



**KIBAR
HOLDING**

2016

**SUSTAINABILITY
REPORT**





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This report has been prepared as part of the Global Principles Contract Progress Reporting principles in order to inform stakeholders about Kibar Holding's corporate sustainability performance. The information on this report applies to the period between January 1, 2016 and December 31, 2016.

In addition to the principles of the Global Principles Contract, the reporting guidelines of the Global Reporting Initiative, which is an internationally acclaimed reporting

standard, have also been taken as reference while preparing the 2016 Sustainability Report. Kibar Holding's performance regarding the United Nations Sustainable Development Goals has also been included in this report.

Unless otherwise specified, the information in this report includes the consolidated data of Assan Alüminyum, Assan Gıda, Assan Hanil, Assan Panel and İspak, which are the Kibar Holding companies that represent its

main activities. The good practices of these companies regarding the environment, society, and corporate management have also been included in the report. The information provided in the section titled "About Kibar Holding" represents all Holding companies in order to offer a general introduction about the Holding.

You may send an e-mail to kurumsaliletisim@kibar.com regarding your opinions and suggestions about the report.



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As one of Turkey's deeply-rooted company groups, Kibar Holding has been making important contributions to the economy and the social welfare of the country ever since it was established. The Kibar Holding companies that operate in the fields of industry, service and trade are the leading organizations in their sector. The Group has grown and formed important global partnerships thanks to its know-how, experience, prestige, positive brand perception and innovative structure. Kibar Holding and its subsidiaries generate value for Turkey's economy with high production capacity, employment opportunities, exports, and strong partnerships. Kibar Group's international business partners include leading companies in the world, such as Hyundai, THY, Posco, Seoyon E-Hwa and Heritage.

Kibar Dış Ticaret, which manages the foreign trade relations of the Kibar Group companies, is one of the ten largest exporters in Turkey with a trade volume of nearly 1.5 million tons. Kibar Group comprises of 27 companies that operate in sectors such as the metal, automotive, packaging, construction materials, real estate, logistics, energy, food and service sector; it also has 17 production facilities in 3 different countries.

Kibar Holding reached a consolidated financial turnover of 3,560,647,970 USD in 2016 with 6,769 employees. Three of the Group companies, namely Hyundai Assan, Assan Alüminyum and Assan Hanil, are included in the Top 500 Industrial Enterprises announced by the Istanbul Chamber of Industry. Kibar Holding's objective is to generate value for all of its stakeholders with ethical trade principles.



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Net Sales Revenue (Million TRY)¹



Operation Cost (Million TRY)¹



Salaries and Fringe Benefits (Million TRY)¹



¹ The data has been collected from the consolidated financial statement of Kibar Holding A.Ş. and its subsidiaries, which has been externally audited. The consolidated financial statement includes the accounts of the institutions that are operated by Kibar Holding A.Ş. and its subsidiaries.

MESSAGE FROM THE CHAIRMAN OF THE EXECUTIVE BOARD:

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Dear stakeholder,

At the Kibar Group, we're glad to share our understanding of sustainability and the projects in our journey towards sustainability with you all once again in accordance with the principles of transparency and accountability. In line with the ten principles of the UN Global Compact, which we have ratified, we have prepared the 2016 Kibar Holding Sustainability Report in order to share the activities of Kibar Holding and the Group companies with focus on the social, economic, and environmental dimensions.

Together with globalization, borders have been lifted, sharing has increased in social and cultural areas, science and technology have begun to advance faster, and social and environmental conditions have changed due to the increasing world population; this has brought about new needs and expectations. The pressure on resources that has been created by the changing conditions requires everyone to take into consideration the needs of the upcoming generations while fulfilling today's needs and expectations at the same time. Because of this, the business world has important responsibilities and it should shift towards sustainable options. At Kibar Group, we carry out our operations by remaining loyal to our corporate values and being aware of our responsibilities in this period of transformation.

As one of the most deeply-rooted industrial organizations in Turkey, we continue to contribute to our country's social, economic, and environmental development. We operate in many sectors such as the metal, automotive, real estate and food sector. We are one of the largest companies in the private sector in Turkey as of 2016 with a consolidated financial turnover of 3.6 billion USD and a total of 6,769 employees. In light of the responsibility that comes with our wide area of influence, we strive towards developing sustainable, innovative, and environment-friendly products and services with high added value.

In our operations, we are aware of the risks of climate change, which is one of the greatest global problems of our day. We take the climate change factor into consideration when developing products and services. We turn the risks of climate change into opportunities by developing environment-friendly technologies and products. We strive towards minimizing our ecological footprint by using natural resources and energy efficiently. In 2016, we implemented change to make our operation more environmentally-friendly, mainly by increasing energy efficiency and reducing water consumption.

At Kibar Holding, the Group companies and the Kibar Foundation, we make contributions to increasing the welfare of our society with our social responsibility projects in fields such as education, health, sports, culture, arts, and environment. In 2016, we continued contributing to social development and sectorial know-how with our projects.

As Kibar Group, we will continue to generate sustainable value for our stakeholder and our country in the future. We'd like to thank all our stakeholders, most notably our employees, customers, investors, suppliers and business partners who have all contributed to our success, for their trust and loyalty.

Sincerely,
Ali Kibar



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Dear Stakeholders,

Our priorities include strengthening our country's economy by focusing on production, reducing unemployment, and gravitating towards industrial fields that have potential to generate added value. At Kibar Group, we are leaving this year behind, in which we concentrated on our investments in order to catch up with global competition and developing technology in the industry and service fields that we operate in and to respond to the needs of the modern life. Our Group companies, which are all strong global players, continued to grow in the international arean.

Assan Alüminyum, which develops a wide range of products for many sectors including the transportation and food sector, has maintained its competitive power in the market with both new investments and investments that have been underway for a while. Thanks to its operational and financial power as well as its technological know-how resulting from its position as the market leader, Assan strives towards increasing its aluminum casting and foil capacity. Focusing on research and development investments, the company plans to increase its total annual established capacity from 250,000 tons to 300,000.

Hyundai Assan, our Group's largest subsidiary in the automotive sector, has reached an annual passenger vehicle production capacity of 240,000 cars. As of 2016, Hyundai Assan is the leader of the domestic market in the A segment with a market share of 28%.

Thanks to our Assan Hanil factories, which provide services for OEM vehicle manufacturers, we have accumulated serious operational and technological know-how. In 2016, we continued to analyze investment opportunities, mainly in Europe, in order to provide services for global manufacturers with this know-how.

As the economy becomes more and more globalized, providing corporate sustainability has become as important as financial success. Issues such as protecting

the climate, strengthening human rights, and supporting social development have risen into prominence. At Kibar Holding, we consider sustainability a key factor in our corporate management concept. Our Group companies constantly improve their business processes and performance in order to ensure sustainable development regarding the society, the economy, and the environment.

At Kibar Group, we regard our employees as our most valuable capital and we make contributions to their personal and professional development. Within the scope of the Kibar Career School, which focuses on strengthening the competence of our employees with a corporate academy, 648 employees were trained in 2016 for a total of 20,208 hours.

