

KOÇ GROUP
SUSTAINABILITY REPORT 2015





We remain deeply saddened by the untimely death of our Chairman
Mustafa V. Koç.

Mustafa V. Koç leaves behind a substantial, highly successful and proud legacy from his 32-year professional career, which included 13 years as Chairman of Koç Holding.

During his tenure as Chairman, groundbreaking investments were undertaken with determination. The Holding's position in the domestic market was reinforced through successful acquisitions. Koç corporate banner was planted in new countries and our international operations expanded. The Holding's and nation's overseas revenues significantly increased through large-scale export projects. Mustafa V. Koç's global vision turned the Holding into one of the world's leading corporations and Koç Holding achieved the honor of being the only Turkish firm on the Fortune 500 list.

During his life, Mustafa V. Koç was committed to the motto of Holding founder Vehbi Koç, "I exist as long as my country exists and prospers."

He was not only a leader who took on ambitious business ventures, but also a pioneer in social responsibility projects, which he wholeheartedly embraced to contribute to the nation's social advancement.

Always a firm believer in Turkey's bright future, Mustafa V. Koç leaves behind a permanent mark with his vision, philanthropy, leadership and most important of all, humanitarian values. He was truly a man of the people. A leader who energized and supported his employees, he was also a source of inspiration with his global perspective, determination, values and business ethics.

Going forward, we shall transform Koç Holding from a company with international operations into a truly global company in line with his values, broad vision and dynamism...

We will remember him with respect, affection and gratitude.

ABOUT THE REPORT



KOÇ HOLDİNG

With the values and vision formed over the course of a deep-rooted, 90-year history, Koç Group has always had a reputable standing in the eyes of its stakeholders. Leveraging this competitive advantage, Koç Group has maintained long-term sustainable growth to become Turkey's largest industrial enterprise. Our goal for the years ahead is to expand Koç Group's success story to the international arena. We are aware that we can only attain our goal with the support and trust of our stakeholders. We believe that we can only accomplish this objective through a sustainable business model coupled with transparent and accountable communication with stakeholders. As a result, we use the sustainability reports that we have published annually since 2008 as one of our core tools to share detailed and clear information on the developments at Koç Group with stakeholders.

Much like last year, we prepared this year's report in accordance with the GRI G4 Reporting Guidelines "Core" option. We reviewed and updated our existing systems, a task that we routinely carry out during every reporting period. We conformed to GRI G4 guidelines in setting the scope and boundary of the report, determining report content, calculating performance indicators, and fine-tuning the language of the report.

This report covers the operations of and projects conducted by Koç Holding in Turkey from January 1, 2015 until December 31, 2015. The most significant part of the social, environmental and economic impact generated by Koç Holding's operations stem from the activities of the Group companies. Accordingly, the report also covers the operations and performance results of Arçelik, Aygaz, Ford Otosan, Koç Information Group , Opet, Otokar, Otokoç Otomotiv, Tat Gıda, Tofaş, Tüpraş, TürkTraktör and Yapı Kredi, all of which are enterprises owned by Koç Group. This information may be presented on a consolidated basis or broken down by sector. Unless otherwise noted, and except for those sections that detail Koç Holding's profile in addition to the policies, systems and practices implemented throughout the Group, statements made regarding sustainability indicators include those prior referenced companies or the consolidated information of the sector groups composed of the aforementioned enterprises. The scope we have established within that framework incorporates 78% of our Group employees and 87% of the combined revenues of the Group. With regard to social investment areas included in the report, information is presented on activities carried out by VKV as well as external stakeholders of Group companies such as dealers and suppliers in certain prioritized areas.

¹ Koç Information Group does not represent a legal entity, but a common name for KoçSistem, Bilkom, and Koç Information and Defense Technologies, all of which are Koç Group companies. Within this report, unless otherwise stated, all performance and practice related information disclosed regarding Koç Information Group consists of the shared data and practices of these three enterprises.



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EMBRACING
THE COMMUNITY

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MESSAGE FROM THE CHAIRMAN



Ömer M. Koç
Chairman of the Board of Directors

Becoming a global power necessitates an accurate appraisal of the present state of the world, the philosophy, vision and business models to advance the appropriate response, identify future expectations and demands in order to develop suitable products and services.

Dear Stakeholders,

I would like to start by paying tribute to my dear brother Mustafa V. Koç whose vision, leadership and above all, human values leave behind such an indelible mark. God rest his soul. It is beholden upon us to run even further with the baton he has handed over.

As we reinforce the Koç Group's leadership in Turkey, we will also endeavour to become a global power; this necessitates an accurate appraisal of the present state of the world, the philosophy, vision and business models to advance the appropriate response, identify future expectations and demands in order to develop suitable products and services. It is therefore vital for us to comprehend present and potential social, environmental and economic issues today before adopting innovative solutions and business models based on creating shared values throughout the Koç Group and all our business processes. That is the only way we can continue to grow our successes in the future as we have done in the past, and create value for our stakeholders.

