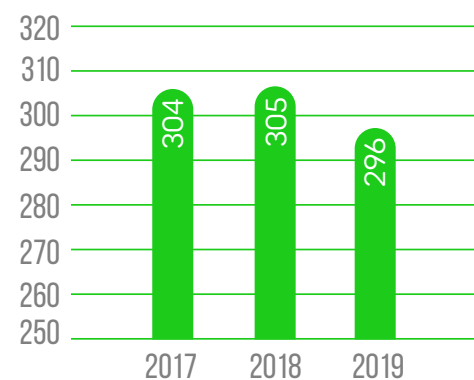


In 2019, we installed energy monitoring systems and started instant monitoring in all our factories.

Energy Intensity (MWh/ton)



Emission Intensity (kgCO₂/ton)



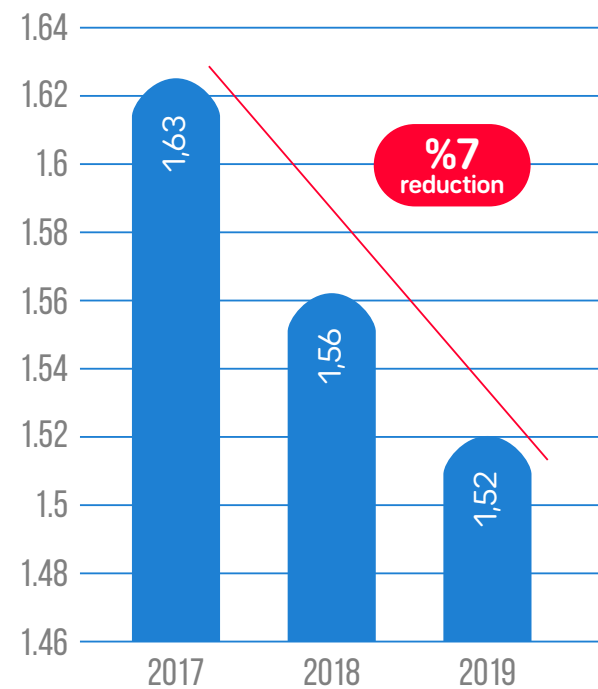
WATER MANAGEMENT

With the rising global population, rapid industrialization, changing consumption habits towards products that consume more water and increasing agricultural production, we are consuming more water than ever. In the face of limited freshwater resources, a rapid rise in water consumption is exacerbating water stress around the world. Water resources should be managed more efficiently to ensure sustainability of agriculture sector and adequate access to food and water for all.

As part of our 2024 goals, we continue to augment our water management performance. Accordingly, we are developing projects and practices to enhance water efficiency and reduce our water consumption. We reduced water consumption by 30.5% and water consumption per unit by 31.2% from 2014 to 2019, thereby exceeding our 2024 goals. Besides, we saved 23,000 m³ of water and TRY 208,000 by the improvements made in 2019. We collected 2,860 m³ of rainwater at our Topkapi and Gebze factories and reused this water in other processes.

With the Sustainable Water Management project aimed to reduce water consumption and increase the water recovery rate, we reached the finals in the 2019 Edie Sustainability Awards. Improvement projects, such as reverse osmosis, water softening system investments, and prevention of leakages, played a vital role in our success.

Water intensity (m³/ton of production)



“ We reduced water consumption per unit production by **31.2%** compared with **2014**, exceeding the reduction goal we set for **2024**. ”



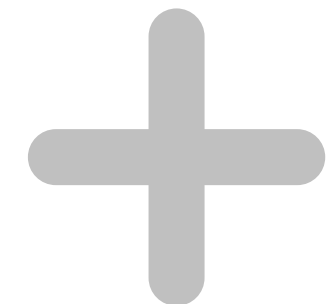
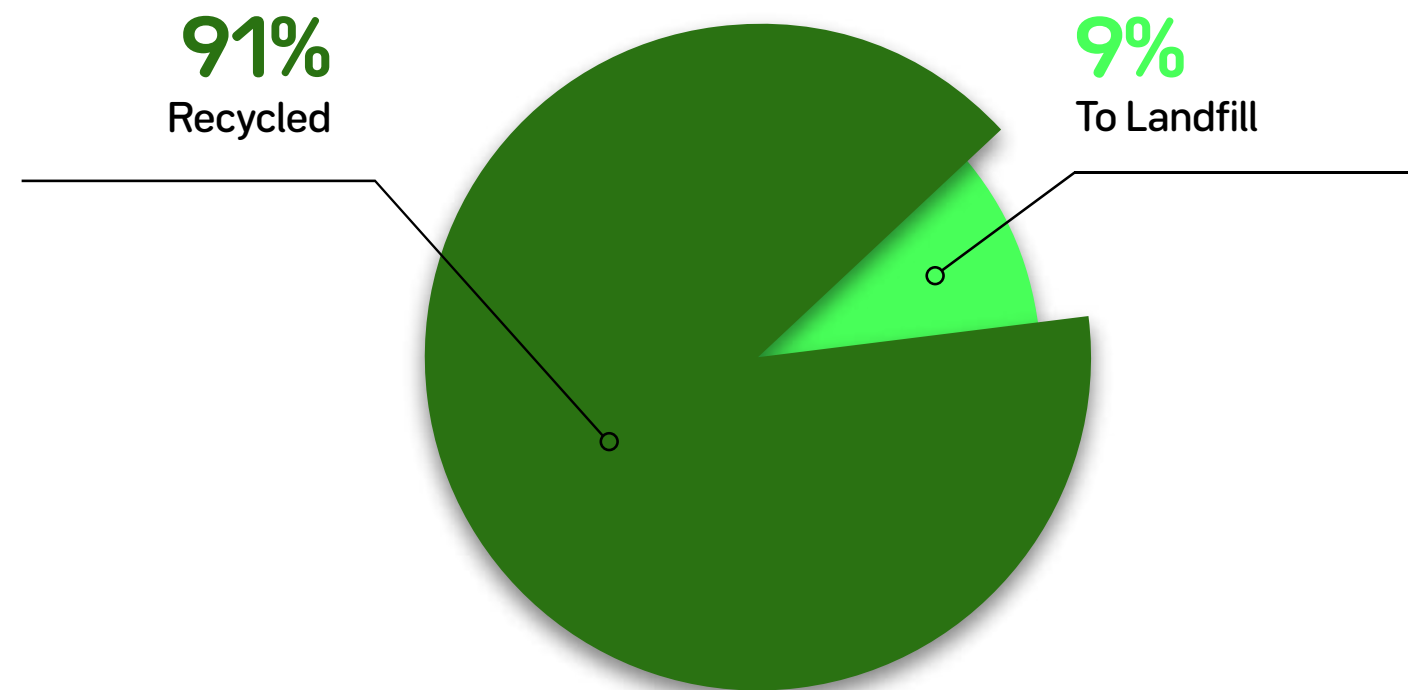
WASTE MANAGEMENT

Pollution caused by inadequate waste management is increasing rapidly every year. Mishandling of hazardous waste contaminates water sources and soil, adversely affecting the human and wildlife. We nurture a responsible culture for production and consumption in waste management, as well as redesign our production processes. Accordingly, we reduced the amount of production-related waste and implemented circular processes based on recycling and reuse. We develop new practices to send zero waste to landfills and attain 100% recycling rate.

In 2019, we recycled and recovered 13,308 tons of waste, which corresponded to 91% of our total waste. We not only monitor solid waste but also wastewater values to evade polluting natural water sources. We discharge wastewater in compliance with the relevant regulations and aim to enhance the quality of the water discharged beyond standards. We continue our efforts to decrease the total amount of wastewater by 3% compared with 2014 values in line with our 2024 goals.

As part of our zero waste journey, **our Silivri factory** continued to transfer its household waste to the **incineration plant** of Istanbul Metropolitan Municipality in 2019. The amount of waste sent to waste incineration and energy recovery plants reached **180 tons**.

WASTE

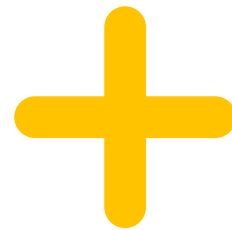


PACKAGING MANAGEMENT

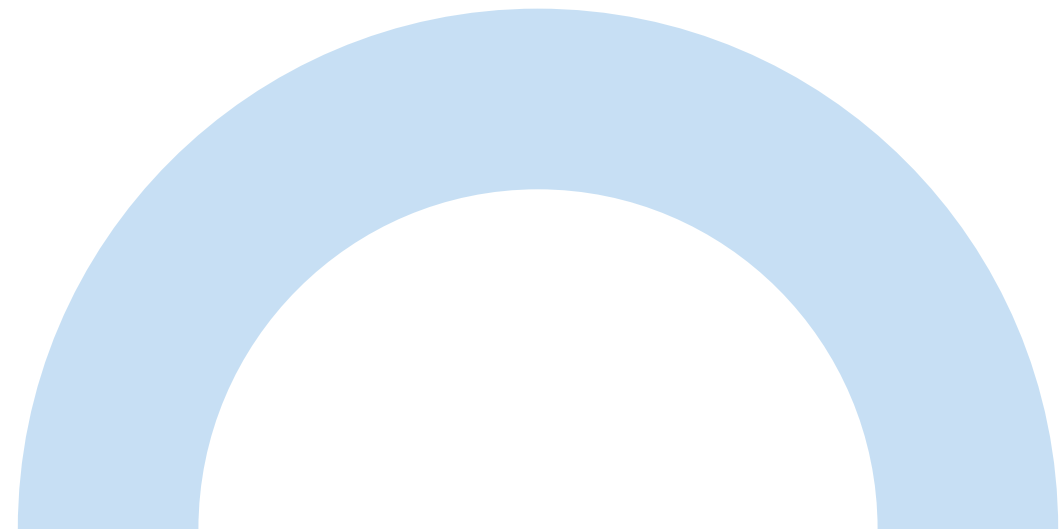
Production and consumption processes of packages comprising a high proportion of plastic seriously affect the environment. In addition, plastics cause significant pollution in oceans and seas if they are not disposed of properly. Hence, it is imperative to effectively manage packaging waste, our direct means of communication with consumers, to reduce our impact on the environment.

We are working on areas such as reducing total packaging waste and developing efficient packaging methods to ensure that our products are stored and presented in the most suitable conditions and help prevent food waste. Besides, we monitor our package recycling rate and work to produce packages prepared from a single type of material that is easier to recycle rather than using different raw materials that are more difficult.

We assess environmental impacts of product packaging management through life cycle assessments. Besides these assessments, we develop packaging standards to pioneer our industry. In addition, we work on increasing the efficiency of logistics, including boxing, packaging, and handling of products in particular. Efficiency efforts primarily involve saving space and practices such as route optimization.



“ In 2019, with to our efforts to reduce packaging waste, we **saved** TRY 14.25 million while fulfilling our **environmental responsibility** ”



BIODIVERSITY

Preservation of biodiversity is directly related to sustainability of the food industry and agricultural production. As Ülker Bisküvi, we develop approaches and support projects consistent with continuity of agricultural production and preservation of biodiversity. Protecting diversity of all species, including those in the regions where we operate especially plays a vital role in our vision of sustainability. We monitor the impacts of our operations on local biodiversity and focus on conservation efforts.

Under a Sustainable Hazelnut Agriculture Project we launched with an international foundation in 2015, we supported conservation of local hazelnut species in Giresun, which are considered the world's highest-quality hazelnuts. We contributed to cultivation of hazelnuts that produce higher quality products in a more efficient manner. We cooperate with local governments, NGOs, and farmers, contributing to development of local farmers and the community under the project.

A report titled "Toward a Sustainable Hazelnut Production in Giresun," which we published in 2017, was guiding and informative for all our stakeholders in this field.