Using resources efficiently is of utmost importance in the struggle against climate change. Our Group companies have achieved a lot regarding the use of resources with the efficiency projects that were carried out throughout the year. Together with these projects, energy density and water density have been reduced by 30%.



Kibar Holding and the Group companies continued their support for social development in 2016. In addition to social responsibility projects in fields such as education, health, sports, culture and arts, many projects that contribute to the sectorial know-how have been carried out.

We'd like to thank all our employees, business partners, customers, investors, suppliers and other stakeholder who have all contributed into our performance in the year 2016.

Sincerely,
Tamer Saka



HONESTY

PRESTIGE

ETHICAL
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At Kibar Holding and the Group companies, corporate governance is based on the principles of integrity, respectability, ethical behavior, and being in accordance with the law and regulatory bodies. In this context, the Holding and the Group companies governance that is transparent, fair, responsible, and accountable. The governance structure complies with regulations regarding the policies and processes.

Kibar Holding and the Group companies embrace a professional approach towards governance, developing systems that will automatize the management of the organizations and operations and make it easier to control them. All these corporate procedures are defined in the Corporate Handbook.

The systematic tracking of business plans determined by the CEOs of Kibar Holding companies is carried out with strategic planning. The Senior Management of the Holding and the Directorate of Strategy and Business Development evaluate this course of action taking into consideration the goals and the mission of the Holding and make suggestions.

You may find detailed information on the Executive Board and the Senior Management of Kibar Holding at <https://www.kibar.com/Holding/Yonetim-Kurulu.aspx>

Risk Management and Internal Auditing

The purpose of effective risk management and internal auditing systems that are carried out at Kibar Holding is ensuring sustainability. In light of the goals of creating values for society and maintaining these values, Kibar Holding places great importance on detecting and managing corporate risks regarding its assets and operations efficiently. With the Directorate of Risk Management which was established in 2016, the Holding's plan is to create corporate risk management, business continuity, and compliance policies and standards; to structure risk evaluation models and reporting processes; and to minimize operational risks as well as the impact of their results with business continuity plans and practices.

The risk management and business continuity management systems have been determined in accordance with international standards such as ISO 31000 and ISO 22301, and they are integrated with company strategies and the corporate culture. The goal is to ensure that employees internalize risk management and business continuity, which are both important elements of corporate sustainability. Any kind of operational, financial, legal or strategic risk that may potentially prevent the Holding or the Group companies from reaching their business goals, endanger business continuity, or cause any kind of loss regarding the

finances, the reputation or individuals, are periodically evaluated by Senior Management and the Executive Board with the coordination of the Directorate of Risk Management. The infrastructures for the framework, the system, and committees are established by the relevant departments in order to take appropriate action.

The Directorate of Internal Auditing is responsible for the effectiveness of the internal control systems, the evaluation of the process, and the reporting of the actions to be taken to the Executive Board regarding auditing activities. The auditing that is carried out by the Directorate of Internal Auditing is risk and process-oriented in order to ensure compliance with regulations, corporate policies and principles, and strategic goals. Furthermore, the Directorate of Internal Auditing and the Internal Auditing departments of the Group companies provide consultancy services regarding the management of the risks that may arise during financial and compliance processes.

At Kibar Holding, auditing is carried out in four different fields; process auditing, compliance auditing, financial auditing, and information technologies auditing. The findings which come up regarding the risks determined as part of the auditing activities are shared with the relevant units and suggestions are offered for improvement. The issues of corruption and misconduct are taken into consideration in all kinds of auditing carried out at Kibar Holding.

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Business Ethics Practices

Kibar Holding has been embracing the idea of high business ethics from the very beginning. At Kibar Holding, the Ethics Committee, which works under the Executive Board, is responsible for business ethics practices. The Ethics Committee, which comprises of the Director of Internal Auditing, the Director of Human Resources, the COO, and the legal counsel, is in charge of investigating and resolving the complaints and notices regarding the infringement of the code of conduct.

Having gone into effect in 2016 and been adopted by all Group companies, the “Kibar Holding Code of Conduct” is based on the principles of integrity, confidentiality, justice, continuous development, responsibility, and preventing any conflicts of interest. The goal is to raise awareness within the Group regarding the code of conduct through workshops and briefing sessions. All employees must submit a signed statement to show that they have read and understood the code of conduct and that they will abide by it. Employee attendance at workshops and their signed statements are periodically reported to the Executive Board. The code of conduct is also included in the orientation program for newly-recruited employees. In addition to the workshops organized by the Holding, ethical training is also carried out within Group companies. In 2016, a total of 1,902 employees attended ethical trainings at the Group companies.

In case of the infringement of the code of conduct, individuals may access an Ethics Line from within or outside of the Group with the principle of confidentiality. Appeals to the Ethics Line are responded to and recorded by a limited number of personnel. In addition to the Ethics Line, cases of infringement may also be submitted via e-mail or letter to be recorded and presented to the Ethics Committee.

In order to make sure that employees have understood the code of conduct, Ethics Consultants have been assigned to the Group companies. The employees may appeal to the Ethics Consultants in case of non-ethical behavior. The discrepancies may also be submitted to the Kibar Group Ethics Committee anonymously.

Business Continuity and Information Security

Kibar Holding and the Group companies work non-stop in order to ensure business continuity. In order to do so, the business processes are designed by taking into consideration the best practices that satisfy the needs of human resources and technology. Performance is continuously monitored and improved. At the beginning of 2017, the Business Continuity Management Policy and the Business Continuity Management Standard were published, which include the scope and the guidelines for the business continuity management of the Kibar Group companies. In the upcoming period, in line with Kibar Holding’s goals regarding sustainable growth, the objective is to prepare business continuity plans for the risks that may

impact the continuity of the flow of products and services at the companies.

Kibar Holding aims to establish the concept of “Simple Operations” at the Group companies in order to ensure business excellence. In this context, Kaizen has been embraced as the improvement approach and some efficiency projects have been initiated in order to disseminate this approach.

At Kibar Holding, corporate performance is monitored via the balanced goal card practice. The target cards include indicators regarding the process, customer relations, and

improvement in addition to financial indicators. Improvement projects regarding the monitored issues are carried out in collaboration with the Group companies.

Since Kibar Holding and the Group companies have a wide network of stakeholders, data privacy is a meticulously managed process. The data of customers, business partners and employees have been secured with various security systems. You may access the Kibar Holding Data Privacy Policy at

<https://www.kibar.com/Holding/Veri-Gizlilik.aspx>

Digitalization

At Kibar Holding, the process of digitalization is monitored by the Assan Bilişim Directorate of Digital Transformation. The duty of the Directorate is to come up with ideas for projects, carry out feasibility studies, and make sure that projects are planned and completed in order to help the Kibar Holding companies improve their key performance indicators. By this means, the goal is to make the Group companies more competitive in terms of quality, costs, and innovation.

Assan Aluminyum and Assan Hanil hold the ISO27001 Information Security certificate. Thus, all kinds of information about customers, suppliers, and companies are protected.

