



2017

SUSTAINABILITY REPORT

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ABOUT THE REPORT

Kibar Holding's 2017 Sustainability Report has been prepared to present stakeholders the performance of Kibar Holding in the field of corporate sustainability within the scope of the Global Compact Progress Reporting requirements. The information in the report includes the period from January 1, 2017 to December 31, 2017. Kibar Holding, which adopts the international reporting approach, has taken the Global Reporting Initiative (GRI) G4 Reporting Principles as reference in its 2017 report.

The performance of Kibar Holding with regards to the United Nations Sustainable Development Goals is also included within the scope of reporting.

Unless otherwise indicated, the information in the report includes the consolidated data of Assan Alüminyum, Assan Gıda, Assan Hanil, Assan Panel and İspak, the companies that represent the main activities of Kibar Holding. The report also includes good practices in the

areas of environmental, social and corporate governance. The data shared in the "Kibar Holding in Numbers 2017" section reflects all Holding Companies in order to offer a general introduction of the Holding.

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



ABOUT KIBAR HOLDING

The main objective of Kibar Holding, which is among the most deeply-rooted business groups in Turkey and whose foundation dates back to 1972, is to create value for all its stakeholders by adopting ethical trading principles. Kibar Holding's companies which operate in the fields of industry, service and trade are the pioneers in their sectors. Kibar Holding and its affiliates create significant value for the country's economy with their high production capacity, employment opportunities, exports, social investments, and strong partnerships that have been established.

In its 45th year, Kibar Holding continues its activities in the industry, trade and service sectors.

Kibar Holding aims to increase the value provided to its

employees and stakeholders through the coordination of finance, corporate development, law, strategy and business development, human resources, information systems, risk management, operational excellence, energy investments, purchasing and corporate communication functions, as well as through the guiding and supportive role it creates within the group.

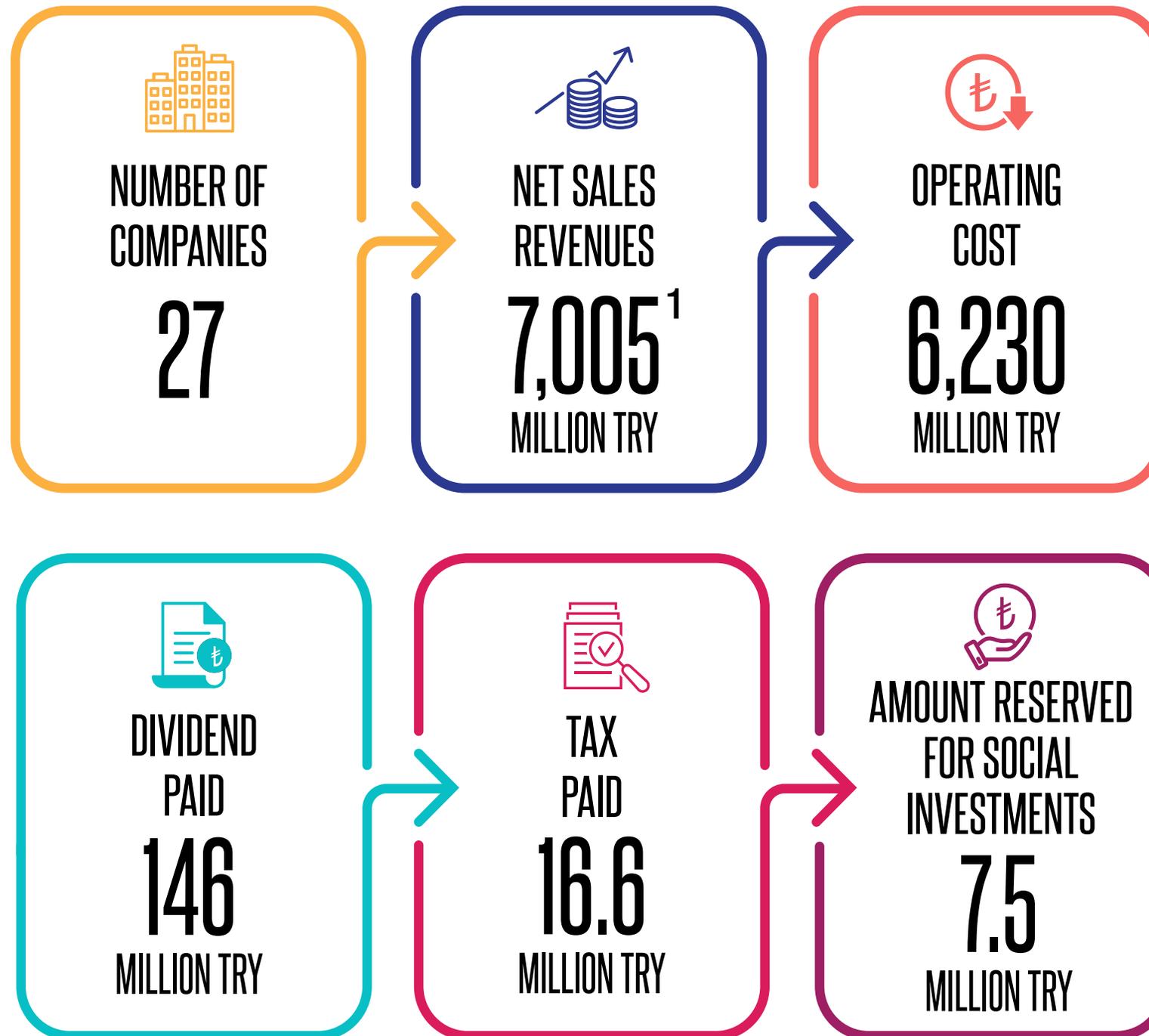
The Group has established important foreign partnerships with its knowledge, experience, prestige, positive brand perception, and innovative structure. Kibar Group's international business partners include Hyundai, THY, Posco, Seoyon E-Hwa, TIL and Heritage, which are some of the leading institutions in their fields around world.

Kibar Group has 17 production facilities in 3 countries as well as 27 companies, which operate in the metal, automotive, packaging, building materials, real estate, logistics, energy, food and service sectors.

By the end of 2017, Kibar Holding reached a consolidated turnover of 13,798,000,000 TRY with the efforts of approximately 7,000 employees. Among the Group Companies, Hyundai Assan, Assan Alüminyum, Assan Hanil and Assan Panel are among the Top 500 Industrial Enterprises determined by the Istanbul Chamber of Industry.



KİBAR HOLDING IN NUMBERS 2017



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

MESSAGE FROM THE CHAIRMAN OF THE EXECUTIVE BOARD



Dear Stakeholders,

Through the fifth annual Kibar Holding Sustainability Report, we are proud to present our understanding of sustainability and the activities we have carried out in line with this understanding.

2017 was a year in which economic and social turmoil deeply affected the entire world and our operation geography. Social and economic problems, such as migration caused by globalization and the lack of a fair share of economic value, have been accompanied by environmental problems, such as floods and drought caused by climate change. The increase in the frequency of such problems once again clearly demonstrates the necessity to take the principles of sustainability into account for all institutions and organizations.

As one of Turkey's oldest industrial groups, we operate in various sectors and are among Turkey's largest private sector organizations. With the responsibility of this wide field of influence, we strive towards developing innovative,

environmentally friendly and sustainable products and services that have high added value.

All Kibar Group Companies adopt a sustainability-oriented management approach in their operations and strive to be "pioneers" and "role-models". In 2017, all of our Group Companies carried out their activities in line with Kibar Group's business ethics and core values along with the requirements of the Global Compact, which we have signed. As in all management functions, Kibar Holding focuses on creating value for its stakeholders in terms of sustainability. With this understanding, the Holding determines the road map of the Group Companies and also supports and shares the good examples they have set with the aim of encouraging their dissemination.

We at Kibar Group will continue to generate value for all our stakeholders and the country during our sustainability journey. We would like to express our gratitude to all our stakeholders, and especially to our employees,

customers, investors, suppliers and business partners who have stood by us on this journey, for their trust and loyalty.

Sincerely,
Ali Kibar

MESSAGE FROM THE CEO



Dear Stakeholders,

We at Kibar Holding have been carrying out significant projects to ensure sustainability, which is the key to continuous and balanced development. We are delighted to share these with you in our fifth sustainability report.

The journey of Kibar Holding, which started with a sheet metal processing unit in Kartal about half a century ago, continues its activities today with more than 20 companies operating in various sectors ranging from aluminum and automotive to food and packaging. During this process, we have achieved countless accomplishments with our colleagues and stakeholders, and we continue to do so. We are lucky to be a leader in most of the sectors we operate in. The principles of trust, righteousness, diligence, flexibility and innovation that Kibar Holding has adopted are values that have carried us to success.

As a result of the rapid changes in technology, the dynamics of the business world have been changing and transforming. 2017 was a period in which this change was profoundly felt and directly affected our business processes. Naturally, customer needs that vary according to these developments require companies to think faster and to be a part of this transformation. We have entered a period in which those who cannot meet the needs of the consumer and their business partners, as well as those who do not invest in the necessary technological infrastructure, are left out of the game. We do not content ourselves with our success and move forward with the motivation and

power it provides. Because we are aware that no matter how deeply rooted you may be, if you cannot be entrepreneurial, innovative, fast and brave, and if you do not make the right investments, you cannot play an active role in or outside your country. We have the experience, knowledge and strength to keep up with this transformation. For this reason, we want to not just be a follower, but also the pioneer of this transformation. We realize all our goals and plans in line with this understanding.