Ülker Ankara Memorial Forest, which we planted with the help of our employees in 2011, has over 30,000 cedar and pine trees with 1,500 saplings planted in 2019. The forest is home to a great diversity of animals. The forest plays a crucial role in improving the local air quality, and our employees also contribute to security and regular cleaning of the forest.

“ **Ülker Ankara Memorial Forest,** which we planted with the help of our employees in **2011,** has been a home for different organisms and over **30,000** cedar and pine trees with **1,500** saplings planted in **2019.** ”





VALUE CHAIN

+



WE WORK WITH

NEARLY
2.094
SUPPLIERS
IN OUR
VALUE CHAIN

VALUE CHAIN

Based on the World Resources Report, although feeding a world population that is expected to reach 10 billion by 2050 poses a serious challenge in today's world, it also opens up leadership opportunities². Supporting and expanding sustainable agricultural practices plays a vital role in dealing with this global challenge. As one of the world's leading food producers, we believe that it is fundamental for our business and the world's future to use natural resources in a sustainable manner. This approach guides us in developing industry-leading practices in our country and worldwide. We consider farmers as our key partners. We protect the soil and empower farmers socioeconomically with sustainable farming practices. Agricultural activities, raw material supply, operational excellence, logistics, quality, and food safety are the focus areas in our value chain.



Supply Chain

We work with 2,094 suppliers in our supply chain. We purchase raw materials, materials, and services from local suppliers, supporting local development and reducing logistics-based carbon emissions. Payments to local suppliers accounted for 97% of the payments made to suppliers this year.

Working with a broad network of suppliers, it is imperative to respect human rights, employee rights, and the environment while doing business, ensure quality and food safety, as well as compliance with ethical rules. Hence, we find it essential to improve working conditions of our suppliers. The Supply Chain Policy is based on globally accepted principles and standards including the International Labour Organization (ILO) Conventions, the United Nations Global Compact (UNGC), and the United Nations Convention on the Rights of the Child. This policy defines the framework of our operations under the supply chain, and we expect all suppliers to embrace this policy and comply with its conditions. We prefer the suppliers who fulfill the policy requirements to work with.

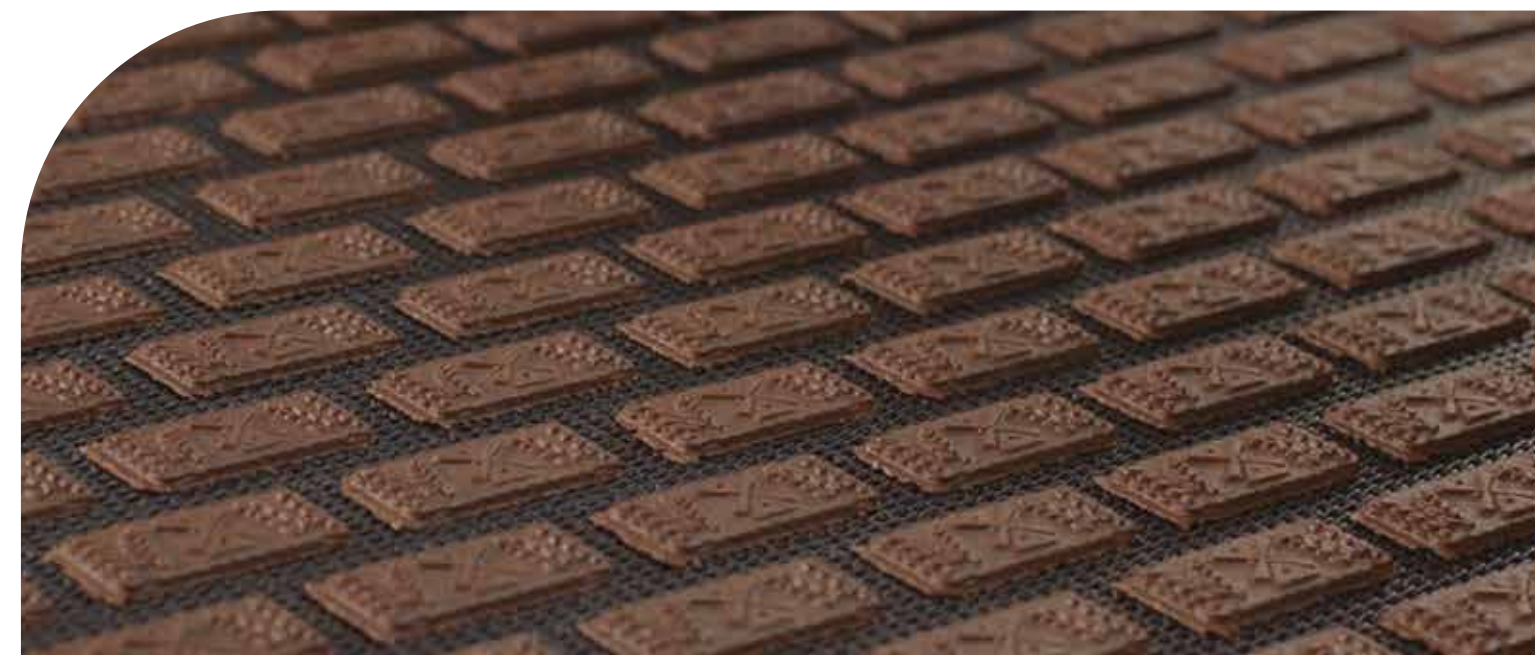
² World Resources Report: Building a Sustainable Future of Food, WRI, 2019

You can access our Supply Chain Policy on the Ülker Investor Relations [website](#).

				
2.094 suppliers	97% local companies	ILO International Labour Organization	UN Global Compact	UN Convention on the Rights of the Child

Supplier Self-assessment Surveys

We subject suppliers to product safety and quality, environmental auditing and risk analysis. In 2019, we identified critical suppliers based on the purchasing volume and criticality of the products, and subjected them to self-assessment surveys. We collected answers of the critical suppliers on social and environmental matters, including employee rights, working conditions, energy-water consumption, and waste management. After analyzing these surveys, we will conduct pilot inspections to the suppliers that we identify as risky.



SUSTAINABLE AGRICULTURE AND RAW MATERIALS

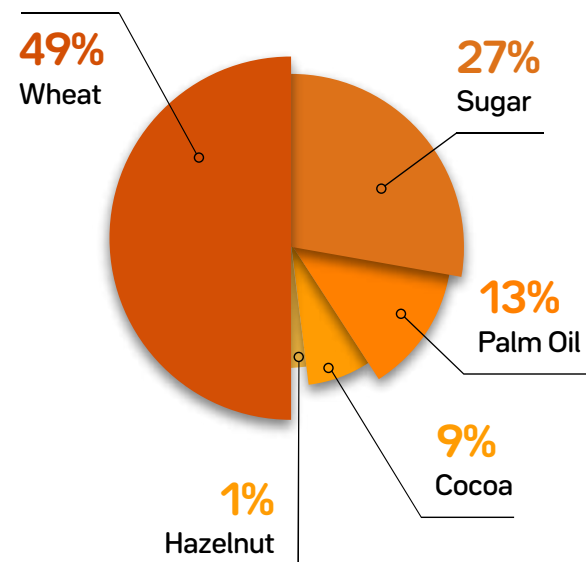
Depletion of natural resources, deterioration of environmental conditions, and the need to feed the increasing population put pressure on global food systems. Moreover, it is critical for different stakeholders to gather and play a role in overcoming these challenges. Ülker focuses on being a part of the solution by empowering farmers, supporting sustainable farming practices, and supplying the raw materials we use in sustainable production.

Wheat accounts for almost half of our raw material purchases. We prioritize local suppliers for the wheat supply. We ensure the safety of product supply and secure our farmers' well-being by a contracted purchase model. This model eliminates the risks related to production and marketing costs and enables high-quality and efficient production. We empower our farmers with new instruments and technologies that enhance their technical skills.

Conservation of plant biodiversity of plants, reducing the environmental impact of agriculture, and ensuring agricultural efficiency are essential for sustainable farming. Accordingly, we cooperate with specialized organizations. We support sustainable farming to ensure the safety of basic raw material supply and prevent negative social and environmental impacts caused by agricultural activities.



RAW MATERIALS USED IN PRODUCTION



Wheat

We developed a species of biscuit wheat with high productivity and resilience to diseases and drought in collaboration with Bahri Dağdaş International Agricultural Research Institute in Konya. The Turkish Ministry of Food, Agriculture and Livestock Variety Registration and Seed Certification Center registered our wheat named "Ali Ağa." This project aims to enhance the biscuit wheat cultivation areas needed in Turkey and contribute to the national agriculture and economy. As part of the project, plant development and precipitation are closely monitored. In addition, irrigation, fertilization, and herbicide application are performed under the coordination of the institute. The seeds will be sown once the certification authority has inspected the fields in 2020.

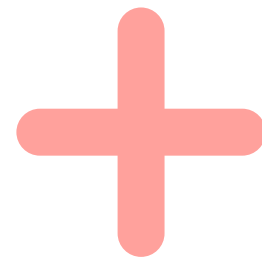
- Raw material supply will be met primarily by the surrounding areas once the wheat is distributed to the farmers. This will reduce carbon emissions related to logistics, and working with suppliers from a specific area will facilitate supply control.
- Reduction of imports will provide cost advantage.
- Standard-quality wheat for biscuit flour is not produced in Turkey. This causes fluctuations in flour standards; Ali Ağa wheat will be used to minimize this and eliminate cost disadvantage.
- Thus, the demands of biscuit and cake factories, to which we supply flour, will be fulfilled with standard quality.

Hazelnut

We collaborated with an international foundation for sustainable hazelnut farming in Turkey, the world's largest hazelnut producer, which accounts for 73% of global production. As part of the Sustainable Hazelnut Agriculture project, we performed capacity buildup and pilot garden works to conserve hazelnut biodiversity in areas where natural vegetation comprises hazelnut and where hazelnut is produced, including Giresun in particular. We informed our hazelnut farmers regarding sustainable farming techniques. Hence, we support empowerment of farmers and local socioeconomic development.

- The present state of hazelnut farming was evaluated, as well as agricultural inventory and dispersion area were determined in Giresun. Then, we proposed solutions for the production of hazelnuts in harmony with the nature.
- In a pilot area selected in Giresun, good practices and capacity buildup were implemented. These efforts will act as guideline for other regions.

You can find more detailed information [in Environment section.](#)





Cocoa

We responsibly procure cocoa, one of the basic raw materials that we import from overseas. Accordingly, we support sustainable cocoa farming. Since 2012, we have been a member of the World Cocoa Foundation, which supports small-scale farmers and informs them about sustainable farming practices. The foundation incorporates major producers of the chocolate industry around the globe, and we contribute to empowering cocoa farmers through the foundation activities.

Cocoa supply from farmers and cooperatives through the export company that we established in Ivory Coast increased to 10,000 tons in 2019. This marks a 5.9-times increase over the previous year. Cocoa supplied from the region accounts for 22% of the total cocoa supply.

Owing to our cocoa supply practices, we are the only large-scale company to implement the bean-to-bar process in Turkey.

Our cocoa procurement from farmers and cooperatives in Ivory Coast



5,9
times increase
in cocoa supply



Accounts for
22%
of the total cocoa
supply



In 2019, cocoa supply
increased to
10.000 ton

Palm Oil

Palm oil farming poses a risk of deforestation as a result of the changes in land use, thereby adversely affecting ecosystems and triggering the climate crisis. In the light of responsible raw material supply, Pladis collaborated with EarthWorm Foundation in 2018 to initiate the palm oil traceability program, attaining 100% traceability in palm oil in 2019.