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Supply Chain Management

Kibar Holding strives towards integrating sustainability into its supply chain. With a wide network of suppliers, the Kibar Holding Group Purchasing Department manages a purchasing volume of approximately 2.5 billion TRY. Kibar Group's goal is to carry out purchasing activities with active, efficient, dynamic operations and sustainable, accountable, and corporate practices. Thanks to category-based specialization in the Kibar Holding joint purchasing organization, suppliers are chosen and collaborations are formed efficiently. Thus, a sustainable and corporate purchasing organization that will be beneficial for the Group and suppliers is created.

For a sustainable purchasing operation, the Group focuses on developing long-term business partnerships with added value that will serve all companies. Energy-efficient investments with high technology are preferred and purchasing operations are carried out through a global supplier network.

Kibar Group expects its suppliers to act with social and environmental responsibility. The purchasing procedures, principles and the code of conduct have been determined as part of the responsible supply chain practices. These criteria, which have been developed in accordance with the Global Compact Principles, include providing fair working conditions, reducing environmental impact, and preventing child labor or forced labor. The suppliers are chosen in accordance with these principles and it is made sure

that suppliers also embrace the corporate culture. The sustainability performance of this wide supply network, which includes almost 2,000 suppliers, is continuously monitored and developed.

The Kibar Group companies carry out operations with social responsibility, environmental consciousness, and respect towards employee rights. Suppliers are also expected to carry out their operations with the same degree of responsibility. Therefore, it is ensured that suppliers embrace critical sustainability priorities by signing the Kibar Group Outline Agreement before starting to work with them. All current and new suppliers are expected to implement the Purchasing Code of Conduct, which is an indispensable part of the Kibar Group Code of Conduct.

All suppliers that provide services to the Group or are potential service providers are monitored in terms of efficiency, compliance with environmental and ethical codes of conduct, response to development/improvement demands, ability to adapt to changing global/local/economical/industrial conditions, and compliance with the conditions of the contract.

Kibar Group treats all of its suppliers equally and ensures a fair competitive environment for them. Believing that sustainable success is only possible through sharing a common business approach with its suppliers, Kibar Group bases its selection process on the principle of trust. The Kibar Group Purchasing Code of Conduct, which aims to standardize the relationship between suppliers and employees, applies not only to the

purchasing agents, but to all employees who work in the purchasing organization.

Sustainability Management

Sustainability Management at Kibar Holding is based on the UN Global Compact Principles as well as the deeply-rooted culture of corporate governance, work ethics, and social responsibility. All Group companies are obliged to abide by the policies and the strategies determined by Kibar Holding and the ten principles that have been defined by the UN Global Compact regarding labor standards, human rights, the environment, and anti-corruption. The Group companies monitor their performance regarding these issues and continuously carry out projects that focus on improvement.

The Kibar Holding companies provide a safe and fair working environment for their employees which comply with human dignity, protects human rights, supports professional development, and provides equal opportunities for everyone. The general outline of the human resources policies and strategies are determined by the Holding, and they are adjusted by the companies according to the needs of the sector they operate in. At the Group companies, human resources policies and processes are managed by specialized units and employees are represented in organizations on issues such as occupational health and safety.

The principles regarding the social rights, labor conditions and occupational health and safety of the employees are defined by

the personnel guidelines published by the companies. The obtained performance results are monitored at the company and the holding level through the systems and procedures. Human rights are ensured with policies and procedures that have been prepared in accordance with the UN Global Compact, national and international regulations, and agreements. Collective bargaining and freedom of association are considered as basic employee rights. Any kind of discrimination, child labor, or forced labor is prohibited at the Group companies. The Group companies also expect suppliers and business partners to provide similar labor norms; the companies monitor their practices regarding these issues and contribute to providing these conditions.

Continuous and constructive communication with the stakeholders is an essential element of Kibar Holding's governance principles and sustainability approach. Due to its subsidiary structure, Kibar Holding has a wide range of stakeholders, including companies, employees, vendors, agencies, customers, non-governmental organizations, and public institutions. Stakeholder engagement is ensured through the mutual sharing of information and feedback, project-based partnerships, interviews, and other similar practices. Corporate stakeholders are expected to behave in accordance with Kibar Holding's principles including integrity, respectability, ethical behavior, and compliance with the law and regulations. While selecting stakeholders for collaborations, the criteria include social contributions and creativity and innovation potential.

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Communication with our Stakeholders

Stakeholder Groups

Communication Tools and Frequency

Employees

Activity Report (annual), Sustainability Report (annually), Employee Satisfaction Studies (annually), Reputation Studies (annually), Suggestion Systems (momentary), Kibar Holding Code of Conduct (continuously), Collective Bargaining (biannually), Employee Trainings (continuously), Occupational Health and Safety Committees (continuously), Periodical Publications (monthly-trimonthly), Internal Briefing Announcements (spontaneously), Webpage and Corporate Portal (continuously)

Group Companies

Activity Report (annually), Sustainability Report (annually), Employee Satisfaction Studies (annually), Reputation Studies (annually), Kibar Holding Code of Conduct (continuously), Working Committees (continuously)

Consumers

Sustainability Report (annually), Reputation Studies (annually), Focus Group Studies (spontaneously), Product/Brand/Market Research (annually), Customer/Consumer Support Line (continuously), Kibar Holding Code of Conduct (continuously), Webpage (continuously)

Vendors

Sustainability Report (annually), Reputation Studies (annually), Kibar Holding Code of Conduct (continuously), Vendor Meeting and Research (annually), Periodical Publications (trimonthly), Webpage (continuously)

Stock Holders and Investors

Activity Report (monthly), Sustainability Report, Interim Period Activity Reports (trimonthly), Reputation Studies (annually), General Assembly Meetings (annually), Briefings and Special Case Statements (spontaneously), Roadshow and Investor Presentations (spontaneously), Meetings and Interviews (spontaneously), Kibar Holding Code of Conduct (continuously), Information Lines (continuously), Webpage (continuously)

Public Institutions

Activity Report (annually), Sustainability Report (annually), Reputation Studies (annually), Kibar Holding Code of Conduct (continuously), Audits (spontaneously/annually), Webpage (continuously)

Non-Governmental Organizations

Sustainability Report (annually), Reputation Studies (annually), Social Development Projects (continuously), Memberships (continuously), Meetings and Interviews (spontaneously), Joint Projects (spontaneously), Webpage (continuously)

Academic Institutions

Sustainability Report (annually), Reputation Studies (annually), Academic Studies (spontaneously), Surveys (spontaneously), Industrial Analyses (spontaneously), Social Development Projects (continuously), Meetings and Interviews (spontaneously), Webpage (continuously)

Media

Activity Report (annually), Sustainability Report (annually), Reputation Studies (annually), Press Meetings and Statements (spontaneously), Social Development Projects (continuously), Meetings and Interviews (spontaneously), Webpage (continuously)

Customers

Customer Satisfaction Evaluation (annually)

University Career Clubs / University students

K Team Long Term Internship Program (annually)