In this regard, our Group Companies integrate digital systems with production and service processes by means of the vision of industry 4.0 and build a more efficient and sustainable ecosystem. With more than 40 years of experience in the packaging industry, İspak Ambalaj has realized the biggest flexible packaging investment in our country in line with this vision. Turkey's largest ketchup, mayonnaise and sauce producer, Assan Gıda, will increase both automation and employment by investing 22 million TRY. Assan Alüminyum is preparing to realize a significant investment with the aim and excitement of producing the local substitution of products imported by our country, especially in the aviation, automotive and defense industries.

In addition to these investments that will add value to our country's economy, we are also implementing projects that will ensure the efficient use of our country's resources. With the awareness of our responsibility towards the environment, we aim to establish a solvent recovery plant to save 5 thousand tons of solvents per year in the new factory of İspak Ambalaj and minimize our carbon

footprint. With Assan Alüminyum's integrated recycling plant, we recycle aluminum in the most efficient way. In addition to this, we have incorporated the renewable energy plant into our structure and have started to meet almost all of our electrical energy needs by using renewable energy. At Assan Gıda, we have put forward a sustainable production approach that uses the capabilities of technology in the practices we have carried out over the last 10 years.

Our human resources are one of the most important values we have. This is because we believe a technological transformation in which the human factor is not taken into account cannot be successful. In line with this understanding, we make investments for the development of all our colleagues. This year alone, we provided our colleagues more than approximately 75,000 hours of training. In addition, we launched the Mavi Damla (Blue Drop) Awards project to support their creative and innovative ideas and share their success with all of our Group Companies.

There are countless accomplishments that we will achieve together, as we have done so far. I would like to thank all our business partners and suppliers who have stood by our side and have contributed their effort during this process, and our investors, stakeholders and customers who have placed their trust in us.

Sincerely,
Haluk Kayabaşı

GOVERNANCE AT KIBAR HOLDING



GOVERNANCE AT KIBAR HOLDING



Kibar Holding and Group Companies implement the principles of modern corporate governance. The principles of honesty, prestige, ethical behavior, full compliance with laws and regulatory authorities make up the basis of business operations in the Holding.

The Kibar Holding Corporate Handbook is the fundamental guide that summarizes a professional management approach at Kibar Holding and Group Companies and explains the systems that standardize and facilitate the management of the organization and operations.

The Kibar Holding Executive Board acts with a risk management approach that supports global developments and current management concepts by maintaining the risk, growth and return balance at the most appropriate level in strategic decisions taken by the company during the administration and representation of the company. The Executive Board, which defines the strategic goals of Kibar Holding and keeps track of the distribution of these goals throughout the organization with personalized goal cards, also approves the financial and operational resources needed and supervises the performance of the management staff in line with the determined goals.

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>.

Operational Excellence

The fundamental principles of operational excellence at Kibar Holding are based on lean business principles. The principles of lean business in Kibar Group Companies are used as the basis of performance improvement projects in all processes, from planning to production and from sales to collections, in both material and information flows. In the group, when implementing suggestions for improvement, the necessary steps are taken to ensure the permanence of these suggestions. Connections to strategic initiatives are established for the prioritization of improvement efforts.

Internal Auditing

Kibar Holding guarantees corporate compliance through effective internal audit mechanisms. The deputy internal audit function is responsible for the effectiveness of internal control systems, the evaluation of the operation and the reporting of the actions to be taken to the executive board. Audits carried out by the deputy internal audit function are performed in a risk-based and process-oriented manner in order to ensure compliance with legislation, corporate policies and principles, and the determined strategic objectives.

At Kibar Holding, internal audits are performed in four areas: process audit, compliance audit, financial audit and information technology audit.

The findings of the risks identified within the scope of audit activities are transferred to the relevant units and suggestions for improvement are presented. During all audits conducted at Kibar Holding, corruption and misconduct issues are taken into consideration. In 2017, audits were carried out at 13 Group Companies.

Risk Management

In line with its goal to create value for all of its stakeholders and maintain these values, Kibar Holding attaches great importance to the identification and effective management of its corporate risks for its stakeholders, assets and operations. For this purpose, the directorate of risk management was established within Kibar Holding and is

responsible for the coordination of risk management activities carried out within the Holding and its Group Companies. Risk management is structured in accordance with international standards such as ISO 31000 and ISO 22301 and is integrated into company strategies and the corporate culture.

In 2017, the corporate risk management, business continuity management and corporate compliance policies and standards that make up the Kibar Group risk management framework were established and put into effect. In line with the objective of increasing corporate risk management from the level of "awareness" to the level of "management system", all Kibar Group senior managers were provided trainings that explained the vision of Kibar Group's risk management

system. The risk and control department unit has been established within the Group Companies to effectively create and implement risk management practices and internal control systems. The annual risk assessment study for 12 Group Companies and the Holding was carried out in 2017, detailed risk maps of the companies were created, and the risk action plans to be followed were determined.

GOVERNANCE AT KIBAR HOLDING

Business Ethics Practices

Kibar Holding, one of Turkey's leading industrial companies, continues its activities with an outstanding understanding of business ethics. The unit responsible for business ethics practices at Kibar Holding is the Ethics Committee that operates under the executive board. The ethics committee, which is comprised of the deputy head of internal auditing, the director of human resources and the legal counsel, is in charge of investigating and resolving complaints and notices regarding the violation of the code of conduct.

"The Kibar Holding Code of Conduct" is the main reference document for business ethics practices. The code of conduct booklet is given to newly recruited employees and ethics consultants are introduced. Ethics consultants support employees in all their needs and questions regarding the implementation of the code of conduct. Ethics consultants are determined by the general managers of the Group Companies and presented to the ethics committee for approval. Ethics consultants work directly under the Ethics Committee.

All Kibar Group employees are provided with a three-hour code of conduct training each year, and a statement expressing that the code of conduct has been understood is signed and filed. In addition to the trainings provided by the Holding, ethical trainings continue to be provided within the Group Companies.

The e-mail and telephone channels to which ethical violations can be reported are shared on the company website. In the common areas, employees are kept up to date with "Do you think this is ethical?" themed posters.

In the event of a violation of the code of conduct, an ethics line has been established that can be resorted to within the Group or from outside in accordance with the privacy policy. Calls to the ethics line are answered and recorded by a limited number of authorized people. Cases of violation can be communicated by e-mail or letter as well as through the ethics line, and these are recorded and submitted to the ethics committee for evaluation. The ethics committee evaluates the notifications from the ethics line and assigns the appropriate units to do the necessary work. After obtaining the information/documents related to the subject and receiving the views of the employees, a decision regarding the claim is reached and reported. The ethics committee notifies company management to take the actions it deems necessary.

Business Continuity and Information Security

Kibar Holding and Group Companies continue their efforts to ensure business continuity. In order to do so, business processes are designed by taking into consideration the best practices that satisfy technological and human resources needs, and performance is continuously monitored and improved. In 2017, Kibar Group Companies published the business continuity management policy and business continuity management standard, which contain the business continuity management framework and guidelines.

In Kibar Holding and Group Companies, which have a broad stakeholder network, data privacy is a process that is carefully managed. The data of customers, business partners and employees are kept safe

through the use of various security systems. You may access the Kibar Holding Data Privacy Policy at <https://www.kibar.com/Holding/Veri-Gizliliği.aspx>

The information privacy practices of Kibar Holding consist of measures taken against external attacks and possible information leakages within the company. To ensure the security of information against external cyber attacks, various practices are in place to monitor and control the external world traffic received by the Kibar Group, monitor and prevent the possible infiltration of viruses, monitor and prevent malware, prevent physical attacks on the system and minimize the vulnerabilities of user computers and servers. The risk of information leakage is minimized through practices such as the monitoring of unusual transactions, the blocking of harmful sites, the copying of data with external devices, and the controlling of data sharing with DLP (data classification) and defined rules.

On the other hand, in order to make data which is inaccessible due to a natural disaster or system failure re-accessible, disaster recovery operations are carried out to back up the systems in different cities, secure all the data with backup and multiply components in which data is stored with a high accessibility structure.

SUSTAINABILITY MANAGEMENT

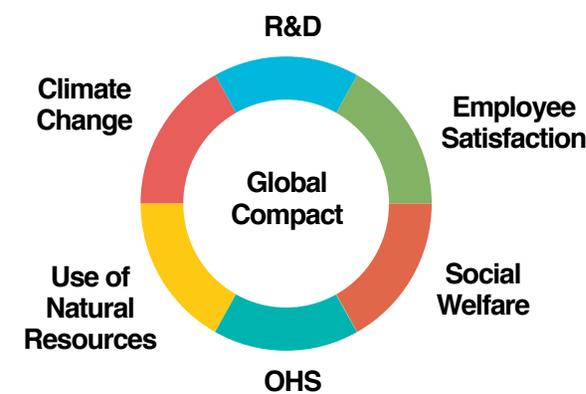


SUSTAINABILITY MANAGEMENT

Kibar Holding's sustainability approach is based on the principles of a deep-rooted corporate governance tradition, a business ethics approach, a culture of social responsibility and the United Nations Global Compact to which it is a signatory. All Kibar Group Companies are obliged to comply with the 10 principles of the global compact, which are under the main headings of working conditions, human rights, the environment and anti-corruption, along with the policies and strategies of Kibar Holding in accordance with these principles. The Holding monitors the sustainability performance of the Group Companies and develops projects to ensure continuous improvement.