2015 proved to be a turning point in global issues and international efforts in search of solutions. The United Nations Sustainable Development Goals identified seventeen distinct sustainability areas that the whole world needs to manage carefully. The single greatest outcome of this process for the world of business is the promotion of the private sector into a recognisable actor on the path to development goals. I believe that the private sector needs to assimilate fully its transformative role in sustainable development. Convinced of the crucial role of the private sector in development, we, the Koç Group, have always been a driving force in Turkey's economic and social progress with our investments and ventures into new areas, and will continue to do so. We have, to this end, integrated sustainability into our activities and are now delighted to offer an insight into our social and environmental performance with this sustainability report. Throughout this reporting period, as we followed the undertaking in the field of climate change on both local and global levels, we have also designated the problem of climate as a priority in our activities. Group companies have, in this reporting period, initiated several highly successful climate and environmentally friendly products and services encompassing supply processes, production and distribution.

I am convinced that creativity and innovation are two indispensable qualities for the Koç Group's ongoing success and capacity to solve development-related problems. With approximately 13% of Turkey's private sector R&D spend in this reporting period, the Koç also ranks among the top R&D investors in the world. We will continue to take bold steps in innovation and new technologies.

I also believe that innovation and creativity, the two halves of the single greatest factor in progress, is fostered in a work environment that encourages a diversity of voices. That is why diversity is an indispensable quality of our workplace culture in the Koç Group. This, in turn, is predicated on fair treatment of every employee, equal opportunities and embracing our differences as a value. All the same, gender inequality remains unsolved around the world, hence our support for the HeForShe initiative that the late Mustafa V. Koç had joined as a global leader. To this end, we endeavour to create a working environment where women employees are better able to express themselves, find better opportunities for training, development and senior management levels. We are generating projects to expand this goal throughout the Koç Group value chain and our wider impact area. Social development activities are a major part of our corporate culture. Our social work has been conducted for many years within a corporate and strategic plan and a vision that targets shared benefits, well beyond the scope of any mere charitable activity. Our social investment activities especially in health, education, culture and the arts and sports will continue well into the future.

On the occasion of addressing you as the Chairman of Koç Holding for the first time, I would like to express my gratitude to all our shareholders, customers, dealers, suppliers, trades unions and above all, our managers and employees for their support in our success, and their sympathy in our time of grief.

With my warmest regards,

A handwritten signature in blue ink, reading "Ömer M. Koç". The signature is fluid and cursive, with a prominent initial 'O'.

MESSAGE FROM THE CEO



Levent Çakıroğlu
CEO

Our aim at the Koç Group is to help Turkey with the pioneering steps we have taken in innovation, technology and sustainability and renewable models, and thereby transform our leader and exemplary position in the country to international success stories.

Dear Stakeholders,

As you know, 2016 started with an indescribable loss for our group: Mustafa V. Koç, architect of momentous Koç Group accomplishments and a true leader at the vanguard of every field of social responsibility will always be remembered with great respect and admiration. I would like to take this opportunity to pay tribute to his memory once again. He is sorely missed; God rest his soul. I would also like to repeat our determination to ensure that his legacy of a global Koç Group remains in safe hands.

Our world today is beset with geopolitical, economic and social problems, yet humankind also takes enormous strides in science and technology. I sincerely wish peace, common sense, science and prosperity as soon as possible for our country and the world at large.

Climate change is a major item on the agenda for the sustainability of global peace and prosperity. The long-suspected risks posed to our world, society and economy by climate change are now even more observable than ever. The accord reached at the 2015 COP21 Paris Summit for a global and practical solution coming at the end of many years of negotiations is a major development. A key outcome of this agreement is the capacity demonstrated by so many countries to take a common stand in the face of a global problem; this offers optimism for the solution of other social and economic problems.

Koç Group companies have been quite successful with their climate and environment projects in this reporting period. Efficient energy use drives initiated through the year has resulted in energy savings totalling 1.26 million GJ, while greenhouse gas emissions fell to 91,170 tonnes of CO₂. In the meanwhile, by recycling 96.86 million cu. m. of water, Koç Group companies have effectively derived 73.4% of their water consumption from recycling.

Our objective to become a leading player in global economy hinges upon our ability to correctly identify the course of the economy, consumer expectation and requirements, lifestyles and the perception of prosperity, and taking our place in the new industrial structure that is being formed accordingly. It would not be too far fetched to foresee a radical transformation of the economy in the very near future as a consequence of products and services fostered by digital technology, given the massive strides already taken in the last few years. We at Koç Holding aim to embrace this transformation

throughout our Group, reflect it upon our business models and thereby develop a portfolio of products and services that answer the expectations of the new generation and that add value to life. It is also important to prioritise a sustainable production philosophy that is environment- and people-friendly throughout our value chain. Our work on innovation that is rapidly developing and expanding into all our business sectors is central in this respect. I take great pride in stating that every Koç Group company leads its sector in R&D infrastructure and capability: with 4,321 staff and TL1.3 billion in 2015, the Koç Group led the Turkish private industry in this particular field.

We owe our accomplishments in sustainability to our employees; they present unquestionably the real security for our future. We are convinced that pioneering work and innovative ideas can only originate in powerful teams that develop unrelentingly. To this end, we support our employees' professional development and undertake several other initiatives to foster diversity in our teams. We have signed up to the Women's Empowerment Principles in this reporting period. We continue to develop initiatives aiming to raise gender sensitivity in the work place throughout the Group. Our 'For my Country' social investment programme intends to reach beyond the confines of the Koç Group and expand the scope of our work towards gender equality throughout society at large.

