

# THIS IS OUR WORLD

SUSTAINABILITY REPORT  
2015



**ÜLKER**  
HAPPINESS EVERYWHERE

We care for  
making people happy  
and  
being happy  
while doing our job

FOR A  
**Happy**  
FUTURE

**ÜLKER**

# INDEX

## INTRODUCTION

About Ülker Bisküvi	8
About The Report	9
Materiality Analysis	10
Material Issues for Ülker Bisküvi	10
Material Issues for Our Stakeholders	10
"Shared" Material Issues	10
Communication with Stakeholders	12
Methods for Stakeholder Communication	13
Stakeholder Voice	14
Memberships and Collaborations	16
Sustainability Approach	17
Our Responsibility	17
Sustainability Principles	18
Sustainability Commitments	18
2024 Targets	19
Sustainability Management	20
Corporate Governance	21
Executive Board and Committees	21
Code of Conduct	22
Risk Management	23
Sustainability Risks Management	24
What we did in 2015?	25

## ENVIRONMENT

Environmental Management	28
Life Cycle Assessment	29

Environmental Targets and Performance	30
Climate Change and Energy	30
Air Emissions	32
Natural Resource Use and Water Management	32
Waste and Wastewater (Water Emissions) Management	34
Packaging Management	36
Biodiversity	36

## VALUE CHAIN

Sustainable Raw Material Supply	40
Agricultural Research	41
Cocoa Procurement	42
Palm Oil Procurement	43
Logistics Network	43

## INNOVATION

Sabri Ülker Food Research Foundation	46
Innovation Culture in the Company	47

## EMPLOYEES

Performance Management	51
Career and Talent Management	52
Dialogue Management with Employees	52
Trainings	53
Occupational Health and Safety	54

## SOCIAL RESPONSIBILITY

Food Safety	59
Ülker Bisküvi Quality Management System	59
Food Safety in the Value Chain	60
Consumer Opinions	62
Various Alternatives Offered to Consumers	62
Responsible Marketing	63
Projects for Tomorrow's Happy Children	64
Ülker and Sports	65
Ülker and Culture – Art	67

## LEADERSHIP



*“Our sustainability efforts root back to the foundation of Ülker and are inspired by our founder Sabri Ülker’s non-mispending business model.”*

Our sustainability efforts root back to the foundation of Ülker and are inspired by our founder Sabri Ülker’s non-mispending business model. Sabri Ülker created and passed on a company culture where even a tad of flour, a single drop of water and an employee’s hard work are not wasted. As the successors of his legacy, we strive to further develop this culture and pass it onto the next generations.

The resources our world can offer are finite. We see it as our primary responsibility to respond to the ever-changing needs of our planet and customers by consuming and producing responsibly and managing talents proficiently. Our leading position in the industry also requires us to be pioneers as well as a role model in sustainability.

One of the primary issues in 2015 was to determine our sustainable development goals. In this respect, we shared our Targets for 2024 with our stakeholders.

It is of utmost importance to us to meet our goals in 2024, which also marks the 80<sup>th</sup> anniversary of Ülker. In our first Sustainability Report, we share our performance regarding “Environment”, “Value Chain”, “Innovation”, “Employees”, “Social Responsibility” and “Leadership” as well as our 2024 Goals.

Hereby, I would like to congratulate our stakeholders, primarily our employees, who contributed to our sustainability efforts in 2015, and offer my sincere gratitude and acknowledgments. I hope to continue achieving remarkable outcomes in the upcoming years.

**Murat ÜLKER**  
Chairman



*“We encircled the entire ecosystem that we interact with including our value chain and we set individual targets for each aspect.”*

We care for making people happy and being happy while doing our job. Our business is to bring food products from different categories to people. While doing this, we reach the soil with one hand and people with the other.

We regard sustainability as protecting the soil, the water we use, our farmers, employees, consumers and society as a whole, which are among the core steps to maintain our business now and in the future. In accordance with this vision, we determined the “Sustainability Goals” for Ülker’s 80<sup>th</sup> anniversary.

We encircled the entire ecosystem that we interact with including our value chain and we set individual targets for each aspect. We are well aware that this issue is very important and it cannot solely be restricted to environmental investments.

Along with our targets on environmental sustainability, we determined targets on value chain, innovation, employees, social responsibility and leadership. We have made a commitment to our employees, investors and all our stakeholders to reach our targets by 2024. We will achieve our “growth with zero increase in carbon emissions” target by investing in environment and energy as well as incorporating renewable energy procurement into our plans.

In 2015, we became the first food manufacturing company listed on the Istanbul Stock Exchange (BIST) Sustainability Index, which was commenced in 2014 by Borsa İstanbul to evaluate the performance of companies listed on the stock exchange, regarding environmental and social aspects. This platform enables the independent evaluation of our sustainability approach, our operations and the decisions that we made. Hence, we aim to consolidate an environment of mutual trust by creating value for our investors as well.

We are fulfilling our social responsibilities and we are working to act as model and a guide through our leadership on the projects we implement and partnerships we establish.

As Ülker Bisküvi, we are excited to publish the first sustainability report, and I would like to offer my gratitude to all my colleagues and stakeholders who contributed in the preparation of this report, which represents one of the initial phases of our contributions to economic, social, environmental sustainability and a happier society.

**Mehmet TÜTÜNCÜ**  
Deputy Chairman – CEO

## ABOUT ÜLKER BİSKÜVİ

As one of the well-established brands in Turkey, we have been leaving our mark on everyone's lives since 1944. Since then, we have matched Turkey's social and economic development and become a global brand.

We started our venture at a plant in Eminönü Nohutçu Han as a petit beurre biscuit manufacturer, and today, petit beurre is used as a synonym for our brand. As the Pleiades constellation we are named after, the Pladis group features an ecosystem that brings together different companies. This ecosystem has enabled us to grow through acquisitions and new investments to be the third largest producer of biscuits in the world, as Yıldız Holding.

Today the Ülker brand appears on products from different food categories including biscuits, chocolates, cakes, gums and confectionery, as well as edible oil and coffee. Almost 300 Ülker-branded biscuits, chocolates and cakes – produced in our plants at Ankara, Karaman and Istanbul (Topkapı, Silivri, Gebze and Esenyurt) – meet consumer demand across Turkey and the rest of the world. Our products are distributed across the globe from Europe to Africa, America, Central Asia, Russia and notably the Middle East. Our products continue to reflect a sense of quality through investments that focus on sustainable and profitable growth.

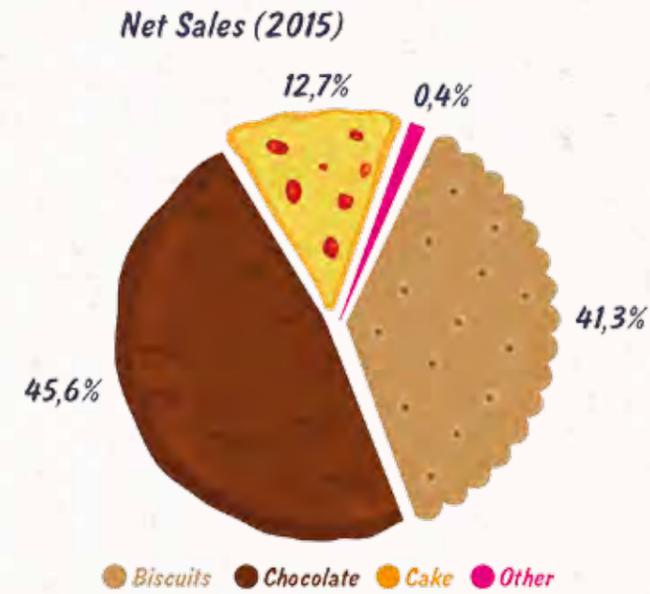
*In January, Yıldız Holding gathered its primary businesses, including biscuits, chocolates, cake, gum, and confectionery manufacturing under a single global company called pladis. The company encompasses Ülker, Godiva, United Biscuits and DeMet's with a combined business experience of 300 years. pladis has a turnover of 5.2 billion dollars and 26,000 employees throughout the world. With this new organization, we aim to supply products from Ülker Bisküvi to broader markets.*

*As the flagship brand of Yıldız Holding, pladis is one of the first global-scale companies in Turkey, and as a leading brand, our mission is to penetrate world markets as the leader or as a strong runner-up, in the forthcoming 5-year period with our companies.*



## ABOUT THE REPORT

Our turnover reached 3.1 billion TRY in 2015. Listed on 10 different indices at Borsa İstanbul, including the BIST Sustainability Index, our publicly traded overall market value increased to six billion TRY in 2015.



Our robust financial structure stems from our strong market presence and the brand power, which our consumers have confidence in. Taking strength from our family of 6,537 employees, we continue to grow everyday through innovation, which improves our product diversity, and through our investments we aim to penetrate new markets.

We are publishing our first sustainability report in order to share our sustainability approach and vision. The report aims to present our performance, plans and objectives to our stakeholders in a transparent manner in the areas of environment, value chain, innovation, employees, social responsibility and leadership that incorporate corporate governance, environmental and social aspects.

The methodology employed for the report is in accordance with the "core" option of the Global Reporting Initiative (GRI) reporting standard, with reference to the GRI G4 Guidelines and GRI G4 Food Processing Sector Disclosures. In the report, we referred to the Processed Foods guidelines of the Sustainability Accounting Standards Board (SASB) and conducted a stakeholder analysis in accordance with the Accountability AA1000SE Stakeholder Engagement Standard. The report covers the material issues highlighted through the contributions of our stakeholders, and the performance data from January 1 to December 31, 2015, which was then compared with past years and future objectives.

You may contact us with your questions and comments via [surdurulebilirlik.plattformu@ulker.com.tr](mailto:surdurulebilirlik.plattformu@ulker.com.tr).

# MATERIALITY ANALYSIS

In order to identify the sustainability topics that we aim to concentrate on, amongst numerous sustainability issues in the food sector, we conduct materiality analysis. We define materiality analysis as the identification of the most significant issues for Ülker Bisküvi and for our stakeholders. In order to identify the main issues, we consider both general and sector based sustainability trends both in Turkey and in the international arena. We take the impacts of the financial and reputational risks and opportunities as well as the potential legislative regulations, into consideration. We map out the most material issues for our stakeholders, and the issues that might have an impact on Ülker Bisküvi in terms of reputation, finance and operational aspects. The intersecting topics reveal our material issues.

## Material Issues for Ülker Bisküvi

As we determined the material sustainability issues for Ülker Bisküvi, we used the output from the sustainability vision workshop conducted with executives and employees from different levels of Yıldız Holding and Ülker Bisküvi. In addition to the output from this workshop, we finalized our identification of material issues by taking the questionnaire results collected from the sustainability platform members and senior executives, as well as the strategic vision, into account.

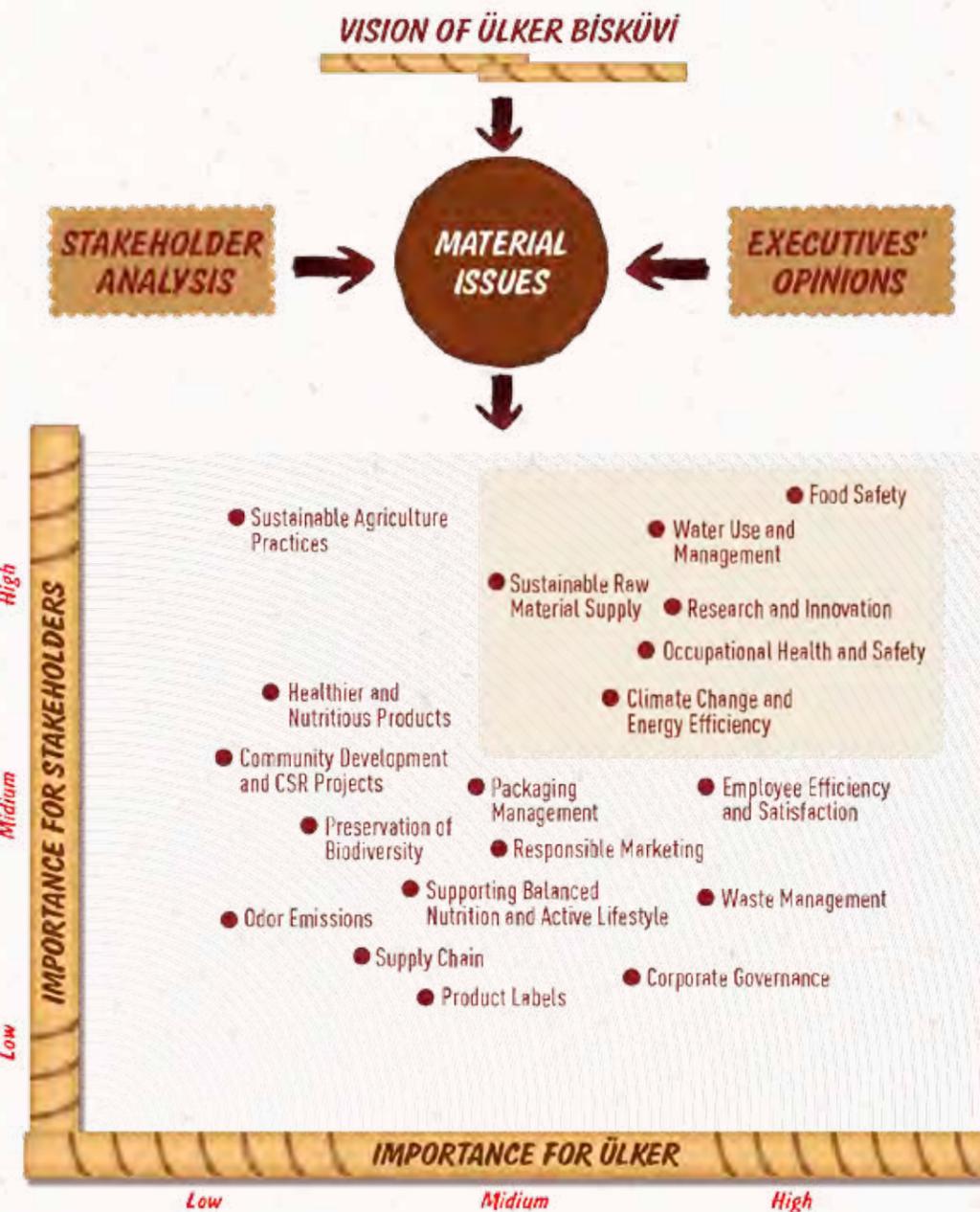
## Material Issues for our Stakeholders

We identified material sustainability issues for our stakeholders through a stakeholder analysis. In the analysis, we asked our stakeholders for their perceptions, opinions and expectations about sustainability of the food sector and Ülker Bisküvi to make the processes and products of Ülker Bisküvi more sustainable. The stakeholder analysis was conducted by an independent consultancy company, in accordance with the Accountability AA1000SE Stakeholder Engagement Standard.

We started the analysis by identifying the key stakeholders that have the highest impact on our operations and strategy and vice versa. We mapped our priority stakeholders from all stakeholder groups, covering universities to relevant associations and non-governmental organizations, from the media to our employees, reaching them through online questionnaires.

## “Shared” Material Issues

The shared material issues for our stakeholders and Ülker Bisküvi shaped the content of our report. Food safety, water usage, innovation, occupational health and safety, energy efficiency and sustainable raw material supply emerged as material issues. While the material issues are the main area of focus in this report, we addressed other significant issues for both our stakeholders and for us as well, and took those into consideration in our strategic planning.



The stakeholder analysis revealed that our suppliers expect us to continue our support on agricultural research on main raw materials such as wheat and hazelnut, and to raise awareness on sustainability in the entire value chain from suppliers to distribution channels. Other stakeholders demand that we serve as a model to create public awareness, notably on balanced nutrition and an active lifestyle, consumption habits, recycling, informing producers, etc.

All stakeholder groups expect Ülker Bisküvi to lead with regard to sustainability due to its active role in the food sector and to raise awareness of its stakeholders in the course of transformation of the sector.