The issues in the area sustainability which Kibar Holding primarily manages include research and development activities, increasing employee satisfaction, occupational health and safety, combating climate change, reducing the use of natural resources and contributing to social welfare. These issues are managed in accordance with the principles of modern corporate governance and business ethics. The main sustainability performance indicators of the Group Companies are determined. These indicators and related objectives are reviewed in sustainability working groups that the Group Companies participate in and are shared with the Holding stakeholders through annual sustainability reports.

Kibar Holding Primary Sustainability Issues



Kibar Holding Sustainability Management



Human Resources Management

Companies under Kibar Holding provide their employees with workplaces in which human rights are protected, priority is given to occupational health and safety, justice and professional development is supported, and equal opportunities are provided to everyone. The general framework of human resources policies and strategies is determined by the Holding and privatized by companies in accordance with the status of the sector in which they operate. In all Group Companies, working life is managed through participatory processes, and activities carried out on platforms through which employee representation is ensured in various issues, particularly in occupational health and safety.

The personnel regulations prepared by the companies define the principles regarding the social rights and working conditions of employees. At Kibar Group, human rights are guaranteed by policies and procedures regulated in accordance with the relevant articles of the United Nations Global Compact, national and international legislation and the provisions of international conventions. The right to collective bargaining and association is a fundamental employee right. Within the scope of the activities of the Group Companies, all kinds of discrimination, child labor and forced and compulsory labor practices are prevented. Group Companies expect their suppliers and business partners to meet similar working norms and monitor their practices in this field while contributing to the fulfillment of these conditions.

Environmental Management

Environmental sustainability is an indispensable part of the corporate responsibility understanding of Kibar Holding and Group Companies. The management of environmental issues within Kibar Holding is carried out in line with national and international standards. The majority of Kibar Group Companies hold the ISO 14001 Environmental Management System Certificate. All of the Group Companies have specialized departments in the field of environmental management, and efforts are made to increase the environmental awareness of all employees. The reduction of the use of natural resources, the risks and opportunities arising from climate change, and the development of products and services with reduced environmental impact are all meticulously managed within the Holding.

In 2017, the climate change risk analysis was prepared for all Group Companies and the effect of changing climate conditions on business strategies was analyzed. Kibar Group Companies receive service from İnteraktif Çevre Danışmanlık A.Ş. as part of an indirect partnership between Kibar Holding and The Heritage Group regarding environmental management, thus becoming a part of the circular economy. With the services offered by İnteraktif Çevre, Kibar Group Companies adopt professional solutions particularly in waste management.



SUSTAINABILITY MANAGEMENT

Supply Chain Management

Kibar Holding shares its deep-rooted business ethics and corporate sustainability understanding with its supply chain and, therefore, ensures long-term business agreements. In the group's common purchasing structure, suppliers that offer high-tech, energy-efficient products and services are given priority, and purchasing activities are carried out through a global supplier network.

Kibar Group expects its suppliers to act responsibly. To this end, purchasing procedures, principles and codes of conduct are determined. Developed in accordance with the United Nations Global Compact, these criteria cover issues such as not employing child labor and forced labor, ensuring fair working conditions and reducing environmental impacts. Prior to working with suppliers, the Kibar Group Framework Agreement is signed to ensure that suppliers adopt critical sustainability priorities. All suppliers are expected to implement the Purchasing Code of Conduct, an integral part of the Kibar Group Code of Conduct. The sustainability performance of the large supply network of nearly 2,000 suppliers is continuously monitored and improved.

Kibar Holding periodically monitors the satisfaction of its dealers, suppliers and customers in various fields of activity through independent surveys. Satisfaction performance in these areas is included in company target cards and has an important share among success criteria.



**BLUE DROP
THOSE WHO MAKE
A DIFFERENCE FOR
THE CUSTOMER GOOD
PRACTICE EXAMPLES**

At the Blue Drop Awards, which were initiated in 2017, Kibar Group's strategic priorities were in the fore when determining the award categories. One of these is the category of "Those Who Make a Difference for the Customer". In 2017, 4 projects competed in the jury presentations, and as a result of the evaluation, the projects titled "Development of corrosion resistance in 7072 finstock products" from the Assan Alüminyum company and "From small steps to the big race" from the Assan Gıda company were awarded.



Customer Satisfaction at Assan Alüminyum

Assan Alüminyum communicates with its customers through various channels and maintains a high level of customer satisfaction. Some of the company's communication channels are as follows:

- Social media posts and e-bulletins in which the company agenda are shared with the customers transparently,
- Routine evaluation meetings with domestic authorized dealers every 6 months,
- Business partners meeting held every 2 years which cover all customers,
- Participation in the Aluexpo and Interpack exhibitions,
- Over 1,200 face-to-face customer meetings to better understand customer needs.



Customer Satisfaction at Assan Hanil

According to the results of independent surveys conducted each year at Assan Hanil, all the relevant departments form action plans for areas of development and improvement. In order to support participation in the customer satisfaction survey and increase social awareness, Assan Hanil makes a donation to a non-governmental organization every year on behalf of the participants. In order to understand customer expectations, weekly meetings are held at customer and Assan Hanil locations and senior management participation is ensured. Through the technology days event planned to be held in 2018, the aim is to meet with current and potential customers, share their competencies and seize the opportunity to learn how these competencies meet/can meet customer expectations by speaking with customers face-to-face.

Relations with Stakeholders

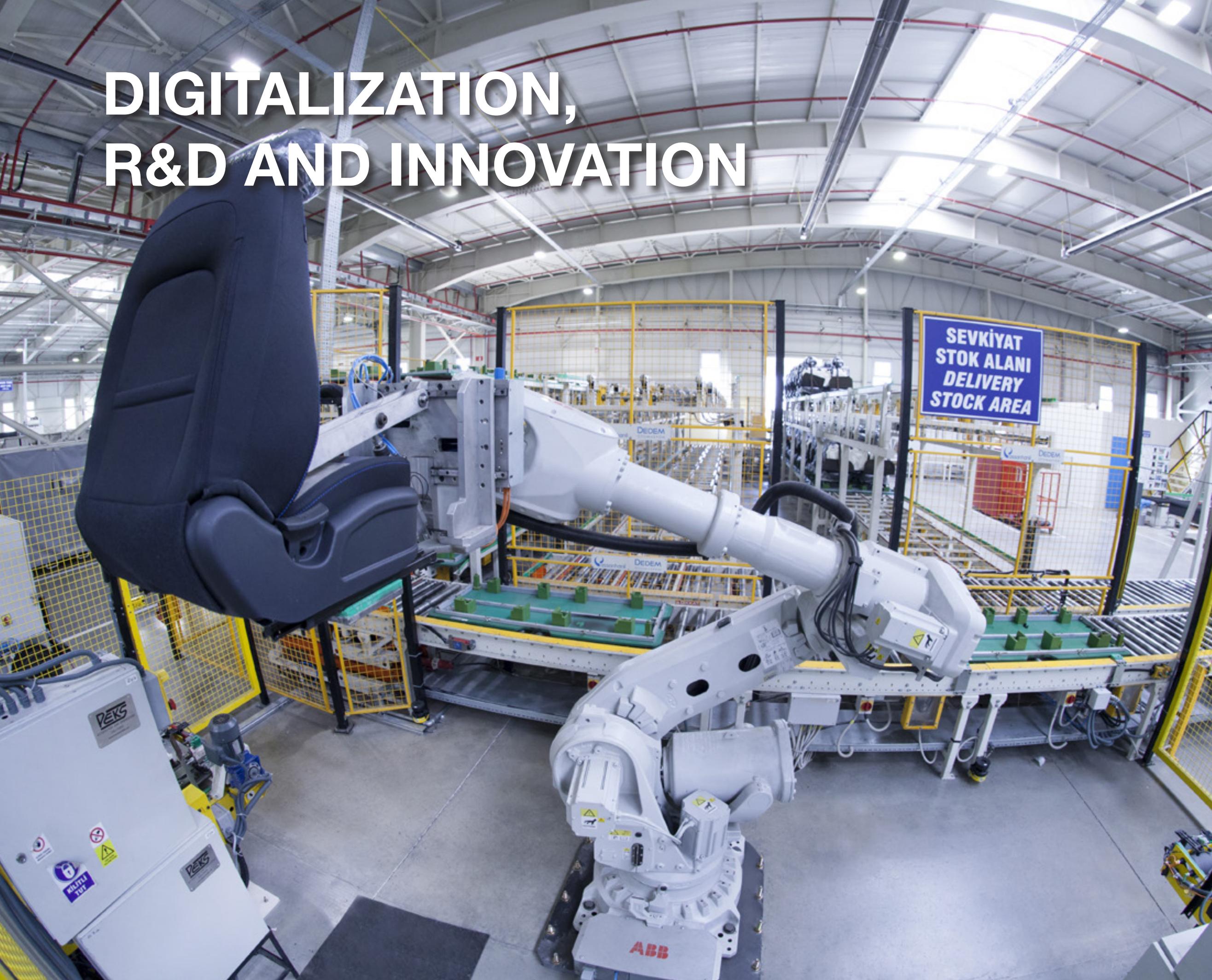
Kibar Holding believes in the impact of continuous communication with its stakeholders on business success. The main stakeholder groups of Kibar Holding include shareholders, employees, dealers, agents, customers, non-governmental organizations and public institutions. Corporate stakeholders are expected to act in accordance with Kibar Holding's principles of integrity, prestige, and ethical conduct and comply with laws and regulatory rules. In the selection of the stakeholder group to be cooperated with, social contribution, creativity and innovation potentials are taken into consideration.