That the entire Koç Group companies traded on the BIST50, along with Koç Holding itself made it to the 2014-2015 BIST Sustainability Index is yet another major achievement, a direct result of the resolute development we have maintained for a long time.

Our aim at the Koç Group is to help Turkey with the pioneering steps we have taken in innovation, technology and sustainability and renewable models, and thereby transform our leader and exemplary position in the country to international success stories.

An African proverb the late Mustafa V. Koç was so fond of repeating says, 'if you want to go fast, go alone; if you want to go far, go together.' I would like to extend my gratitude to our shareholders, customers, suppliers, trades unions and employees who have made 89 years of success possible by supporting us on this journey as we set our sights on far distant horizons.

With my kindest regards,

KOÇ GROUP HAS SUCCESSFULLY MAINTAINED ITS POSITION AS TURKEY'S TOP INDUSTRIAL GROUP. ACCORDING TO THE TOP 500 INDUSTRIAL ENTERPRISES SURVEY 2015 BY ISTANBUL CHAMBER OF INDUSTRY, THE TOP 3 CORPORATIONS ARE ALL KOÇ GROUP COMPANIES.

- World's **381st** Largest Company According to Fortune Global 500 List

- Koç Holding remained as the only Turkish company in Fortune Global 500 List during 2015.

- Koç Holding is the one and only Turkish company to place in the top ten of the "Holding" category in Boston Consulting Group's "2015 Value Creators" list.

- The European Commission's 2015 list for "The World's Top 2,500 R&D Investors" based on R&D spending figures includes Koç Holding as well as **three** other Koç Group companies.

- Koç Holding ranked first in "Turkey's Most Admired Companies" survey carried out by Capital magazine.

- In the "Turkey's Best Employers according to Generation Y" survey, conducted by the global research company Universum Koç Holding ranked **first** in the economics, administrative and social sciences categories, and **fourth** in engineering and information technologies. In addition, Koç Holding placed first in the holdings category

- Koç Group was named "The Group with the Highest Number of Female Employees" at the "Women-Friendly Companies Survey", held by Capital magazine.

- With the "HeForShe" campaign, Koç Holding was granted the "Felis," one of the most prestigious awards of the communication world in the category of Corporate Social Responsibility..

**KOÇ GROUP
IN 2015**

9%

OF TURKEY'S TOTAL EXPORT
Koç Group has generated a
combined financial revenue
equivalent to

7%

OF TURKEY'S NATIONAL INCOME

Energy

Major Companies

Tüpraş* - Aygaz* - Opet - Entek
- Aygaz Doğal Gaz - Demir Export

Automotive

Major Companies

Ford Otosan* - Tofaş* -
TürkTraktör* - Otokar* - Otokoç
Otomotiv

International Alliances

Ford Motor Co. - Fiat Chrysler
Automobiles - Case New Holland

Consumer Durables

Major Companies

Arçelik* - Arçelik-LG Klima

International Alliances

LG Electronics

Finance

Major Companies

Yapı Kredi Bankası* - Yapı Kredi
Leasing - Yapı Kredi Koray* - Yapı
Kredi Faktoring - Yapı Kredi Yatırım
Menkul Değerler - Yapı Kredi Portföy
Yönetimi - Koç Finansman

International Alliances

UniCredit

Other

Major Companies

Tat Gıda* - Düzey - Koçtaş - Setur
- Setur Marinaları - Mares* - Divan -
KoçSistem - Bilkom - RMK Marine

International Alliances

Kingfisher - Kagome - Sumitomo

KOÇ GROUP IN 2015

In **23** countries

91,304 employees

63

Number of
Facilities Certified
with OHSAS 18001

79

Number of
Facilities Certified
with ISO 14001

7,895

Number of Employees
Volunteering for
Social Projects

242 million TL
Environmental
Protection
Expenditures and
Investments

223
Number of
Donations,
Sponsorships and
Social Projects

46,476

Number of
Saplings Planted
for Reforestation



73.4%

Percentage of Recycled
Water in Total Water
Usage



1.26 MILLION GJ

Total Energy Saved



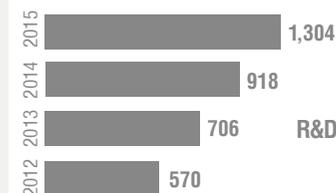
91.17 THOUSAND TONS

Total GHG Emissions
Reduced

Values (Million TL)	31 December 2015	31 December 2014	Change %
Revenues	69,492	68,622	1
Operating Profit	6,677	3,222	107
Profit Before Tax	5,557	3,181	75
Profit for the Year	5,829	4,214	38
Profit for the year attributed to equity holders of the parent	3,568	2,710	32
Total Assets	72,985	63,941	14
Total Equity	33,676	29,301	15
Equity attributed to equity holders of the parent	23,135	20,348	14