## COMMUNICATION WITH STAKEHOLDERS

Our dialogue with stakeholders constitutes one of the most fundamental elements for identifying our sustainability strategy and determining our next steps. We classify our stakeholders as non-governmental organizations, universities, associations and sector organizations, trade unions, employees, consumers, public enterprises, shareholders, suppliers, distributors and the media. We evaluate our degree of influence on the stakeholders and their influence on Ülker Bisküvi in order to identify the means, and frequency, of communication with our stakeholders. We are not just paying attention to the opinions of our stakeholders, but also attaching significant importance on becoming

an integral part of the sector, on international initiatives and in collaborative improvements. Our communication with our stakeholders in the sector are maintained within the framework of memberships and collaborations such as food associations, WWF Turkey, World Cocoa Foundation, etc.

In this sustainability leadership journey, we set off in accordance with our vision and the expectations of our stakeholders, and we value and maintain our continued communication with the stakeholders. We plan to proceed with the contributions of our stakeholders in all processes and increase collaborations through active participation in different platforms.



### Methods for Stakeholder Communication

<b>Employees</b>	Satisfaction surveys, HSE board meetings, notices and briefings, in-house publications, annual reports, training, workshops, website, industrial relations boards, employee support line, Akıl Küpü (Kaizen Ideas)
<b>Shareholders</b>	General Assembly, special occasion disclosures, press releases, one-to-one meetings and correspondences, conferences, intermediary firm/bank reports, periodical informative statements, annual reports, website, perception studies
<b>Associations and sector organizations</b>	Memberships and executive board memberships, active participation to the meetings and collaborative efforts, annual reports, notices, seminars, conferences, website
<b>Public enterprises</b>	One-to-one interviews, annual reports, media
<b>Media</b>	One-to-one interviews, press releases, notices and disclosures, website, social media
<b>Suppliers and Distributors</b>	One-to-one interviews, annual reports, quality audits, relevant policies and documents, website
<b>Consumers</b>	Ülker Consumer Contact Center (+90 212 567 1567), website, annual reports, news, notices, social media, consumer surveys
<b>Non-governmental organizations</b>	One-to-one interviews, memberships, active participation in the meetings and collaborative efforts, annual reports, notices, conferences
<b>Universities</b>	Active participation in the collaborative efforts, annual reports, website, internship programs, career days, conferences
<b>Trade Unions</b>	One-to-one meetings, annual reports

## STAKEHOLDER VOICE

I believe that Ülker should lead the food sector regarding sustainability topics due to its 70-year, well-established brand recognized by the entire society and should tell more about sustainability efforts.

**Konca Çalkıvık, World Business Council for Sustainable Development (WBCSD) Turkey, Secretary General**

The most significant task in transition to a sustainable economy falls to large corporations. Large companies demanding sustainable raw materials and products mean that the producers and the entire supply chain will also transform into a sustainable structure. The process changes if, and when, the corporations change. We desire that Ülker Bisküvi transforms not only itself, but also its supply chain, thus improving the entire process.

**Pınar Şakar, WWF-Turkey, Corporate Relations Manager**

The fact that Ülker is becoming a pioneer food company in this area is really sublime. I hope this initiative continues steadily.

**Çağrı Güneysu, Ülker Bisküvi Brand Manager**

Ülker Bisküvi is one of the largest and widespread corporations of Turkey in the food sector. The changes and the progress to be implemented on sustainability by Ülker will induce significant impacts on the society. In my opinion, one of its most significant tools is its direct relationship with the end consumer. I believe that deciding on allocating 1% of the advertisement budget each year for raising social awareness on sustainability; to announce, and of course, implement this decision would create major differences. Good luck and all the best...

**Barış Doğru, EKÖIQ, Editor-in-Chief and Founder**

The World Cocoa Foundation is proud to have Ülker as a member and is very appreciative of the company's efforts to support a more sustainable cocoa sector.

**Tim McCoy, World Cocoa Foundation, Outreach Senior Advisor**

Ülker Bisküvi will act together with its business partners in this respect as it has always been. As Saica Pack, we wish to contribute to consuming 20% less paper in packages and boxes, which is amongst your 2024 goals.

**Burak Sezerel, Saica Pack Turkey, Key Account Manager**

I support Ülker Bisküvi to make an effort in generating the energy required for production activities through use of renewable sources.

**Halil İbrahim Kurtuluş, Ministry of Energy and Natural Resources, Deputy General Manager**

We are anticipating sustainability projects from Ülker Bisküvi, which is a prominent and preferred brand in the food sector, which will lead the sector in Turkey and create awareness in the world.

**Erdal Pekacar, AEP Anadolu Etap Penkon Gıda, Quality Assurance Manager**

During product diversity and R&D studies, identifying the expectations and preferences of the target masses – notably the new generation – by paying attention to their ideas; paying attention to the activities which would improve the satisfaction for both the employees and customers.

**Ahmet Kaya, Öz Gıda İş Union, Deputy General Manager**

## SUSTAINABILITY APPROACH

### **Memberships and Collaborations**

Sugar Products Manufacturers (ŞEMAD)  
Starch and Glucose Manufacturers Association (NÜD)  
Turkish Industry and Business Association (TÜSİAD)  
World Wide Fund for Nature (WWF-Turkey)  
World Cocoa Foundation (WCF)  
Bahri Dağdaş International Agricultural Research Institute Directorate  
European Food Information Council (EUFIC)  
International Life Sciences Institute Europe (ILSI EUROPE)  
Türkiye Food Ind. Employers Union  
Istanbul Chamber of Industry  
Kocaeli Chamber of Industry  
Gebze Chamber of Trade  
Istanbul Chamber of Trade  
Economic Research Foundation  
Foreign Economic Relations Board (DEİK)  
DEİK - Gulf Business Council  
DEİK - Middle East Business Council  
DEİK - European Union Business Council  
DEİK - Africa Business Council  
KALDER Turkish Quality Association  
YASED International Investors Association  
Turkish Union of Chambers and Commodity Exchanges  
Ankara Chamber of Industry  
Ankara Chamber of Trade  
Ankara Commodity Exchange  
Istanbul Commodity Exchange  
TEGEV Technological Education Development Foundation  
Independent Industrialists and Businessmen's Association (MÜSİAD)  
Diabetes and Functional Food Manufacturers Association  
ŞEMAD Sugar Products Manufacturers  
Food Safety Association  
Istanbul Exporter's Associations  
GOSBSAD GOSB Industrialists Association

We are food producers. In food production, we build a bridge between the soil and the people. Sustainability is the most fundamental aspect of our business if we want to continue in the future. For Ülker, sustainability means prosperity of the soil and preserving water resources as well as the happiness of the farmers, employees, consumers, and ultimately the rest of the society.

In fact, our first sustainability practice was built on the "non-misspending company model" developed by our founder, Sabri Ülker. He created a company culture that values a single gram of flour, a drop of water and people's labor; a culture that avoids waste in any form and promotes efficiency in all areas. We base our current sustainability approach on this solid foundation. Efficient use of natural resources, employee happiness, our collaborations for the development of the food sector and our corporate social responsibility projects are all built around this vision.

Our sustainability journey dating back to our foundation years gained a new dimension with an analysis we conducted in 2014. As a food producer, we have always managed to break new ground. After this analysis, we focused on measuring our sustainability performance with the motivation of bettering our company for the people and the world, and we concentrated on developing our goals accordingly.

In 2015, we assembled our sustainability efforts under the same roof by the Vision Workshop which was participated by our executives and managers. With the help of this event our vision, sustainability principles and 2024 targets have been determined.

### **Our Responsibility**

Our sustainability approach draws on a consideration of our common future. In line with our vision of leaving a happy world for the next generations, we built our sustainability strategy around the themes of the environment, the value chain, innovation, our employees, social responsibility and leadership.

We protect the lands on which we produce. Along our entire value chain, we guide our producers and suppliers with our principles and training towards better and more sustainable agricultural practices.

In all of our production facilities, we undertake energy, water and resource efficiency projects and care about minimizing our waste, water emissions and carbon emissions.

Through the participation of our employees, we enhanced our innovation capacity - the driving force behind our competitive edge - developing products that make our consumers happy and enhance our sustainability efforts.

We offer a work environment where talent is discovered and developed, where diversity is valued and where different opinions are encouraged. The "We Culture" underpins the foundation of the way we work.

Our social programs promote maintaining a healthy diet and making a habit of regular physical activity in daily life. The communication strategy we implement follows the principles of responsible marketing. We believe that it is our responsibility to contribute to areas of social need, such as culture and art, sports and education.

We have realized many “firsts”, thanks to our leadership approach and the importance we give to innovation. We closely monitor global developments and set the rules accordingly, taking advantage of our leading position to transform the food sector.

At Ülker Bisküvi, we have identified the **Sustainability Principles** that form the steps towards our future goals. Our principles are also aligned with the leadership responsibility attributed to us by our stakeholders.

## **Our Sustainability Principles**

### **Environment:**

We are taking necessary steps to ensure environmental sustainability. We aim for efficiency and excellence in all operations through sustainable water management, raw material supply, zero waste generation and carbon-neutral operations.

### **Value Chain:**

We support all stakeholders in the value chain, particularly farmers and producers, in satisfying their most fundamental needs as we develop together. To integrate them into our business, we blended our corporate values with the principles of a sustainable society.

### **Innovation:**

Always aiming to be the leader in our sector, the motivation we adopt is to offer the best and the newest products before anyone else. Aligned with our values, we create added value for all our stakeholders and investors by internalizing a sense of competition.

### **Employees:**

We work together with our employees for sustainability; hence, they are the most important component of our approach. We are aware that our goals can only be achieved through the individual efforts of each employee. We respect our differences and work as a team to reach a common goal. The human-centric approach we present in our business allows us to create the environment for talent to flourish. We avoid hierarchy in our internal communications and value each one of our employees.

### **Social responsibility:**

We promote a healthy and active lifestyle. We share information transparently and raise awareness in all consumers and other stakeholders aiming to simplify and facilitate life, while endorsing a healthy society.

### **Leadership:**

We promote sustainability as the leader in the food sector. We adopt transformational leadership as we closely monitor global developments and set the rules in a unique way.

## **Our Sustainability Commitments**

In order to maintain our business activities and social contributions in the future, we adopt a management approach based on objectives. During our Vision Workshop, we revealed our priority investment and focus areas, and we described where we wish to see our company in the coming years.

We identified **our targets and commitments for 2024** to respond to the expectations of our stakeholders and achieve our goal of leadership in sustainability.

We are planning to measure our improvement on a regular basis, and achieve our final objectives through three-year interim targets. In line with these targets, the sustainability KPIs are identified for managers.

## **2024 Targets**

### **Environment:**

- Growth with zero carbon emission increase,
- Reduction of water use by 30% per unit production,
- Zero waste to landfills through 100% recycling,
- Improve energy efficiency by 25%,
- Reduction of carbon emission by 40% per unit production,
- Reduction of packaging returns by 50%,
- Install solar panels on the roofs of eligible plants,
- Achieve Green Building standard for the Gebze Plant, and
- Diminishing environmental impact of the products through lifecycle assessment studies

### **Value Chain:**

- Halving the amount of returned raw materials and packaging
- 50% less quarantine or destruction rate of finished products

### **Innovation:**

- Reduction in the use of plastics for our flexible packages by 20%
- Reduction in the use of paper by 20% for our parcels and boxes at Ülker Bisküvi.

### **Employees:**

- Increasing training hours per person by approximately 40%.
- Reducing employee turnover rate from 5% to 3.5%.
- Increasing employee satisfaction from 77% to 85%.
- Zero occupational accident
- Increasing the unionization rate to 100%

### **Social Responsibility:**

- 8,000 fewer tons of saturated fat in all bakery products
- 3,000 fewer tons of saturated fat in all chocolate products
- 20% fewer complaints in sales and distribution channels

### **Leadership :**

- To continue cooperating in public health and future projects with organizations which are leader in their field

*\* Reference year for targets is 2014.*

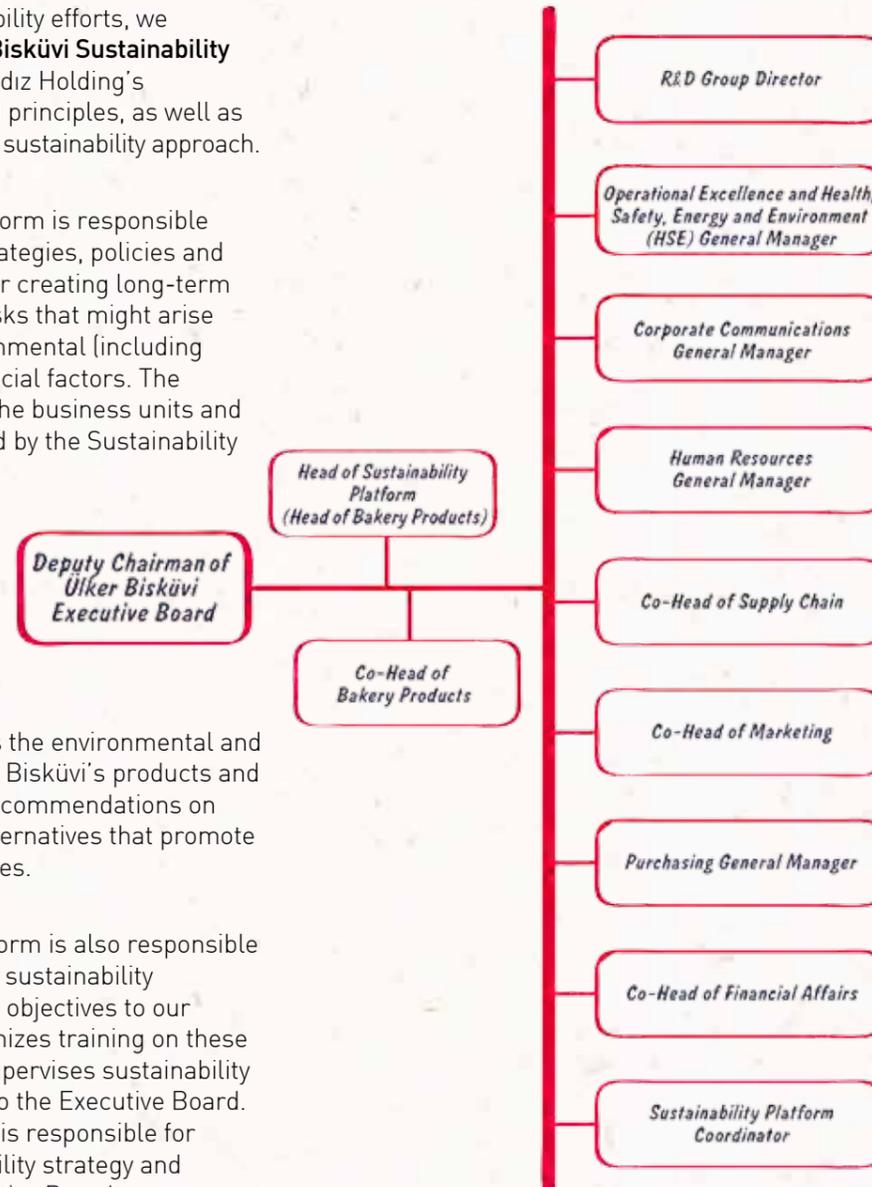
## SUSTAINABILITY MANAGEMENT

As part of our sustainability efforts, we established the **Ülker Bisküvi Sustainability Platform** in line with Yıldız Holding's sustainability vision and principles, as well as Ülker Bisküvi's exclusive sustainability approach.

The Sustainability Platform is responsible for determining the strategies, policies and objectives necessary for creating long-term value and managing risks that might arise from economic, environmental (including climate change) and social factors. The coordination between the business units and the Platform is ensured by the Sustainability Platform Coordinator.

The Platform evaluates the environmental and social impacts of Ülker Bisküvi's products and services, and makes recommendations on sustainable product alternatives that promote efficient use of resources.

Furthermore, the Platform is also responsible for communicating our sustainability strategies, policies and objectives to our stakeholders and organizes training on these topics. The Platform supervises sustainability practices and reports to the Executive Board. Likewise, the Platform is responsible for updating the sustainability strategy and objectives by the Executive Board.



## CORPORATE GOVERNANCE

Sustainability offers us a significant opportunity for our corporate longevity. Today, no reputable company can turn its back on, and disregard, the "common future of the world". We live in a world where brand value and intangible assets help build the corporate reputation. Investors prefer the stocks of companies that manage their resources as well as produce and trade responsibly; the consumers also prefer the products and brands of companies that use resources responsibly, with future in mind.