Unions

MESS (Metal Industrial Union)

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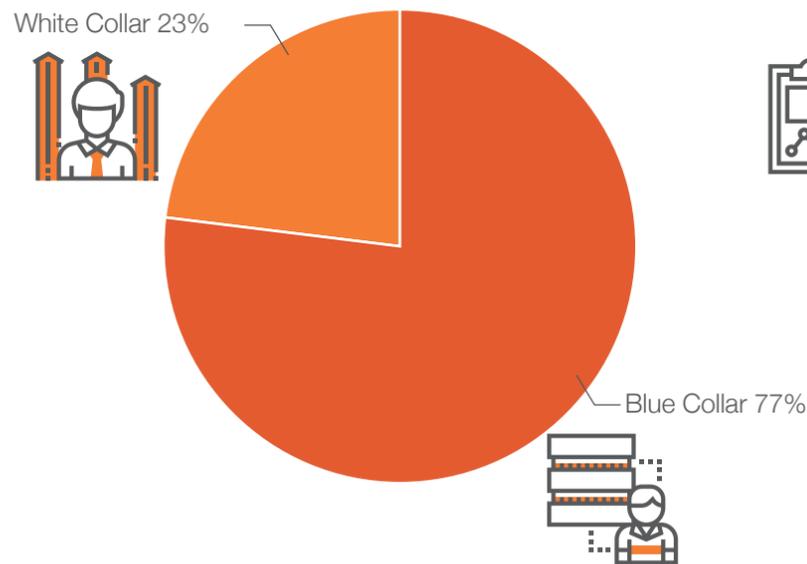
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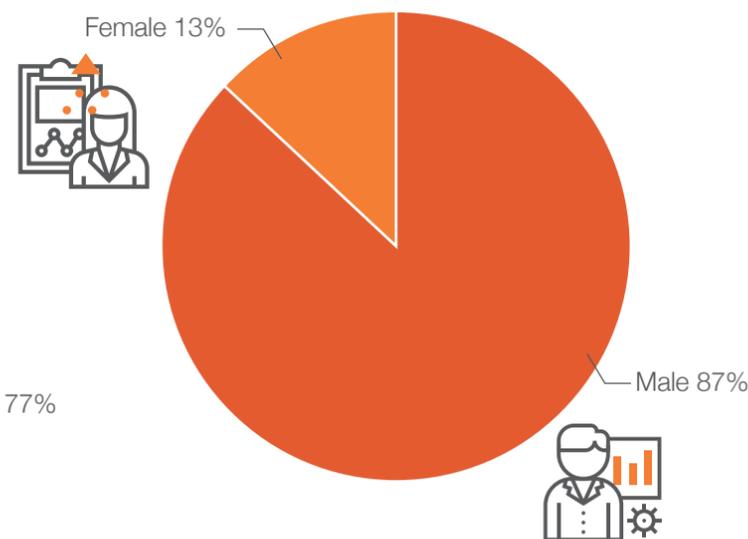
Kibar Holding believes that corporate success relies on qualified and highly motivated employees. In this aspect, Kibar Holding and its subsidiaries aim to hire competent employees, support their improvement, and create a favorable work environment. In all human resources processes, Kibar Group respects employee rights defined by international contracts and develops systems to protect these rights. The Group's principles are to prevent any kind of discrimination based on religion, language, region, race or gender; to protect the legal and personal rights of employees; and to act in accordance with human dignity and ensure everyone abides by these principles.

In order to ensure gender equality at the Group companies, there are ongoing projects to increase the number of female employees. According to reports, at the Kibar Group companies the number of female white collar employees increased by 30% and the total number of female employees increased by 12% in 2016 in comparison to 2015. At İspak, the number of female white collar employees increased by 24% whereas the total number of female employees increased by 23% in comparison to last year. Meanwhile, at Assan Panel, the total number of female employees increased by 25%.

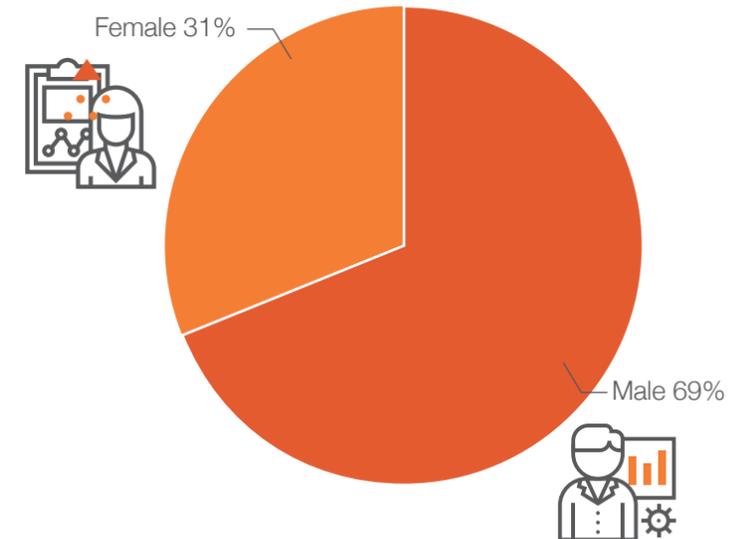
The distribution of white collar and blue collar employees at the companies according to reports²



The distribution of gender of the white collar employees at the companies according to reports²



The distribution of gender of the white collar employees at the companies according to reports²



²2016 employee data includes the total number of employees at Assan Alüminyum, Assan Gıda, İspak, Assan Panel, Assan Hanil and Kibar Holding according to reports.

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Employee Engagement and Satisfaction

Kibar Holding carries out projects in order to improve the work environment and increase the welfare and satisfaction of employees. It makes sure that employees are engaged in the management processes by taking their expectations and suggestions into consideration. In line with this policy, an independent consultancy firm has been carrying out an employee survey since 2014 to obtain the suggestions of the employees. All feedback at the Group and the companies are analyzed at the senior level and shared with the employees. Appropriate actions are taken in light of employee suggestions. The target cards of each executive at Kibar Group include improving employee engagement. According to the Employee Engagement Survey, which is carried out regularly, employee engagement increased by 12% in 2016. Employee engagement is continuously being improved by examining the survey results and Human Resources Policies are reviewed accordingly. Porttakai, an internal communication portal, has been put into effect at Kibar Holding in order to increase the creativity of employees by providing a participative working environment and to improve the communication between the companies and the employees. K-haber, the internal communication bulletin which is another important communication tool prepared by the employees, provides news about the companies and the employees. The bulletin plays a significant role in increasing the engagement in the Group.

Assan Alüminyum Value-Generating Improvement Model (ADIM)

At Assan Alüminyum, the ADIM improvement model is implemented. The model is split into three categories: Little Steps, Big Steps, and the Imminent-Accident Form. Little Steps are individual-oriented suggestions for improvement that are made based on experience and common sense. Big Steps are Group-oriented suggestions for improvement that are made by project groups. Lastly, with the Imminent-Accident Form, employees report any kind of narrow escape, potential danger, and unsafe behavior in the field via the ERA system. These reports are prioritized and the necessary corrective or preventive action is taken. In order to encourage this process, it has been based on a reward system. In 2016, 390 of the 909 suggestions that were made by the employees were realized at Assan Alüminyum.