World Cocoa Foundation



OPERATIONAL EXCELLENCE

We create value with the contribution of several stakeholders, including suppliers, international organizations, and research organizations, as well as our employees. It is essential for us to ensure operational excellence to maintain creating value. We follow the **Yıldız Excellence Way (YEW)** developed by our parent company, Yıldız Holding, based on the globally accepted approaches, including TPM, JIT, and Six Sigma. Voluntary committees of employees from different units perform the actions of operational perfection under a program established on the principle of attaining sustainable outcomes with happy and motivated teams implementing excellent systems. Strategic goals are determined in the focus areas **Zero Accidents, Zero Quality incidents**, and **Zero Losses** with the participation of employees at different levels from operators to executive management.

Voluntary committees operating in different fields draw their own road maps to attain primary objectives. Means of implementing this road map, such as training, consultancy, and coaching, are provided by the Operational Excellence (OE) Center Team. The OE Center Team reports directly to the Vice Chairman of HSE, Quality and OE. All improvement actions in factories are performed under each factory's strategic plans and objectives titled **Zero Loss Journey**.

2019  **TRY 16,25 million** in financial savings

Our actions to attain excellence, such as **efficiency enhancement and optimization, energy saving, and internet of things (IoT)**, provided financial benefit and improvements while helping to reduce losses. **We saved TRY 16.25 million via our operational excellence efforts in 2019.** Operational excellence is a part of our business culture through operator development programs, risk mapping, and business safety culture projects.

**“ Zero work accident
Zero quality problem
Zero loss ”**

Over 2,000 person-hours of training and field work within the scope of Operational Excellence

Sustainable gains through nearly 150 improvement actions

Revision and simplification of nearly 30 business processes



- We attained nearly 50% capacity increment by bottleneck analysis, capacity and efficiency increase efforts in our Chocolate Topkapı Wafer factories.
- We increased efficiency by over 70% under the focused improvements performed as part of reduction of losses in the Biskot Silivri Factory. We saved approximately TRY 900,000 with the completion of the value flow mapping actions.
- As part of the continuous improvement efforts in the Operational Excellence pilot facility of the Biskot Karaman Factory, we attained 30% capacity increase by revising the packaging machines, 9% capacity increase by plant bottleneck analyses, and saved TRY 500,000 by technical upgrade.
- We achieved approximately TRY 700,000 worth of improvement by optimizing cleaning processes, decreasing package waste, and performing material balancing in the Esenyurt Factory of Ülker Bisküvi.

QUALITY AND FOOD SAFETY

Quality and food safety are among the material issues that we never compromise in production. We aim to provide consumers the same level of quality in every package by producing our products with high-quality standards.



The common concepts in our Sustainable Quality principle are "product," "human," "system," and "value chain." Accordingly, we have established the Central Quality Systems and combined quality and food safety requirements in a "Zero Defect Manual" to create shared quality procedures and standards in our companies and ensure that each business unit is managed via common principles.

We ensure food safety at international standards in compliance with legal regulations. We implement world-class systems and inspections for each package and each bite, monitor results by internal and external audits, and perform continuous improvement to provide our consumers with the safest and most delicious products. We manufacture our products according to the inspection criteria defined at every stage of the process, from the supply of raw materials to the final product. We regulate factors that could pose risks to product quality and food safety with critical control points within the framework of quality control plans. Our factories are audited regularly within the scope of the internal and external audit procedures.

Our products are manufactured in factories certified for compliance with IFS, BRC, ISO 22000, and ISO 9001 standards, and our plants are inspected as part of these certifications.

We supervise key quality indicators for all phases that our products go through, from inspection of raw materials and packaging materials to reaching final consumers, as well as report those indicators by score cards on a monthly basis. Thus, we easily identify development areas and take quick action with operation teams.

Quality and Food Safety at our Suppliers

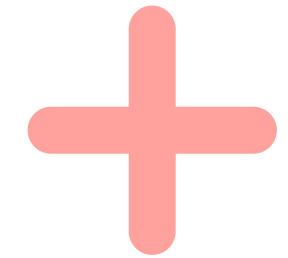
We have accumulated the quality programs developed under the objective of a long-term mutual collaboration and strategic partnership with our suppliers in Supplier Quality Systems. We use this program to perform risk assessment for our suppliers, plan audits, monitor their performance, and draft action plans. This enables us to collaborate for shared value. Suppliers are audited by specialized officials within the group and independent audit companies. We train the auditors to gain

them a shared perspective of global standards, company's expectations, risks, and assessment methodology.

Only a limited number of trained and approved auditors perform the audits. We audited 62 suppliers for food quality and safety this year. In addition, we conducted development activities with quality teams for 43 suppliers. Global requirements and instances of non-compliance are analyzed to identify suppliers that require development and improvement. Teams from quality, production, procurement, R&D, and maintenance units prepared detailed action plans in determined fields with our suppliers and followed up on them.

Furthermore, as part of our Sales and Distribution Quality Systems, we audit our distributors' warehouses in compliance with Ülker standards on an annual basis to determine areas of improvement, as well as monitor plans of improvement.





QUALITY AND FOOD SAFETY TRAINING

In order to raise awareness regarding quality and ensure that circumstances endangering product quality and safety are avoided, we train each employee on basic quality and food safety. Zero Defect training continued for the existing employees, as well as new hires, in 2019.

- Sales, Logistics, and Supply Chain teams organized a workshop for the project "Zero Defect from Supply to the Shelf" to develop quality standards and disseminate the Zero Defect culture to the entire site. We aim to implement the project launched at Ülker Chocolate Silivri in all factories in 2020.
- We provided Sales Quality and Food Safety Requirements training to sales leaders and sales representatives. A total of 156 employees were given one-hour training as part of this initiative.
- Under the "Quality on Site Project" implemented by Ülker Biscuit Gebze team, we aim to ensure that operators perform correct controls at once through a cultural transformation. We initiated a pilot practice for transition from the quality control system to quality development system in 2019.
- We plan to expand the practice to the entire factory in 2020.
- We provided four-hour training on the Allergen Management System in five sessions to 103 employees from the Quality, R&D, Production, and Regulation teams to improve our allergen management practices as part of our Central Quality training programs in 2019.
- HACCP training was provided for the employees to be included in the HACCP team to improve our food safety management practices at all our factories.

Brand Integrity

We established the Product Integrity Management System to ensure that our products have the features that we promise to our customers. We published the pladis Product/Brand Integrity Standard and trained the Quality, R&D Production, Purchasing, and Regulation teams in the factories of Ülker Bisküvi in Turkey to uphold product integrity and our brand value. Our central quality team will perform inspections in this regard, identifying the room for improvement so that similar standards are followed in all factories.

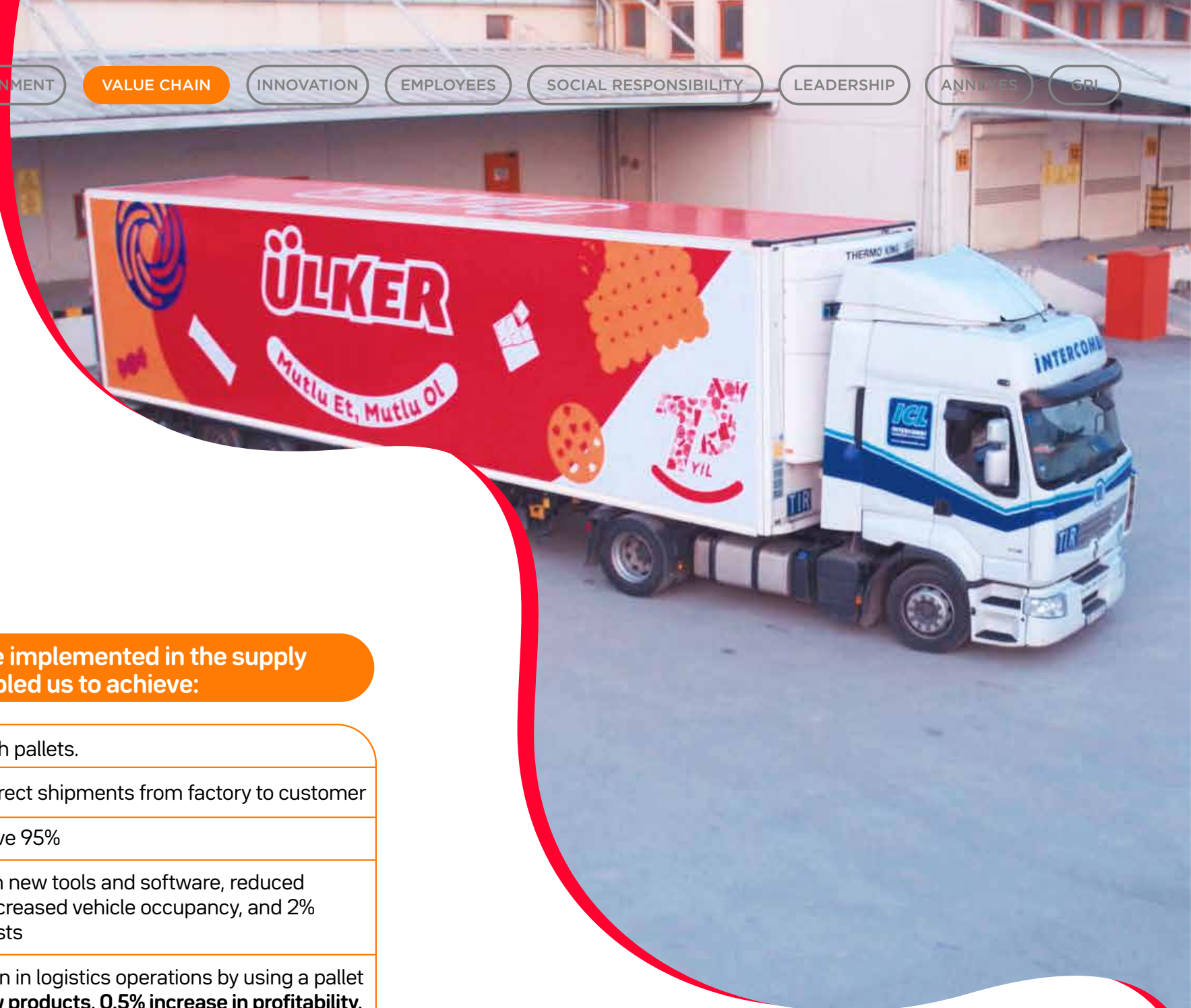
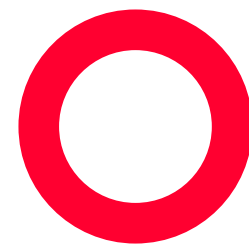


LOGISTICS

We sell our products in **over 100 countries**. We manufacture our products in **10 factories** in four countries and work with a broad logistics network. Thus, it is essential for us to perform logistics management in the most efficient manner to reduce our environmental impact and achieve cost advantage. We perform our efficiency and improvement as part of the **Supply Chain Excellence Journey** that we started in 2016. With this restructuring project, we aim to fulfill business needs in the most efficient manner with all relevant stakeholders in critical parts of the supply chain.

We focused on long-term gains in all processes our snack products go through in the value chain during their journey from production to shelves. In our journey, we saved more financial resources and attained profitability while decreasing carbon emissions. We reduced our carbon emissions by 6% per kilometer compared with 2017. By sourcing milk powder and sugar from locations closer to the factories, pladis Turkey aimed to reduce carbon emissions, save fuel, and make financial gains. In 2019, 63% less distance was covered for milk powder compared with 2018.