Young and talented people especially prefer to work at companies whose business strategies present a responsible attitude towards the world. In light of this approach, our corporate governance enables us to manage in-house functions systematically and fairly and consequently secure the transparency of our external communications.

**We build our reputation and gain the trust of our stakeholders through our continuous progress, as required by a global company in the 21st century, as well as through our commitment to our business ethics that shaped how we do business since day one.**

Our business operations conform to our values and Code of Conduct which guides how we do business and also our relationship with our stakeholders.

### Executive Board and Committees

The Executive Board of Ülker Bisküvi has nine members, three of whom are independent. The Chairman of the Executive Board is not an executive officer. The Executive Board is supported by the Audit, Corporate Governance and Risk Assessment Committees, which directly reports to the Executive Board and are chaired by independent candidates. The Committees, which mainly consist of independent candidates, assemble at regular intervals.

- The Audit Committee has two members and both of them are independent members. It assembles at least four times a year. The Committee is responsible for auditing the functioning of the internal control systems and is liable from the good functioning of financial and operational activities.
- The Corporate Governance Committee has four members, two of whom are independent, and is responsible for performing corporate governance assessments, endorsing and ensuring adaptation and implementation of fair, transparent and accountable corporate governance within the company. The Committee assembles at least three times a year.
- Risk Assessment Committee has two members and both of them are independent. It assembles whenever deemed necessary. The Committee is responsible for ensuring the well-functioning and supervision of the in-house risk management mechanisms; it identifies, reports, and prevents situations that would jeopardize existence, development and perpetuity of the company.

As a company listed on Borsa İstanbul (Istanbul Stock Exchange), we report our compliance to corporate governance principles in our Corporate Governance Principles Compliance Report to provide our investors with accountable, transparent and up-to-date information. Moreover, we share all new information on our corporate governance practices, financial outcomes and statements, disclosures on special occasions, our sustainability approach and practices on our investor-relations website: <http://ulkerbiskuviinvestorrelations.com/en/default.aspx>

## Code of Conduct

All Ülker Bisküvi business operations are guided by our Code of Conduct, which constitute the building blocks of our corporate culture and business ethics. We engage with our stakeholders according to the work culture established within the framework of our Code of Conduct. Placing our Code of Conduct at the very core of our way of doing business, we consider them an integral part of our operations, of our relationships with each other as shareholders, consumers, suppliers and employees, and with society at large.

Ülker Bisküvi Code of Conduct and Working Principles summarize behaviors based on essential human values, such as honesty and equality that we have been practicing since the first day of our operations.

Our Code of Conduct guides both legal compliance and our responsibilities: human and employee rights, the environment, health and safety management, our obligations towards the shareholders, avoiding participation in political activities, our social responsibilities, donations and our sustainability approach. The Code of Conduct also regulates matters such as money laundering, corruption and anti-bribery within the company.

Preserving our values and acting in compliance with our business ethics and Code of Conduct is the responsibility of all employees. Our employees have direct access to the Code of Conduct guidelines both online and through the human resources department. The employees are further able to refer any issue regarding ethics to their superiors and the human resources department.

Should our employees think the Code of Conduct have been violated, they can send their feedback to [etik.bildirim@ulker.com.tr](mailto:etik.bildirim@ulker.com.tr) stating their name or providing it anonymously. The feedback received is classified according to content and is addressed by the Ethics Board responsible for ensuring compliance to the Code of Conduct. Depending on the type of feedback, Human Resources, Law and Internal Audit Departments can also provide their opinion on the matter. In 2014, we delivered trainings on bribery and corruption for 168 Ülker Bisküvi employees, in the context of Code of Conduct trainings.

The feedback received about the violation of the Code of Conduct is then assessed at the next meeting of the Ethics Board – which assembles every two months – and necessary measures are adopted accordingly. Generally, statements with allegations of corruption and bribery among the feedback are referred to the Disciplinary Committee. In 2015, we received feedback on ethical issues twelve times, and all cases were subsequently resolved. We did not receive any feedback with allegations of corruption or bribery. In the last three-year period, no public prosecution based on corruption or bribery allegations has been raised at Ülker Bisküvi.

We publish and share our Code of Conduct on our corporate and investor-relations websites in order to guarantee easy access to all stakeholders.

Moreover, there is online training available on all issues covered by the Code of Conduct to further enable our employees to recognize and apply them. One hundred and sixty-eight employees attended training courses on the Code of Conduct and have been awarded certificates.

We attach great importance to ensuring that our Code of Conduct and working principles are respected, not only by our employees, but also by our suppliers. Although no agents are

contracted by Ülker Bisküvi, we terminate any agreement with employees, consultants, distributors and suppliers should they violate our Code of Conduct. Moreover, we perform due diligence when selecting new suppliers in order to identify situations that might have the possibility to violate our Code of Conduct.



We identify all possible risks that might affect our activities in the short and long-term, and adopt necessary measures with support from the units concerned. The Risk Assessment Committee produces periodical corporate risk maps, prepares comprehensive action plans and reports risk management activities to the Board.

Price escalation is among the primary risks which are identified by the Committee. Maintaining food prices at affordable levels in line with the purchasing power of the consumers is important for everyone to meet their most fundamental nutritional requirements. To this end, the incremental costs imposed by the raw material rates, the production costs and increases in exchange rates and their impact on our financial

obligations are one of the primary risks we have determined. Also, risks arising from partnerships and new investments, and continuity of competitive sale strategies are also included amongst the identified risks. Furthermore, we also manage the risks in terms of non-compliance with the Code of Conduct for corruption and bribery, which is a significant risk for all sectors. The areas prone to corruption and bribery are identified and the measures required are adopted as necessary. The risk management systems we implement also cover comprehensive due diligence activities on corruption and bribery prior to company mergers and acquisitions.

## Sustainability Risks Management

We are aware of the fact that our financial risks are linked to our sustainability risks; hence, in addition to the financial risks, we also adopt precautions against risks arising from social, environmental and administrative issues across our value chain.

**Our sustainability strategy prepares us for the sustainability risks of today and tomorrow, guaranteeing that the production remains uninterrupted and offers the same quality in the long term.**

We cannot produce biscuits without our raw materials: wheat, cocoa and hazelnut. Managing the sustainability risks means ensuring business continuity and offering products of identical quality in every pack.

*For 62% of our blue collar employees who actively participate in the production phase of our operational processes, sustainability notably means supply security.*

- While actively mitigating our sustainability risks, we further monitor our products through their life cycles; procurement is made at the local level, farming contracts are concluded with the farmers, and we contribute to projects that would improve the quality and efficiency of our products.
- We are aware that climate change not only has an impact on the natural balance, but also on the agricultural harvest. External factors such as deviations in seasonal precipitation, drought, dilution of agricultural lands and soil failure all have negative impacts on the quality and abundance of the harvest. We carry out sustainable procurement practices as an effective method for mitigating such risks.

Moreover, we also reduce carbon emissions at our factories and in our logistics operations, minimizing the detrimental impact on the atmosphere and the climate.

*According to our stakeholders, climate change, constraints on natural resources, poor agricultural practices, soil, and water and air pollution are the problems that have severe negative impacts on the food sector.*

- Food security means ensuring everyone's access to food at affordable prices as well as being self-sufficient in terms of food production. We endorse various research projects by making strategic collaborations for sustainable agricultural growth of wheat, cocoa and hazelnut, the most essential raw materials used in our products.
- Moreover, we effectively manage not only our tangible assets, but also our reputation and brand value as well.

**Recognizing our responsibility as the leader in the food sector in Turkey, we adopt business models that promote efficient use of the world's resources to boost investor confidence, increase social contributions as we grow and proactively answer the ever-changing consumer behaviors.** We invest in sustainability in the area of knowledge and communication so that we can create maximum value for our investors and shareholders by managing our intangible assets, such as human capital, brand and reputation.

## What we did in 2015

- We reduced our total carbon emissions by approximately 2%.\*
- We increased our environment and energy investments by approximately twofold, reaching 2.5 million TRY.\*
- We reduced our water usage by 9% and our water usage per unit product by 6%.\*
- We reduced the amount of landfill waste by 4%.
- We traveled 170 thousand km less compared to 2014, and reduced our carbon footprint by 185 tons.
- We collaborated with the World Wide Fund for Nature (WWF-Turkey) on a biodiversity project for preserving the Giresun hazelnut.
- We launched the Ülker Bisküvi Value Chain Policy.
- We audited 193 suppliers and 450 warehouses.
- We allocated a budget of nine million TRY for R&D studies.
- We had an increase of 30% in innovative ideas submitted to the Akıl Küpü (Kaizen Ideas); we implemented 12% of the recommendations submitted by our employees.\*
- We evaluated 20% more employees in performance reviews than in the last two years.
- We reduced the employee turnover rate by 5% in the last two years.
- We provided sustainability training for our employees and external participants at the Esenyurt Cake Factory School on energy and sustainability.
- We support "Your Thursday" free of charge visits to Istanbul Modern, the contemporary art museum.
- We became the leading food company in Turkey with a turnover of 3.1 billion TRY and a market value of six billions TRY.
- We became the first food company listed on the BIST Sustainability Index.
- We have been distinguished as the most loved biscuits company by Lovemarks research.

\* Compared to 2014

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ENVIRONMENT



Our mission, "contribution to a happier world", defines our relationship with the environment. We undertake our sustainability efforts under six main themes that include environmental sustainability. In this respect, the environmental issues addressed are climate change and energy, natural resource management, packaging and waste management and biodiversity. We aim to achieve our 2024 targets by implementing projects and making

investments in a number of areas including: reducing energy use and improving efficiency, reducing greenhouse gas emissions, efficient use of natural resources and water in particular, improved packaging and waste management and investing in preservation and improvement of biodiversity. We keep track of the targets planned for 2024 through intermediate milestones and by implementing the actions to accomplish these milestones.



## ENVIRONMENTAL MANAGEMENT

We put the Environmental Management System into practice to execute consistent and effective sustainability projects, ensure cohesion between the Sustainability Platform and the production plants, and to establish and implement respective procedures. We have submitted our pledges and commitments on the environment for the attention of our stakeholders through the Environment Policy mentioned in the Environmental Management System, which has been adopted in all Ülker Bisküvi factories. In essence, our Environment Policy comprises climate change, investments in energy efficiency, more efficient use of

natural resources and water at all phases of our value chain, effective management of waste and wastewater (water emissions), and the development of products with less impact on the environment based on lifecycle assessments. Accordingly, our environmental performance is measured and reported through goals and targets. All factories, except the Misbis Silivri factory, implement the ISO14001 Environment Management System. After the integration of this management system at the Misbis factory by the end of 2016, we will have ISO14001 management systems at all our plants. We organize training activities to raise employee awareness on environmental sustainability. We ensure that our suppliers also adopt our environmental commitments and encourage them to develop their own environment policies. In order to accomplish our targets, we strive to secure support and contributions from all our employees, suppliers, customers, members of the executive board and all business partners.

## Life Cycle Assessment

To reduce our impact on the environment, we should first understand the phases where we have most environmental impact. We therefore started to assess the lifecycles of our two major brands, Biskrem and Çokokrem. The assessment scrutinizes any product's complete life cycle, analyzing the environmental impact from the raw material extraction up to the waste disposal.

Thus, Biskrem 110 gram package and Çokokrem 500 gram package are analyzed in different phases starting from raw material extraction up to delivery to the consumer; the phases where we cause the highest impact on the environment are identified, and measures to reduce such impacts are adopted accordingly. Aiming to make our products more environmentally friendly, we are undertaking improvements and seeking to reduce our impact on environment. The products are evaluated in terms of global warming potential by trying to reduce not just their environmental impact, but the impact of the packaging as well. In this way, in addition to our current packaging standards, the first steps towards the establishment of the Ülker Eco-packaging Standard has been taken.



“For Biskrem and Çokokrem brands, we initiated life cycle assessment studies.”

## ENVIRONMENTAL TARGETS AND PERFORMANCE

We have set targets to improve our current performance on environmental sustainability. An investment of around 2.5 million TRY in 2015 enabled us to accomplish almost a twofold increase in this respect, when compared to previous year. Our investments in energy efficiency resulted in a saving of almost one million TRY in energy costs.

### 2024 Targets

- Growth with zero carbon emission increase,
- Reduction of water use by 30% per unit production,
- Zero waste to landfills through 100% recycling,
- Improve energy efficiency by 25%,
- Reduction of carbon emissions by 40% per unit production,
- Reduction of packaging returns by 50%,
- Install solar panels on the roofs of eligible plants,
- Achieve Green Building standard for the Gebze Plant,
- Diminishing environmental impact of the products through lifecycle assessment studies.

### Climate Change and Energy

Reducing greenhouse gas emissions that cause climate change became a more material issue after the historic Paris Climate Summit and Paris Convention held in 2015. Combating climate change is a joint responsibility of all governments and corporations.

Also, the United Nations (UN) Sustainable Development Goals – (SDGs) which were announced in 2015, address the fight against global climate change through strategic and long-term plans, calling for prompt action. **Our climate change policy is aligned with Paris Agreement and Sustainable Development Goals.** Being aware of our responsibility, we aim for growth with a zero carbon emission increase from our operations up to 2024. Our climate change policy has been shaped by taking SDGs into consideration. As seen at the feedbacks from the stakeholder analysis, our stakeholders also believe that climate change is the most important factors that affect the food sector. Therefore, combating climate change is also our responsibility in order to meet stakeholders' expectations.

In this respect, we began to conduct energy analyses and install comprehensive energy monitoring systems at our plants. Under the scope of our Operational Sustainability studies, we initiated the integration of the **ISO14064 Greenhouse Gas Emission Inventory and Verification System** and the **ISO50001 Energy Management System at the Gebze Biscuits and Topkapı Chocolate factories.** The studies on ISO14064 and ISO50001 systems will be completed at those plants in the first half of 2016. In addition, we organized sustainability training for our employees at these plants during this process. The management system integration processes will be extended to cover other plants starting in 2016. Currently, environmental engineers and energy managers are being appointed and are working in the Ankara Biscuits, Topkapı Chocolate, Gebze Biscuits and Karaman Biskot factories to conduct studies on environmental and energy issues.

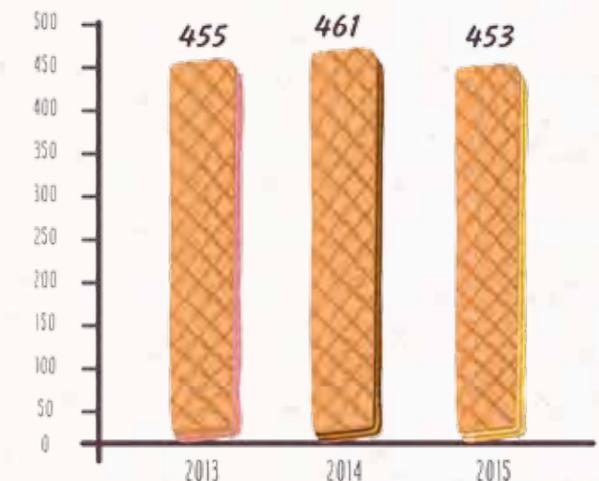


Our efforts on climate change and carbon emissions at the operational level started in early 2015. We delivered sustainability training to increase employee awareness. Afterwards, sustainability teams were created at two pilot plants and are holding monthly or fortnightly meetings. The teams attended basic training on ISO14064 and ISO50001 standards, and are also comprehensively monitoring the performance through the use of score cards developed for the plant's energy-based carbon emissions. The emissions due to natural gas and electricity consumption are calculated on these score cards, and projects to identify reduction possibilities are developed accordingly.

**The reduction and efficiency studies we conducted in 2015 allowed us to reduce our overall energy use by 2%.** For 2024 targets, projections for increases in our 2014 emission goals based on retrospective consumption figures and prospective growth goals at the factories. Due to the decrease in our gross production, our carbon emissions per unit productions has been increased by 2%. We aim for an overall reduction of 40% up to 2024 through projects on energy efficiency as well as renewable energy supplies for the forthcoming years.