SUSTAINABILITY MANAGEMENT

Communication with Stakeholders

Stakeholder Groups	Communication Tools and Frequency
Employees	Activity Report (annual), Sustainability Report (annual), Employee Satisfaction Research (2-year), Reputation Research (annual), Suggestion Systems (spontaneous), Kibar Holding Code of Conduct (continuous), Employee Trainings (continuous), Occupational Health and Safety Committees (continuous), Periodic Publications, Internal Briefing Announcements (spontaneous), Website and Corporate Portal (continuous)
Group Companies	Activity Report (annual), Sustainability Report (annual), Employee Satisfaction Research (2-year), Reputation Research (annual), Kibar Holding Code of Conduct (continuous), Working Committees (continuous)
Customers	Sustainability Report (annual), Reputation Research (annual), Focus Group Activities (spontaneous), Product/Brand/Market Research (annual), Customer/Consumer Support Line (continuous), Kibar Holding Code of Conduct (continuous), Website (continuous), Customer Satisfaction Measurement (annual)
Dealers	Sustainability Report (annual), Reputation Research (annual), Kibar Holding Code of Conduct (continuous), Dealer Meetings and Research (annual), Periodic Publications (3-month), Website (continuous)
Shareholders and Investors	Activity Report (monthly), Sustainability Report, Interim Activity Reports (3-month), Reputation Research (annual), General Meetings (annual), Briefings and Special Case Statements (spontaneous), Roadshow and Investor Presentations (spontaneous), Meetings and Interviews (spontaneous), Kibar Holding Code of Conduct (continuous), Information Lines (continuous), Website (continuous)
Public Institutions	Activity Report (annual), Sustainability Report (annual), Reputation Research (annual), Kibar Holding Code of Conduct (continuous), Audits (spontaneous/annual), Website (continuous)
Non-Governmental Organizations and Trade Unions	Sustainability Report (annual), Memberships (continuous), Meetings and Interviews (spontaneous), Joint Projects (instant), Website (continuous)
Academic Institutions	Sustainability Report (annual), Reputation Research (annual), Academic Research (spontaneous), Surveys (spontaneous), Sectoral Analysis (spontaneous), Meetings and Interviews (spontaneous), Website (continuous)
Media	Activity Report (annual), Sustainability Report (annual), Reputation Research (annual), Press Conferences and Statements (spontaneous), Meetings and Interviews (spontaneous), Website (continuous)
University Career Clubs/University students	K-Team Young Talent Internship Program (annual)

DIGITALIZATION, R&D AND INNOVATION



DIGITALIZATION, R&D AND INNOVATION

We have strived to achieve “firsts” since our foundation...

Kibar Holding and Group Companies have met customer needs since their establishment by foreseeing the potential needs and updating their product systems and processes by using the best available technologies. Thanks to the importance attached to innovation and digitalization, companies increase their productivity, reach new markets and minimize the environmental impact of their products, services and processes. 2017 was a year in which digitalization and innovation activities continued at full speed in the Kibar Group.



BLUE DROP
AWARDS

BLUE DROP DIGITALIZATION GOOD PRACTICE EXAMPLES

At the Blue Drop Awards, which were initiated in 2017, one of the award categories was "The Digitalized". In 2017, 5 projects competed in the jury presentations and as a result of the evaluations made by senior management, Assan Hanil won an award with its project "The monitoring and optimization of the fullness of logistics trucks" and Assan Alüminyum was awarded with its project "Dirty oil pump control overhaul and improvement through digital solutions".



Digitalization

Since the foundation of Kibar Holding, the impact of data on decision making processes has been at the forefront. Innovative investments that require intensive R&D activities and the continuous improvement of products according to the needs of customers necessitate the reliable collection and analysis of data.

Kibar Group Companies started using ERP (Enterprise Resource Planning) software earlier than most other groups in Turkey. Up until now, several ERP, CRM (Customer Relationship Management) and BI (Business Intelligence) projects have been implemented. In addition to the digital solutions applied in the field of corporate practices, several projects have been implemented in the areas of machine automation, PLC programming, MES (Manufacturing Execution System) and APS (Advanced Planning System). While MES projects were newly emerging in Turkey in the early 2000s, MES projects were already being carried out in the Group Companies and the increase in the production efficiency was achieved through the use of data produced by corporate digital systems and data produced by production systems. When the concepts of BDA (Big Data and Analytics) had not yet emerged, the quality problems of products were reduced with processing data produced by MES systems and were analyzed by production engineers.



As of 2017, Kibar Holding has been at a satisfactory level in the use, dissemination and development of corporate digital systems (ERP, CRM, BI). The spread of APS and MES systems is one of the most important targets of Kibar Group as an industry-oriented group. With the data volume that will increase as a result of the dissemination, it is aimed to reach a very advanced level in BDA (Big Data and Analytics).

While the Group Companies conduct digitalization projects, a long-term strategic Digitalization Roadmap project has been initiated throughout the group.

For the intensive business processes of our Group Companies, project activities are carried out to establish systems that will increase the speed and quality of planning and decision making by using heuristic and/or full optimal optimization software.

Projects are being carried out on virtual workforce, which is a fairly new concept. The transferring of processes that offer no added value and are repetitive to software robots aims to direct employees to more creative subjects. Due to the intensity of design-based work within the group, AR (Augmented Reality) and VR (Virtual Reality) solutions closely monitored.

The blockchain system and its practices, which enable companies operating in the service sector to transform their business models, are also examined in detail. Optimization projects in the field of AI (Artificial Intelligence) are underway.

The Kibar Group believes that the most important component that leads to the success of the digital transformation process in companies is people. In order to increase the contribution of employees to this transformation, employees are informed about various issues, especially good practice examples.



DIGITALIZATION, R&D AND INNOVATION

Assan Hanil Doruk Project

Through this project, all processes ranging from Axapta ERP software to the latest version of SAP, the S/4 HANA project, were examined and the speed and improvement in processes was ensured. Through integrations and SAP MII, a global platform was introduced as part of the digital journey in production systems. End-to-end system management was provided.



Digital Agriculture at Assan Gıda

With Smart Agriculture Practices at Assan Gıda, the following are ensured:

- The monitoring and analysis of all parameters of the plant development process from planting to harvest in pilot fields in the plain,
- The establishment of more accurate and effective agricultural management through the use of technology in terms of monitorability and sustainability in agriculture,
- The collection of instant data related to the development of tomatoes with the meteorological stations and soil sensors installed in the fields.



BLUE DROP
AWARDS

BLUE DROP INNOVATION GOOD PRACTICE EXAMPLES

At the Blue Drop Awards, the category of "Those Who Add Value Through Innovation" has been determined and it has been encouraging for the creation of practices that make a difference at our companies. Four projects competed in the jury presentations and the companies Assan Alüminyum, TSI and Assan Hanil won awards as a result of evaluations made by senior management. The projects are based entirely on innovative ideas and practices. Assan Alüminyum has been awarded for its project "Developing a high efficiency and low cost 8156 aluminum foil alloy for storage container applications with the continuous casting technique production method", which also affects the customer. TSI was deemed worthy of an award for its "Unique HIC mechanism design" along with Assan Hanil for its "Seat Production Line Ergonomics System and Ironing Robot Project".



Innovation

New markets and innovation play an important role in the Kibar Group's strategy to shape the future, which has been focused on providing "firsts" to its stakeholders since its establishment. In developing the competitiveness of the Group Companies, access to emerging markets with products that meet their expectations plays an important role. Efforts for the diversification of these markets are closely monitored by the Holding. In this respect, the Holding units are directly involved in the access to the new large-scale market and investment projects. In addition to the consumer expectations in emerging markets, the fulfillment of local legal requirements is also ensured.

Alongside the operational activities carried out by the Group Companies on innovation efforts aimed at developing new business models that will create value for their stakeholders, creating new markets and introducing future generations with environmentally-friendly and value-added products, Kibar Holding's strategic orientation and systemic development practices also contribute to the development of innovation efforts. The Group Companies carry out collaborative work with various organizations, especially universities, as part of their innovation efforts.

Kibar Holding, which believes that employees are the most reliable source that can also make a difference in order to achieve a competitive advantage by quickly adapting to the changing competition environment, attaches great importance to creating environments that enable employees to realize their creative and innovative ideas in this respect. For this purpose, the Group launched the Blue Drop (Mavi Damla) Awards project in 2017 to reward and highlight the creative innovative ideas of its employees and share their

success stories with the Group Companies. The Blue Drop Awards category winners are shared throughout the group to trigger improvements in different areas.

Kibar Group's understanding of human-oriented innovation is based on the principle of improving the quality of life of all stakeholders, particularly employees and customers. The main objectives of Kibar Group, which acts with the strategy of shaping the future, include increasing productivity, reducing resource utilization and waste production, increasing product quality and diversity, reducing costs and risks, creating new business models and technologies that will create value for stakeholders, and developing eco-friendly products with high added value.

Some of the innovation projects carried out at Kibar Group in 2017 include the following:

Assan Hanil TÜBİTAK (Scientific and Technological Research Council of Turkey) Magnesium Luggage Bar Project

Magnesium is the most highly-preferred alternative material to reduce weight. With this new product, which has been discovered through this project, the aim is to achieve a new design and reduce weight with respect to the conventional product. The main objective of the project is to ensure weight saving for aircraft passenger seat parts. By doing so, corporate technological know-how will be created, and a new product will emerge with a new design. This product, which has a high export potential, contributes to the country's economy. The project also creates new employment areas. The project and the product produced as a result of the project have no harmful effects on the environment. Through this project, the production of aircraft seats by using light structural metal magnesium alloys was actualized for the first time in the country.