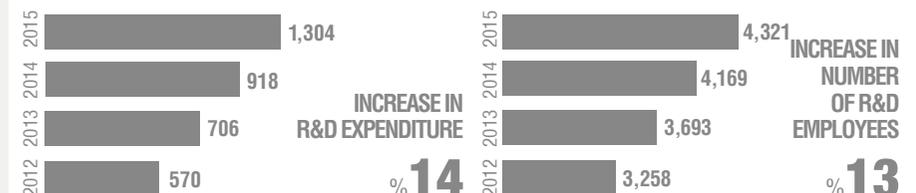
TOTAL R&D SPENDING OF KOÇ GROUP COMPANIES

(TL MILLION)



INCREASE IN
R&D EXPENDITURE
% 14

TOTAL R&D EMPLOYEES OF KOÇ GROUP COMPANIES



INCREASE IN
NUMBER
OF R&D
EMPLOYEES
% 13



SUSTAINABILITY VISION

“Meeting our responsibilities toward the people of today as well as future generations is yet another core principle that we pioneered.”

Our Founder Vehbi Koç

KOÇ HOLDING SUSTAINABILITY STRATEGY

The pillars of Koç Holding’s sustainability initiatives are business ethics, corporate governance and culture of corporate responsibility. These principles are supported by the UN Global Compact that Koç Holding became a signatory to in 2006 along with the UN Women’s Empowerment Principles and the HeForShe Initiative that we joined in 2015.

Activities carried out as part of the 10 principles of the UN Global Compact and our sustainability reporting efforts have proved extremely successful within Koç Holding and the Group companies. Additionally, these efforts have been a success within our sphere of influence in general, in terms of managing social, environmental, economic and ethics matters, reinforcing risk management perception, and grasping the world of the future. As our corporate capabilities and performance have improved in these areas, the need for a model that will further expand our horizons emerged. To this end, we launched the Koç Group Sustainability Management Project in 2014 with the encouragement of Koç Holding senior management and the participation



TÜPRAŞ

of Group companies. Under the project, we discussed what we needed to do to ensure the existence and development of Koç Group in the new socio-economic environment to come. At the same time, we identified the operations of Koç Holding and Group companies and the potential social, economic and environmental impacts of these operations, in both the present day and the future. Subsequently, we identified governance areas of

improvement that will enable more effective management of these matters and enhanced performance.

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G4-16



KOÇ GROUP SUSTAINABILITY PRIORITIES

Prioritization is a core component of the Koç Group sustainability management approach. As part of the systematic process carried out jointly by Koç Holding and Group companies, sustainability priorities are identified, performance boosting strategies are devised in these areas, and actions are taken.

Under the Koç Group Sustainability Management Project, the first aspect we addressed was identifying Koç Group's sustainability priorities. A comprehensive study was conducted at this stage with the participation of 230 persons consisting of senior-level and specialized unit managers of Group companies. The objective was to set the priorities by analyzing aspects related to the laws, rules and regulations governing the business of Koç Holding and Group companies, engagements, general and industry-specific sustainability issues, best practices within the peer group, and business goals and stakeholders expectations of Koç Holding and Group companies.

We adopted the prioritization guideline within the GRI G4 standard and the process recommended for this guideline in our priority setting study. Issues were prioritized based on potential impact on the Group's business success with a risk and opportunity-oriented approach while taking the entire value chain into consideration. After the results were consolidated with the assessment of Koç Holding's related units, the findings were presented to Koç Holding senior management for approval and the priority portfolio was determined. To this end, the Koç Holding sustainability priorities portfolio consists of 10 core issues and four main courses of action related to these issues:



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KOÇ GROUP SUSTAINABILITY MANAGEMENT

As part of Koç Group's sustainability management approach, the core policies and strategies related to sustainability priorities are formulated with the participation of the relevant Koç Holding bodies and Group companies. Meanwhile, the policies, strategic trends and goals pertaining to the sector-specific aspects of these areas are set by the Group companies. Koç Holding and Group companies establish units responsible for executing sustainability priorities. Progress made toward achieving these goals is monitored through performance evaluation systems and reported to senior management. The Group also began feeding the accomplishments in these areas into the compensation system, including the remuneration of senior management, via the performance management systems.

Core performance indicators are defined for each Group company's priorities for upcoming years. Efforts to expand the scope of target-setting at the Group are ongoing. The Koç Group Sustainability Performance Evaluation and Reporting System was established in 2010 in order to monitor the actual results with respect to the sustainability performance indicators. The system is structured in line with the performance indicators set by the Global Reporting Initiative (GRI) G4 Sustainability Reporting practices in addition to those indicators designed specially to monitor the sustainability performance of the Koç Holding and Group companies. It is improved annually according to the needs identified and feedback received by Koç Holding. To ensure efficient use of the system, the Group

administers annual training for users, updates system manuals, and provides advisory service to users for the data collection process. System improvement initiatives continued in 2015. In line with the goal of integrating sustainability management with the core business processes of Koç Holding and Group companies, we undertook efforts to integrate the sustainability performance indicators with the function-based performance evaluation tools. To this end, during the reporting period, human resources processes-related performance indicators were fully integrated into the human resources performance evaluation system.