“ Since 2014, we have covered **2.2 million kilometers** less with continuous **improvements in the distribution network.** ”



The projects we implemented in the supply chain have enabled us to achieve:

- 15% increase in transport with pallets.
- More than 25% increase in direct shipments from factory to customer
- Vehicle occupancy rates above 95%
- Optimal transport routes with new tools and software, reduced carbon emissions through increased vehicle occupancy, and 2% improvement in transport costs
- Savings of over TRY 20 million in logistics operations by using a pallet with **92% efficiency in all new products, 0.5% increase in profitability, and 15% reduction in greenhouse gas emissions**

GOAL

Reducing logistics-based carbon emissions by **%20**

PROGRESS (COMPARED WITH 2014)

We reduced carbon emissions by **4,263 tons** in 2019.



INNOVATION

+



OUR QUALIFIED

R&D AND INNOVATION TEAM
CONTRIBUTES TO OUR
PROCESSES WITH

71 EXPERT STAFF

INNOVATION

In the light of changing customer expectations and developments in the world, we follow the trends closely and achieve competitive advantage by offering pioneering products in the industry. We spread the culture of innovation within the company to all our departments to attain our sustainability objectives. We aim to understand our customers' needs, develop new products, and improve the existing ones while using the power of innovation to reduce our environmental impact. It is our objective to provide innovative solutions to quality, new products, existing products, and improvement of processes to improve our processes.

GOAL

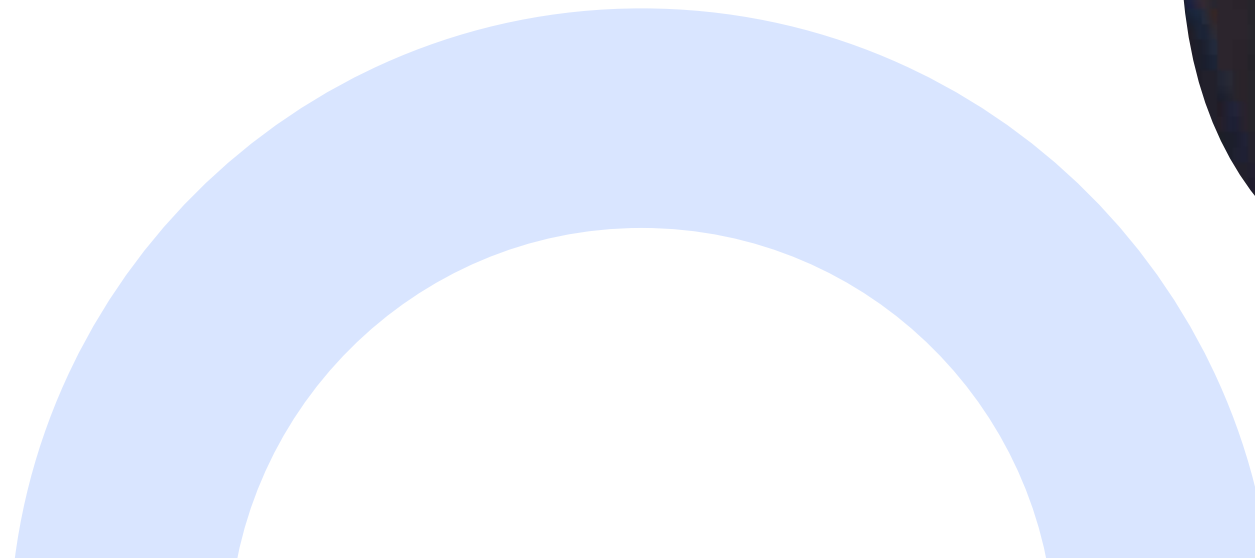
Developing a **sustainable** packaging strategy and policy

Implementing projects **to reduce packaging**

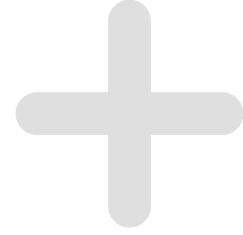
PROGRESS (COMPARED WITH 2014)

We developed the strategy. We are preparing the policy in line with our strategy.

We used **355 tons of plastic, 96 tons of paper and 10 tons of aluminum** less for our packages.



R&D Activities



Our R&D efforts are of utmost significance in line with our culture of operational excellence and innovation. We continue our efforts with a specialized R&D team of 71 employees. We created a savings potential of TRY 24.5 million with the projects we launched on our R&D budget of TRY 15.2 million in 2019. Our R&D and innovation budget increased by 35% compared with the previous year.

In 2019, we developed 372 projects and completed 213 projects as part of our R&D activities.

In line with our business strategy, our R&D team transferred the General Specifications Management and Product Development Process Management to a digital platform by considering functional and technical requirements. Thanks to this transition, the raw materials, prescriptions, and processes used for our end product production, end product specs, rated values on labels and all innovation process are now faster, easier, more systematic, and archivable. Gebze Factory was selected as the pilot region and digitization was successfully completed.

Both R&D centers of our company passed the audits of the Ministry of Industry and Technology and received validity extension of their R&D center certificates.

We combined the R&D teams of Cakes and Biscuits under the same roof to centralize R&D activities and create synergy among the teams. We developed new projects consistent with the Ülker quality road map. We made quantitative consumer tests with nearly 3,000 people as part of a regular main product performance measurement program and documented appreciation of products.



This year, our R&D team continued its activities in all categories without slowing down. We worked on 372 projects focusing on new product development, alternative raw materials, cost reduction, process, and quality improvement. We assessed the projects by our priorities in line with customers' needs and changing expectations, as well as launched new products with global projects in domestic and foreign markets. We presented our works to the market based on the results of 72 consumer tests conducted under the development of new products and improvement of the existing products.

We aim to make our packaging more sustainable through our R&D activities. Hence, our R&D units focus on recyclability of packaging and work to minimize the mixture of packaging materials for products. Recyclable materials and packages with small environmental impact decrease our environmental impact related to product packages and create saving opportunities.

We continue our work with our expert team of 71 people.

In 2019, we created a **saving potential of 24.5 million TL** thanks to the project we realized with our **R&D** budget of **15.2 million TL.**

Sustainable Packaging Strategy

We developed our sustainable packaging strategy including the years between 2019-2022, and beyond 2022. We defined our objectives and actions in the strategy on three main areas. The first phase involves fulfilling the fundamental terms and conditions for sustainable packaging by 2021. For this purpose, we are

- preparing design guidelines for use in reducing packaging,
- analyzing current packages for compliance with these guidelines, and
- identifying development areas

We used 355 tons of plastic, 96 tons of paper, and 10 tons of aluminum less in packaging in 2019.

At the next phase, we will

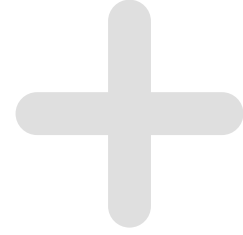
- Stop using unrecyclable plastics for packaging and focus on environmentally friendly, recyclable raw materials by 2022.
- Focus on circular economy from 2022 and increase the use of bioplastics by using recyclable materials for a portion of hard plastics.

While doing all these, we perform the Lifecycle Assessment (LCA) to identify environmental analysis of our products. We work with local governments and municipalities, and support establishment of efficient collection and separation infrastructures. We reach consumers and communities through various channels to raise awareness and provide training, and collaborate with enterprises and universities by open innovation.



We used 355 tons of plastic, 96 tons of paper, and 10 tons of aluminum less in packaging in 2019.

Innovation Culture



We aim to make innovation our corporate culture and integrate it in all our departments and processes. For this purpose, we drive innovation by internal innovation and idea platforms, competitions, and training programs. We believe that innovation and R&D will enable us to accomplish our sustainability objectives sooner. In 2019, a total of 4,459 suggestions were presented through the "Akıl Kupu" platform, through which our employees share their creative ideas with the company, and we implemented 19% of them.

All employees of the group can express their ideas on various different subjects from processes to business models on the innovation, inspiration, and idea platform "Idea Stars" introduced by Yıldız Holding and adopted by Ülker. We reward our employees with this platform, which is intended to promote innovative ideas. We rate our best business practices each year at the Stars of the Year event, another practice of Yıldız Holding. We reward the projects developed under the innovation category. We take our employees' opinions on innovation every two years with the employee engagement survey "Voice of the Stars - Yıldızların Sesi".



“ A total of **4,459 suggestions** were submitted in 2019. 19% of them were implemented. ”



EMPLOYEES



WE
CONTINUOUSLY
INVEST IN
HUMAN RESOURCES
AND BECOME STRONGER
WITH
OUR EMPLOYEES

EMPLOYEES

We continuously invest in human resources and become stronger with our employees in order to respond to changing global trends and increase our competitiveness. We increase employees' competencies with practices supporting talent development and aim to introduce new talents to our team. We offer employees a workplace that is respectful to human rights and supports equal opportunity and diversity, where employees feel healthy and safe. Thus, we rely on the United Nations Sustainable Development Goals (SDGs) as our guidelines.



GOAL

Keeping the regretted loss rate below **%3**

Ensuring that **all employees** get regular training on sustainability

Reduce lost time injuries to **zero**

Collecting **a minimum of 500 recommendations** from employees under the sustainability category on the Kaizen Ideas recommendation system

Keeping employee engagement at **65-100%**

Reducing employee turnover rate to **12%**

PROGRESS (COMPARED WITH 2014)

Regretted loss rate was **1.29%** in 2019.

A total of **2,500** employees got regular training on sustainability. We aim to provide sustainability training on the online platform in 2020.

We reduced accident frequency rate by **78%**.

1,207 suggestion were collected.

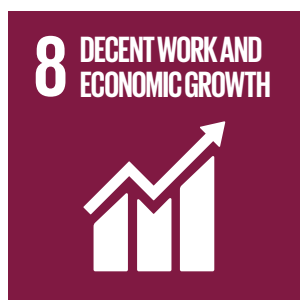
Employee engagement was **80.4%** in 2019.

The employee turnover rate was **10.7%**.

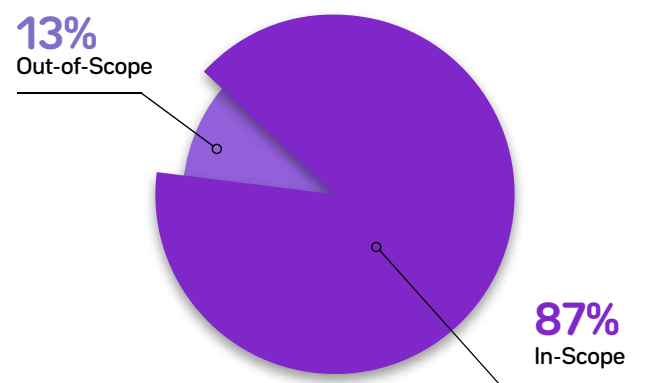


Our employees came together on the day of "Make Happy, Be Happy" with live music.

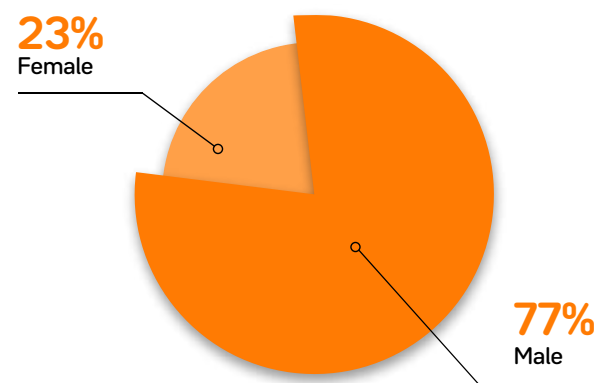
We support women empowerment in business and every aspect of the society. Precisely, 23% of our 4,834 employees are women. They account for 36% of the executive management positions and 25% of all management positions.