DIGITALIZATION, R&D AND INNOVATION

Assan Hanil Tübitak Composite Backrest Project

New molding technologies used in automotive production have undergone significant advancements in recent years. Weight reduction projects carried out by replacing metal components with plastic materials are an important area of study. Hybrid composite technology, which is one of the technologies used in this field, has made its place in the world automotive industry as an important method that enables continuous fiber reinforced composites and parts attached to them through injection technology to replace metal components. Through this method, key advantages such as vehicle lightweighting and a reduction of process steps are achieved. Within the scope of the project, the main objective is to lightweight some of the metal parts used in the N3 class commercial vehicle driver seat developed by Assan Hanil and reduce the number of production operations as a result of consortium efforts. The project, which is carried out through a TÜBİTAK partnership and is planned to be completed in 2020, is highly innovative in the areas of design, production and application.

Asian Sauces from Assan Gıda

Sweet-sour sauces, bitter-sweet sauces and Asian sauces with hot pepper and garlic are localized by being developed in Assan Gıda R&D laboratories and are produced in 2-liter packages.

Assan Alüminyum Tensioning Adjusting High Pressure Pump Lubrication System

The design and application of the sliding bearing lubrication system for the high-pressure pump project aims to cut down

on the high cost of spare parts, solve the deadline problem, prevent loss of production in sudden damage, decrease maintenance costs and increase the efficiency of machinery equipment.

Tap-out Carbon Plug Project

Improvement activities have been carried out to increase the lifespan and reduce the cost of the tap-out plug at the Assan Alüminyum Tuzla Casting facility. The plug body previously prepared by being wrapped in ceramic fiber and ceramic paper has been reinforced through the use of concrete resistant to the liquid metal used in melting and holding furnaces. Thus, the operating time has been prolonged, and the unit cost decreased. The project, which was initiated upon the suggestion of an employee, is aimed to be implemented on all casting lines.

Optimization of Process Parameters in the Casting Operation

In order to obtain a controlled casting micro-structure in productions carried out with the twin roll casting technique at Assan Alüminyum, grain refiners with different chemical compositions are used. Within the scope of this project, the aim is to reduce the amount of grain refiner feed and consumable cost per unit of liquid metal by using tiber with 3% titanium and 1% boron by weight instead of the Tiber 5/0.2 grain refiner.

Through this project, new usage recipes (process parameters) have been created to provide an optimum amount of tiber usage. Raw material has been saved by reducing Assan Alüminyum's grain refiner consumption from the 1.50 kg/ton to

the 0.80 kg/ton level. Contribution to the intellectual capital of the corporation was ensured through the analysis of alternative raw materials used and their interaction with casting process parameters.

Assan Alüminyum Android Control Application

The oven temperature values were readjusted to solve the problem of solvent dripping and/or the water stains of solvent vapor of the material coming out of the Primer and Topcoat oven. A special program has been written to determine temperature values.

Solvent stains in the primer oven and water stains on PVDF paints have been prevented to a great extent following the project. Activities have been carried out for this system, which has been developed for primer and PVDF paints, for application in other colors as well. The project also enables energy conservation.

Development of Surface Properties and Smut Reduction for the Usage Area of Flat-Sided Containers Project

Assan Alüminyum has designed a new process to meet the expectations of its two main customers to which it supplies materials in the field of flat-sided containers. This process, which improved the final foil surface properties and is dependent on the change of the foil roll Ra, has met the expectations of customers and has created an effect that has increased the market share in the relevant product group.

Determination of Detergent Concentration

With the help of the FTIR Spectrometer, the project for the realization of measurement, which was not yet in practice for detergent concentrations in the wash and rinse baths in the tensioning adjusting line at Assan Alüminyum and has not been discussed in the literature, was actualized by using the methods of multi-variable calibration based on genetic algorithms. With the developed model, the detergent concentration can be measured with 100% accuracy, and even at very low concentrations, verifiable and repeatable values can be achieved. During the application of the titrimetric method, the measurement can be standardized, repeated and reliable through the elimination of human factor-related errors, such as visual inspection. The amount of waste is reduced by 99%. By eliminating the use of HCl, water pollution is minimized. With the titrimetric method, the test period, which was 20 minutes, decreased to 3 minutes. The time of obtaining a result was 6 times faster, saving 75 hours per year.



BLUE DROP
AWARDS



DIGITALIZATION, R&D AND INNOVATION

Connecting the Central Nitrogen Line to the Measurex System

In this project carried out at Assan Alüminyum, the nitrogen used in the foil roll thickness measurement device is connected to the central system. In this way, the prevention of erroneous measurements due to reduced gas pressure in foil rolls is targeted.

Automatic Tube Loading Project

At Assan Alüminyum, the automatic loading of cardboard tubes through the system was achieved in order to prevent the operator from loading the tube under non-ergonomic conditions along with the problems related to it. With the project, the operator was prevented from loading the tube in non-ergonomic conditions, and business ergonomics was ensured.

Ironing and Printing Rolls Control Systems Project

With the re-designing of the roller and ironing unit at Assan Alüminyum facilities, the production processes of the operating operators have been made more secure and the production quality has been increased. A safe working environment has been established with the remotely controllable adjustment system, and approximately 0.15 tons of material is recovered per day.

Assan Alüminyum Dilovası ARC Recovery plant compressed air system improvement

Due to the sudden necessity of flow rate of the pulse valves, the compressed air system was at risk of collapsing and the compressor had to work continuously at the load. To solve this problem, a 10

cubic-meter battery tank was installed in the system. Through this project, the performance of the pulse valves was upgraded. The frequency of clogging of the filter dust installation and the amount of dust emitted into the environment decreased. The operation of compressors at the load was reduced by 20%, thus saving energy.

İspak Perfetti Innovative Inner Packaging Production

For the inner packaging of Mentos, which requires a special material and system, water-based and low-temperature adhesive lac supply was provided, and experiments were carried out for the best application conditions in the machine park. Becoming Turkey's first mass producer of Mentos inner packaging and the company's large-scale supplier is among İspak's future goals. When the project is implemented for mass production, production costs will decrease, and process efficiency will be increased.



BLUE DROP
AWARDS



WORKING LIFE AT KIBAR



WORKING LIFE AT KIBAR

We strive to be among the most highly preferred workplaces...

Kibar Holding and its affiliated companies have become an organization which employees and business partners are proud of working together with thanks to its values, high business standards, and prestige and credibility it has gained over time. The most important value that brought our group to present day and will carry it to the future is our employees, or in other words, our human resources. With this awareness, Kibar Holding and its affiliates aim to be among the most preferred workplaces with a fair and participatory work environment that supports development and innovations in order to increase its qualified workforce.

To ensure the working conditions that employees deserve in all human resources processes, Kibar Group takes as reference international agreements, decisions and standards such as ILO Conventions, UN Universal Declaration of Human Rights, as well as Labor Law provisions, and develops systems for the protection of these rights. The Kibar Group, which continues its modern, entrepreneurial and innovative investments at full speed in many areas in which it operates, determines the principles of conduct through the "code of conduct"; the Group invites the individuals it cooperates with in all sectors and locations to implement this code with consistency and responsibility. Under the rapidly changing social and socioeconomic conditions, the basic rights and responsibilities of the employees are defined with ethical principles. Employees are informed about the code of conduct and have direct access to the ethics committee.

Efforts are continued to prevent gender inequality and increase women's employment. In the Kibar Group Companies that are included within the scope of the report, the number of white-collar female employees increased by 9% and the total number of female employees increased by 3% in 2017 compared to 2016. The number of newly recruited female employees increased by 8% compared to the previous year.

Assan Hanil's Support for Gender Equality

The Knowledge Mill seminars themed "We Support Gender Equality", which were initiated through the cooperation of Ford Otosan and AÇEV, continue to be provided by two internal trainers within the company. In addition, with ergonomic improvements made to the production lines, it has been made possible for female employees to work on the lines, which is seen as "male work".



March 8th International Women's Day Event at Assan Hanil

Each year, Assan Hanil collaborates with an NGO for March 8th International Women's Day and carries out activities for women employees.

In 2017, at the event specially organized for March 8th in cooperation with the Kocaeli Metropolitan Municipality Vocational and Art Education Courses Center (KO-MEK), marbling art was demonstrated with the participation of women working in the office and field. Later on, during the event, female employees were provided information on breast cancer, and at the end of the day, they were presented with z-cards and the awareness bracelets provided by MEVA (Foundation for the Fight against Breast Cancer).



Talent Acquisition

To ensure that the recruitment activities we carry out in order to select the right candidates for the positions opened based on the needs of our Group are conducted objectively and fairly, various tools such as personality inventory, competency-based interviews, the assessment center and English tests are used, and different types of career portals and databases are utilized throughout the process. Our employment processes are carried out on based on experience, competence and skill, through a multiple observation method, by giving equal opportunity to each candidate and prioritizing positive candidate experience.

Our K-Team Youth Talent Internship Program has been in practice since 2014 at Kibar Holding and its Group Companies in order to proactively recruit young talents. A total of 105 young talents selected from among 20,000 applicants to date have had the opportunity to take part in a long-term internship in our Group Companies and 18 participants were hired through career opportunities provided within the group.