İspak Employee Suggestion System

At İspak, employee suggestions are taken into consideration and employees are encouraged to take part in improvement activities. Employee suggestions are evaluated by the Suggestion Evaluation Committee, which is led by the CEO and is comprised of the representatives of the Manufacturing, Maintenance, Human Resources, and Quality departments. Each month, one of these suggestions is rewarded at the employee communication meeting with the OHS

Reward and the Efficiency Reward. The necessary actions are taken for the suggestions that are approved.

Assan Hanil Efficient E-Mail Management Project

At Assan Hanil, a project was implemented in 2016 in order to raise the awareness of employees regarding e-mail use. Effective e-mail habits are encouraged at the company with this project that applies to all employees and is supported through workshops and activities. The goal of this project is to ensure effective communication by establishing an action-oriented, short and clear e-mail culture.

March 8th International Women's Day

As part of International Women's Day on March 8, Kibar Holding organized an event to support the Mor Çatı Women's Shelter Foundation, which has been battling violence against women for many years in Turkey, with the female employees of Assan Yapı, Assan Gayrimenkul, Kibar Dış Ticaret, Kibar Enerji, and IRB. The participants were given eco-friendly handbags designed by women-friendly designers at Mor Çatı.

The female employees of Assan Alüminyum came together at the special event for International Women's Day on March 8. After an enjoyable breakfast, the female employees attended informative presentations on nutrition and health.

Performance Evaluation Systems

Kibar Holding aims to create a fair working environment where success is rewarded. In order to do so, Kibar Holding and the Group companies evaluate employee performances with effective performance evaluation systems in light of goals and management principles. The Performance Management System, which was outlined by the Holding, is customized for each Group company according to their specific needs. The results obtained from the Performance Management System are used as input for the processes of Training and Development, Career Management, and Reward Management Potential Evaluation. During the reporting period, a total of 1,720 employees have been included in the performance evaluation system at the Group companies. In addition to performance evaluation, various recognition and appreciation systems are used at the Kibar Holding companies.

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Training and Development

Kibar Holding cares about the development of the personal and occupational skills of its employees and pursues continuous improvement; annual training plans are designed by taking into consideration the demands and the improvement needs of the employees and the skills required by their position at the company. This process is supported with position-based leadership improvement programs and mentorship and coaching activities. At the end of the trainings, the training planning is revised according to the evaluations of employees. Training requirement analyses are carried out according to heavy and dangerous work standards. Hourly paid workers go through obligatory occupational trainings, which are organized by accredited institutions. In 2016, the total hours of trainings organized in areas such as occupational health and safety, personal and occupational improvement, and environment increased by 148% in comparison to 2015, reaching 72,429 hours (*person).

Kibar Holding and the Group companies continuously diversify the training opportunities provided to the employees. Assan Gıda continued to invest in training during the

reporting period. Having increased the total duration of training in 2016 more than twice in comparison to the previous year, Assan Gıda provided 7,516 hours of training. Assan Alüminyum also increased its total duration of training, reaching 45,202 hours.

Kibar Career School

Initiated by Kibar Holding in collaboration with Sabancı University, the objective the Kibar Career School is to improve the competence of the employees with the help of a corporate academy. The Leadership Faculty was founded as part of the Academy in order to create a common leadership approach throughout the Group. The Career School also includes the Improvement Faculty for expert-level employees and the Sales Faculty for employees who work in sales at the Group companies. During the reporting period, education activities continued in the Leadership Faculty, the Improvement Faculty, and the Sales Faculty. 648 employees received a total of 20,208 hours (*person) of training. The training activities are currently underway for 112 employees in the Leadership Faculty and for 79 employees in the Sales Faculty.

Kibar Career School in Numbers



Contribution of Training to Work
4,56
(2016: 162 Days of Training)

Trainer Evaluation
4,77
(2016: 25 Trainers)

2015
314 Participants - 19,774 Trainings
Person/Day

2016
648 Participants - 20,208 Trainings
Person/Day

The Leadership Faculty Program has been completed by
185 Participants

Currently
112 Participants in the Leadership Faculty,
79 participants in the Sales Faculty

*The Contribution of Training to Work was measured using the satisfaction level of the employees after the training.

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Occupational Health and Safety

Occupational Health and Safety is prioritized at Kibar Holding, which believes that efficient business is based on a safe work environment. The processes of occupational health and safety are carried out by the Occupational Health and Safety Committees in light of the Occupational Health and Safety Policies by following international standards. Moreover, there is a position for Occupational Health and Safety Management, which is in charge of monitoring and auditing OHS practices. As of 2016, 29 employees have carried out duties in 6 OHS Committees at the companies according to reports.

At the Kibar Group companies, trainings are organized in order to raise employee awareness regarding occupational health and safety. During the reporting period, employees received a total of 36,837 hours (*person) of training, which is 134% higher

than the total training time in 2015.

The accidents that occur at the Group companies are analyzed and evaluated by occupational safety specialists and other relevant units. As a result of these analyses, preventive and corrective actions are taken. Thanks to this preventive approach, there have not been any deadly incidents or occupational diseases at the Kibar Holding companies since 2011. In the year 2016, the companies maintained the same performance. The number of injuries at the companies according to reports decreased by 3.7% in 2016 in comparison to 2015.

During the reporting period, accident frequency decreased by 16.8% at Assan Alüminyum, 49.2% at Assan Panel, and 1.2% at Assan Hanil in 2016 in comparison to last year. The accident severity ratio, on the other hand, decreased by 42.1% at Assan Alüminyum, 54% at Assan Panel, 4.2% at

Assan Hanil, and 14% at Ispak.

There is a workplace doctor and medical personnel present in all workspaces at the Group companies. Clinic and preventive health services are provided for the employees. The Kibar Holding companies provide private health insurance for their employees with various policies and limits in accordance with the necessities of the sector they operate in.

Assan Hanil Operator Rotation Project with Ergonomics System

This system, which was implemented in the seat production line at Assan Hanil during the reporting period, ensures that the operators in the line work in the most ergonomic way possible by determining their skills and fatigue period as well the stations that they can work in along with operator changes. Thanks to this system, rotation takes place within the line, decreasing the frequency of the health

problems faced by operators.

Thanks to this project, the number of occupational diseases regarding the musculoskeletal system of our employees at the production line has been decreased, it was made sure that all employees have the same workload, and the possibility of each worker working in all lines was increased thanks to rotation.

ILO and WHO Trainings at Assan Gıda

As part of the OHS trainings at Assan Gıda, employees were informed about the general contract principles of ILO and WHO as well as legal rights and regulations.

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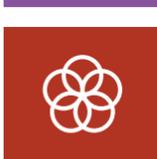
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One of the most important global problems of our day is climate change and ecological imbalance resulting from a decline in natural resources, which has a huge impact on many sectors. These large-scale global problems require the private sector to come up with participative and innovative solutions. In this context, the Kibar Holding companies act responsibly regarding this issue while carrying out operations.