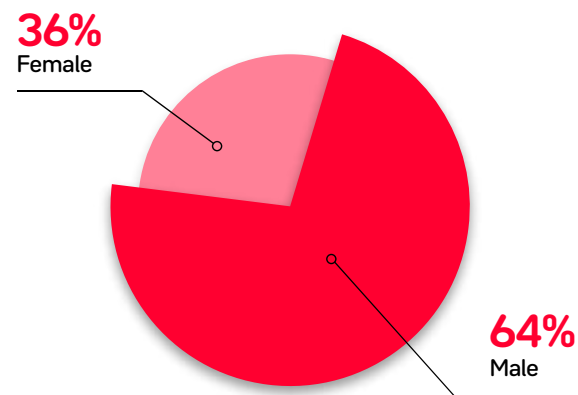
NUMBER OF EMPLOYEES BY CATEGORY



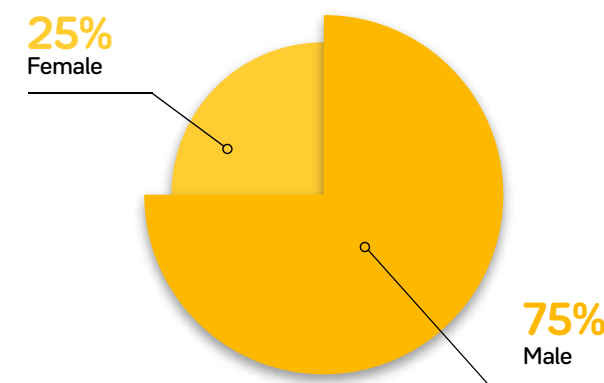
NUMBER OF EMPLOYEES BY GENDER



EXECUTIVE MANAGEMENT BY GENDER



ALL EXECUTIVE POSITIONS BY GENDER



Talent Development

Our qualified employees that are experts in their field play a vital role for our company to accomplish its strategic objectives. We focus on developing the existing talents and attracting new talents to the company.

In line with our talent management approach, we carry out performance evaluation objectively, as well as train employees on developing their competencies. We evaluate the current performance of employees and ascertain their skills open for improvement under the performance management system. The process is completed at the following three phases: goal setting, interim evaluation and evaluation periods. During these periods, managers can give feedback to employees. Based on the results of an evaluation per the goals and competencies, we help employees with career planning and provide training in line with their needs. Notably, 100% of employees working out of the scope are subject to the performance management system.

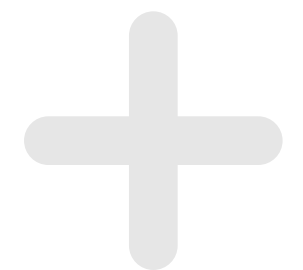
We backup managerial positions under the Human Resources Planning (HRP) process, which has been maintained with improvements since 2011. In addition, we share open positions first by internal postings to provide different positions in which employees would maximize their potential and offer career opportunities at Group companies.

To date, 10 people have had the opportunity to do internship and eight people have been recruited as fresh graduates under our JOB Internship program that aims to attract young talents to our company.

Besides current needs, we are planning future development needs that would boost our competitive power so that employees can adapt to the changes in their careers.

Wages and Benefits

Employees' salaries and benefits are managed equitably depending on the market conditions. We offer flexible side benefits by which out-of-scope employees can shape their standard benefit packages in line with their needs. Employees might choose from the alternatives, including complementary medical insurance for spouse and children, shopping vouchers, medical checkup, and individual pension insurance, based on the budget they are offered. Benefits of in-scope employees are defined within the scope of collective labor agreements.



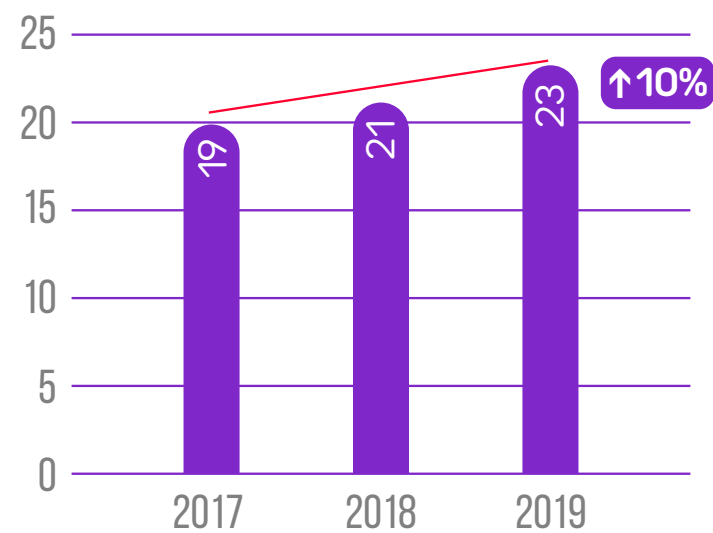
“ As a part of JOB Internship Program of Yıldız Holding, 10 people did internship and 8 people were recruited as new graduates at Ulker Biskuvi. ”

Training

We design training and development programs in accordance with the company's vision and goals. We invest in talents per our 2024 goal to keep lost talents below 3% and train employees to raise their professional and personal competencies. Besides current needs, we are planning future development needs that would boost our competitive power so that employees can adapt to the changes in their careers. We enhance our status as a preferred business for employees by investing in talent development. In 2019, the employee turnover rate was 10.7%, which is even below the 2024 goal of 12%.

Employees attend various training programs, including professional and personal development and competence, leadership, OHS and environment, energy efficiency, operation excellence, quality and food safety, and on-the-job training. In 2019, we increased training time to 23 hours, with 10% increase every year. We also care about contributing to the development of our business partners. We provided approximately 12 hours of training to each subcontracted worker.

Training hours per employee



Training programs for employees:

- Leadership Training Courses (Leadership Summit, Leadership Compass, Leadership Map, and First Step to Leadership)
- Personal Development (Catalog) Training
- Sustainability Training
- Ethical and Operational Principles Training
- Occupational Health and Safety Training
- Entry-Level Manager Training
- Star Operator Training
- Technical Training



Employee Engagement and Participation

We offer a workplace based on open-communication to encourage employees to be happy and make long-term career plans in our company. We empower our employees participate in decision-making mechanisms of human resources processes with their ideas and suggestions.

We have conducted the employee engagement survey **"Voice of the Stars"** every two years since 2017 to identify the demands and needs of employees better. Conducted by an independent consultancy company, the survey elucidated the employees' remarks and suggestions in different categories, including communication, cooperation, customer orientation, innovation, career development, quality, and engagement. **This year, 89% of the out-of-scope employees took the survey, and the engagement score rose from 77 to 80.4% compared with 2017.** We plan to establish a platform for focus groups to design and implement action plans in line with the survey results.

We organize various events to increase employee engagement and participation.

Stars of the Year: Each year, Ülker participates in the competition "Stars of the Year" organized by Yıldız Holding to share the best business practices and reward the behaviors that support teamwork.

We encourage implementation of new and original ideas, such as GOYA, Zero Defect, Unity of Purpose, Contribution to Growth, Innovation, Cost Advantage, Digital Leadership, and Occupational Safety, in this project competition that is open to all employees.

A Short Break for Breakfast: A group of employees representing the factory employees meet with executives and union members in a breakfast organized on a monthly basis in six factories in Turkey to assess the employees' suggestions. This event is held quarterly with out-of-scope employees to share business outcomes and good practices of the company.

Kaizen Ideas: Kaizen Ideas was designed as an internal communication tool to enhance innovational and entrepreneurial skills of in-scope employees. A total of 4,459 ideas were nominated for Kaizen Ideas 19% of which were implemented this year. Of note, 27% of the suggestions were about sustainability.

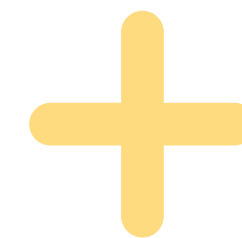
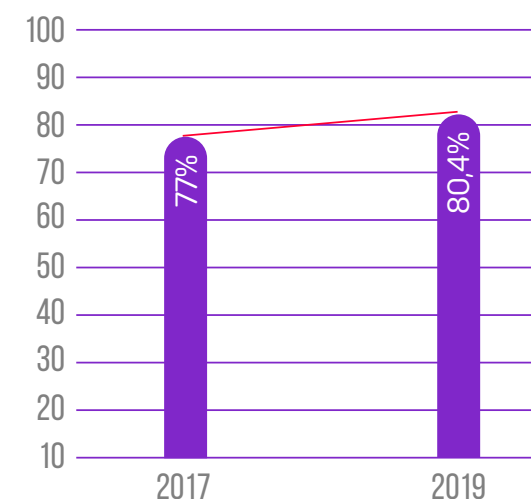
Immediate Reward: A rewarding process based on recognition and rewarding of employees who make a notable contribution to our company within the framework of the values and primary competencies of Yıldız Holding. Only out-of-scope employees are eligible for the immediate reward system, where the award can be in the form of a material prize or a written or verbal immaterial

recognition.

Star of the Month: Employees are rewarded depending on their reports in the categories of Quality Star of the Month and OHS Star of the Month. Facilities can also receive the Star Facility of the Month award. Star Workshop awards are given every three months.

Motivation Teams: Voluntary practices make major contribution to employee engagement. Accordingly, we created Motivation Teams of 10 voluntary employees from each factory. We organize events scheduled under the "A Moment of Happiness" Calendar every year. We organize events such as cultural trips, special day celebrations, sports tournaments, and choir activities, as well as social responsibility projects involving employees. In 2019, voluntary projects were assigned 2,571 person-hours.

Employee Engagement



A Short Break for Breakfast



Kaizen Ideas



Immediate Reward



Star of the Month

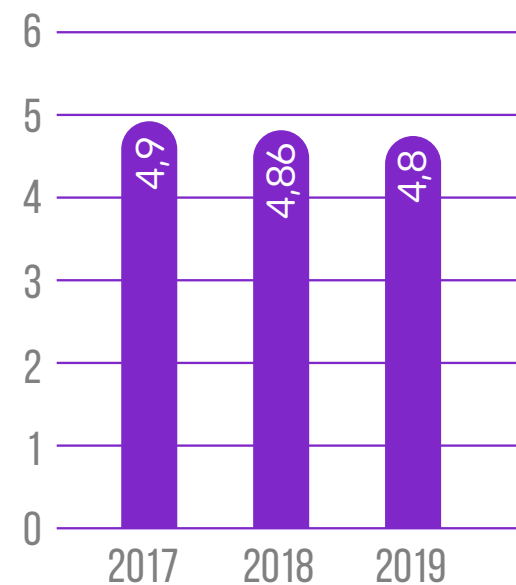


Motivation Teams

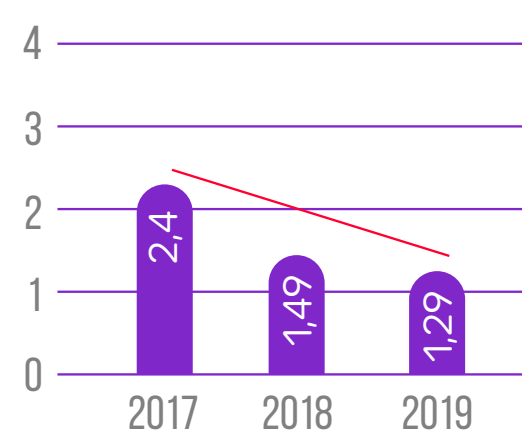
Occupational Health and Safety

It is one of our top priorities to provide employees with a safe and healthy workplace. We take occupational health and safety (OHS) measures at global standards consistent with our goal of Zero Accidents. Our factories in Turkey are certified for compliance with the OHSAS 18001 Occupational Health and Safety Management System. Karaman, Gebze, and Ankara factories switched to the ISO 45001 Occupational Health and Safety Management System, which replaced OHSAS 18001, in 2019. We aim to transfer other businesses to the ISO 45001 Occupational Health and Safety Management System by the end of 2020.