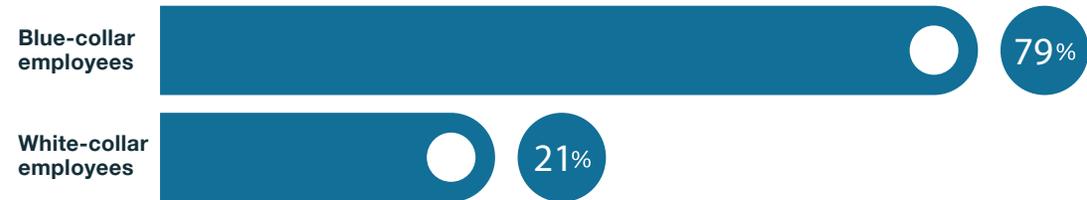
Assan Alüminyum Blue-Collar Job Advertisements

Assan Alüminyum has published an internal announcement for blue-collar positions and has implemented the project to determine the most suitable candidate for the position with its selection placement tools. Thus, a more open and transparent process has been implemented in order to place blue-collar talents in the right positions.



WORKING LIFE AT KİBAR

White-collar/blue-collar employee distribution²



²The employee data in the report for 2017 includes the total number of employees of Assan Alüminyum, Assan Gıda, İspak, Assan Panel and Assan Hanil.

Employee distribution by gender

Distribution of white-collar employees by gender



Distribution of blue-collar employees by gender



WORKING LIFE AT KİBAR

Wage Policy, Recognition & Appreciation Practices

Throughout the Kibar Group, a "total reward system" is used that is compatible with the Group and company strategies, rewards business results and contributes to the company's performance and is integrated with all human resources processes. Wage and fringe benefit policies are built on an objective, fair, dynamic and competitive structure by taking into consideration the internal balance of the company. Kibar Holding and Group Companies offer their employees a fair and competitive base wage by taking into account different criteria such as business families, roles, responsibilities, knowledge, skills and competence levels within the scope of the determined wage policy. In order to maintain the competitive and fair structure of the wage policy, internationally recognized job evaluation methodologies and research on wage are regularly compared. Although the total income package presented to employees may vary depending on the individual premiums earned and the seniority (experience) periods, the wage policy does not allow for a discriminatory and unfair practice due to personal characteristics and preferences such as language, religion, race and gender. The social and fringe benefits offered at Kibar Holding and Group Companies in addition to the base wage constitute an important part of the total reward management practice for all of our employees.

Occupational Health and Safety (OHS)

Occupational health and safety is one of the main priorities of Kibar Holding as a Group operating in the industry and production sector. Occupational health and safety (OHS) processes are under the responsibility and follow-up of OHS Committees and managed in line with international standards. In 2017, 97 employees and employee representatives in 14 OHS committees

operating in Kibar Group Companies were assigned duties. Kibar Group Companies provide regular trainings in order to raise the awareness of employees about occupational health and safety. In the reporting period, employees received 50,263 person*hour of occupational health and safety training, which resulted in a 15.7% increase compared to the previous year. Even the smallest accidents that occur in the Group Companies are analyzed in detail by occupational safety specialists and the related unit representatives, and necessary preventive and corrective actions are taken. Thanks to this proactive and preventive approach, Kibar Holding companies have not suffered fatal accidents and occupational illnesses since 2011. In 2017, Kibar Holding's affiliated companies continued their successful performance in the field of OHS. During the reporting period, the accident frequency rate was reduced by 32.8% in Assan Alüminyum Tuzla facilities and 17% in Assan Alüminyum Dilovası facilities. The accident frequency rate was reduced by 34% and the accident severity rate was reduced by 38% in Assan Gıda. In Assan Panel, the accident severity rate was reduced by 95.8% compared to 2016. Kibar Group Companies also provide improvements in occupational health and safety through digital technology applications. In 2017, Assan Hanil proactively managed risk management with regards to OHS by tracking the fatigue levels of operators within the scope of the ergonomics practice.

Performance Management

Through the performance management system called "The Path to Success and Development", company goals are transformed into individual and team goals, and these goals are managed effectively and objectively for Kibar Holding and Group Companies throughout the year. The performance management system, the general principles of which are determined by the Holding, is structured to meet the various needs of the Group Companies.

The performance management system, which is integrated with different HR processes, provides important data for different processes such as training & development, talent management, appraisal, recognition & rewarding. To improve the performance culture in the organization and to give more effective/accurate feedback to employees, trainings are provided to the managers who manage the teams during the interim and year-end evaluation periods.

Training and Development Activities

In order to ensure the sustainability of qualified human resources, Kibar Holding places great importance on and supports the development of its employees with a "lifelong learning" approach. Annual development plans are designed by taking strategic, organizational and employee needs into consideration. In addition to vocational and technical development programs, our employees are supported in various ways through competency/leadership development programs. Training & development activities are also important because they create new interaction environments among employees, strengthen communication between different companies and departments, and contribute positively to employee motivation. In 2017, more than 75,000 hours of training was provided for employees of Kibar Holding and its companies.



KİBAR
KARİYER
OKULU

Kibar Career School

The Kibar Career School is our corporate development platform on which development activities that support the continuous development and sustainable growth of our group are gathered. This platform contains a development center, applications that enable our employees to realize their strengths and development areas, internal trainings to support their learning from each other, development programs to support competence and technical development, and distance learning tools that all employees can access.

The leadership faculty was created to establish a common leadership approach throughout the Group within the scope of the leadership academy, which was actualized with the partnership of Sabancı University. The Kibar Career School also includes the faculty of development and the faculty of sales in order to meet different needs. In 2017, 371 employees received 9,208 person*hour of training.



WORKING LIFE AT KIBAR

Assan Hanil Blue-Collar Development Academy

The blue-collar development academy was established in Assan Hanil to train blue-collar leaders to become competent, cooperative, motivated and have a strong sense of belonging within the scope of organizational transformation.

In 2017, blue-collar employees with leadership characteristics were identified and enrolled in the development program.

Talent Management

Within the scope of talent management processes, employees who make a difference in our group with their performance and potential are identified, career development plans are made in line with the needs and goals of our organization and employees, and their development for different roles is closely monitored. For this purpose, different programs are carried out simultaneously in the Kibar Career School for the development of managerial/behavioral competencies and technical/vocational knowledge and skills. With the advantage of being a large group consisting of a large number of companies, intercompany rotations and task changes of our employees evaluated in the talent group are supported and different career opportunities are offered within the group.

Employee Participation and Satisfaction

Kibar Holding believes that a participatory business life increases employee productivity, satisfaction and corporate success. For this reason, an opinion survey has been conducted by an independent institution since 2014 and the opinions and suggestions of the employees are collected. The Human Resources Department, the Holding and company executives review the results and develop improvement plans for the most prominent focus areas and take the necessary actions. The results

of the Employee Opinion Survey, which is regularly conducted in the Kibar Group, provide important information on the areas of development to increase employee loyalty.

In Kibar Holding, an internal communication portal, Porttakal, has been launched to strengthen communication and sharing among companies and employees. K-news, the internal communication newsletter prepared with the participation of employees, and news from all companies and employees are included in this portal. The management meeting, which is annually organized for mid-level and senior executives, the K-news feed, which is prepared for our employees both in the form of e-mails and printed texts for those who do not have access to e-mail, and the boards in which we share announcements and innovations for those working in the field are among our important communication channels.

At Kibar Group Companies, the innovative and creative ideas of employees are supported through suggestion systems and new innovative projects are implemented for the sustainable success of our Group. Kibar Holding, which believes that employees are the most reliable source that can also make a difference in order to achieve a competitive advantage by quickly adapting to the changing competition environment, attaches great importance to creating environments that will enable employees to realize their creative and innovative ideas. To this end, Kibar Holding launched the Blue Drop Awards project in 2017 to share and reward the creative and innovative ideas of its employees, and to spread their success stories throughout the Group Companies. Within the scope of the Blue Drop Awards, which has set out with its motto "Every successful project starts with a drop of ideas and spreads out in the form of a wave", Kibar Group's strategic priorities are taken into consideration and awards are presented in the main categories of those who add value, those who make a difference for the customer, collaborators and the digitalized. While 24

projects competed in 4 main categories within the Group Companies, 6 projects were selected as category winners, and 3 projects received a recognition award.

Employee Suggestion System

In 2017, 850 suggestions received from employees were evaluated with a scoring system and 61 suggestions with over 400 points were awarded in Assan Alüminyum.

In 2017, 7 of the 10 suggestions submitted by the employee representatives were implemented and improvements were made in the cafeteria, summer workwear and shoes, and production air conditioning system in Assan Gıda.

In 2017, 13 of the suggestions received by the Assan Hanil Employee Representative system were implemented in a similar way.

Work and Life Balance

While making industrial moves that steer the future, we strive to establish not only a performance-oriented but also sustainable world in terms of development and life for our employees. By acting together like a family on this journey, we believe in the power of being together with our employees on good and bad days.

We support the activities of our employees in different fields ranging from sports to art, and we encourage our employees to participate in individual and group competitions in different branches at our Kibar Group Sports Festivals, which have been taking place since 2016. In this regard, a total of 465 athletes, 35 of which were female athletes, from 14 different companies participated in the sports festivals including 111 competitions in a total of 8 branches including mini football, basketball, volleyball, athletics, swimming, table tennis, bowling and tennis. Trophies and medals were presented to the successful athletes at the award ceremony. The Kibar

Sports Festivals are important in terms of strengthening the communication among employees in different Group Companies, developing friendships along with the feeling of belonging, and reinforcing the common corporate culture. The employees also are refreshed spiritually and physically and fight together to reach goals.