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The environmental sustainability approach of Kibar Holding and its subsidiaries is based on continuously generating innovative solutions and encouraging environmentally-conscious behavioral changes in order to minimize the negative impact on the environment. The Holding companies aim to minimize their ecological footprint by making sure that they use natural resources and energy efficiently and embrace environment-friendly waste management. The Kibar Holding companies turn the potential risks caused by environmental issues into opportunities by developing environment-friendly technologies and products as part of their research and development activities.

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The management of environmental issues at Kibar Holding is carried out by following national and international standards. Most of the Kibar Group companies have obtained the ISO 14001 Environmental Management System Certificate. İspak has completed its switch to the version ISO 14001 – 2015 in the year 2016, becoming the first company in the Group to do so. In 2016, environmental trainings continued to take place with employees for a total of 6,128 hours.

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The Battle Against Climate Change

As one of the greatest problems that our world faces today, climate change poses as a serious threat to the economic and social life as well as natural life due to the negative impact it will cause in the long term. This requires worldwide measures to be taken and new mechanisms to be developed in order to reduce the risks of climate change. The private sector also has important responsibilities in reducing these risks. Companies which carry out environment-friendly production, comply with the expectations of customers, and opt for renewable energy resources will not only contribute significantly to the battle against climate change but also gain competitive advantage.

Kibar Holding and its subsidiaries are aware of the environmental, social and economic risks that may be caused by climate change and they act accordingly. In this context, all companies have embraced the principles of the UN Global Compact regarding reducing the environmental impact, opting for environment-friendly technologies, and raising awareness about environmental issues. Environmental performance is monitored meticulously and reformative practices are carried out. In 2017, Kibar Group plans to evaluate the risks and opportunities of climate change in the sectors that the Group companies operate in.

Assan Gıda has planted 870 trees as part of their battle against climate change.

The efficient use of energy is one of the most important issues in the battle against climate change. Energy efficiency projects also reduce Turkey's dependence on foreign sources, implicitly contributing to its economy. The Kibar Group companies reduce energy density with energy efficiency projects. Despite the increase in production output, the amount of energy used is being reduced thanks to environment-friendly technologies and efficiency studies. During the reporting period, the energy density within the Group companies has decreased by 31% in comparison to 2015, reaching 1.08.

The energy density of the companies according to reports (Total energy consumption/total production (GJ/ton))



The Kibar Holding companies have implemented various energy efficiency projects during the reporting period. Thanks to these projects, Assan Alüminyum has saved 18,741 GJ of energy and 5,216 tons of emission.

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Efficient Use of Resources

The Kibar Holding companies have embraced a responsible approach regarding the efficient use of natural resources. As part of its management of natural resources, Kibar Holding reduces the use of natural resources starting with water, focuses on efficient waste management and recycling, and opts for environment-friendly disposal methods. While protecting the water resources which are needed for the operations to continue, the Holding aims to ensure the sustainability of these resources.

Water density of the companies according to reports (Total water consumption/total production (m³/ton))



During the reporting period, the water density at the production facilities of the Kibar Holding companies was decreased by 30% in comparison to last year with water efficiency projects, reaching the level of 0.07. Within this period, 45,400 m³ of water was recycled at Assan Gıda.

Efficient waste management is also of vital importance regarding the efficient use of natural resources. Reducing hazardous waste and disposing of it through environment-friendly methods is required for the sustainable use of resources.

At the Kibar Holding companies, the amount of accumulated waste in 2016 amounted to 18,472 tons (8,662 tons hazardous, 9,810 tons non-hazardous), which was a significant improvement compared to the last year. At Assan Alüminyum, 7,776 tons of hazardous waste was recycled; therefore, the ratio of hazardous waste recycling reached 98%. 79% of the hazardous waste at İspak and 84% of hazardous waste at Assan Hanil were recycled. Furthermore, during the reporting period, 18% of the packaging waste was recycled at Assan Panel, whereas at İspak the ratio was 52%.

The Vegetable Oil Waste Collecting Campaign at İspak

As part of İspak's projects with the slogan "Save the Environment; Lend a Hand to Life," the collected oil waste is chemically processed at the recycling and biodiesel factory in Kocaeli Dilovası and turned into biodiesel fuel. Depending on the amount of collected oil waste, wheelchairs are purchased to aid people with disabilities. Therefore, the project benefits both the environment and society.

ÇEVREYİ KORU HAYATA SEN DE EL UZAT

SİZ DE ENGELLİ BİR BİREVİN HAYAT KAYNAĞI OLUN

150 KG İspak Tüketim ve ELKÇİ çöplere ayrıştırma tesisi

500 KG Atık Dönerel yağ KÇH tesisiyle sanayiye

5000 KG İspak Tüketim ve ELKÇİ çöplere ayrıştırma tesisi

Kampanyaya Katkı Sağla
Bitkisel ve hayvansal atık yağlar çevreye ciddi anlamda zarar verir. Evinizdeki atık yağları toplatarak hem çevreyi koruyacaksınız hem de engelli bir bireyin ihtiyacına destek olacaksınız.

T.C. ÇEVRE VE ŞEHİRCİLİK BAKANLIĞI | en&ci | İspakAmbalaj

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Research/Development and Innovation

Kibar Group takes into consideration the needs and the expectations of its customers and acts with an innovative approach while carrying out its operations. The human-oriented innovative approach that has been embraced by the Group companies is based on improving the quality of life of all stakeholders, mainly the employees and the customers.

Acting with the strategy of shaping the future, Kibar Group's fundamental goals include increasing efficiency, reducing the use of resources and waste production, increasing the variety and quality of products, reducing costs and risks, generating new business models and technologies that will create values for stakeholders, developing environment-friendly products with high added value. Furthermore, it also aims to create new markets and gain a competitive position in the global market in the long term. These goals, which are based on the expectations and demands of the stakeholders, will be reached with the help of research/development and innovation activities.

While developing the research/development and innovation activities at the Group, Kibar Holding's strategic approach and systematic development practices are followed. The Holding carries out joint projects with many institutions, primarily universities. These projects qualify for the innovation stimulus programs of institutions such as TÜBİTAK (The Scientific and Technological Research Council of Turkey).

The Group companies continued their research/development and innovation activities in 2016 as well.

Assan Hanil implemented certain projects in order to increase vehicle ergonomics at the Hyundai Assan front seat and floor mat line. The goal of these projects, which will be completed in 2017, is to feed the lines through an airlift system, provide screw automation, and carry out the robotic siliconizing operation.

Assan Alüminyum initiated the project for manufacturing thinner packaging foil in 2016. The aim of the project is to design and develop innovative processes that will make the manufacturing of packaging foil, which has become thinner and thinner in the last few years, more efficient. Therefore, the packaging cost per product and the carbon footprint will be reduced. In addition to the environmental benefits, it is expected to reduce the import rate of the product and make its export possible if the product is developed efficiently.