Average OHS training hours per employee



Lost Time Accident Rate (LTAR)



We decreased our LTAR by 78% since 2014, maintaining our journey of zero accidents.



Employees' OHS performance*	2019
Number of employees	4,834
Number of fatalities	0
Number of occupational diseases	0
Lost time accident rate (LTAR)	1.29
Occupational disease rate (ODR)	0
Accident severity rate (ASR)	0.12

The assurance report for the number of fatalities, occupational diseases, accident frequency, and accident severity rate is available on page 62.

It is one of our top priorities to provide employees a safe and healthy workplace.



OHS is managed by the Vice Chairman of OE, HSE, Quality and Sustainability, and senior executive members of the Ülker Sustainability Platform. The Vice Chairman of Operational Excellence, Health, Safety, Energy, Environment, Quality and Sustainability in charge of OHS reports directly to the CEO. Of note, 100% of employees are represented by OHS councils, HSE committees, and employee representatives.

By conducting proactive risk assessment in the factories, we take the necessary measures and aim to prevent accidents. We analyze the causes of accidents under the categories of unsafe behavior and unsafe environment. The OHS team conducts internal inspections in factories and develops projects to improve the identified risk points.

We provide certain training programs and organize awareness-raising events to spread the behavior-oriented OHS culture and achieve our zero accidents objective at our companies. In 2019, we gave 23,015 person-hours of OHS training, which is equivalent to 4.8 hours per employee. In the same period, we provided 13,080 person-hours of training to our subcontracted employees.

We inform all our employees with our Accident/Near Miss Map and OHS Manuals, sharing our occupational safety performance with our employees by an Accident-Free Days Table. We analyze SQSE [Safety, Quality, Security, Environment] to ensure that all employees internalize the Zero Accidents objective.

We implemented a behavior-oriented occupational safety system called Occupational Safety Ambassador to ensure that employees adopt the OHS culture. The system covers all factory employees, and each employee assess other employees'

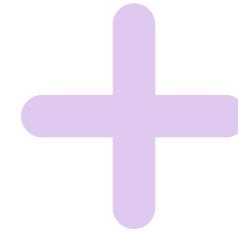
behaviors for compliance with OHS. If an employee observes a dangerous behavior, he/she writes a notification card as a reminder to the employee that exhibited that behavior.

The notified employee signs the card and throws it in a notification box. The same procedure is also applicable to safe behaviors in the form of a thank-you card. The Occupational Safety unit keeps track of notification cards and rewards the employees who receive the most thank-you cards and who make the most notifications. We are planning activities to encourage employees to act safely. The same system is implemented in the field of food safety through the Food Safety Ambassador policy.

Moreover, we designate a supervisor in charge of each area under the area responsibility project. An area supervisor determines the OHS measures needed for their relevant field and monitors the actions that should be taken. They ensure that the area they are assigned to is safe for their colleagues and visitors.

We hold OHS events for employees in our factories. Employees share their expectations and opinions regarding OHS in monthly meetings. Theatrical plays are staged to raise awareness of OHS. We are planning to have drama teams of employees stage a play to raise awareness of OHS in the upcoming period. In addition, we organize slogan, photography, and quiz contests on OHS annually.

We support our employees psychologically through a psychologist serving in our company two days a week. Moreover, we encourage our employees to have a balanced diet by providing dietitian services in our factories two days a week.





SOCIAL RESPONSIBILITY

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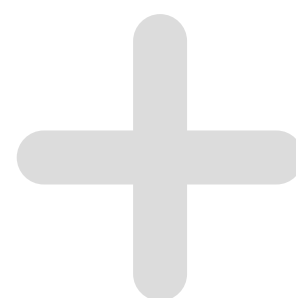


IN 2019, WE REDUCED
180 TONS OF FAT,
109 TONS OF SUGAR
AND 16.3 TONS OF SALT
IN ALL PRODUCT CATEGORIES.

SOCIAL RESPONSIBILITY

Children and teenagers are our most valuable resource, as our future. In order to contribute to create a balanced dietary habits for children and teenagers, we aim to reduce the amounts of saturated fat, salt, and sugar in all product categories by 2024. We aim to help the society adopt a healthy lifestyle and conduct R&D activities for products with high nutritional value.

We transparently share all product ingredients in line with the principles of responsible marketing, encourage a healthy diet with reduced fat, salt, and sugar, and avoid compromising on quality at any phase of production and distribution.



GOAL

Reducing the amounts of **saturated fat, salt, and sugar** in **all product categories**

Reducing customer complaints per million packages by **20%** compared with 2018.

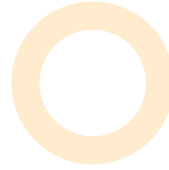
PROGRESS (COMPARED WITH 2014)

Last year we reduced **180 tons of fat, 109 tons of sugar and 16.3 tons of salt** in all product categories.

We achieved **9.6%** reduction **compared with 2018.**

GOOD LIFE AND BALANCED NUTRITION

Ülker Bisküvi closely monitors changing demands and consumption habits of consumers and promotes a balanced diet. We list contents of products using clear and easy-to-understand labeling practices. We reduced the sugar, fat, and salt content of our products in line with consumer expectations. In 2019, we analyzed Piko5 in our laboratory to prepare a product rich in fibers and protein. We are conducting laboratory tests to decrease the rate of sugar in Piko5 and milk chocolate products by 30%.



Altınbaşak Çörekotu Kinoalı

Altınbaşak Çörekotu Kinoalı Kraker is a light snack prepared by enriching the contents of regular Altınbaşak Yulaflı Kepekli Kraker with grains and delicious seeds. The product offers a different flavor with a high rate of fiber and ancient grains such as sesame, nigella, flaxseed, and quinoa.

Hanımeller Kurabiyem

Hanımeller Kurabiyem is a Hanımeller product launched in 2019; it contains bitter chocolate chips, oats, and sliced hazelnuts. It stands out as a product appealing to the rising wellbeing trend with its oat content.

Saklıköy Milk & Bitter Chocolate

Saklıköy is one of our products that appeal to the balanced dietary habits with its whole wheat and oat content. We have expanded the product portfolio of Saklıköy, launching its Milk & Bitter Chocolate versions this year.

Ülker Chocolate Bitter Thin Baton - Milk and Bitter Chocolate

We have reduced the sizes of our Ülker chocolate products and released alternatives under 100 calories. There are two alternatives: milk chocolate [91 Kcal] and bitter chocolate [92 Kcal].

We reduced 16.3 tons of salt in all product categories in 2019. We continued our quest to reduce sugar content of our products this year, reducing the amount of sugar used in all product categories by 109 tons.

“ We are reducing **sugar, fat and salt** contents of our products in line with customers' expectations. ”

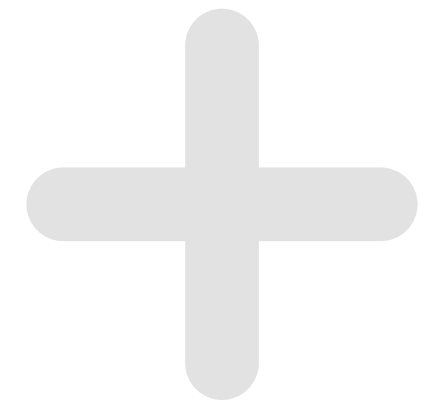
Share of Nutritional Products in Turnover [%]

8,80% Products with reduced sugar, fat, and salt

4,53% Products with high nutritional value

0,55% Products without sugar additives

0,75% Products reformulated in terms of nutritional value in 2019



Good Life Award


We were named the "good life brand" in the food industry for the second time in a row in the "Good Life Survey" organized by Nielsen and Sustainable Brands Istanbul, which focuses on consumers' lifestyle, consumption habits, and values that redefine and reshape good life.

Our consumers consider Ülker a part of their childhood. The quality, preserved taste, and reliability of our products, innovative approach, customer satisfaction, broad product range, and our responsibility to the society make us the favorite brand of customers. We closely monitor the feedback we receive from consumers, both during product development and after the release of a product, and we continue to add value to our brand with what we learn.

RESPONSIBLE MARKETING

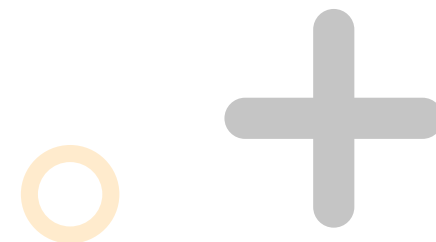
As the leading manufacturer of biscuits and chocolates in Turkey and one of the largest ones of its kind worldwide, we always aim to carry the food industry forward.

We consider this one of our principal responsibilities to direct our consumers, including children and teenagers, to right choices. We sell our high-quality products with reference to responsible marketing practices and based on the Guide to Responsible Nutrition Communication in line with the principles of transparency.

 We sell our high-quality products with reference to responsible marketing practices in line with the principles of transparency.

Consumer Relations

We follow a two-way communication strategy to understand the consumption habits of today's consumer groups, listen to consumers' demands, and respond to them in the best manner possible. Customers can give us feedback through the Customer Communication Center [MIM]. We review the feedbacks in detail and respond within three business days. This year, we resolved over 99% of 5,984 feedback sent to our MIM.



CORPORATE SOCIAL RESPONSIBILITY PROJECTS

We Work For a Happy Society

Ülker Bisküvi has seen generations grow since it was founded in 1944. Our established history constitutes the foundation of our sensitivity and continuity in the field of social responsibility. We design our social responsibility projects based on our founder Sabri Ülker's approach: "We believe that every person has the right to have a happy childhood wherever they live in the world."

Ülker Bisküvi has always aimed to contribute to physical, social, cultural, and mental development of children with its corporate social responsibility projects.

We sponsored Istanbul Modern-Your Thursday and supported **Baksı Museum-Free Tuesday** to introduce art to masses until 2018.

Football for Kids Project

We introduced sports to over 330,000 children with soccer for kids projects during 2007-2016, supporting children's development by the events organized. Some of the boys and girls who attended the Football Village events were selected for the U-15 National Teams. They succeeded in their clubs and were promoted to the A team.

We reached approximately 1.5 million children in 10 years with projects such as Ülker Children's Films Festival, Football Villages, and Ülker Children's Art Workshop.

Ülker Bisküvi became an essential part of the "Make Happy, Be Happy Day" celebrations with all companies of Yıldız Holding in 2019. Our employees and managers participated in many activities and events throughout the year to make children happy. Besides donation of books and stationery equipment, these events included donations for school repairs, painting school buildings, planting trees, and visits to the House of Love (Sevgi Evi).





LEADERSHIP

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WE WERE ONE OF THE
FINALISTS IN
WATER MANAGEMENT,
LOGISTICS AND
SUSTAINABILITY REPORTING
CATEGORIES OF THE
EDIE 2019 SUSTAINABLE
BUSINESS AWARDS.

LEADERSHIP

GOAL

To continue projects and cooperation with leading organizations for public health and future

PROGRESS (COMPARED WITH 2014)

- Sustainable Hazelnut Agriculture Project
- World Cocoa Foundation support
- FoodDrinkEurope and EUFIC membership
- TÜSİAD Environment and Climate Change Working Group
- TÜSİAD Energy Efficiency Task Force
- Active participation in seminars and conferences

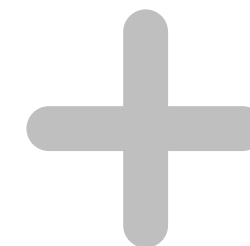
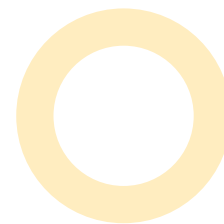
According to our sustainability vision and objectives, we consider leadership as one of the most important way. We aim to be a leading brand in sustainability issues in our industry by collaborating and working with our internal and external stakeholders.