Employee Volunteers at Assan Hanil

Assan Hanil supports social projects launched by the initiatives of employees. Donations to various NGOs are collected through employees in the company running team. A smoking cessation campaign is organized among employees to support healthy living. A library is made by utilizing unused pallets at the production site. An exhibition in which electronic wastes are transformed into visual arts is organized, and a variety of voluntary activities, such as donating and planting saplings for a sustainable future, are carried out.

REDUCING ENVIRONMENTAL IMPACTS



REDUCING ENVIRONMENTAL IMPACTS



İnteraktif Çevre Danışmanlık ve Ticaret A.Ş. General Manager Volkan Ural

We strive to minimize our environmental impacts...

About İnteraktif

İnteraktif Çevre Danışmanlık ve Ticaret A.Ş. (İnteraktif) is a partnership formed by Kibar Holding's subsidiary K Yatırım Enerji A.Ş. and Heritage Turkish Holdings LLC (Heritage), which is a member of the Heritage Group, to provide waste management services in Turkey. İnteraktif offers comprehensive waste consultancy to industrial facilities. The experience and innovative solutions of Heritage in this area are combined with the effective role of Kibar Holding in the Turkish industrial sector and its broad business environment under a single roof.

Could you say a few words about the contribution of the İnteraktif Çevre Danışmanlık to Kibar Holding's sustainability approach?

Established in 2015, İnteraktif Çevre provides services in total waste management and environmental consultancy to companies either within Kibar Holding or those on a global scale and outside the Kibar Group that attach importance to sustainability activities, embrace a circular economy and place importance on R&D studies.

The resource usage of our company, which provides service on total waste management to 13 facilities of Kibar Group Companies operating in the metal, automotive, packaging, building materials, real estate, and food sectors, contributes to the improvement of performance in minimizing hazardous and non-hazardous wastes and also to the improvement of environmental indicators regarding sustainability.

What are the practices of the İnteraktif Çevre Danışmanlık oriented towards increasing employee awareness in terms of sustainability?

We provide regular employee training on waste minimization, circular economy and environmental sustainability in the facilities at which we provide total waste management and environmental consultancy services.

By better training the facilities we operate in on a zero-waste goal which can be defined as the waste prevention approach which is adopted the Ministry of Environment and Urbanization and includes the efficient use of resources, the reduction of the amount of waste generated, the establishment of an efficient collection system, and the recycling of waste, we pass on successful examples and good practices of The Heritage Group to companies in Turkey.

What kind of perspective does the İnteraktif Çevre Danışmanlık have on a circular economy?

"Circular economy" is a term based on recycling and reusing rather than using and throwing away. In a circular economy, manufacturers design reusable products. They prevent the material from being wasted and reuse it. In other words, it is a system that provides the raw material of one facility through the recycling of another facility's waste.

We are expending great effort to bring our environmental footprint in terms of wastes of facilities down to a minimum by using natural resources efficiently, utilizing the processes starting from the production stage to prevent waste if possible and

ensuring a minimum amount of its output.

The Heritage Group prefers the word "by-product" instead of the word "waste". The material that a facility considers to be waste can be a raw material for another facility. For this, we need detailed sectoral research and R&D. In order to use the circular economy effectively, we send samples from the wastes of the facilities to which we provide service to The Heritage Group's R&D Laboratories in Indianapolis. As a result of the research carried out there, the sectors in which waste can be utilized is determined. In this respect, we are working on several conversion alternatives to products by carrying out sectoral research. A circular economy is naturally a part of our business.

What are the principles of environmental management of the İnteraktif Çevre Danışmanlık? Please provide some information on the environmental management structure, prominent issues and projects.

We strive to develop environmentally friendly and sustainable waste management with Turkey's most deeply rooted industrial companies.

The basis of the environmental sustainability approach of both Kibar Holding, its affiliates and its external customers is formed by continuously creating innovative solutions in order to minimize the negative effects on the environment and by triggering an environmentally sensitive change in behavior. For this reason, we aim to improve environmental performance and minimize the environmental footprint.

With the awareness of the risks of climate change, one of the most important global problems of our time, we take into account the climate change factor in order to reduce the environmental impact of the facilities in which we operate. We attach importance to the waste-based performance criteria that will be reflected in this global problem in Environmental Management. "Zero Landfill", which is the most important indicator of this in the waste management sector, refers to the goal of sending no waste to landfills and is one of the most important subjects.

REDUCING ENVIRONMENTAL IMPACTS

Could you give some information about R&D and innovation activities at the İnteraktif Çevre Danışmanlık?

The understanding of R&D in waste management is a very new topic in Turkey. We are very pleased to be the pioneer of this approach. We want all our customers to see the R&D Laboratories in Indianapolis. Our customers are able to realize our serious approach to the issue of waste when they see the possibilities there. We have a great infrastructure and have the opportunity to work with dozens of scientists who have committed themselves to this work. The head of this team is currently a member of the Executive Board. The Heritage Group has companies that are born with the idea of Waste R&D and have become a production facility in its field. Being able to achieve this in Turkey as well is our greatest wish.

What is the İnteraktif Çevre Danışmanlık's understanding of social responsibility?

As of 2018, we became a member of the sustainable development association with Turkey's leading companies in sustainability within the framework of the UN Sustainable Development Goals to increase the awareness and impact of the business world on sustainable development, and in the focal areas of transitioning to a low carbon economy and efficiency, sustainable agriculture and access to food, sustainable industry and circular economy, and social inclusion and inclusiveness. We closely monitor the activities of the Turkey Materials Marketplace, which is a good example of a circular economy. We believe that we will be active in other areas of focus as well in the upcoming periods.

Climate change and diminishing natural resources directly affect natural life and various sectors. New climatic conditions give rise to changing consumer needs, and raw materials that are decreasing or vanishing in the industry should be replaced with rational alternatives. Kibar Group Companies include the risks and opportunities created by the changing climatic conditions in their strategic plans and act with an awareness of environmental responsibility.

The environmental sustainability approach of Kibar Holding and its affiliated companies is based on the principles of producing innovative solutions and implementing environmentally sensitive behavior models in order to minimize negative effects on the environment. Holding companies aim to minimize their environmental footprints by adopting environmental waste management practices and by ensuring the efficient use of natural resources and energy. Within the scope of R&D activities, companies within Kibar Holding turn the potential risks caused by environmental problems into opportunities through the development of environmentally friendly technologies and products. In 2017, the environmental trainings offered to the employees were diversified and continued, and a total of 6,011 person*hour of training was organized.

REDUCING ENVIRONMENTAL IMPACTS

Combating Climate Change

Climate change, which is one of the most important global problems of our age, poses a serious risk to economic and social life along with natural life. Aware of this situation, Kibar Holding and its affiliates are carrying out environmentally friendly production and are leaning towards renewable energy sources, thus contributing to society in combating climate change and gaining a competitive advantage. Corporate environmental performance is meticulously tracked, remedial practices are carried out, and R&D activities constitute an important part of the development of environmental products.

The "Climate Change: Risks and Opportunities" study, which analyzes the impact of climate change on the Kibar Group and the risks and opportunities in the sectors in which the Group Companies operate, was prepared and published in 2017 by the risk management directorate. In addition to climate change, it is predicted that an increase in natural disasters such as floods, storms, and droughts in the world and our country in the coming years will take place and that this situation will have a direct impact on agriculture, water resources, and the energy and health sectors. The major risks that are foreseen include physical risks that may be caused by natural disasters due to climate change, an increase in insurance costs along with damages that will occur, possible new legislation and tax costs related to carbon emission and similar environmental issues, and an expected increase in raw material and energy prices due to depleted resources. In order to eliminate these risks, Kibar Group Companies aim to achieve environmentally friendly production, adapt to customer expectations in this aspect,

invest in renewable energy resources, and gain a competitive advantage by doing so.

Energy efficiency is one of the most important issues in the combat against climate change. With the efficient use of energy, the decrease in foreign dependency on energy also contributes to the economy of the country.

Kibar Group Companies are striving to reduce their energy density with the energy efficiency projects they implement. During the reporting period, the energy density ratio³ of the Group Companies was 2,548.

Kibar Holding companies have implemented several energy efficiency projects during the reporting period, thus achieving significant savings. Assan Hanil not only reduced energy consumption, but also planted 164 saplings on behalf of its employees in the Nuri Otay Memorial Forest.

Efficient Use of Resources

Declining natural resources have led the entire business world to direct its attention to resource efficiency and efficient waste management. The primary issues in Kibar Holding's natural resource management approach are reducing the use of natural resources, especially water, increasing effective waste management and re-using, and opting for environmentally friendly disposal methods.

During the reporting period, through water efficiency projects, the production facilities of Kibar Holding companies decreased by 13% compared to the previous year and dropped to a level of 355.

Efficient waste management is also of great importance with regards to

the efficient use of natural resources. For sustainable resource use, hazardous wastes must be reduced and disposed of in an environmentally friendly manner. The amount of hazardous waste generated by Kibar Holding in 2017 decreased to 6,902 tons with significant improvement compared to the previous year.

Products and processes with reduced environmental impacts

Kibar Group Companies continuously inspect their production processes and products and make improvements to minimize their environmental impact. In Assan Alüminyum, the annealing time of 8,079 products was shortened. Thus, there has been a decrease in the amount of natural gas, electricity and nitrogen consumption.