Since thinner and more durable products are preferred in the container market, it is expected that the demand for the smooth-wall containers will increase in comparison to the wrinkled ones. Assan Alüminyum's project in this area focuses on creating mutual alloys and processes for wrinkled and smoothwall containers, thus decreasing the complexity of manufacturing.

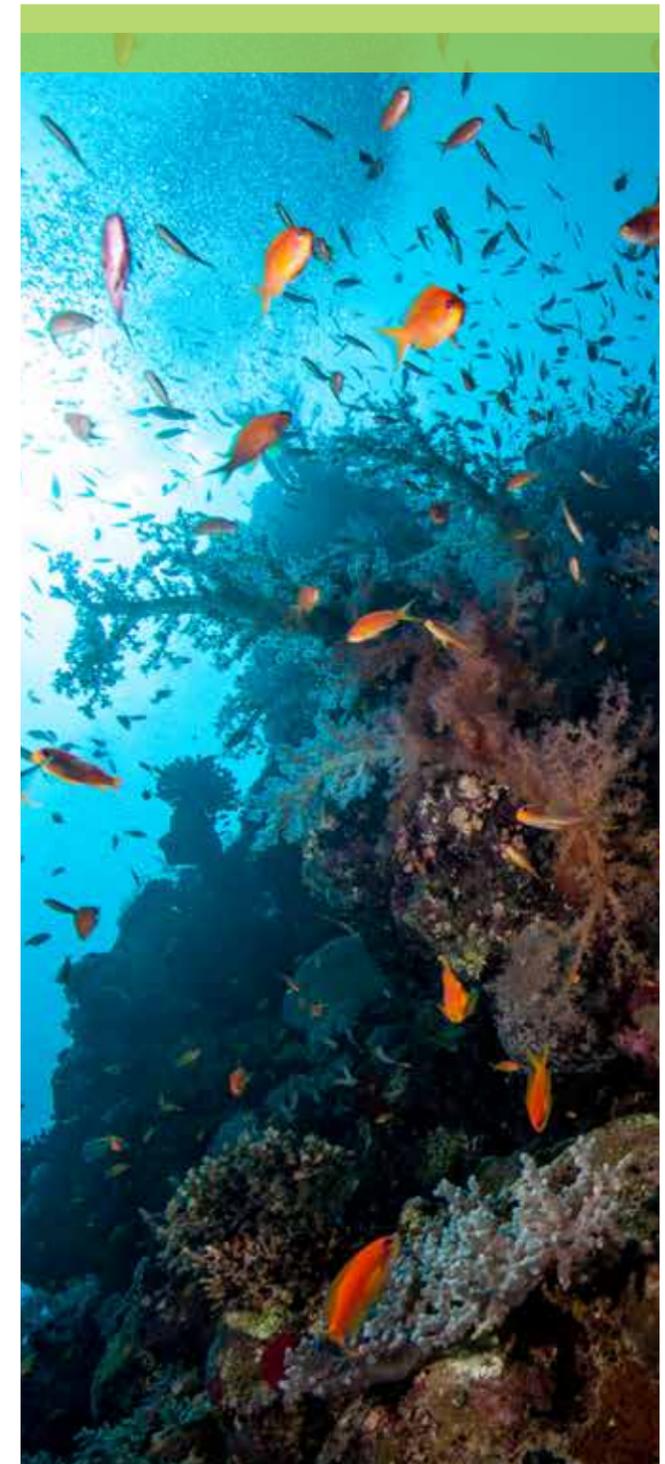
With the project that was initiated during the reporting period in the casting operations, Assan Alüminyum aims to reduce the

casting costs by using new grain refining consumable material and determining process parameters accordingly. The project is planned to be completed in 2017.

İspak has initiated the Smart Active Packaging project, which changes color with gas emission. The company submitted this project, which is implemented in the flexible production line, to the Technology and Innovation Funding Programs Directorate.

The hardened aluminum foil produced by İspak for the coffee capsule is impact-resistant. It also prevents the permeation of oxygen and moisture by adhering to the package with its heat sealing feature. Thanks to this project, İspak was rewarded the Bronze Award at the 2016 Packaging Stars Contest organized by the Packaging Industrialists' Association, and also obtained the right to apply to the World Star Awards 2017 organized by the World Packaging Organization.

As part of the clean cap practice that has been implemented at İspak, the aim is to minimize the dustiness that occurs during storage and transportation after filling the cans. Clean cap manufacturing with a special alloy was carried out by İspak for the first time in Turkey.



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Kibar Holding's approach is sensitive to the improvement of the society that it operates in. In this context, Kibar Holding and its subsidiaries support social responsibility projects that increase the social welfare and create value for society in areas such as education, health, sports, culture, and arts.

In addition to projects, donations, and sponsorships, Kibar Holding companies also aim to make contributions to industrial know-how. During the reporting period, 258 people had the opportunity to complete their internships at the Group companies and learn about the industry. Furthermore, Assan Alüminyum donated sheet to the Yıldız Technical University Racing Project Team and the students of Zonguldak Bülent Ecevit University to use in their electric automobile projects.

Kibar Education and Social Aid Foundation

The Kibar Education and Social Aid Foundation were established in 1999 in order to institutionalize philanthropic activities within the Group. Through the agency of the foundation, Kibar Holding and the Group companies make investments in education, health, and society, and they support the government's services in these fields. The objective of the foundation is to raise awareness in the community regarding social responsibility and to help the needy.

İspak's Golden Sponsorship for Sustainable Food

İspak was the golden sponsor of the 2nd World Food Day Meeting and Sustainable Food Conference in 2016. Organized in collaboration with the Sustainability Academy and TÜGİS in order to raise awareness

in the sector and accelerate transformation with the aim of providing sustainable, healthy, safe, and accessible food for the rising world population, the conference was attended by specialists from various fields including the business world, public sector, science and civil society. İspak's goal was to contribute to creating a healthy future with innovative ideas.

Assan Gıda's School Renovation Project

As part of its contributions to education in 2015, Assan Gıda has undertaken the painting and the renovation of Ada Village School, which is located near its facilities.

Blood Donation at Assan Gıda

In order to encourage its employees to donate blood, Assan Gıda invited the Turkish Red Crescent three times within this period.

Supporting Street Animals at Assan Alüminyum

Assan Alüminyum donates the leftover food from the cafeteria to voluntary animal protection initiatives, preventing the waste of food while supplying food to street animals.

Book Donation at Assan Alüminyum

Assan Alüminyum donates books as part of the Darüşşafaka Kitapcan Velisi Project.

Assan Hanil Supports Autism Associations

The company donated a treadmill, an elliptical machine and an exercise bicycle to the Private İzmit Autism Education Center, which provides education to 35 kids in Başiskele, İzmit; the company also as well as carried out renovations.



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The UN Global Compact comprises of 10 principles regarding human rights, labor standards, the environment, and anti-corruption. Launched by the UN in 2000, it has become an important initiative with over 9,000 signatory institutions in 168 countries. The UNGC has been active in Turkey since 2002 and it has 251 members as of 2016.