Pursuant to Koç Group's sustainability management approach, the primary role of Koç





Holding's senior management, led by the Board of Directors, is to steer sustainability initiatives in line with the Group's overall strategy, while monitoring and overseeing the performance results. Investor Relations Reports and Sustainability Reports that are published annually, as well as function and subject-based analyses, briefings and assessments that are conducted with varying frequency, serve to inform Koç Holding's Board of Directors and senior management on the initiatives and performance related to sustainability priorities. Further, tasks performed by the committees and working groups formed within the Holding's corporate structure and the findings from these tasks are provided to senior management via annual reports and presentations. After assessing the information gathered through all these channels and the perspectives, demands and expectations received through various stakeholder interaction tools, Koç Holding Board of Directors sets the strategic direction for the coming years while ensuring and overseeing implementation by senior management.

Koç Holding and Group companies registered various accomplishments during the reporting period thanks to their sustainability management development efforts. Arçelik, Ford Otosan, Otocar, Tofaş, Tüpraş and Yapı Kredi as well as Koç Holding were included in the BIST Sustainability Index BIST Sustainability Index 2015-2016.

OUR STAKEHOLDERS

Establishing continuous and constructive communication with stakeholders and addressing their expectations and needs is an integral element of Koç Holding's business conduct.

Koç Group has a vast stakeholder audience when our subsidiaries are also taken into consideration. However, stakeholders of Koç Holding and Group companies are different and distinct groups based on their operating structures. Thus, Koç Holding and Group companies conduct analyses to identify their corporate stakeholder segments. Koç Holding's primary stakeholders are shareholders, subsidiaries, employees, dealers and agencies, customers, civil society organizations, and governmental entities.

Tools and frequency of stakeholder communication activities carried out by Koç Holding depend on the nature, expectations and needs of the target audience. Stakeholder engagement practices include one-on-one interviews for one- and two-way information provision and feedback collection, reports, presentations in addition to project-based partnerships.

Koç Holding selects corporate stakeholders to develop collaborations based on the core principles of integrity, respectability, ethics, and compliance with applicable laws and regulations. Koç Holding also assesses potential partnerships according to the potential to create value, further innovation, and foster creativity.

While all units of Koç Holding communicate with their respective stakeholders through various channels, the main unit responsible for the Company's stakeholder communication activities is Corporate Communication and External Relations Department. As the overwhelming majority of Koç Holding's assets are comprised of publicly listed companies, communication initiatives specific to financial stakeholders – such as investors, shareholders, credit rating agencies, investment banks, and analysts – are necessary. The Investor Relations Department is responsible for these efforts. In addition to setting up meeting requests from investors, the Investor Relations Department proactively participates in road shows and conferences to meet with investors in various countries and cities at least 10 times each year. In order to provide a transparent financial communications platform, the Investor Relations Department organizes quarterly webcasts; informs investors on a regular basis through the investor relations bulletin, website, and the iPad app; and addresses all questions received from the investment community via e-mail or teleconference.

Koç Holding stakeholders are able to convey their expectations and opinions in a large number of areas through communication channels. The most basic expectation of stakeholders is transparent, egalitarian, regular and prompt information disclosure. These requests are evalu-



ated by related units and addressed via various tools. These tools include the website and the iPad apps, which are updated in real time; the annual report and sustainability report, which are published annually; financial performance reports, which are released quarterly and annually; periodic analyses and informational documents, road shows, and webcasts. In addition, the Company addresses the stakeholders' need for information, as the need arises, through press releases, material event disclosures, and ad hoc meetings. Aside from trade and commercial secrets, all questions are answered expeditiously by the most competent persons at the Company in charge of the related topic.

Thanks to their pioneering role in community investments, Koç Holding and Group companies receive a large number scholarship, donation, financial and in-kind assistance requests. These requests are evaluated by the Corporate Communication and External Relations Department and Vehbi Koç Foundation based on their areas and available resources; the appeals are addressed in line with the future plans.

In addition to the efforts of the Group companies, Koç Holding undertakes a number of initiatives to foster regular communications with employees. For example, the Company posts major announcements, changes in management, and press releases on the intranet, which is accessible to all personnel. Koç Holding also publishes

an in-house monthly magazine, "News from Us," which is available for public view and aims to enhance communication with staff members. Further, community development projects such as "For My Country" are carried out through the volunteer efforts of employees.

Customers of Koç Group companies can share their opinions, suggestions, complaints and requests with Koç Holding through communication forms on the website or by reaching the related units via telephone and email. The primary channels of communication for correspondence related to products and services are the call centers, Human Resources and Corporate Communication units of the Group companies.

Koç Holding believes that the best way to find lasting solutions to shared social problems is through civil society organizations, provided that they are supported adequately. To this end, Koç Holding and Group companies support, through membership, various professional associations and trade bodies; initiatives that bring together the business community; associations and foundations that operate in environmental, educational, health, and other similar areas. They also take part in the working groups whose charters coincide with the Group's areas of operation and participate in their projects. Similarly, Koç Holding and Group companies contribute to innovation initiatives and other forms of scientific advancement through communication and joint projects with universities.