*In the last two years, improvement and efficiency works at the Ankara plant enabled approximately 435,000 kWh electricity savings per year. This enabled us to reduce the electricity consumption by approximately 1.5%.*

Total energy usage (thousand MWh)



We set individual objectives for each plant in order to accomplish our 2024 targets. These objectives are incorporated into the performance indicators of respective managers as environmental sustainability goals. The performance of the managers is also reviewed by looking at climate change and energy indicators. Moreover, intermediate targets are set for years 2018 and 2021 in accordance with our ultimate goals. **Accordingly, our carbon emissions per unit product will be reduced by 22% by 2018 and by 33% by 2021, compared to 2014.** We laid the foundations for growth with zero emission increase on our path towards achieving such targets. We plan to generate clean energy via solar panels installed on the roofs at eligible plants. The feasibility and infrastructure research projects commenced in 2015.

*At the Energy and Sustainability School established in 2015 at the Esenyurt Cake factory, interactive training has been delivered to both our employees and participants from other institutions on topics of environmental sustainability that focus on energy, water, efficiency, new technologies and what to do in our daily lives, etc. The participants can practice and observe the extent of the change they can accomplish through efficiency efforts. The Energy and Sustainability School, founded at the factory through the voluntary efforts of our employees – by reusing obsolete materials – can be visited by all guests.*

## Air Emissions

In addition to greenhouse gas monitoring activities at Ülker Bisküvi factories, we also maintain control over other gases released from chimneys. The precautions needed for such emissions are already in place, and through

installation of adequate equipment and tools, emissions are below the limit values set forth by the applicable legislation. Based on the emission measurement reports for the plants, an annual emission of 3.2 tons of SO<sub>2</sub> and 55 tons of NO<sub>x</sub>, in total, is calculated for the period that covers 2012 to 2014. Current SO<sub>2</sub> and NO<sub>x</sub> emissions are 0,006878 kg and 0,1182 kg, respectively, per ton of production. The emissions, which are well below the specified limit values are monitored and supervised regularly. Our 2024 target for SO<sub>2</sub> and NO<sub>x</sub> emissions is to reduce their level by 3% compared to 2014.

## Natural Resource Use and Water Management

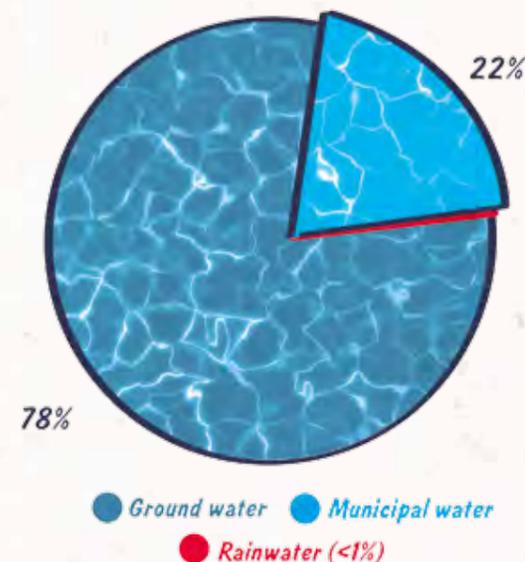
The impact created by a rapidly growing population and by pollution increases each day. The soil fertility also declines due to pollution and other environmental constraints. As a company producing food with raw materials obtained from the soil, we consider effective use of natural resources as one of our inherent responsibilities. In pursuit of a responsible attitude for the future generations, we adopted a “no waste” company model, introduced by our founder, Sabri Ülker, at the very core of our approach to the use of natural resources. We seek the most effective ways to use flour, sugar and other raw materials without any waste. To achieve this, teams from the Operational Excellence, Health, Safety, Energy and Environment departments identify potential improvement areas for the production processes and work on improvements to address these needs.

**Ensuring sustainable management and consumption of water is one of the UN Sustainable Development Goals.** Therefore, as one of the most significant natural resources, we conduct efficiency studies to make improvements based on our environment policy and approach to water. We monitor water use in our production processes and address any critical aspects that we identified. Based on the feedback from our stakeholder analysis, water use and management is considered to be one of the most significant material issues by our stakeholders.

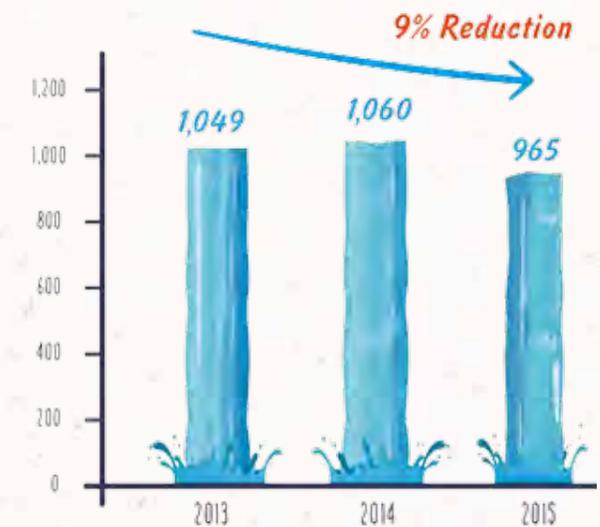
Our 2024 goal concerning efficient usage of water, which is of utmost importance in the food sector, is to reduce the amount of water use per unit product in the production processes by 30%. In order to accomplish our goal, we are increasing the quantity of measurement points to identify areas where highest consumption occurs, and take precautions accordingly. Moreover, we are also organizing activities for all employees to raise awareness and imbue in them the idea to be conscious of water use.

Currently a rain water harvesting system with 1.200 m<sup>3</sup> capacity is used for irrigating the landscape at the Gebze Biscuits factory. This enables the use of rainwater for irrigation, instead of municipal water, where we return the rainwater back to soil. Currently, the infrastructure and system for using rainwater in the flush system in the toilets provided promising results after we started the feasibility study in 2015. This will allow us to supply water for the toilet siphons from rainwater. We aim to install such rainwater storage and utilization projects in all plants to help achieve more efficient water use.

Water use percentages in 2015 (based on the source)

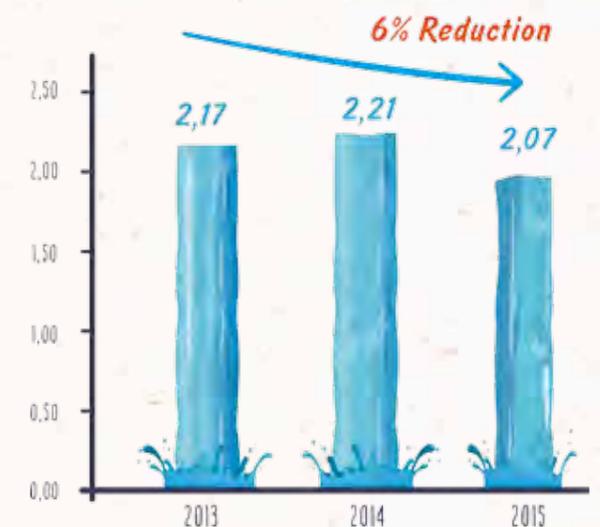


Overall water usage (thousand m<sup>3</sup>)



Our overall water use has reduced by 9% in 2015. Also, our water use per unit product has reduced by 6%.

Water use per unit production (m<sup>3</sup>/ton)



## Waste and Wastewater (Water Emissions) Management

We aim to reduce our impact on the environment of all our operations. Precautions are taken to reduce the waste generated by the production processes, and we execute campaigns to raise awareness about generating less waste. Waste material is sorted and recycled to the highest extent possible. The Sustainable Development Goals indicate that preventing and reducing waste generation, and recycling and recovering waste, is one condition for internally managing sustainable production and consumption habits. We recycle the waste generated from operations on-site, which in turn contributes to the economy. Whenever necessary, we stockpile the waste generated at our factories in compliance with the applicable legislation and forward them to recycling through licensed recycling firms. Each type of waste is collected by authorized firms and subjected to proper recycling processes. We send waste which we are unable to recycle to landfills. Our 2024 targets also include sending zero waste to landfills, by achieving

100% recycling in the production process. Based on this objective, we managed to reduce our waste sent to landfills by 8% in 2015, when compared to the previous year. Moreover, 30% of the waste we generate are shipped to other producers for use as animal feed, enabling us to further reduce the amount of waste generated. The small quantities of hazardous waste we generate, such as materials used for machinery and motorized equipment, were reduced by almost 70% by comparison to 2013. Total waste generated in 2015 is 11,304 tons.

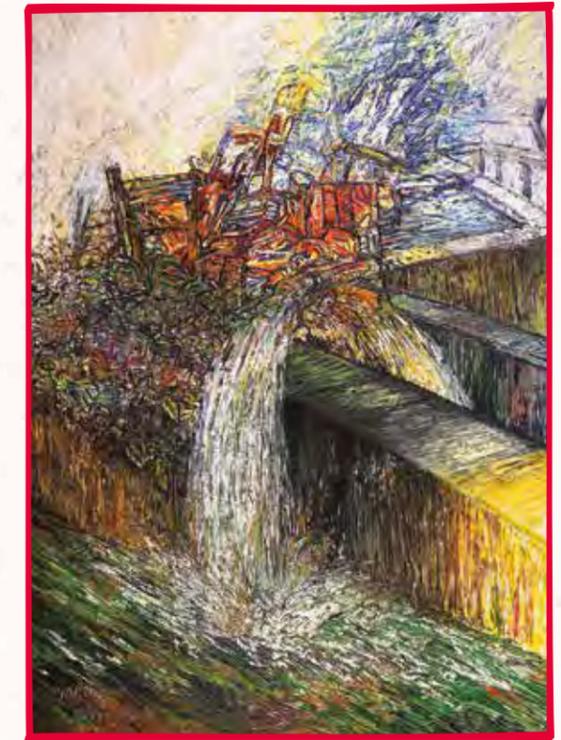


**Azade Köker**  
Bodrum - 2013  
This work of art reveals the situation of Bodrum landfill, which is best known with its entertainment activities and luxurious beaches. The fastest entertainment of consumption society creates this landfill on this natural wonder peninsula.

In addition to the water efficiency projects, we inspect the quality of wastewater generated at the production processes at all times. **We discharge our wastewater to the receiving environment, designated by the respective local and central administrations, at levels below the applicable discharge standards, after adequate treatment processes are handled.**

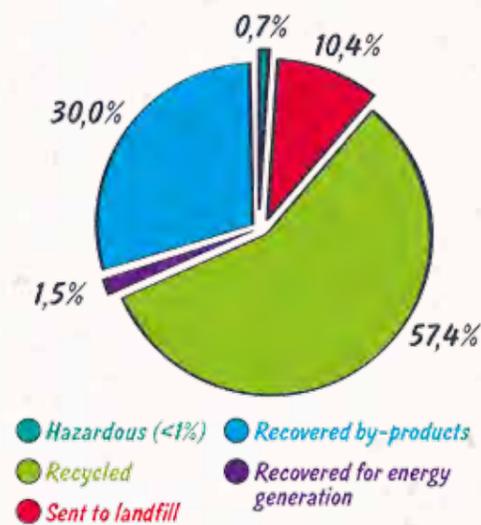
Our plants that are not in Organized Industrial Zones (OIZ) with established wastewater treatment plants ensure proper treatment and discharge of wastewater generated by the production processes to avoid environmental damage. The plants in the organized industry zones, on the other hand, carry out preliminary

treatment processes and discharge wastewater at standards set by the OIZ administration. Our 2024 target for reduction of wastewater is 3%, compared to 2014.

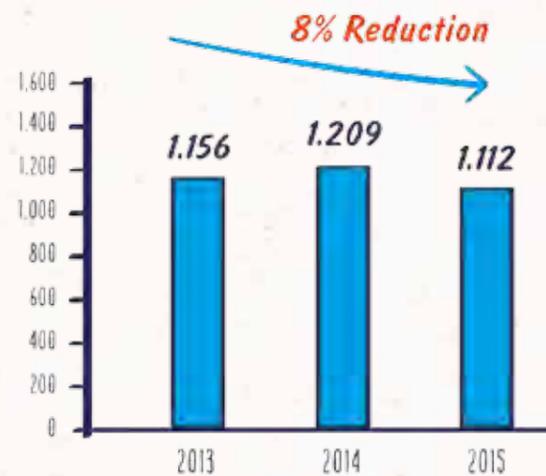


**Mehmet Güteryüz**  
The Falling - 1990  
Discharge of industrial waste into the sea has been figured. This scene, which would be threat for our future if it is not well managed, has aestheticized by vibrant colors.

Percentages of generated waste in 2015



Waste sent to landfills (ton)



Ratio of recycled waste to total waste (%)



Amount of wastewater (Water emissions) (m <sup>3</sup> )	2013	2014	2015
	533,280	607,921	634,049



## Packaging Management

Packaging is one of the main issues that we pay attention on, regarding raw materials and waste management. In addition to the innovative projects we undertake in packaging material production, we also aim to reduce the quantity of packaging material waste arising from manufacturing operations.

Moreover, we aim to prevent waste generation by reducing rejected packaging material by 50% up to 2024. The lifecycle assessments undertaken enable us to analyze the environmental impact of our products' packaging materials. We also aim to develop our own packaging standard and act as a pioneer for our sector in this respect.

*The projects undertaken at the Silivri Biskot plant on packaging allowed us to use only 80% of the paper previously used for parcels, 96% of the cardboard previously used for the boxes, 20% of the polyethylene terephthalate (PET) previously used and 17% of the glass came from recycled materials. We saved approximately 1.8 million TRY through size reduction and pallet optimization for parcels and modified polypropylene-OPP packaging.*

## Biodiversity

*“Protecting our lands, water and environment is protecting the motherland.”*

*Sabri Ülker*

Protecting and managing biodiversity is a major aspect of Ülker's sustainability vision, strategic objectives and environmental protection activities. This approach was built on analyzing and monitoring the impact of operations on biodiversity, acting and reporting on the goals set.

We consider biodiversity, which affects the soil – the primary source of food production – and the fertility of the soil, as one of the material issues that should be managed with care. As a food company that gets its raw materials from the soil, we are aware that agriculture plays a vital role in the sustainability of our operations. Our country has an important role in terms of agricultural diversity; therefore, we believe that our biodiversity should be preserved through application of sustainable agriculture.

We set forth with the objective of preserving the hazelnut diversity and collaborate with hazelnut farmers via the Sustainable Hazelnut Farming Project that we commenced in 2015 and carried out in partnership with WWF-Turkey (World Wide Fund for Nature). **We intend to demonstrate that improvement of hazelnut farming is possible not just with respect to economic and social aspects, but also with respect to ecological sustainability** in regions where hazelnut trees are a part of local fauna and are farmed, notably in Giresun. We will publish the “Sustainable Hazelnut Report”, in which we aim to diagnose the current situation of hazelnut farming, and we will continue to support the producers with our capacity building and awareness raising activities.



One-to-one interviews with the stakeholders during a two-day site visit to Giresun under the scope of this project provided significant contributions to the content of the report draft. During the pilot scheme phase, in order to build up capacity and raise awareness, we will implement exemplary farming practices at a single or multiple pilot area(s) to be identified in Giresun, and will undertake communication, education and capacity building campaigns intended for implementers. After finalizing the report content and publishing it in 2016, the requirements for the pilot scheme will be identified, the pilot areas will be designated and appropriate training will be designed.

We are undertaking seed improvement studies for improving the quality of the wheat, as well as hazelnut, as one of the raw materials for our production processes, and we stand side by side with our farmers and producers. Majority of the wheat produced in Turkey is bread wheat and all improvement efforts conducted so far are concentrated on this aspect. Recognizing the gap at the projects on development and improvement of biscuits wheat, we have executed improvement projects for agricultural biscuits wheat in cooperation with Bahri Dağdaş International Agricultural Research Institution since 2007. We aim to breed seeds that have high yield and are resistant to diseases and draught.



*As Ülker Bisküvi, our biodiversity management practices originate from our own activities. Ankara Ülker Employees Memorial Forest, where the first seeds were planted in 2011, and where the Ülker family watched the trees grow every passing year, accommodates more than 21,600 cedar and pine trees with a rich ecosystem. We regularly inspect and clean the forest with our employees.*

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# VALUE CHAIN



Our sustainability goals cover our entire value chain. Therefore, sustainability includes the entire lifecycle of our products from raw material supply to waste disposal. We blend the company values with the values of a sustainable society, and integrate them into our way of doing business.