With various process improvements, Assan Hanil achieved both resource savings and energy efficiency. In 2017, the thinner resulting from the waste thinner purification unit in Assan Hanil was reused as cleaning thinner, thus reducing the amount of hazardous waste. The heat generated from the compressor motor in the maintenance workshop was used in office heating. The dyed mud was processed in the dewatering unit and separated in the waste and mud source.

In our country, aluminum production from ore can meet only 5% of the total need. Despite this, secondary aluminum (produced from scrap) is increasingly being used in production. The majority of scrap produced in Assan Alüminyum is highly localized as it is produced during production. Since the production of recycled aluminum requires 95% less energy than that of primary aluminum, this use is also of great importance in terms of sustainability.

³The energy density calculation method has been changed in the 2016 report. The density, which was calculated according to the total production amount (ton) in previous years, was calculated according to the number of employees in 2017 due to consolidation difficulties.

SOCIAL INVESTMENTS



SOCIAL INVESTMENTS

We strive to improve social welfare...

Kibar Holding believes that a high level of social welfare is the basis of a healthy economy. With this understanding, Kibar Holding and its affiliates support social responsibility projects that will create value for society in the fields of education, health, sports and culture-arts and raise the level of welfare.

In addition to projects, donations and sponsorships, Kibar Holding Group Companies also contribute to sectoral knowledge thanks to their leading positions in their sectors. During the reporting period, 315 people were offered the opportunity to do internships at Group Companies. İspak carries out a social responsibility project for employment with the İzmit Vocational High School.

Kibar Education and Social Aid Foundation

Founded in 1999, the Kibar Education and Social Aid Foundation was established to institutionalize philanthropic activities within the Group. The aim of the foundation is to raise awareness of social responsibility in society and to reach more people in need. The Foundation continues its projects in the areas of education, health and social aid.

The contributions of the Kibar Education and Social Aid Foundation to the country include the following:

- Asım Kibar Cultural Center - 2013 - İskenderun
- Asım Kibar Vocational and Technical High School - Tuzla
- Asım Kibar Sevgi Forest - 1995 - Ömerli
- Semiha Kibar Preschool - 2014 - İskenderun
- Semiha Kibar Teacherage - 2010 - İstanbul
- Semiha Kibar Organ Transplant and Dialysis Hospital - 1995 - Kayseri
- Tuzla Municipality Semiha Kibar Social Life Center - Tuzla

Mentoring practices in Assan Hanil

Assan Hanil brings students together with expert managers through collaborations with various universities. Students are provided the opportunity to get acquainted with the sector on the one hand, and listen to the important experiences of individuals in business life and take the correct steps for their future on the other.

Social responsibility in Assan Alüminyum

In 2017, Assan Alüminyum continued its investments in social responsibility through donations and sponsorships. The silver sponsorship for the Yıldız Technical University YTU Racing Project team, support for the Darüşşafaka Kitapcan Velisi Project, the silver sponsorship for METU MetE 50th year activities, support for the Electromobile activities of Zonguldak Bülent Ecevit University, and the bronze sponsorship for the İstanbul University Hydrogen Vehicle Team are the projects that were carried out in the field of education. Assan Alüminyum continued its Senem Kibar, the national horseback rider, sponsorship. The company also gives leftover food to street animals.

Art in the factory

Assan Alüminyum has started to exhibit the art work prepared by the students of the Faculty of Fine Arts at Mimar Sinan University in their factories. Thus, students are provided supported, and by bringing heavy industry and art together, without losing the social responsibility focus, a positive contribution is made to the image of the Assan Alüminyum brand.



UNITED NATIONS GLOBAL COMPACT PROGRESS REPORT



UNITED NATIONS GLOBAL COMPACT PROGRESS REPORT

The Global Compact, launched by the United Nations in the year 2000, is an important social responsibility initiative with more than 10,000 signatory institutions from 168 countries around the world. The Global Compact is composed of 10 principles on human rights, working conditions, the environment and anti-corruption.

In 2013, Kibar Holding and Group Companies declared to the United Nations their commitment to the Global Compact.

The 10 Principles of the Global Compact

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2: Make sure that they are not complicit in human right abuses.

Principle 3: Business should uphold the freedom of association and the effective recognition of the right to collective

bargaining.

Working Standards

Principle 4: The elimination of all forms of forced and compulsory labor.

Principle 5: The effective abolition of child labor.

Principle 6: The elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Business should support a precautionary approach to environmental

challenges.

Principle 8: Undertake initiatives to promote greater environmental responsibility.

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

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

Principle	Kibar Holding's Approach	Section with Explanations
Human Rights	Kibar Holding commits itself to full compliance with national and international regulations regulating human rights, with particular focus on the UN Declaration of Human Rights.	Governance in Kibar Holding; Working Life at Kibar
Working Conditions	Under no circumstances does Kibar Holding accept child labor, or forced and compulsory labor, and it respects the freedom of unionization and the collective bargaining rights of employees.	Working Life at Kibar
Protecting the Environment	Kibar Holding carefully monitors its environmental impacts in all its operations. All Group Companies opt for environmental projects and institutions in their activities, selection of business partners, and research and development activities.	Reducing Environmental Impacts
Combating Bribery and Corruption	Kibar Holding provides comprehensive, appropriate and effective support to the struggle against corruption within the framework of the relevant legislation.	Internal Audit Practices
		Business Ethics Practices

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Kibar Holding aims to create lasting benefits for all stakeholders. To this end, it supports the Sustainable Development Goals published by the United Nations in 2015 and which reveals the global issues of top priority that need to be resolved by 2030.

Sustainable Development Goal	Kibar Holding's Approach	Related Section
1	We provide humane working conditions.	Working Life at Kibar
	We contribute to the economic development of the country.	Kibar Holding in Numbers
	We support social welfare through social responsibility projects.	Our Social Investments
3	We attach importance to the occupational health and safety of our employees.	Occupational Health and Safety
4	We invest in the development of our employees.	Working Life at Kibar
	We carry out social responsibility projects in the field of education.	Our Social Investments
5	We support women's employment.	Working Life at Kibar
7	We opt for alternative energy resources.	Reducing Environmental Impacts
8	We provide fair working conditions.	Working Life at Kibar
	We contribute to the economic development of our country.	Kibar Holding in Numbers
9	We focus on research and development activities.	R&D and Innovation
12	We work to reduce our consumption of natural resources.	Reducing Environmental Impacts
13	We develop corporate strategies on climate change.	Combat Against Climate Change
14	We strive to reduce our water consumption.	Effective Use of Resources
	We use natural resources responsibly.	Reducing Environmental Impacts
	We strive to reduce our environmental impact.	Reducing Environmental Impacts
17	We support the UN Global Compact.	About the Report

PERFORMANCE INDICATORS

SOCIAL PERFORMANCE INDICATORS⁴

Employee Demographics	2015*	2016*	2017
Total Number of Employees	2.972	3.175	3.345
Total Number of Female Employees	396	401	425
Total Number of Male Employees	2.576	2.774	2.920
White-Collar Employees	612	660	714
White-Collar Female Employees	188	197	219
White-Collar Male Employees	424	463	495
Blue-Collar Employees	2.360	2.515	2.631
Blue-Collar Female Employees	208	204	206
Blue-Collar Male Employees	2.152	2.311	2.425
Mid-Level Female Executives	11	13	15
Mid-Level Male Executives	63	74	65
Senior-Level Female Executives	2	4	2
Senior-Level Male Executives	27	33	32
Newly-Recruited Male Employees	465	500	664
Newly-Recruited Female Employees	74	98	173
Employee Development	2015	2016	2017
Total Training Time (h)	29.111	72.429	75.383
Blue-Collar Employees	17.208	43.591	49.139
White-Collar Employees	11.904	28.838	26.244
Male Employees	24.455	59.861	64.742
Female Employees	4.657	8.887	10.641
Female White-Collar Employees	3.426	6.820	8.838
Male White-Collar Employees	8.477	17.867	17.406
Number of Employees that Undergo Regular Performance Evaluations	507	522	516
Number of High School Level Student Interns	121	108	96
Number of Grad School/University Level Student Interns	190	150	219
Occupational Health and Safety (OHS)	2015	2016	2017
Number of Active OHS Committees	6	7	8
Total Number of Members at Active OHS Committees	50	55	55
Total Time of OHS Training for Employees (h)	22.382	36.719	40.980
Total Number of Employees Attending the OHS Trainings	1.685	8.063	5.482
Total Number of Participants Attending the Environmental Trainings	966	2.718	1.612
Total Time of Environmental Trainings (person*hour)	676	6.128	6.011

⁴Social and environmental performance data include the Assan Hanil, Assan Panel, İspak, Assan Alüminyum and Assan Gıda companies within the scope of reporting.

*The numeric data included in the UNGC report for 2015 and 2016 has been updated in this report for the areas mentioned above.

PERFORMANCE INDICATORS

ENVIRONMENTAL PERFORMANCE INDICATORS

Use of Energy	2016	2017
Amount of Direct Energy Consumption (GJ)	2.585.061	2.693.920
Amount of Indirect Energy Consumption (GJ)	2.500.127	5.830.164
Total Energy Consumption (GJ)*	5.085.188	8.524.084
Energy Density (GJ/number of employees)	1.602	2.548
Use of Resources	2016	2017
Total Amount of Draught (m ³)	1.296.529	1.188.914
Water Density (m ³ /number of employees)	408	355
Total Amount of Hazardous Waste (ton)	8.662	6.902
Total Amount of Non-Hazardous Waste (ton)	8.634	16.574

*Energy consumption data for 2016 have been recalculated.

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