FTSE4Good



World Cocoa Foundation

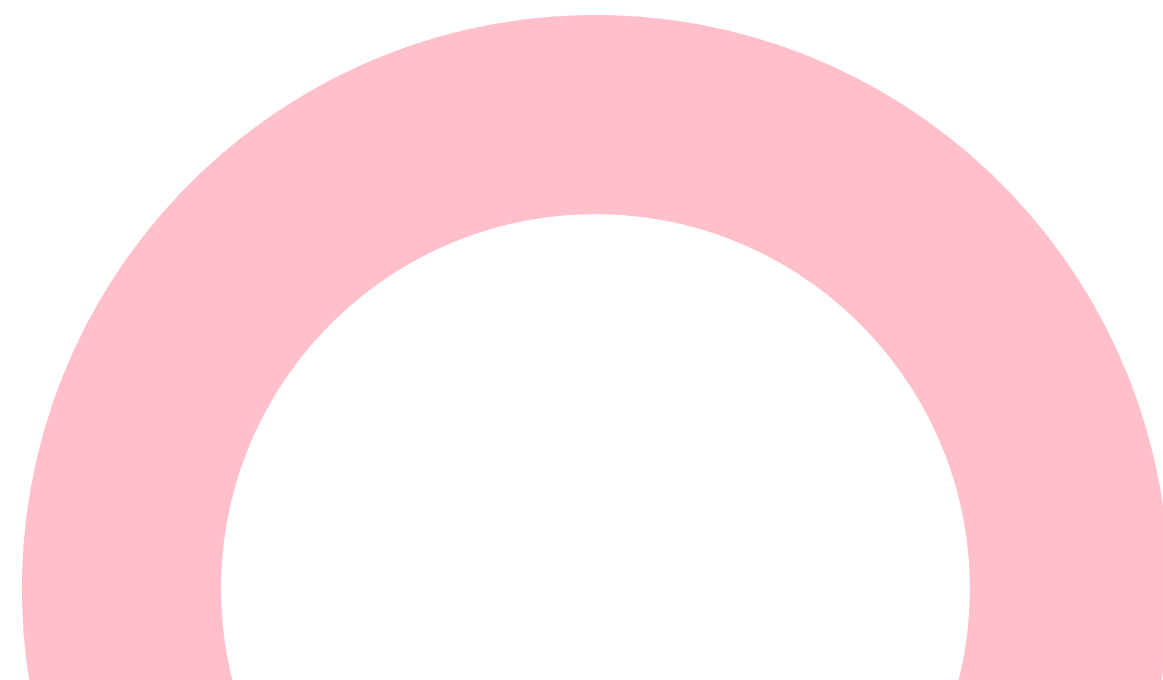


With the purpose of ensuring the sustainability of hazelnut, the most important raw material for us and Turkey, we realised the sustainable Hazelnut Agriculture Project. We continue to support the World Cocoa Foundation. As part of our membership to the Food Drink Europe and the European Food Information Council (EUFIC), we continue our food security and food sustainability efforts and actively participate in the related seminars and conferences. We are a part of the Energy Efficiency Task Force of the Turkish Industry and Business Association (TÜSİAD).

On the World Food Day, we discussed the changes and solutions needed for healthy, sustainable, and reliable nutrition for the food industry at the Sustainable Food Summit organized by the Turkish Sustainability Academy and Turkish Food & Beverage Industry Employers Association (TÜGİS) and sponsored by Yıldız Holding as the main sponsor.

We are deemed worthy of awards in sustainability with our efforts and performance for food industry leadership. We became one of the finalists in water management, logistics, and sustainability reporting categories in the edie Sustainability Leaders Awards, the most prestigious sustainability awards in UK.

Thanks to our sustainability strategy, objectives, and practices based on the global standards, we continued to rank in leading sustainability indexes this year. We have been in the FTSE4Good Emerging Index since 2016 and Borsa Istanbul Sustainability Index since 2015.



ANNEXES

ANNEX 1: Memberships and Collaborations

- Ankara Chamber of Industry
- Ankara Chamber of Commerce
- Ankara Chamber of Commerce
- Istanbul Chamber of Industry
- Istanbul Chamber of Commerce
- Istanbul Commodity Exchange
- Gebze Chamber of Commerce
- Kocaeli Chamber of Industry
- Country Memberships to the Foreign Economic Relations Board of Turkey [Saudi Arabia, Egypt, China, Iran, the United States]
- Independent Industrialists and Businesspeople Association [MÜSİAD]
- Sugary Product Manufacturers Association [SEMAD]
- Istanbul Exporters' Associations
- International Life Sciences Institute [ILSI] Europe
- The European Food Information Council [EUFIC]
- World Cocoa Foundation [WCF]
- Turkish Food & Beverage Industry Employers Association [TÜGİS]

ANNEX 2: Methods of Communication with Stakeholders

Employees	Satisfaction surveys, OHS board meetings, announcements and information, internal publications, annual reports, sustainability reports, training programs, workshops, website, industrial relations boards, employee support line, Kaizen Ideas, stakeholder analysis
Industry Organizations and Associations, Nongovernmental Organizations, and International Organizations	Memberships and board memberships, active participation in meetings and joint efforts, annual reports, sustainability reports, announcements, seminars, conferences, website, stakeholder analysis
Distributors and Suppliers	One-to-one meetings, annual reports, sustainability reports, quality audits, relevant policies and documents, website, stakeholder analysis
Shareholders and Investors	General assembly, material even disclosures, press statements, one-to-one meetings and correspondences, attendance to conferences, broker/bank reports, periodic information letters, annual reports, sustainability reports, website, perception projects, stakeholder analysis
Public Institutions	One-to-one meetings, annual reports, sustainability reports, stakeholder analysis
Media	One-to-one meetings, press conferences, annual reports, sustainability reports, announcements and statements, website, social media, stakeholder analysis
Consumers	Ülker Customer Communication Center, website, annual reports, sustainability reports, news, announcements, social media, consumer surveys, stakeholder analysis
Universities	Active participation in joint efforts, annual reports, sustainability reports, website, internship programs, career days, conferences, stakeholder analysis

ANNEX 3: Reporting Principles and Tables for 2019 Sustainability Report of Ülker Bisküvi

Reporting principles provide information about data collection and calculation principles regarding energy consumption, greenhouse gas emissions (Scopes 1-3), water consumption, and OHS (representation of labor force in OHS committees, number of fatal accidents, occupational disease rate, lost days rate, accident frequency, and accident weight) data given in the 2019 Sustainable Report.

The reporting principles cover the financial year FY19 that ended on December 31, 2019, and the relevant operations of Ülker Bisküvi Sanayi A.Ş. in its Ankara, Esenyurt, Gebze, Karaman, Topkapı, and Silivri factories.

General Reporting Principles

The following principles were observed in preparing this guiding document:

- in preparing the information - emphasizing suitability and reliability of the information for the users of the information;
- in reporting the information - emphasizing comparability/consistency of the information to other data, including those of the previous year and clarity/transparency of the information for users.

Scope of Reporting

The Company's energy consumption, greenhouse gas emission due to energy consumption, and water consumption for FY19, and the comparative periods presented are related to the following:

- Production activities at Ankara, Esenyurt, Gebze, Karaman, Topkapı, and Silivri factories
- Transportation of materials and products in factories
- Company vehicles
- Refrigerant gases
- Employee shuttles
- Business flights of employees

The report does not cover the energy and water consumption attributable to suppliers or customers outside the factories and related greenhouse gas emissions.

Data Preparation

Energy Consumption

Primary fuels, including electricity, natural gas, and fuels (diesel/gasoline), used for power generators, employee shuttles, and company vehicles are reported.

Power consumption and natural gas consumption data are derived from the meters and bills of service providers. In addition, fuel consumption data are derived from the invoices of service providers that provide service for operating power generators, company-owned vehicles, and employee shuttles.

The company uses the following conversion factors while calculating its energy consumption:

- As power supply is billed in kWh, the mWh conversion factor of 1 kWh = 0.001 mWh is used.
- As natural gas supply is billed in m³, consumption is converted into KJ by the conversion factor 8,250 kcal/m³ x 4,186 KJ/kcal/1000 and then to GJ by division into 1,000. Finally, the conversion factor of 1 GJ = 0.27 mWh is used.
- As diesel fuel supply is billed in it, consumption is converted into KJ by the conversion factor 10,200 kcal/m³ x 4.18 KJ/kcal/1,000 and then to GJ by division into 1,000. Finally, the conversion factor of 1 GJ = 0.27 mWh is used.
- The lower heating values and Tons of Oil Equivalent (TEP) of the energy sources used were taken from the table "Lower Heating Values and Tons of Oil Equivalent Factors" in Annex 2 of the Regulation No. 28097 dated October 27, 2011, on Increasing Efficiency in the Use of Energy Resources and Energy.

Greenhouse Gas Emissions

The baseline year for greenhouse gas was taken 2014 when there was full and reliable access to data and a year that depicted the current activities. The greenhouse gas calculation methodology is based on "multiplying the data on greenhouse gas emissions from activities by emission factors or removal factors."

Greenhouse gas emissions were calculated as prescribed in the Greenhouse Gas Protocol methodology of the World Resources Institute (WRI)/World Business Council on Sustainable Development (WBCSD). Boundaries of the organization were taken as the basis of control and the distribution by resources giving rise to greenhouse gases in the factories controlled by Ülker Bisküvi Sanayi A.Ş. in Turkey is as follows:

Scope 1 - Direct Greenhouse Gas Emission: Fuels used in factories and buildings, emergency generators running on diesel fuel, company-owned vehicles, and refrigerant gases
 Scope 2 - Indirect Greenhouse Gas Emission Associated with Energy: Electricity consumption,
 Scope 3 - Other Indirect Greenhouse Gas Emissions: Employee shuttles used for commuting and business flights of employees were also included in this scope.

CO₂-equivalent factors arising from CO₂, CH₄, N₂O, and HFC (refrigerant gas) emissions were used for calculations. The table below provides details of the emission factors used. The Global Warming Potential (GWP) coefficients were taken from the Intergovernmental Panel on Climate Change (IPCC) 5th Assessment Report and DEFRA Greenhouse Gas Reporting: Conversion Factors 2019. No electricity emission factor has been announced by official bodies in Turkey. The data in international sources, such as DEFRA or the IEA, are also not up to date. Hence, the Emission factor was calculated per the 2015 data of the Turkish Electricity Transmission Corporation (TEİAŞ).

Water Consumption

Supply water, ground water, and rainwater consumption are reported within the scope of the water consumption data. Water consumption data are obtained from the meter readings and bills of service providers.

Occupational Health and Safety (OHS)

The following formulae are used to calculate the OHS data:

$$\text{Lost Time Accident Rate (LTAR)} = \frac{\text{Lost Time Injuries} \times 200.000}{\text{Total Working Hours}}$$

$$\text{Accident Severity Rate} = \frac{\text{Total Lost Hours Associated with Work Accidents} \times 1.000}{\text{Total Working Hours}}$$

Corrections and Re-Notifications

Measurement and reporting of the verified data include estimation to a certain extent. It could be necessary to correct previous years' data in certain exceptional cases. Re-notification could be performed in case of a deviation greater than 5% in the company data.