**UN Sustainable Development Goals incorporated ensuring sustainable consumption and production patterns as the 12<sup>th</sup> goal and promoting sustainable agriculture practices as the 2<sup>nd</sup> goal.** We are forming our strategy in accordance with these goals, not limiting it only to our own operations but also covering our suppliers. We aim to grow together with our suppliers while supporting their social and economic development, and reducing our environmental impact in the supply chain.

### 2024 Targets

- Halving the amount of returned raw materials and packaging
- Halving the quarantine or destruction rate of finished products

As Ülker Bisküvi, we have a broad supply network that covers 16 countries. Approximately 1,400 suppliers throughout four continents are active in five distinct sectors from agriculture to packaging. Our comprehensive supply network imposes significant responsibilities on our corporation. In this context, we work towards improvements for hundreds of producers in the food sector. Within the framework of our goal to reduce returned raw materials and packaging by 50%, we cooperate with our suppliers to reduce the defect ratios and identify defects prior to shipment.

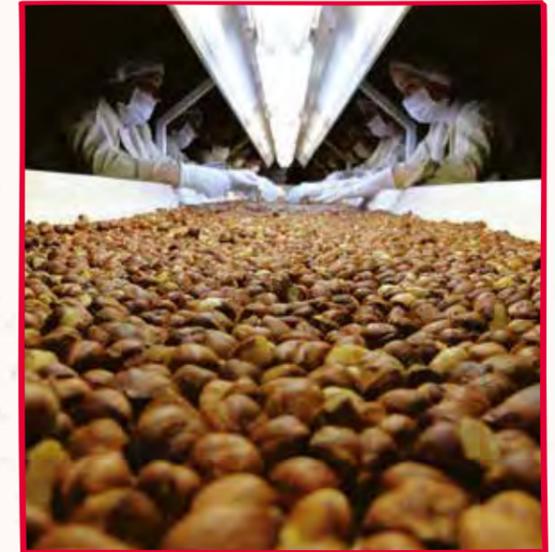
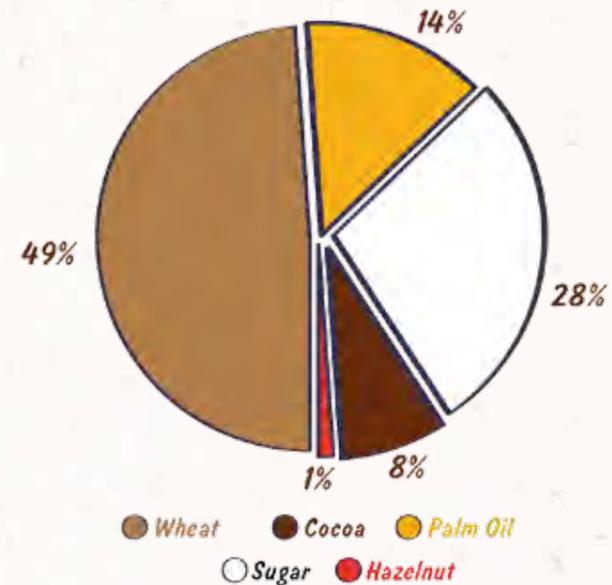
We encourage our suppliers to be involved in international certification processes. We audit our food and packaging suppliers in order to assess their implementation standards, and support them in improving on the issues identified during audits. These audits not only improve the quality of Ülker Bisküvi, but also enable the producers to enhance their global competitive power. In 2015, environmental criteria were incorporated into the supplier audits and the environmental performance covering environmental internal audits, and risk analyses of a total of 193 suppliers were assessed. Furthermore, we audit 450 warehouses on a regular basis.

**We established the Ülker Bisküvi Supply Chain Policy that incorporates all of our social, environmental and ethical principles, which cover topics from occupational health and safety practices to practices that improve human rights, from anti-corruption and anti-bribery practices, to the environmental performance.** We will further incorporate the principles set forth in the policy into contracts, and we anticipate full compliance to these principles from our suppliers. Moreover, we will broaden our audit criteria in line with such principles.

### Sustainable Raw Material Supply

It is our priority to improve supplier welfare, while reducing our environmental footprint at the supply point. As a food company that uses important agricultural raw materials such as wheat, cocoa, and sugar, sustainability of agriculture and raw material supply is an essential aspect for us. With a similar perspective, our stakeholders also consider agriculture and raw material supply as one of their most important material issues. Therefore, we consider "sustainable raw material supply" as one of our fundamental principles whilst our production, and accordingly the raw material consumption, increases incrementally.

2015 Raw Material Consumption Rates



Raw Material Consumption	2013 (tons)	2014 (tons)	2015 (tons)
Cocoa	35.159	37.781	38.560
Palm oil	64.770	65.424	66.759
Sugar	125.411	126.678	129.263
Hazelnut	5.516	5.299	5.067
Wheat	222.550	224.798	229.386

### Agricultural Research

We purchase various agricultural products such as hazelnut and wheat, and add value to the lives of thousands of producers. We purchase 80% of wheat, which is our primary raw material from the domestic market, and we prioritize our contracted farmers when procuring wheat and other agricultural raw materials. We invest in contractual farming by offering seed support to the farmers.

Since 2007, we have been working with the Bahri Dağdaş International Agricultural Research Institution on reclamation studies for producing wheat suitable for biscuit production. During this study, we managed to breed highly efficient seeds suitable for biscuit production that are resistant to diseases and drought. **This seed-type, named Aliağa, enables the farmers to achieve higher yields with higher revenue, and it guarantees that our plants are capable of producing wheat at the required standards.**

Similar efforts are also in progress for our oat products. As the largest hazelnut buyer in Turkey, we are undertaking studies in collaboration with WWF-Turkey to ensure sustainable production of Giresun hazelnut, which is a local variety of a hazelnut with superior quality. The details of this project are shared in detail under the Biodiversity in Environmental Sustainability section.

## Cocoa Procurement

As one of the largest cocoa consumers of Turkey, we support sustainability principles in cocoa supply, aiming to support the economic and social development of farmers. As Ülker Bisküvi, we became a member of the World Cocoa Foundation in 2012. We participate in the effort to procure cocoa, the raw material of chocolate, from sustainable sources. As the first Turkish member of the World Cocoa Foundation, we support sustainability



practices in the cocoa industry, as well as the welfare of cocoa farmers through efforts organized under the roof of this foundation.

Founded in 2000, and counting Yıldız Holding companies Godiva and United Biscuits amongst its members, the WCF cooperates with governments, universities,

non-governmental organizations and farmers in cocoa-producing countries. These joint efforts involve research that will increase quality and sustainability in cocoa production, as well as education programs for the farmers and their families.

Furthermore, we also support the sponsorship of Yıldız Holding, our parent company, to the Processors Alliance for Cocoa Traceability and Sustainability (PACTS) program. Seeking to increase cocoa yields by creating an environmentally friendly and professional production chain, PACTS provides training and agronomy support for farmers and educates them on innovative production practices. The PACTS program, sponsored by Yıldız Holding, meets the potable water and solar energy demands of PACTS' fermentation and curing plants, making the work of teams there much easier.

## Logistics Network

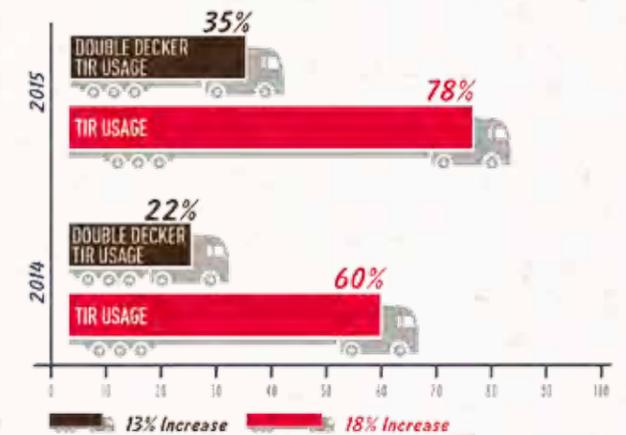
At Ülker Bisküvi, we have a comprehensive distribution and supply network that extends from our six plants (Ankara, Esenyurt, Gebze, Karaman, Silivri and Topkapı) to all provinces of Turkey. We see improving the efficiency of this network as one of our responsibilities.

We aim to reduce emissions in logistics operations by 20% for the Yıldız Holding distribution network up to 2024. We plan to achieve this objective by improving the pallet efficiency through the use of high-volume vehicles, by decreasing the number of mid-stations – through direct deliveries from plants – and by optimizing logistics operations.

In order to increase the use of high-volume vehicles, **we increased the use of TIRs instead of trucks by 18% and the use of double-decker TIRs by 13% in 2015**. As another improvement step, we directly shipped from 60% of plants by which we transported the same tonnage of products but travelled less kilometers.

## Palm Oil Procurement

Palm oil is another raw material that we procure with a significant potential environmental impact. Rainforests are being destroyed to create agricultural lands in order to meet increasing palm oil production demands. The **Roundtable on Sustainable Palm Oil (RSPO)**, which works for both environmental and social sustainability, was formed to prevent destruction of the rainforests and the rich ecosystem they hold, and to secure the prosperity of the farmers. Also, the GreenPalm certification program endorsed by RSPO offers support to the RSPO certified producers. As Ülker Bisküvi, we obtained GreenPalm certification for 23% of our overall palm oil consumption in 2014. In 2015, with an increase of 3%, we supplied 26% of palm oil with certification.



We travelled **170,000 km** less in total in 2015, when compared to 2014!

Reduced our **carbon emissions** by **185 tons!**



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INNOVATION

As Ülker Bisküvi, we aim to become the best in our industry, offering the best and the newest to our customers. We consider innovation as an integral part of sustainability, and we aim to understand our consumers, fulfill their needs and ensure their satisfaction. We keep innovation at the heart of our operations not just for the satisfaction of our consumers, but also for fulfilling our responsibilities towards environmental and social sustainability.

We foster innovation, which we consider to be the key to sustainable growth, under the guidance of our R&D staff, with contributions from all departments from marketing to production, the supply chain and sales.

Innovation not only helps us respond to our stakeholders' needs and expectations, but also helps us reach more customers on both a global and local scale by increasing the product diversity, which in turn further strengthens our competitive advantage. With the help of innovation, we ensure the efficiency of our production processes and thus use fewer resources.

The quality of our existing products are checked constantly in order to respond to the demands and needs of our stakeholders. We perform comparisons and tests to improve our products where there is opportunity for improvement. **We received feedback from approximately 35,000 consumers as part of the 240 research projects and tests we conducted in 2015 within Northstar**, the first fast moving consumer goods and food R&D company in Turkey. We aim to further strengthen our bond with our consumers and improve their satisfaction through new products we will develop as a result of this research, which help us understand our consumers' needs and expectations.

In 2015, we conducted a total of 276 projects as part of the R&D efforts for our chocolate franchise. We conducted 37 consumer tests, 14 QDA research tests and 16 different test studies as part of these projects. We also developed and launched 19 new products. Within the 94 R&D projects we conducted for our biscuits franchise, 30 of them were product improvements and 6 of them were new product development projects. **The budget allocated by Yıldız Holding for R&D in 2015 was approximately nine million TRY.**

### 2024 Targets

- Reduction in the use of plastics for our flexible packages by 20%
- Reduction in the use of paper by 20% for our parcels and boxes at Ülker Bisküvi.

## Sabri Ülker Food Research Foundation

As Ülker Bisküvi, we endorsed the foundation of the Sabri Ülker Food Research Foundation – along with Yıldız Holding and Harvard School of Public Health (Sabri Ülker Center) - to create value for society and future generations with our knowledge, experience and capacity for innovation in the food industry. Yıldız Holding donated 25 million dollars to the Foundation to endorse research projects for 10 years that are carried out at the Department of Genetics and Complex Diseases, who investigate the prevention of chronic diseases.

1- Quantitative Descriptive Analysis is a product tasting process where consumer groups are formed to taste products and where every member of the group provides data feedback on the product by communicating the taste, smell, appearance and sensations after tasting the products.

## Innovation Culture in the Company

We adopt an open innovation culture as an integral part of our "We Culture". We involve our consumers as well as our employees in our product development processes, and all processes are managed with the understanding of the participant. Our employees can communicate their new ideas and recommendations concerning our operations to the respective departments, and can receive feedback through our Akıl Küpü (Kaizen Ideas) system. Consequently, we create an environment where new ideas from every department and every employee can thrive.

We received 8,111 recommendations from our employees in 2015 through Akıl Küpü (Kaizen Ideas) and we implemented 12% of them. The recommendations from our employees increased by 30% in 2015 through our efforts to encourage our employees to participate in innovative processes.

**At Ülker Bisküvi, we care about the contribution of our employees in our "We Culture". Therefore, we will continue to encourage our employees to participate in innovative processes and increase the recommendations received by the Akıl Küpü system by 40%. We further aim to implement 20% of these recommendations by 2024.**



Through the Youth Platform, our employees from Generation Y take part in the Bizim Ülker Magazine, the "Yıldızların Sesi" (Sound of Stars) Employee Engagement Survey and the R&D processes, and get the chance to express themselves.

We promote innovation at Ülker Bisküvi and offer guidance for our employees on issues such as productivity and teamwork through Innobook, which is drafted and published by Yıldız Holding in order to provide a reference source for employees in developing sustainable products and practices in environmental, social and economic terms. We support the diffusion and adoption of an innovative culture. Through Innobook, we will continue to improve and enhance our robust human resources that support innovation and our infrastructure.



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# EMPLOYEES

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As Ülker Bisküvi, we all work together to meet our sustainability targets, just as we all work together for our business and for society. We work for the satisfaction of our employees just as we work for the satisfaction of our consumers. We further aim to improve the satisfaction of our employees in line with the satisfaction of our consumers.

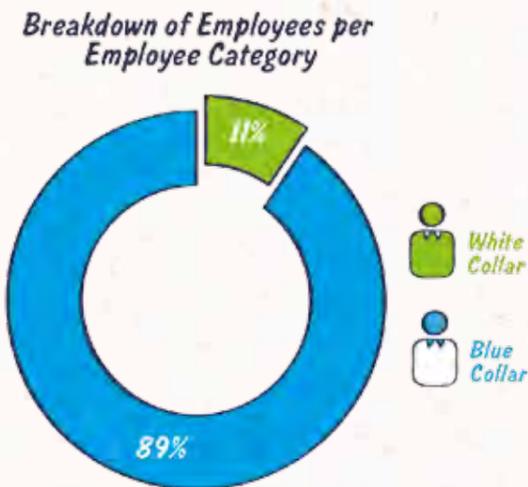
We operate with an “We Culture”, which is always open to new ideas and improvements, where our employees actively participate in all processes, where diversity is welcomed positively and where everyone can learn from each other. To this end, we implement training, activities and projects that enhance the development, satisfaction, health and safety of our employees.

### 2024 Targets

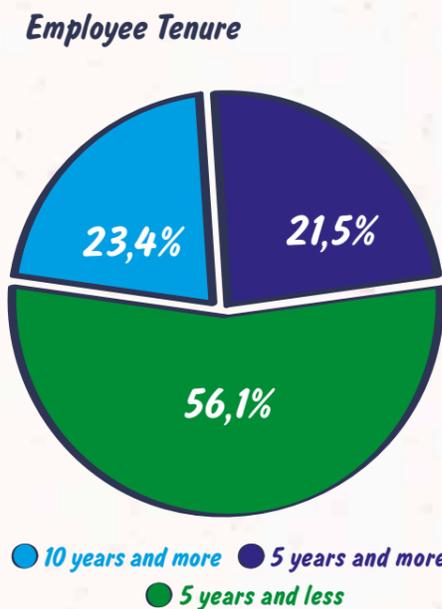
- Increasing training hours per person by approximately 40%.
- Reducing employee turnover rate from 5% to 3.5%.
- Increasing employee satisfaction from 77% to 85%.
- Zero occupational accident
- Increasing the unionization rate to 100%

As of 2015, we employ 6,537 people in total, and women represent 31.5% of our employees. Currently, 89% of our employees are blue collar employees, where the remaining 11% are white collar employees.