Supporting initiatives that aim to leave behind a better world for upcoming generations, Kibar Holding and the Group Companies signed the United Nations Global Compact in 2013.

The Ten Principles of the UN Global Compact

Human Rights

Businesses should:
 Principle 1: Support and respect the protection of internationally proclaimed human rights; and
 Principle 2: Make sure that they are not complicit in human rights abuses.

Environment

Businesses should:
 Principle 7: support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote environmental responsibility;
 Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Principles	Kibar Holding's Approach	Included in the Section
Human Rights	Kibar Holding complies with all national and international regulations that regulate human rights in all of its operations, particularly the UN Declaration of Human Rights.	Governance at Kibar Holding; Work Environment at Kibar Holding
Labor Standards	Kibar Holding strictly avoids child labor and forced labor; respects the freedom of association and the right to collective bargaining of the employees.	Work Environment at Kibar Holding
Protecting the Environment	Kibar Holding closely monitors the environmental impact of all of its operations. All Group companies opt for environmentally-conscious projects and instructions regarding their operations, business partners, and research and development projects.	Reducing the Environmental Impact
Anti-Corruption and Bribery	Kibar Holding fully and actively supports the battle against corruption in accordance with the relevant regulations.	Risk Management and Internal Auditing Work Ethics Practices

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United Nations Sustainable Development Goals

Kibar Holding aims to provide long-lasting benefits for all of its stakeholders. In line with this objective, the Holding supports the UN Sustainable Development Goals, which were in 2015 by the United Nations, revealing the global issues of top priority that should be resolved until 2030.

Sustainable Development Goal

Kibar Holding's Approach

Relevant Section

No Poverty



We provide dignified labor standards

Work Environment at Kibar Holding

We contribute to our country's economic development

Kibar Holding in Numbers

We support social welfare with social responsibility projects

Social Investments

Good Health and Well Being



We care about the occupational health and safety of our employees

Occupational Health and Safety

Quality Education



We invest in the improvement of our employees

Work Environment at Kibar Holding

We carry out social responsibility projects regarding education

Social Investments

Gender Equity



We support women employment

Work Environment at Kibar Holding

Affordable and Clean Energy



We opt for alternative energy resources

Reducing the Environmental Impact

Decent Work and Economic Growth



We provide fair labor standards

Work Environment at Kibar Holding

We contribute to our country's economic development

Kibar Holding in Numbers

Industry, Innovation and Infrastructure



We focus on research and development activities

Research/Development and Innovation

Responsible Consumption and Production



We strive towards reducing our natural resources consumption

Reducing the Environmental Impact

Climate Action



We develop corporate strategies regarding climate change

The Battle Against Climate Change

Life in Water



We work towards reducing our water consumption

The Efficient Use of Resources

Life on Land



We use natural resources responsibly

Reducing the Environmental Impact

We work towards reducing our environmental impact

Reducing the Environmental Impact

Partnerships for the Goals



We support the UN Global Compact

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PERFORMANCE INDICATORS TABLE³

SOCIAL PERFORMANCE INDICATORS

PERFORMANCE INDICATORS TABLE ³		SOCIAL PERFORMANCE INDICATORS		
		2014	2015	2016
Employee Demographics				
Total Number of Employees		2.772	2.890	3.222
Total Number of Female Employees		364	382	433
Total Number of Male Employees		2.407	2.507	2.789
White Collar Employees		570	571	731
White Collar Female Employees		151	175	227
White Collar Male Employees		419	396	504
Blue Collar Employees		2.201	2.318	2.491
Blue Collar Female Employees		213	207	206
Blue Collar Male Employees		1.988	2.111	2.285
Mid-Level Female Executives		10	10	17
Mid-Level Male Executives		66	63	90
Senior-Level Female Executives		2	1	2
Senior-Level Male Executives		40	26	26
Newly-Recruited Male Employees		545	384	439
Newly-Recruited Female Employees		85	71	91
Employee Development				
Total Training Time (h)		33.266	29.111	72.429
Blue Collar Employees		26.801	17.208	43.591
White Collar Employees		6.465	11.904	28.838
Male Employees		29.023	24.455	59.861
Female Employees		4.130	4.657	8.887
Female White Collar Employees		1.772	3.426	6.820
Male White Collar Employees		4.689	8.477	17.867
The number of employees that go through regular performance and career development evaluations		1.182	1.712	1.720
Number of High School Level Interns		118	121	108
Number of Grad School/University Level Interns		205	190	150
Occupational Health and Safety (OHS)				
The number of Active OHS Committees		6	6	6
The number of representatives working at Active OHS Committees		29	29	29
The number of total members at Active OHS Committees		68	90	100
Total time of OHS Trainings for the employees (h)		18.961	15.766	36.837
Total number of employees attending the OHS trainings		2.609	1.685	8.063
Total number of employees attending the environmental trainings		1.371	966	2.718
Total time of environmental trainings for employees (person*hour)		1.617	676	6.128

³The social and environmental performance indicators include Assan Hanil, Assan Panel, İspak, Assan Alüminyum, Assan Gıda and the Kibar Holding companies according to reports.

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ENVIRONMENTAL PERFORMANCE INDICATORS

	2014	2015	2016
Use of Energy			
Total amount of direct non-renewable energy consumption (GJ)	3.061.209	3.342.764	3.546.160
Total amount of indirect non-renewable energy consumption (GJ)	21.613.160	22.795.210	15.142.684
Total energy consumption (GJ)	24.674.369	26.137.975	18.688.844
Energy density (GJ/ton)	1,7	1,6	1,1
Use of Resources			
Total amount of raw material consumption (ton)	137.433.476	172.456.204	178.871.020
Total amount of draught (water, m ³)	1.500.724	1.459.035	1.292.001
Water Density (m ³ /ton)	0,1	0,1	0,1
Total amount of hazardous waste based on disposal method (ton) ⁴			
Energy Recycling	118	69	76
Recycling	6.359	6.886	8.461
Wast Site	0	0	158
Waste Incineration	249	281	5
Other	67	97	0
Total	32.905	7.333	8.662
Total amount of non-hazardous waste (ton)*	NA	9.512	8.634
Total production (ton)	14.924.885	16.755.511	17.249.436

*The total amount of non-hazardous waste was revised in 2016 retrospectively. Therefore, these numbers may be different from the 2015 Sustainability Report.

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Report Design: BEING\ÇÖZÜM

⁴The Amount of Hazardous Waste in 2014 has been corrected and re-published.

ABOUT THE REPORT



ABOUT KİBAR HOLDING



KİBAR HOLDING IN NUMBERS



MESSAGE FROM THE CHAIRMAN OF THE EXECUTIVE BOARD



MESSAGE FROM THE CEO



GOVERNANCE AT KİBAR HOLDING



WORK ENVIRONMENT AT KİBAR HOLDING



REDUCING THE ENVIRONMENTAL IMPACT



SOCIAL INVESTMENTS



THE UNITED NATIONS GLOBAL COMPACT PROGRESS REPORT