**ACCOUNTABLE,
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AND RESPONSIBLE
MANAGEMENT**

“Adhering to Superior Business Ethics and Honest Business Principles is Our Doctrine”

Our Founder Vehbi Koç

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CORPORATE GOVERNANCE

Being Turkey’s largest company, Koç Holding is a pioneer in the Turkish business community thanks to its accountable, transparent and responsible management approach and its leadership in embracing corporate governance principles. The Koç Group owes this leadership position primarily to its values and code of ethics. A business culture steeped in these values and principles will continue to drive and bolster the Group’s commercial success as well as its leadership in business conduct and sustainability credentials.

The principles of integrity, respectability, ethical behavior, and compliance with applicable laws, rules and regulations form the backbone of the corporate governance approach adopted by Koç Holding and Group companies. Koç Holding’s commitment to improving its corporate governance is demonstrated in numerous ways. For example, contemporary elements of good corporate governance, such as appointing independent members to the Board of Directors and basing executive pay on sustainable financial and operational performance criteria, were adopted by

the Company before they became legally required. Full compliance with laws, rules and regulations, and the establishment of an accountable, transparent and responsible management approach are indispensable principles for Koç Holding and Group companies.

Koç Holding and Group companies have adopted the Capital Markets Board (CMB)’s Corporate Governance Principles in their corporate governance models, and they constantly undertake improvement efforts in order to increase the level of compliance with these principles. Improvements in this area are presented for the information and opinions of stakeholders in annual Corporate Governance Principles Compliance Reports. Arçelik, Aygaz, Otokar, Tofaş, TürkTraktör, Tüpraş and Yapı Kredi, Group companies listed on Borsa İstanbul, commission corporate governance rating assessments. These enterprises are included in BIST’s Corporate Governance Index as a result of their corporate governance rating scores.

BOARD OF DIRECTORS AND COMMITTEES

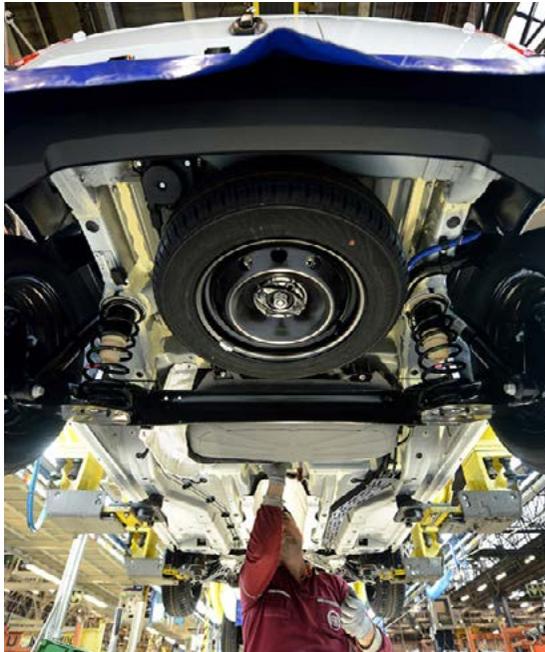
The highest administrative body at Koç Holding is the Board of Directors. Structured in a way that complies with the CMB’s Corporate Governance Principles, the Board of Directors consists of 15 members as of 2015. No members of the board take on an executive role at the Company while five board members are recognized as independent members in keeping with the principles stipulated in the related communiqués of the CMB. In addition to those board members that meet all CMB requirements for independent membership, three of our board members comply with all of the independence criteria except for that pertaining to residing in Turkey and meeting the tenure required by the Income Tax Law. Further, the Chairman of the Board of Directors and CEO functions are carried out by different persons at Koç Holding.

The current composition of Koç Holding Board of Directors can be accessed [here](#).

** The number of members on the Board of Directors was raised to 18 in April 2016, while the number of independent members rose to six in accordance with CMB regulations. The number of female members on the Board of Directors increased from one as of end-2015 to four in April 2016.*



Koç Holding Board of Directors carries out its duties and responsibilities in line with the criteria set forth in the Company's Articles of Association. The Audit Committee, Corporate Governance Committee, Nomination and Remuneration Committee, Risk Management Committee, and Executive Committee were formed to boost the productivity of the Board of Directors. Detailed current information on the composition, operating principles and member lists of Koç Holding Board of Directors and the committees can be accessed [here](#).



TOFAŞ R&D

RISK MANAGEMENT

The highest body within Koç Holding responsible for the risk management function is the Risk Management Committee, which performs this duty on behalf of the Board of Directors. Risk analysis and management efforts are carried out under the leadership of the Presidency of Finance in coordination with all departments. The scope of this task includes conducting detailed evaluations on potential financial, strategic, operational and legal risks, and undertaking initiatives to improve risk policies and control mechanisms.

The risk assessment process also entails evaluating social, environmental and economic risks and opportunities of existing as well as potential investments and operations. The Company takes preventive measures to eliminate the risks identified. All these matters are conveyed periodically to the Risk Management Committee and the Board of Directors through Koç Holding's CFO via informational reports. Measures against risk elements, which are prioritized based on probability and magnitude criteria, and risk tolerance limits are set by the Board of Directors and implemented by the responsible functions within the Holding and Group companies. Managers responsible specifically for the highest priority risks are assigned at Koç Holding or in each Group company.

Group companies carry out risk management activities using a model identical to that employed by Koç Holding. In addition, Group companies create their own risk identification, early warning and mitigation mechanisms, and set their tolerance limits. Risk elements identified by Group companies feed into Koç Holding's risk management processes; action plans devised as a result of this process are duly implemented.