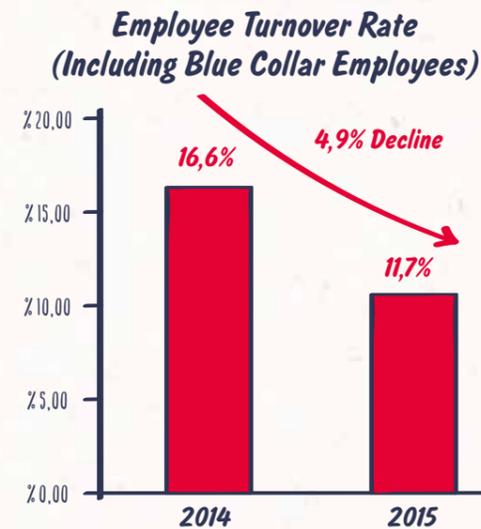
It is important for us to retain our employees for many years. By placing our employees’ satisfaction and development at the core of our



business, it is of utmost importance for us to provide an environment where new talent can thrive. We retain the employees that specialize in their respective fields, thus reducing the costs of new recruitment and training offered to new employees, which enables us to invest back in our employees. As of 2015, 21.5% of our employees have been working with us for 5+ years, and 23.4% for 10+ years. Our turnover rate, which was 16.58% in 2013, decreased to 11.69% in 2015 – a decline of 4.9%. We aim to



reduce the white collar turnover rate down to 3.5%, from 5% up to 2024 in accordance with our goal to employ people long term and to further develop “We Culture”.



These calculations does not cover Biskot Karaman Plant

### Performance Management

We adopt an objective- and competence-based Performance Management System (PMS). With PMS, our aim is to enhance the contribution of each employee to the corporate vision and culture, and further develop our employees’ skills. We review our employees’ performance based on their progress in reaching the in-house objectives, and the endeavours undertaken by our employees to develop their skills further. We plan performance at the beginning of the year together with our employees, and we review their performances with mid-term and year-end evaluations. Our employees can decide on the skills they would like to develop as well as their objectives for the upcoming year by themselves, as part of the PMS. We evaluate their development and competency under leadership, supporting the team, solution-oriented employees, innovation, anticipating the future, adding value and celebrating success categories.

The objective- and competence-based Performance Management System also plays an important role in deciding the salary of our employees. We set our employees’ salaries in a just and fair manner, which helps maintain balance in the workplace. This takes into consideration the market conditions, employee competency and performance. It is of utmost importance for us to create a fair working environment where women have equal working conditions and rights as men. We advocate equal remuneration for equal work, and do not discriminate based on gender while deciding on our employees’ salaries. We reward our employees based only on their performances.

The employee benefits for our white collar employees are managed under the **Flexible Employee Benefits Platform**. The employee benefits are structured in a way that our employees can choose from a variety of benefits based on their needs, and then create an Employee Benefit Package tailored for themselves. Our employees identify their employee benefits during every selection period, based on their needs and demands, and can choose from within various options such as individual pension, personal accident insurance, private health insurance etc. The salary and employee benefits for our blue collar employees, however, are set by their subcontractors in line with the Collective Labor Agreements at their respective worksites. Our blue collar employees have been enjoying their right to freedom of association and union rights since 1986.

Freedom of association is of utmost importance to us. Therefore, we improved the unionization rate, which was 74.7% in 2014, to 98.9% in 2015 in accordance with our objectives. We aim to achieve 100% unionization by 2016.

## Career and Talent Management

We operate the Human Resources Planning process so that our employees are aware of their knowledge, talents and potential, as well as ensuring their self-improvement. Aware of the fact that the talents, achievements, performance and potential of each employee varies depending on their careers and themselves, we strive to match our employees with the best possible position where they can achieve their maximum potential.

Annually, we reserve a certain budget for all kinds of training activities that our employees can attend to improve themselves on their chosen career path. Within the given budget, our employees can attend any training of their choice without restraint. As part of the career management system, we make self-improvement plans with our employees and follow their performance with action follow-up reports. We monitor our employees' careers closely through reports submitted to the senior executives.

## Dialogue Management with Employees

### Akıl Küpü (Kaizen Ideas)

Since 1990, through "Akıl Küpü" we have been involving our employees with the product development processes, thus enabling our employees to share new ideas and experiences, which contribute to the growth of the "We Culture". Our employees can share their novel ideas, improvement ideas and suggestions via Akıl Küpü.

### Youth Platform

In order to better understand our Generation Y employees, to foster innovation and spread the "We Culture" and to create a platform where they can share their ideas and experiences, Yıldız Holding created the Genç Platform. Through this platform we organize projects such as "Chat's" and "Usta & Çırak Buluşmaları" (Master & Apprentice Meetings), initiated by our

employees, which create a bridge between all employees from the senior executives to our interns. The platform enables us to bond with our Generation Y employees as well as help us contribute to their personal growth.

### Master & Apprentice Meetings

As Ülker Bisküvi, we aim to create a working environment where experience and knowledge can be shared not just in a top-down and bottom-up fashion but also laterally, i.e., peer to peer. Through "Usta & Çırak Buluşmaları", we bring our senior executives together with our Generation Y employees within Yıldız Holding. Through the "Ustadan Çırağa" mentoring programme, we pass down the knowledge and experience of our senior executives to our Generation Y employees; whereas, through the "Çıraktan Ustaya" reverse mentoring programme we enable our Generation Y employees to share their novel ideas, their ideas of leadership and their approach to working with our senior executives. In 2015, 12 senior executives and 16 Generation Y employees, 8 of whom were Ülker Bisküvi employee, took part in the programme, which was originally initiated in 2014 with 12 "masters" and 36 "apprentices", enabling them to share their knowledge and experiences..



### "Yıldızların Sesi" Employee Engagement Survey

Every second year, we hold the "Yıldızların Sesi" Employee Engagement Survey. The company-wide survey helps us identify our organization's strengths as well as areas that are open to improvements. It helps us measure levels of employee engagement, and gives our employees a voice in creating positive changes in their workplace. We receive feedback from them in categories such as leadership, performance, rewards, communication and talent management. Action plans regarding the improvement areas are developed based on the surveys. The results are shared with all employees. The employee engagement rose to 75 out of 100 in 2015, with a participation rate of 94%, through our endeavors to ensure the satisfaction of our employees since 2013. **We aim to improve the satisfaction of our employees and score 85 in employee engagement up to 2024.**

## Trainings

We endorse the professional and personal development of our employees as part of our goal to become an organization that improves, renovates and learns constantly. As part of our Basic Training programs developed and offered by our Training Directorate, training is organized throughout the year on competency improvement, professional development, foreign languages, occupational health and safety, food safety with zero defects and quality systems. Thus, we help our employees maintain successful performance and make sure they are informed about the most recent developments in their respective fields. In addition to basic training tools, we organize orientation training in order to enable our new employees to get acquainted with the Ülker culture, get a grasp of the business processes and learn technical information regarding their fields. Moreover, development tools are offered for our employees in many distinct categories, such as quality, R&D, Human Resources, Law, Procurement, Management, etc. through our Annual Learning and Development Catalogue.

In addition to the Basic Training Programmes, leadership development programs are organized for our employees from all levels under the "Journey to Leadership" training programme. We organize training activities called "First Step to Leadership" for the first-tier executives, training entitled "Leadership Map" for mid-level executives, training entitled "Leadership Compass" for senior executives and training entitled "Leadership Summit" for the CEO and higher-level executives.



Through such training, our company's vision, strategy and values are shared with our employees, strengthening our organization.

In 2015, we devoted an average of 18.45 hours per employee to training. The average training hours per employee has increased by 64.43% since 2013.



\*The increase observed in the training hours in 2014 arises from the training performed to comply with modifications introduced by legislation through recent legal arrangements.

## Occupational Health and Safety

Our "zero incidents" goal guides our Occupational Health and Safety (HSE) policy. We develop management systems and training programs to foster an occupational health and safety culture in our employees and subcontractors, trying to prevent incidents before they even occur. The training involves compliance to OHS requirements, preventing occupational incidents and occupational diseases, minimizing risks and achieving OHS objectives. We keep regular track of our performance in this respect.

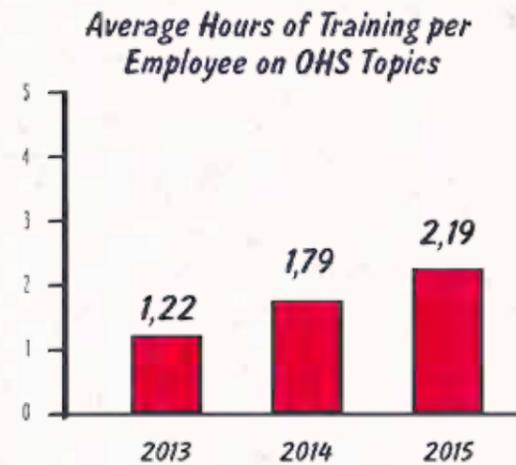
We handle OHS issues within the framework of our OHS policy under the supervision of the Operational Excellence team, the Health Safety Energy Environment (HSE) General Manager, the OHS Committee and the senior executives who are members of the Ülker Sustainability Platform.

The HEE committees assemble regularly every week in all group companies and brainstorm to improve the working environment. The resolutions adopted during the weekly meetings are then reported to the executives responsible from OHS, and follow-up operations concerning the actions are carried out by the Occupational Safety Specialist. We also discuss the OHS issues and risks during the Occupational Health and Safety Boards held on a quarterly basis, and we adopt precautions against possible risks. The OHS Boards in our factories consist of seven employees, and our blue collar employees are represented at these boards by two employees at meister or foreman level.

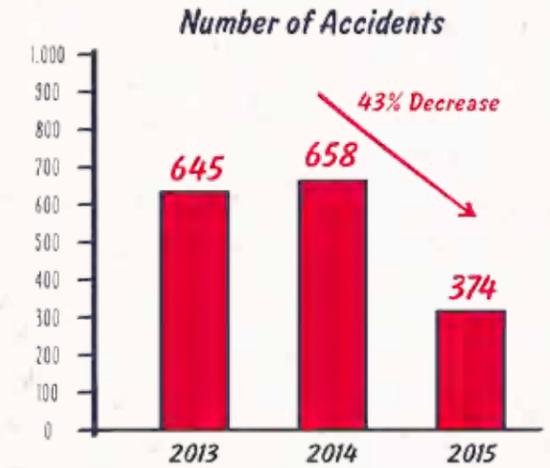
Employees at our factories can communicate their recommendations and ideas on their working conditions, etc. to the respective departments through Industrial Relations Boards. At these boards, the factory administrators, the human resources department, union representatives and the staff come together and discuss issues related to productivity, occupational safety, relations with superiors and employee comfort. We have addressed 88 distinct issues at five Industrial Relations Board meetings held in 2015 and managed to settle 14 issues. Through these boards, we not only get feedback from our employees, but also share our key performance indicators (KPI) and communicate our expectations of our staff in achieving our in-house objectives.

All production processes in our factories are carried out in accordance with the OHSAS 18001 Occupational Health and Safety Management System standard.

Furthermore, we organize activities intended to raise awareness to all employees so that the Occupational Health and Safety principles and rules become integrated into the working culture. OHS training is delivered to our employees throughout the year during these activities. In addition, we also organize 20-hour basic initial training for all of our new employees covering topics such as occupational health and safety, the environment, hygiene, quality, codes of conduct and operational principles. In 2015, OHS training on Occupational Health and Safety issues were undertaken for an average of 2.19 hours per employee. **The average hours of training per employee on OHS topics has increased 79% since 2013.**



Lost Day Rate\* at our factories, which was 0.20 in 2013, increased to 0.23 due to new facilities commencing operations at our Karaman and Gebze factories in 2015, and the increase in new employees. In 2015, incident rate decreased 43%, compared to 2014.



We took further precautions against accidents such as hand and finger injuries (smashing/crushing), head injuries (hitting), slip and fall, cuts and lacerations (due to contact with sharp surfaces), which were the most frequently occurring accidents in 2015, thus helping to prevent future occurrences. There have been no fatal accidents at our factories in 2013, 2014 and 2015.



\* Lost Day Rate = Total Number of Lost Days x 8 x 100 / Number of Employee Labor Hours Worked

\*\* Incident Rate = Number of Lost Time Cases x 225.000 / Number of Employee Labor Hours Worked

Calculations in this graph reveals the average incident rate at six factories of Ülker. Incident rate at Chocolate Plant is 1.87.

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# SOCIAL RESPONSIBILITY

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As a responsible food manufacturer working for a happier society, we are aware of our responsibilities towards society. Since our foundation, we have accompanied our consumers during their happy moments and today, our consumers associate our brand with happiness. As a company that supplies products to global markets, we believe that we have a significant role to maintain the trust of the consumers, to contribute to society in general, to the lives of individuals and to create value while ensuring growth. As part of our social responsibility and shared value approach, we are working and making investments to address social problems in order to deliver reliable and high quality products for our consumers, encourage society regarding balanced nutrition and active lifestyle, and to improve social welfare. In this context, we are accomplishing projects in different areas such as culture, art and sports in order to improve the health, prosperity and happiness of society.



*“We believe that wherever in the world, everyone has the right for experiencing a happy childhood.”*

*Sabri Ülker*

Delivering reliable food to our consumers is considered to be one of the most material issues for our company. We produce our products in accordance with the Ülker Bisküvi Quality Management System, a quality system built upon satisfying the requirements of food safety and fulfilling our consumers' expectations.

### 2024 Targets

- 8,000 fewer tons of saturated fat in all bakery products
- 3,000 fewer tons of saturated fat in all chocolate products
- 20% fewer complaints in sales and distribution channels



According to the World Health Organization (WHO) data, unsafe food products manufactured with a disregard for food safety standards caused more than 200 diseases on consumers and a significant decline in the quality of life of society.

From the production processes to the supply chain and procurement, from the storage phase to packing and labeling, food safety in all aspects that either directly or indirectly affect our products is a priority for us. It is our principle to manufacture high quality, delicious and reliable products under sanitary conditions in compliance with the relevant legislation and directives.

### Ülker Bisküvi Quality Management System

Food safety is directly related to our quality system to ensure that we always provide high quality products to our consumers. In order to guarantee the compliance of our products to food safety and quality requirements, **all of our products are subject to advanced control systems at the plants, which are all nationally and internationally certified.** In this context, the production activities at Ülker Bisküvi plants comply with the **Turkish Standards Institution and Turkish Food Codex.** The products we manufacture comply with our Quality Management System. This was developed in accordance with **ISO9001:2008 Quality Management System, ISO22000 Food Safety Management System, ISO14001 Environment Management System, OHSAS 18001 Occupational Health and Safety Management**

**System, Level A BRC Food Safety Standard – the highest level of International Food Standard (IFS) certifications** – and other international safety and quality standards. The Ülker Bisküvi Quality Management System ensures that our products are manufactured and inspected using the zero defect principle in compliance with essential parameters for food safety, which are physical and microbiological parameters such as input, process and color, odor, flavor, deformation etc.

At Ülker Bisküvi plants, we refer to the **Gold Standard**, which ensures the production of the “ideal product”, and our production operates within the framework of the standards that fulfill the consumer's expectations, and that conform to the requirements on food safety and quality during manufacturing processes. In 2015, we reviewed the quality standards for the entire product range and defined new standards.

From the supply of the raw material through to the final product, we subject our products to tests which are determined by specific criteria and limits defined for each phase and the overall entire phase of the process. It is particularly important us that the infrastructure and control systems ensure that the products are always manufactured to the same high quality and standards. Through the Critical Control Points (CCP) system within our quality system, we identify the factors that would pose risks with respect to the quality and food safety of our products. As part of the CCP system, we conduct analyses and bring all possible risk elements under control. We form “quality teams” in order to eliminate the products which do not comply with our sustainable quality standards.

Ülker Çikolata plant has been awarded first place in Turkey and third place in Europe with the "Industrial Excellence Award 2015" organized by the most prestigious academic institutions in Europe, as a result of implementing the Yıldız Path to Excellence program for two years.

The quality teams work on identifying risk elements and ensuring conformity to the standards, and follow up on the outcomes of these processes.