Emission Factors	CO ₂	CH ₄	N ₂ O	Total kg CO ₂ 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
Sulfur hexafluoride (SF6)	23500,0			23500.0
Electricity (grid) (2017)	0.5093	0.0002	0.0015	0.5109
Electricity (grid) (2018)	0.5050	0.0002	0.0014	0.5066
Electricity (grid) (2019)	0.5120	0.0002	0.0016	0.5137
Employee transportation- Shuttles	0.5641	0.0002	0.0055	0.5698
Air travel - short haul	0.1560	0.0001	0.0015	0.1576
Air travel - medium haul	0.0889	0.0000	0.0009	0.0898
Air travel - long haul	0.1037	0.0000	0.0010	0.1048

PERFORMANCE INDICATORS

ANNEX 4: Environmental Performance Indicators

Greenhouse Gas Emissions (ton CO ₂)	2017	2018	2019
Scope 1	70,272	67,840	68,570
CO ₂	70,077	67,651	68,382
CH ₄	158	153	152
N ₂ O	36	36	36
Scope 2	73,382	74,468	74,665
CO ₂	73,144	74,233	74,414
CH ₄	27	27	26
N ₂ O	211	208	226
Scope 3 Total*	4,677	4,534	5,394
CO ₂	4,314	4,482	5,334
CH ₄	318	2	2
N ₂ O	45	50	58
Grand Total	143,654	142,308	143,235
CO ₂	143,221	141,883	142,796
CH ₄	185	180	178
N ₂ O	247	244	262

*Business flights and employee commuting were included.

Air Emissions: We also monitor air emissions other than greenhouse gas emissions for all factories. Our emissions below the thresholds defined for this purpose are inspected regularly. By 2024, we aim to decrease our emission values by 3% compared with 0.006878 kg SO₂ and 0.1182 kg NO_x in 2014. In 2019, we were levied an environmental fine of TRY 4,503.75 for emission of odor higher than the limits defined by the Regulation on Controlling Odor-forming Emissions.

Energy Consumption	2017 MWh	2018 MWh	2019 MWh
Buildings (fuel and electricity)	455,615	449,859	446,477
Electricity purchased	143,622	146,993	145,340
Natural gas	310,516	301,785	300,550
Generator (diesel)	1,477	1,081	587
Vehicles (fuel)	642	665	725
Diesel	642	665	724
TOTAL	456,257	450,524	447,201

Total waste (ton)	2019 (ton)	2019 (%)
Sent to landfill	1,290	%8.8
Recycled for energy production	171	%1.2
Hazardous waste	281	%1.9
Recovered as by-product	4,775	%32.7
Recycled	8,081	%55.4

Water consumption (m ³)	2017	2018	2019
Water consumption (municipal and well water)	771,782	726,108	736,673
Rainwater	-	592	2,860
TOTAL	771,782	726,700	739,533

	2017	2018	2019
Amount of wastewater (x1000 m³)	605	517	518

ANNEX 5: Social Performance Indicators

Employees by Gender and Category	2017		2018		2019	
	Female	Male	Female	Male	Female	Male
Number of out-of-scope workers	125	532	117	479	140	481
Number of in-scope workers	1,292	3,556	1,059	3,350	957	3,256
Total number of employees	5,505		5,005		4,834	

Employees by Employment Duration	2017		2018		2019	
	Female	Male	Female	Male	Female	Male
Employed for 0 to 5 years	-	-	1,359	1,224	305	982
Employed for 5 to 10 years	-	-	563	1,065	523	1,274
Employed for 10 years or more	-	-	253	1,541	267	1,484

Employees at Top Management by Gender and Age	2017		2018		2019	
	Female	Male	Female	Male	Female	Male
>50 years old	0	3	0	2	1	5
30-50 years old	3	13	23	71	30	54
<30 years old	0	0	7	1	4	3
Total	3	16	30	74	35	61
	19		104		96	

Parental Leave by Gender	2017		2018		2019	
	Female	Male	Female	Male	Female	Male
Number of employees who took parental leave	49	109	69	277	45	241
Number of employees who returned to work after parental leave	30	96	48	277	22	241

Employees subjected to performance assessment by gender and category	2017		2018		2019	
	Female	Male	Female	Male	Female	Male
Out-of-scope employees	125	532	116	480	140	481

Employees left by gender and age	2017		2018		2019	
	Female	Male	Female	Male	Female	Male
>50 years old	10	8	13	26	4	23
30-50 years old	166	185	153	308	122	191
<30 years old	81	185	89	179	67	128
Total	257	378	255	513	193	342
	635		768		535	

New hires by gender and age	2017		2018		2019	
	Female	Male	Female	Male	Female	Male
>50 years old	0	1	0	1	0	0
30-50 years old	25	133	36	163	37	82
<30 years old	76	258	89	221	71	167
Number of new hires	101	392	123	387	108	249

Training	2017	2018	2019
	Total training hours	107,125	104,727
Total training hours given to subcontracted employees	9,851	9,407	11,369

Subcontractors OHS Performance	2019
Subcontractors' employees	934
Number of fatalities	1
Number of occupational diseases	0
Lost time accident rate (LTAR)	1.76
Occupational disease rate (ODR)	0
Accident severity rate (ASR)	17.11

GRI CONTENT INDEX

GRI Standard	Disclosure	References	
GRI 101: Foundation 2016			
General Disclosures			
	Kurumsal Profil		
GRI 102: General Disclosures 2016	102-1	3	
	102-2	5	
	102-3	https://www.ulker.com.tr/tr/bilgi/iletisim/adreslerimiz	
	102-4	5	
	102-5	5	
	102-6	5	
	102-7	5, 42	
	102-8	42	
	102-9	27-28	
	102-10	N/A	
	102-11	15	
	102-12	55	
	102-13	55	
		Strategy	
	102-14	4	
102-15	10		
	Ethics and Integrity		
102-16	7-9, 17		
102-17	17		
	Governance		
102-18	2019 Annual Report		
102-19	15		
102-20	15		
102-36	http://ulkerbiskuviyatirimciiliskileri.com/kurumsal-yonetim/ucretlendirme-politikasi.aspx		

GRI Standard	Disclosure	References	
GRI 101: Foundation 2016			
General Disclosures			
	Stakeholder Analysis		
GRI 102: General Disclosures 2016	102-40	55	
	102-41	87% of employees are covered by a collective bargaining agreement.	
	102-42	13	
	102-43	13	
	102-44	13	
		Report Profile	
	102-45	2019 Annual Report	
	102-46	13	
	102-47	13	
	102-48	Power consumption data were updated per the changes in energy conversion factors.	
	102-49	N/A	
	102-50	3	
	102-51	3	
	102-52	3	
	102-53	3	
102-54	3		
102-55	60-61		
102-56	62-63		
GRI 200: Economic Disclosures			
Economic Performance			
GRI 201: Economic Performance 2016	201-1	5	
Procurement Practices			
GRI 103: Management Approach 2016	103-1	27-30	
	103-2	27-30	
	103-3	27-30	
GRI 204: Procurement Practices 2016	204-1	27	
Anti-Corruption			
GRI 205: Anti-Corruption 2016	205-2	17	
	205-3	17	

GRI Standard	Disclosure	References
GRI 300: Environmental Disclosures		
Materials		
GRI 301: Material 2016	301-1	24
Energy		
GRI 302: Energy 2016	302-1	58
	302-3	21
	302-4	21
Water and Effluents		
GRI 303: Water 2016	303-1	22
	303-3	58
Emissions		
GRI 103: Management Approach 2016	103-1	21
	103-2	21
	103-3	21
GRI 305: Emissions 2016	305-1	58
	305-2	58
	305-3	58
	305-4	21
	305-5	21
	305-7	58
Effluents and Waste		
GRI 306: Effluents and Waste 2016	306-2	58
Environmental Compliance		
GRI 307: Compliance 2016	307-1	58
Supplier Environmental Assessment		
GRI 308: Supplier Environmental Assessment 2016	308-1	27

GRI Standard	Disclosure	References
GRI 400: Social Disclosures		
Employment		
GRI 401: Employment 2016	401-1	41, 59
	401-2	43
	401-3	59
Occupational Health and Safety		
GRI 103: Management Approach 2016	103-1	46, 47
	103-2	46, 47
	103-3	46, 47
GRI 403: Occupational Health and Safety 2016	403-1	47
	403-2	46
	403-3	47
Training and Education		
GRI 404: Training and Education 2016	404-1	44, 59
	404-2	44
	404-3	43, 59
Diversity and Equal Opportunity		
GRI 405: Diversity and Equal Opportunity 2016	405-1	59
Customer Health and Safety		
GRI 416: Customer Health and Safety 2016	416-1	32
Food Industry Annex		
Disclosure	References	
Product Liability		
G4-FP5	32	
G4-FP6	50	
G4-FP7	50	



**Limited Assurance Report
to the Board of Directors of Ülker Bisküvi Sanayi A.Ş.**

We have been engaged by the Board of Directors of Ülker Bisküvi Sanayi A.Ş. (the “Company”) to perform an independent limited assurance engagement in respect of the Selected Sustainability Information (“Selected Information”) stated in the Company’s Sustainability Report (“the 2019 sustainability report”) for the year ended 31 December 2019 and listed below.

Selected Information

The scope of the Selected Information for the year ended 31 December 2019, which is subject to our independent limited assurance work, set out in the “Appendix 3: Ülker Bisküvi 2019 Sustainability Report Reporting Principles and Tables” on 56-57 pages of the 2019 sustainability report is summarised below:

- Energy Consumption,
- Direct (Scope-1) Greenhouse Gas Emissions,
- Indirect (Scope – 2) Greenhouse Gas Emissions from the generation of purchased energy,
- Other Indirect (Scope-3) Greenhouse Gas Emissions
- Water consumption
- Workforce representation in occupational health and safety committees,
- Occupational health and safety rates (Number of Injury, *Injury-related Lost Day Rate*, *Occupational Disease – related Lost Day Rate*)

Our assurance was with respect to the year ended 31 December 2019 information only and we have not performed any procedures with respect to earlier periods or any other elements included in the 2019 sustainability report and, therefore, do not express any conclusion thereon.

Criteria

The criteria used by the Company to prepare the Selected Information is set out in section Appendix 3: Ülker Bisküvi 2019 Sustainability Report Reporting Principles and Tables (“Reporting Principles and Tables”) on pages 56-57 of the 2019 sustainability report.

The Company’s Responsibility

The Company is responsible for the content of the Sustainability Report and the preparation of the Selected Information in accordance with the Reporting Principles and Tables. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of Selected Information that is free from material misstatement, whether due to fraud or error.

Inherent Limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measures and measurement techniques and can affect comparability between entities. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. It is important to read the Selected Information in the context of the Reporting Principles and Tables.

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

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



Our Responsibility

Our responsibility is to form a conclusion, based on limited assurance procedures, on whether anything has come to our attention that causes us to believe that the Selected Information has not been properly prepared in all material respects in accordance with the Reporting Principles and Tables. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the International Auditing and Assurance Standards Board.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000 and ISAE 3410. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- made inquiries of the persons responsible for the Selected Information;
- understood the process for collecting and reporting the Selected Information. This included analysing the key processes and controls for managing and reporting the Selected Information;
- evaluated the source data used to prepare the Selected Information and re-performed selected examples of calculation;
- performed limited substantive testing on a selective basis of the preparation and collation of the Selected Information prepared by the Ülker Bisküvi Sanayi A.Ş.; and
- undertook analytical procedures over the reported data.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Company's Selected Information for the year ended 31 December 2019, is not properly prepared, in all material respects, in accordance with the Reporting Principles and Tables.

This report, including the conclusion, has been prepared for the Directors of the Company as a body, to assist the Directors in reporting the Company's performance and activities related to the Selected Information. We permit the disclosure of this report within the Sustainability Report for the year ended 31 December 2019, to enable the Directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors of Ülker Bisküvi Sanayi A.Ş. as a body and Ülker Bisküvi Sanayi A.Ş. 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.

Cenk Uslu, SMMM
Partner

Istanbul, 30 June 2020

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