In addition to preventive measures taken against risk elements, the Company also uses commitments to principles set forth by national and international voluntary initiatives in sustainability areas including human rights, the environment, and legal compliance as risk mitigation tools. These include the UN Global Compact, Declaration on Equality at Work, and WEP, as well as management standards such as ISO 14001, ISO 14064, and OHSAS 18001.

COMPETITIVE STRATEGIC PLANNING

Koç Holding Board of Directors, first and foremost, oversees the long-term interests of the Company by setting strategic goals using a rational and prudent risk management approach. As part of this effort, the Board of Directors also sets the required human and financial resources and supervises the management's performance in these areas.

Koç Holding Board of Directors convenes four times each year. At these meetings, the Board tracks the Group's financial performance during the period in relation to the budget, assesses developments in relation to Company strategies, and makes recommendations. The year-end performance evaluation process entails a review of financial and operational indicators along with the implementation level of corporate strategies. This evaluation provides input into performance and compensation. The most essential input for the activities carried out by the Board of Direc-

tors is provided by the strategic planning operations undertaken by the Koç Holding Strategic Planning Organization, Sector Presidencies, and Group companies.

The Koç Group Strategic Planning Process is carried out for five-year periods. As part of this process, Group companies conduct comprehensive assessments pertaining to future trends on market conditions, environmental and competitive analyses, legal and regulatory developments, customer expectations, advances in technology, attributes of products and services, and distribution channels. In addition, they set a vision for their respective companies and formulate strategies and goals to that end. These assessments, supported by feasibility studies, are presented to the CEO and related Presidents at Strategy Review meetings. The financial projections approved by the companies are consolidated on a Group basis and five-year resource balance scenarios are created.

BUSINESS ETHICS AND ANTI-CORRUPTION

Koç Holding's accountable, transparent and equitable management approach, which adheres to ethical business values, and its business conduct, which strives for full compliance with applicable laws and regulations, supports universal human rights principles, and embraces corporate citizenship, have served as a role model for a large number of organizations.

The business ethics approach adopted across Koç Group was documented in writing under the title Koç Group Code of Ethics and Implementation Principles. This document is posted on our website in Turkish and English. The Code of Ethics and Implementation Principles is binding for all Koç Group operations and employees as well as business partners such as suppliers and dealers. The Ethical Conduct Boards, set up separately within Koç Holding



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and Group companies, are responsible for overseeing compliance with the Koç Group Code of Ethics and Implementation Principles. These rules and principles have been communicated to all Koç Group personnel, while they are conveyed to new staff members during orientation training. Suppliers and dealers are informed of these rules and norms when the Group establishes business relations with them. Group companies also issue company-specific ethical conduct norms documents that meet sector-specific expectations while complying with the Koç Group Code of Ethics and Implementation Principles.

The Koç Group Code of Ethics and Implementation Principles document can be accessed [here](#).

As also stipulated in the Koç Group Code of Ethics and Implementation Principles, Koç Holding and Group companies do not champion any political thought or support any political entity or person financially, in-kind or in any other way. Koç Holding and Group companies do not engage in communications with public authorities in the countries they have operations in except for the commercial relations established within the framework of the related laws, fair competition norms and transparency; responses to requests for information and input; and social responsibility projects.

Koç Holding and Group companies are committed to creating utmost value for stakeholders while remaining steadfast to their legal and regulatory obligations. To this end, Koç Holding and Group companies fully comply with the laws and regulations of the countries they do business in – in addition to Turkey where the operations are headquartered – and adhere to norms of international trade. Koç Holding and Group companies have a standardized, effective and continuously-functioning control procedure to ensure compliance with this responsibility necessitated by the code of ethics.

Internal audit efforts within Koç Group companies are carried out at two levels. Reporting directly to the Koç Holding Chairman, the Koç Holding Audit Group Presidency conducts the central audit process of Koç Group companies; meanwhile, Group companies also perform this function through their own internal audit units. Koç Holding and Group companies' internal audit departments conduct essential Risk Management Auditing, Process Auditing, Financial Statements Auditing, Regulations and Compliance Auditing, and Anti-Bribery and Anti-Corruption Auditing activities each year.





The adequacy and effectiveness of the internal control systems that are used while conducting these five core auditing tasks are assessed in accordance with International Auditing Standards, and necessary improvements are implemented expeditiously.

In addition to the existing internal control procedures and preventive approaches, Group companies conduct special-purpose auditing efforts to eliminate all types of bribery and corruption risk, and undertake preventative initiatives. To this end, the following measures are implemented across the Koç Group:

- Koç e-audit software carries out analytical inspections and monitors company results.
- Programs such as the Audit Portal and Koç Audit are used to continuously enhance the know-how of our employees in the financial affairs fields of the Group companies on laws, rules and regulations, best practices, and Koç Group principles.
- Regular audits and reviews conducted by independent audit firms provide Group companies with an external perspective on compliance with international auditing and risk management standards.
- The Group companies together with global partners benefit not only from the Group's principles, but also the know-how of the foreign partners in terms of codes of ethics. Those ethical principles are implemented across all entire business processes and in all relationships.