In line with our Quality Management System, we carry out product shelf-life testing on a regular basis over 12 months, before products are ready to be delivered to the point of sale. We guarantee product quality and food safety throughout all of our operations. **As Ülker Bisküvi, we aim to reduce complaints received via sales and distribution channels by 20%, through revised interim annual objectives set to achieve this, up to 2024.**

Our Operational Excellence efforts also contribute to the sustainability of our quality system. We initiated the **Yıldız Path to Excellence** program, which is an Operational Excellence program implemented at our plants to ensure production quality using a zero defect principle and enabling sustainable production processes for efficient use of resources. Ülker Chocolate Plant, where this program is currently being implemented, has participated in the "Industrial Excellence Award 2015" organized by the most prestigious universities of Europe where prominent industrial companies compete in this field of activity. The plant has been awarded first place in Turkey and third place as Turkey's champion in Europe. With our excellence program playing a major role in

our preparation for the international competition, our employees offered their support to create added value to our company, our consumers and our country. They profit from an environment which is built on the culture of efficiency and excellence, and where they are able to use their key skills. The program ensures supervision of the whole production process from sourcing materials to the product arriving at the homes of our consumers.

Employees at the production lines form **Yıldız Development Teams (YDT)** in order to investigate problems and look for solutions to these problems. Moreover, we implement thorough cleaning and maintenance processes for the production lines through our 5 'S' approach, which stands for sort, set, shine, standardize and self-discipline, assuring the establishment of a high quality production environment at our plants. We also improve Ülker Bisküvi Quality System – built on food safety requirements – through our research studies on food technologies and innovation.

### ***Food Safety in the Value Chain***

We are working with the aim of applying the "zero defect" principle and food safety at each step of our value chain. In 2012, in order to set up an effective control mechanism conforming to our high standards in the value chain, we have initiated a project for developing a mechanism of quality and a food safety chain in cooperation with the American Institute of Bakery (AIB). This project incorporates further storage processes starting with our raw material suppliers and ends with the delivery of Ülker Bisküvi products to the consumers.

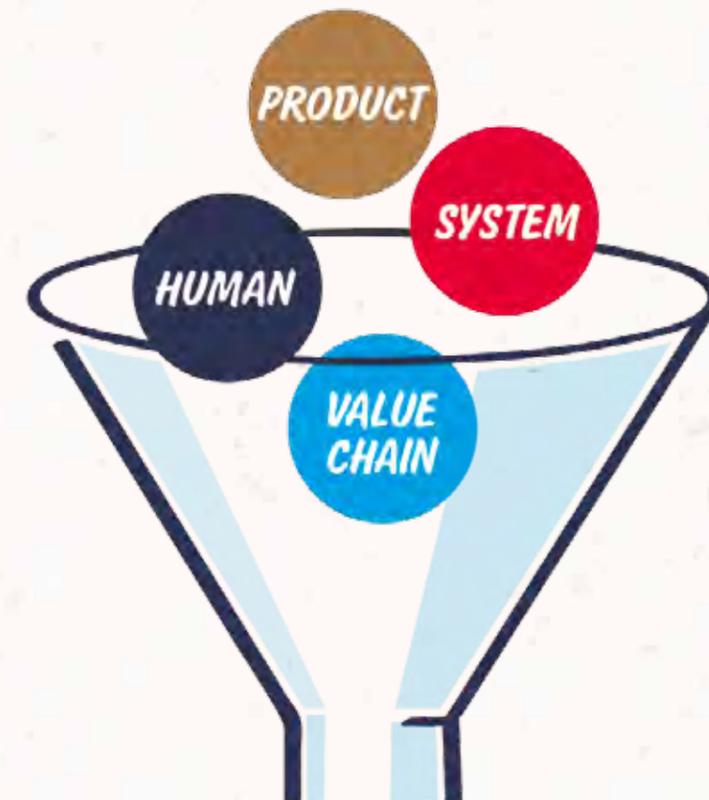
Within the context of this project, AIB provided training to 240 blue-collar workers to inform our employees on the sustainable quality principles. We formed internal audit teams at our Esenyurt, Gebze and Ankara plants and AIB conducted food safety audits semi-annually at the Ülker Bisküvi plants. Following these audit visits, observations were reported to the plant administration in order to make contributions to improvement efforts. We are classified as "successful" after the unannounced AIB audits conducted at the end of 2015.

Apart from the Ülker Bisküvi plant visits, the products are further audited by AIB quality units at various suppliers, distributors and points of sale. In collaboration with our suppliers, we are subjecting the raw materials to inspections and tests in order to prevent problems arising from quality at the source prior to their delivery to production. Our quality teams are paving the way for improvements that would eliminate the

non-compliant cases concerning our quality standards, and follow up the outcomes of these improvements.

In order to fulfill the requirements concerning food safety and high quality, we are providing training opportunities for all of our employees and for the employees of our subcontractors on topics such as quality, occupational health and safety, allergenic substances, product critical control points, etc. We have published **the Zero Defect Handbook** in 2014 in order to provide educational material for such training and to put our approach in writing. Furthermore, Zero Defect Handbook training programmes have been initiated to continue our efforts in quality improvement.

### ***Inputs that form our Sustainable Quality Approach***



## Consumer Opinions

Since the very beginning of our company, we have always accompanied our consumers – who we consider one of our most significant stakeholders – during their happiest moments. We attach great importance to the trusting relationship we have with our consumers. We work to meet their expectations at the highest level possible and to constantly improve their satisfaction. We appreciate feedback from our consumers. We keep records of all of their opinions, taking them into account and working to improve respective problems in light of those opinions. We are certified with ISO1002 Quality Management - Customer Satisfaction.

The Ülker Customer Communications Center has received feedback from 5,100 people throughout 2015. We incorporated the opinions, ideas and recommendations of our consumers into our processes through a process of continuous improvement.

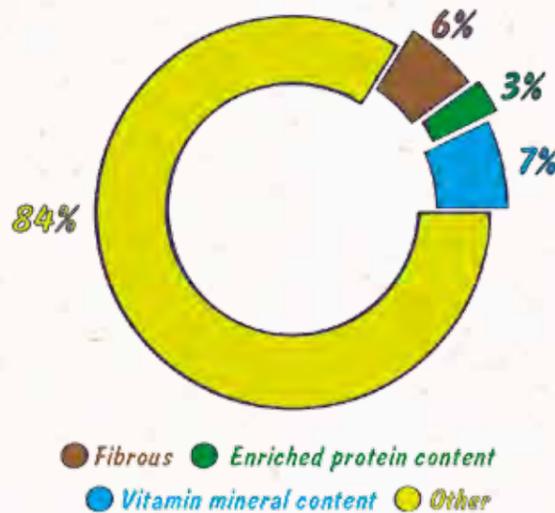


## VARIOUS ALTERNATIVES OFFERED TO CONSUMERS

We take note of the technological developments and recent scientific breakthroughs in the food industry to offer alternative products in various product categories that promote conscious consumption and balanced nutrition. As Ülker Bisküvi, we pursue an approach that helps and encourages balanced nutrition and physical activity.

By virtue of our efforts, we managed to eliminate approximately **20,000 tons of sugar and 550 tons of salt** from Ülker products and their sub-brands in the last 5 years. Moreover, none of the products in our biscuit, cake and chocolate product categories contain trans fats. The sales percentage of product alternatives with fibrous and enriched protein content show an increasing sales trend.

Product Variety Ratio Across Overall Product Volume\*



## RESPONSIBLE MARKETING

We have significant roles in informing our consumers concerning food, on consolidating the trust relationship with our consumers and encouraging the consumers to adopt improved nutritional habits.

We act responsibly, sticking to the understanding that "Our priority in communication is to preserve and improve public health" during our marketing and communication activities. Playing a major role since 1944 in setting the standards applicable to the Turkish food sector, Ülker devised the "responsible nutrition" principles for the first time in this food sector in order to compare the rules to world standards. Ülker was the first Turkish food company to compile such principles into a "Guideline on Responsible Nutrition Communication". In the guideline, Yıldız Holding discloses responsible communication principles of the company and its brands, and makes some commitments for communication intended for children.

As Ülker Bisküvi, we made our contributions in drafting the "Guideline on Responsible Nutrition Communication", which contain the commitments and principles on responsible marketing and communication, created for the first time in the Turkish food industry under the guidance of Yıldız Holding.

The responsible nutrition principles aim to spread our standards for world-class safety for high quality and delicious food. The principles underlined the importance of making conscious choices for our consumers. We take into account such principles when using our marketing communication tools, including advertisements in the media, adverts, sponsorships, awards and similar promotional events.

Based on general principles contained in the guideline, we make our commitment on delivering

the communication messages to emphasize the importance of a healthy, balanced and active lifestyle and to abide by the balanced nutrition principles during our promotional activities. The guidelines, which disclose certain principles as regards advertisements and communication tools intended for children, further undertake that advertisements will not undermine or weaken parental authority, will not mislead children on the potential benefits of using such products and will incentivize healthy nutrition and physical activity.

### Our advertisements and communication tools intended for the children:

- \* Does not undermine parental authority.
- \* Does not mislead children on the potential benefits of using such products.
- \* Does not lead to any unrealistic expectation by the children that he/she will attain success or popularity.
- \* Does not induce any sense of urgency on the children.
- \* Incentivizes healthy forms of nutrition and physical activity.
- \* In cases where we are not directly responsible for the final distribution operations of products to schools, we direct our distributors in accordance with such commitments.

We pay attention to both the label and packaging of the product and the characteristics of the product in order to consolidate our relationship with the consumers, and share the information on the products they consume in a transparent manner. In this respect, we share significant information on the content of the products and production processes in accordance with the Turkish Food Codex Labeling Directive.

## OUR PROJECTS FOR TOMORROW'S HAPPY CHILDREN

As one of the largest food companies in Turkey, we are working to fulfill our environmental and social responsibilities to provide a happy world for society and for future generations, based on the shared value approach we adopt. Promoting balanced nutrition and an active lifestyle, we support incentive programs, projects and research in order to contribute to the development of awareness of safe food and balanced nutrition.

We want to do our business in the best manner possible in the sector in which we operate. We are aware that this does not mean only economic growth. We act with conscious corporate citizenship in order to improve the prosperity and happiness of individuals and create value within society, as required by our shared value approach, and

we feel responsible for addressing the needs of society in the fields of education, sports, culture and art.

Children constitute one third of the population of Turkey and we are putting them at the core of our corporate social responsibility approach in order to ensure that they, the architects of our future, live a happier, socially-balanced life.

We classify our activities, aimed to ensure children's happiness, under three areas: **sports, culture-art and balanced nutrition.** All the projects we implement aim to **get children to adopt balanced nutritional habits, to accustom them to an active life and sports and thus contributing to their physical development.**

## ÜLKER AND SPORTS

We promote active lifestyles for a healthy life, beginning at early ages.

We recently channeled the sport activities that we support at the professional club and national teams level into promoting sports activities for children to support their healthy growth. Our objective in such projects is to contribute towards nurturing a healthy generation, both physically and mentally, and to introduce new talent and stars to the world of sport.

With our Football for Children Project, in collaboration with the Turkish Football Federation (TFF) and Ülker Basketball Festivals organized with the Basketball Federation, we worked to get approximately 276,000 children to adopt sports habits and to accustom them to an active lifestyle in 2015.

We started the **TFF-Ülker Football Village** initiative, a project that aims to bring together talented children from all around Turkey within the framework of social objectives to make contributions to their social, cultural and personal development. In the context of this initiative, and in addition to sports, we also offer courses on chess, balanced nutrition, drama, environmental consciousness, personal hygiene, first aid and art to the children at the football villages.

We have organized 65 football villages in 35 provinces in the last 9 years under the TFF-Ülker Football Village project. 44 girls and 36 boys who attended the TFF-Ülker Football Village initiative in the last few years have qualified for national teams, while 50 of them have signed contracts with professional clubs.

At the beginning of 2015, we organized an Elite Football Village initiative, where the most talented children selected from the 12 to 13-year-old age category by coaches from the TFF-Ülker Football Village, work with trainers from the national team.

Together with the TFF, we also initiated the Ülker U13 İstanbul Schools League during the 2015 to 2016 academic year in collaboration with the Provincial Directorate of National Education and Youth Services. We also initiated the **Football Schools and University School Cooperation** project in collaboration with universities that accommodate Physical Education and Sports Academy or Sports Sciences Faculties.

*Oğulcan Çağlayan, age 19, was picked to attend the TFF Ülker Football Village. After his training at the village, he pursued his career in four major professional clubs: Ankaraspor, Bursaspor, Gaziantepspor and Kayseri Erciyesspor.*



PROJECT	PROJECT DURATION	NUMBER OF CHILDREN REACHED
Football Education Centers	7 years	79,000
Football Villages	9 years	5,300
Elite Football Villages	2 years	162
Football Schools	3 months	2,520
Football Festivals	5 years	162,000
U20 Grassroots Festivals	2 months	1,700
Grassroots Day	5 years	17,300
Basketball Festivals	8 years	8,000
<b>TOTAL</b>		<b>275,982</b>



## ÜLKER AND CULTURE-ART

Our projects on culture and art are implemented with the motivation to facilitate access particularly for early age groups and for adults to the culture-art activities that improve the imagination, creative thinking and creative talents. In light of our belief that individuals who tend towards art and culture in early ages grow to be social and productive individuals with high self-confidence and are capable of improving their skills, we increase our investments in culture and art by initiating projects like this, the majority of which are directed towards children.



The **Ülker Cinema Festival for Children** was initiated to introduce the silver screen to children from different regions of Turkey who, for various reasons, cannot go to movies. As part of the Ülker Cinema Festival for Children, we have managed to bring one million children together with the silver screen in various cities of Turkey since 2008. We have started to present this opportunity to our children every year on April 23<sup>rd</sup> with the National Sovereignty and Children's Festival, helping to improve their imagination.

Since 2015, we support the Istanbul Modern Contemporary Art Museum in keeping all exhibitions open for free visits on Thursdays. Therefore, the museum guests can visit the

museum for longer periods during Thursdays, and can attend special programs and permanent and temporary exhibitions. We also support "Your Thursday" Artist Workshops organized every month for adult participants, allowing the artists to hold brief conversations and practices in order to share their creative processes and artistic experiences with the participants. We believe that "Your Thursday" Artist Workshops can help us improve the attitude of society towards art.

**Ülker Children's Art Workshop** was founded to develop the talents of children and to introduce them to art at early ages. Available for visit since 2011, the workshop offers the juvenile visitors the opportunity to observe the historical evolution of art, from cave drawings of the primeval era to contemporary art of the modern day. They can also attend various educational activities, from free painting to collage and wall painting. In addition to the educational activities offered at the workshop, the children have the opportunity to meet with famous artists and enjoy their artistic experiences. From the beginning of the project until 2015, we have introduced a total of 13,000 children to contemporary art.

FOR A  
*Happy*  
FUTURE

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LEADERSHIP

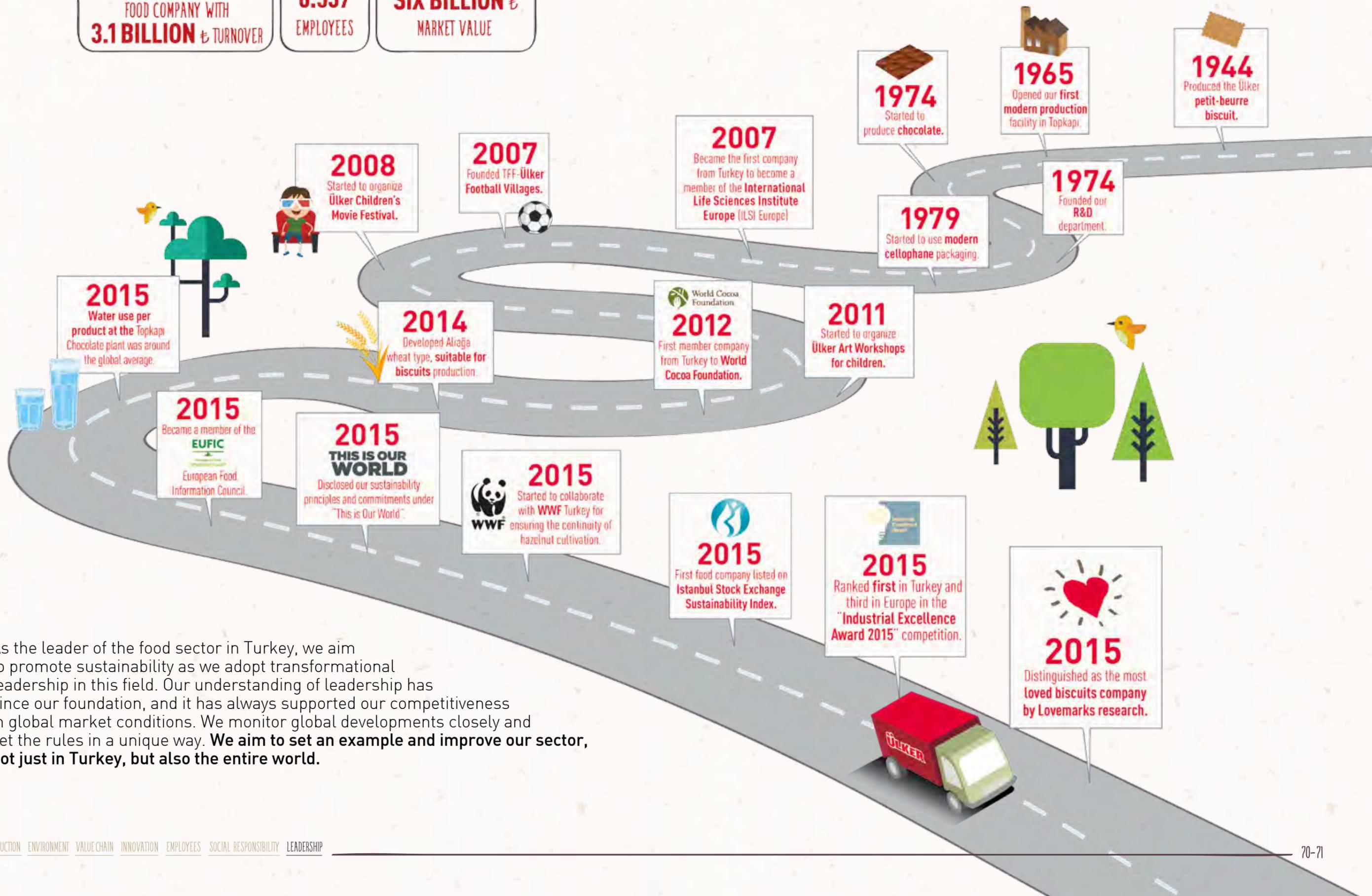
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TURKEY'S GREATEST  
FOOD COMPANY WITH  
**3.1 BILLION ₺** TURNOVER

**6.537**  
EMPLOYEES

**SIX BILLION ₺**  
MARKET VALUE



As the leader of the food sector in Turkey, we aim to promote sustainability as we adopt transformational leadership in this field. Our understanding of leadership has since our foundation, and it has always supported our competitiveness in global market conditions. We monitor global developments closely and set the rules in a unique way. **We aim to set an example and improve our sector, not just in Turkey, but also the entire world.**

## REPORTING PRINCIPLES AND TABLES

Reporting principles cover data collection and calculation principles based on greenhouse gas (GHG) emissions data (GRI G4-EN15, G4-EN16, G4-EN18, G4-EN19, G4-EN21) and energy consumption data (GRI G4-EN3).

Reference year for greenhouse gas (GHG) emissions has been chosen as 2014, due to the availability of accurate and reliable data. Applied calculation methodology for GHG is based on "GHG activity data multiplied by emission or removal factors".

GHG emissions calculations have been completed in accordance with World Resources Institute (WRI) / World Business Council on Sustainable Development (WBCSD) GHG Protocol. Organization boundary has been addressed through the control approach and GHG emissions from all of the buildings, diesel generators, and cooling gases in the control of Borsa Istanbul have been included to the inventory. Activity boundaries have been designed as Scope 1 (direct) and Scope 2 (indirect). In the calculations, CO<sub>2</sub> equivalent factors for emissions CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, and HFCs (cooling gas) have been used. Global Warming Potential (GWP) coefficients have been taken from Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report. Grid emission factor has been calculated by taking Turkish Electricity Transmission Company (TEİAŞ) 2014 data into consideration.

The breakdown of GHG generating sources is as follows:

**Scope 1:** Fuel consumed in buildings and facilities, and emergency diesel generators.

**Scope 2:** Electricity usage. The emission factor for emissions due to electricity usage has been taken as 0,5504 kg CO<sub>2</sub>e/kWh. Electricity energy factor is calculated aligned with the data updated every year by TEİAŞ.

All of the energy consumption raised by buildings, facilities, and generators at Ülker is monitored. All of this energy consumption data is included in this report. Lower calorific values of energy sources and tonne of oil equivalent coefficients were taken from Lower Calorific Values and Tonne of Oil Equivalent Conversion Coefficients table in Annex II of Regulation on Increasing Efficiency of Energy Resources and in Energy Usage as issued in Official Gazette dated 27 October 2011, issue number 28097. Values used in energy unit conversions are as follows: 1 kcal = 4.184 kJ and 1 GJ = 0.2777 MWh (1 MWh = 3.6 GJ)

Air emissions other than GHGs were calculated based on the emission reports of our six factories in the scope, issued in 2013, 2014, and 2015. It is assumed that factories worked for 300 days of year, 24 hours of a day with a 70% capacity. Calculations regarding wastewater quality parameters were done by taking the arithmetic average of wastewater discharged by six factories. There were no environmental fines issued during the reporting period.

## Greenhouse Gas Emissions

Energy Use	2013 MWh	2014 MWh	2015 MWh
Buildings fuel and electricity	461.910	462.383	455.352
Electricity purchased	132.823	137.299	137.164
Natural gas	328.453	323.747	316.332
Diesel generators	635	1.337	1.856
<b>TOTAL</b>	<b>461.910</b>	<b>462.383</b>	<b>455.352</b>
<b>TOTAL NET ENERGY USE</b>	<b>461.910</b>	<b>462.383</b>	<b>455.352</b>
Production	483.798	479.553	465.231
Energy used per unit production (MWh/ton)	0,954758	0,964196	0,978765

Energy Use	2013 GJ	2014 GJ	2015 GJ
Buildings fuel and electricity	1.662.880	1.664.583	1.639.273
Electricity purchased	478.163	494.278	493.793
Natural gas	1.182.433	1.165.492	1.138.797
Diesel generators	2.285	4.813	6.683
<b>TOTAL</b>	<b>1.662.880</b>	<b>1.664.583</b>	<b>1.639.273</b>
<b>TOTAL NET ENERGY USE</b>	<b>1.662.880</b>	<b>1.664.583</b>	<b>1.639.273</b>

Green house gas emissions * (ton CO <sub>2</sub> -e)	2013	2014	2015
Scope 1	66.687,8	65.923,2	64.560,9
Vehicles	0,0	0,0	0,0
F-gases	0,0	0,0	0,0
Fuel used in buildings	66.517,5	65.564,5	64.062,8
Diesel generators	170,3	358,7	498,1
Scope 2	73.331,9	75.803,3	75.728,9
Electricity used	73.331,9	75.803,3	75.728,9
<b>TOTAL</b>	<b>140.019,7</b>	<b>141.726,5</b>	<b>140.289,8</b>
CO <sub>2</sub> emissions per unit production (tonCO <sub>2</sub> /ton production)	0,289	0,296	0,302

	2013	2014	2015
Scope 1 total (CO <sub>2</sub> e ton)	66.687,8	65.923,2	64.560,9
CO <sub>2</sub>	66.503,8	65.740,7	64.381,7
CH <sub>4</sub>	148,4	146,9	144,0
N <sub>2</sub> O	35,6	35,6	35,1
Scope 2 total (CO <sub>2</sub> e ton)	73.331,9	75.803,3	75.728,9
CO <sub>2</sub>	73.099,6	75.563,2	75.489,0
CH <sub>4</sub>	25,2	26,1	26,1
N <sub>2</sub> O	207,0	214,0	213,8
Grand Total (CO <sub>2</sub> e ton)	140.019,7	141.726,5	140.289,8
CO <sub>2</sub>	139.603,4	141.303,9	139.870,8
CH <sub>4</sub>	173,6	173,0	170,1
N <sub>2</sub> O	242,7	249,6	248,9

Emission Factors	CO <sub>2</sub>	CH <sub>4</sub>	N <sub>2</sub> O	Total kg CO <sub>2</sub> e
Natural Gas	1,9365	0,0043	0,0010	1,9418
LPG	2,8777	0,0011	0,0014	2,8802
Diesel	2,6248	0,0035	0,0412	2,6694
Gasoline	2,2164	0,0030	0,0543	2,2738
CNG	2,8466	0,0786	0,0030	2,9283
Diesel (stationary)	2,6248	0,0089	0,0063	2,6399
Gasoline (stationary)	2,2164	0,0080	0,0057	2,2301
Coolant gases - R410A	2087,5			2087,5
Coolant gases - R407C	2107,0			2107,0
Coolant gases - R134A	1430,0			1430,0
Fire extinguishers - HFC 227ea	3220,0			3220,0
Fire extinguishers - Halon 1301	7140,0			7140,0
Electricity (grid)	0,5504	0,0002	0,0016	0,5521

Wastewater Discharge Parameters	Ülker Plants Average
Suspended Solids (SS)	190
Chemical Oxygen Demand (COD)	537,25
pH	7,26

	Number of Employees					
	2013		2014		2015	
	Women	Men	Women	Men	Women	Men
Number of Employees	3081	5185	2592	4888	2083	4454
Total Number of Employees	8266		7480		6596	

	Employees by Contract Type		
	2013	2014	2015
Full time	8263	7476	6591
Part time	3	4	5
Total	8266	7480	6596

	Number of Employees by Employment Duration*		
	2013	2014	2015
0 – 5 Years	824	1,119	1,339
5 – 10 Years	1,682	1,722	1,437
More than 10 years	1,449	1,373	1,358

	Ratio of Employees by Employment Duration*		
	2013	2014	2015
0 – 5 Years	20.83%	26.58%	32.39%
5 – 10 Years	42.53%	40.85%	34.76%
More than 10 years	36.64%	32.57%	32.85%

	Employees on Parental Leave*					
	2013		2014		2015	
	Women	Men	Women	Men	Women	Men
Total	21	301	22	317	25	305

	Employees Returned to Work After Parental Leave*					
	2013		2014		2015	
	Women	Men	Women	Men	Women	Men
Total	8	301	12	317	13	298

	HSE Trainings		
	2013	2014	2015
Total Training Hours	10,105	13,371	14,439

\*Excludes data regarding Karaman plant.

	<b>Employee Trainings</b>		
	2013	2014	2015
Average Training Hours	11.22	23.67	18.45

	<b>Number of Employees Who Quit and Started During the Reporting Period*</b>					
	2013		2014		2015	
	Women	Men	Women	Men	Women	Men
Number of Employees Who Quit Work During the Reporting Period	279	682	287	953	245	526
Number of Employees Who Started Working During the Reporting Period	346	800	306	1091	197	424

	<b>Number of Employees Who Received Performance Evaluation*</b>					
	2013		2014		2015	
	Women	Men	Women	Men	Women	Men
Total	34	216	41	246	50	265
General Total	250		287		315	

\*Excludes data regarding Biskot Karaman plant.

## GRI Content Index



<b>GENERAL STANDARD DISCLOSURES</b>	
General Standard Disclosures	Page / Direct Link
<b>STRATEGY AND ANALYSIS</b>	
G4-1	6, 7
G4-2	20, 24
<b>ORGANIZATIONAL PROFILE</b>	
G4-3	9
G4-4	8, <a href="http://ulkerbiskuyatirimciliskileri.com/media/614/download.aspx">http://ulkerbiskuyatirimciliskileri.com/media/614/download.aspx</a> p.24
G4-5	<a href="http://www.ulkerbiskuvi.com.tr/tr-TR/FormGonder.aspx">http://www.ulkerbiskuvi.com.tr/tr-TR/FormGonder.aspx</a>
G4-6	8
G4-7	<a href="http://www.ulkerbiskuvi.com.tr/tr-TR//kurumsal/ortaklik-yapisi">http://www.ulkerbiskuvi.com.tr/tr-TR//kurumsal/ortaklik-yapisi</a>
G4-8	8
G4-9	8, 9
G4-10	74

General Standard Disclosures	Page / Direct Link
G4-11	51
G4-12	40, 43
G4-13	<a href="http://ulkerbiskuyatirimciliskileri.com/media/614/download.aspx">http://ulkerbiskuyatirimciliskileri.com/media/614/download.aspx</a> p.23
G4-14	23, 24
G4-15	16
G4-16	12, 16
<b>IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES</b>	
G4-17	8, 9
G4-18	10, 11
G4-19	11
G4-20	10, 11
G4-21	10, 11
G4-22	9
G4-23	9
<b>STAKEHOLDER ENGAGEMENT</b>	
G4-24	12
G4-25	10
G4-26	10, 12, 13
G4-27	10, 11
<b>REPORT PROFILE</b>	
G4-28	9
G4-29	9
G4-30	9
G4-31	9
<b>GRI CONTENT INDEX</b>	
G4-32	9
G4-33	External assurance not sought for this report
<b>GOVERNANCE</b>	
G4-34	20, 22
G4-35	20
G4-36	20
G4-38	21
G4-39	<a href="http://ulkerbiskuyatirimciliskileri.com/_assets/pdf/kurumsal-yonetim-ilkeleri-uyum-raporu/Ulker-Turkce-KYI-2015.pdf">http://ulkerbiskuyatirimciliskileri.com/_assets/pdf/kurumsal-yonetim-ilkeleri-uyum-raporu/Ulker-Turkce-KYI-2015.pdf</a> p.9
G4-40	<a href="http://ulkerbiskuyatirimciliskileri.com/_assets/pdf/kurumsal-yonetim-ilkeleri-uyum-raporu/Ulker-Turkce-KYI-2015.pdf">http://ulkerbiskuyatirimciliskileri.com/_assets/pdf/kurumsal-yonetim-ilkeleri-uyum-raporu/Ulker-Turkce-KYI-2015.pdf</a> p.8
G4-43	20, <a href="http://ulkerbiskuyatirimciliskileri.com/_assets/pdf/kurumsal-yonetim-ilkeleri-uyum-raporu/Ulker-Turkce-KYI-2015.pdf">http://ulkerbiskuyatirimciliskileri.com/_assets/pdf/kurumsal-yonetim-ilkeleri-uyum-raporu/Ulker-Turkce-KYI-2015.pdf</a>
<b>ETHICS AND INTEGRITY</b>	
G4-56	22, 23
G4-57	22
G4-58	22

<b>SPECIFIC STANDARD DISCLOSURES</b>		
G4 Indicators	Page / Direct Link	Explanation for omission
<b>ENVIRONMENTAL</b>		
<b>Materials</b>		
G4-EN1	41	
<b>Energy</b>		
G4-EN3	72, 73	
G4-EN5	72	
G4-EN6	31	
<b>Emissions</b>		
G4-EN15	74	
G4-EN16	74	
G4-EN18	73	
G4-EN19	74	
G4-EN21	32	
<b>Water</b>		
G4-EN8	33	
G4-EN10	33	
<b>Wastewater and Waste</b>		
G4-EN22	35, 74	
G4-EN23	34	
G4-EN25	34	
<b>Compliance</b>		
G4-EN29	72	
<b>Overall</b>		
G4-EN31	30	
<b>SOCIETY</b>		
G4-S04	23	
G4-S05	22	

G4 Indicators	Page / Direct Link	Explanation for omission
<b>Product Responsibility</b>		
<b>Customer Health and Safety</b>		
G4-PR1	59-62	
<b>Marketing Communications</b>		
G4-PR7	63	
<b>Labour Practices and Decent Work</b>		
<b>Employment</b>		
G4-LA1	51, 76	
G4-LA2	51	
G4-LA3	74	
<b>Occupational Health and Safety</b>		
G4-LA5	54	
G4-LA6	55	
G4-LA7	55	
<b>Training and Education</b>		
G4-LA9	54	
G4-LA10	52	
G4-LA11	75	
<b>Equal Remuneration for Women and Men</b>		
G4-LA13	51	

<b>FOOD PROCESSING SECTOR DISCLOSURES</b>		
G4 Indicators	Page / Direct Link	Explanation for omission
<b>Purchasing</b>		
G4-FP2	43	
<b>Product Responsibility</b>		
G4-FP5	59	
G4-FP6	62	
G4-FP7	62	



**ÜLKER**  
HAPPINESS EVERYWHERE