In 2015, audits against bribery and corruption risks were also part of the scope of audits conducted at Koç Holding and Group companies. When encountering behavior that is suspected to involve bribery or corruption, stakeholders can file a report through the Group companies' channels of communication or reach Koç Holding Audit Team managers via their direct telephone numbers. These systems enable employees and all other related parties to report bribery and corruption allegations directly and without fear of retribution. Managers and personnel of Group companies also receive training on anti-bribery and anti-corruption policies and implementation processes. In 2015, 150 executives and 9,687 staff members of Group companies attended training on anti-bribery and anti-corruption policies and procedures. Further, an 84 man-hour portion of the Work Life Training that was conducted within Koç Holding with the participation of 42 HR managers was reserved for anti-bribery and anti-corruption topics.

According to Koç Group Procedures, the moment the possibility of bribery or corruption arises, the manager of the related department informs the company's General Manager about the situation. Meanwhile, the General Manager, in turn, immediately informs the Audit Group Presidency in addition to the Business Unit Presidency he or she reports to at Koç Hold-

ing. The results of the bribery and corruption audits and inspections are also shared with Koç Holding's senior management. Koç Holding Board of Directors is informed on the audit and inspection activities through the Audit Committee, which is composed of independent board members.

We take heed of the following principles while investigating suspicion of corruption:

- Resolving the issue as expeditiously as possible
- Maintaining confidentiality
- Following the proper legal processes
- Notifying public authorities or stakeholders if necessary

In order to boost the effectiveness of bribery and corruption auditing, an audit segment that requires unique specialization, Koç Holding employs two auditors with a special certification in fraud auditing (CFE-Certified Fraud Examiner). In addition, to raise the know-how of our auditors to international standards, Koç Holding encourages them to obtain Certified Internal Auditor (CIA) certification. As of 2015, seven auditors with CIA certification are employed at the Koç Holding Audit Group Presidency.



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Our most important asset is our people.

Our Founder Vehbi Koç

WORKPLACE CULTURE

Viewing our employees as our most valuable capital is a common understanding shared across the entire Koç Group. We conduct our business activities keenly aware that moving Koç Group forward into the future depends upon recruiting well qualified professionals and generating value jointly with them. To this end, Koç Group companies supports their personnel throughout their careers starting at the recruitment phase via human resources practices. We foster a fair and equal opportunity working environment that is conducive to both personal and professional development. Diversities

are being respected and no discrimination is made at any stage of worklife.

Improving and ensuring the efficiency of our human resources processes is the responsibility of the human resources departments of Koç Holding and Group companies. All employees, with the support of these departments, implement our human resources approach as well as the policies, strategies and processes developed in accordance with this approach. Group companies publish human resources guidelines in order to ensure broad adoption of this approach and to

raise awareness among the staff.

Efforts to ensure the continuity and sustainability of our workplace culture are guided by the Koç Group Code of Ethics and Business Conduct. Employees are expected to abide by the Code of Ethics and Business Conduct. The Code of Ethics and Business Conduct serves as a major reference guide that personnel can consult whenever they need direction.

Detail information on the Code of Ethics and Business Conduct can be accessed [here](#).



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Koç Holding administers various training programs to ensure that workplace culture enhancement activities comply with the Group's labor principles and policies, and to equip the managers undertaking these activities with the requisite knowledge and skills. To this end, 672 employee-hours of Work Life Training was administered during the reporting period to 42 human resources managers who steer the human resources practices of Group companies. The content of the training includes Personnel Regulation, Code of Ethics and Business Conduct and Implementation Principles, anti-bribery and anti-corruption, labor law, social security law, occupational health and safety.

Koç Holding carries out research studies on employee expectations and prioritizes initiatives that address these expectations as part of its efforts to enhance the workplace culture and increase staff engagement across the Group. To this end, Koç Holding conducts an Employee Engagement Survey in all Group companies to identify the impacts of current initiatives and potential areas of improvement. The survey conducted during the reporting period solicited personnel feedback in a number of areas with regard to satisfaction and engagement. Employees were encouraged to participate in the survey through various communication channels via the "Time to Proceed Together (BİZ)" communication campaign. In 2015, 85% of staff members of the companies that are within the scope of this report participated in the survey. The Best Practices Guide was prepared in order to manage the survey process effectively and shed light on model

practices across the Group.

Respect for fundamental human rights, an indispensable component of our corporate culture, is supported with practices within the Group and considered as a whole with employee rights. Having adopted this approach, we conduct our operations in accordance with fundamental human rights and in compliance with applicable local and international human rights rules. Reflecting this responsibility in our value chain as well, we undertake initiatives not just for the benefit of our employees, but also for our stakeholders. The most important demonstration of this approach is stipulated in Article 3.8.2 of the Code of Ethics and Business Conduct: "To act in accordance with the principles specified by the United Nations Global Compact and to be an exemplary corporate citizen with our employees, dealers, suppliers and authorized service centers." Our human rights principles also comply with the agreements issued by the International Labor Organization (ILO).

None of the Koç Group companies employ child labor or engage in forced or compulsory labor practices. Our suppliers are also expected to operate with the same sensitivity in such matters. In order to ensure compliance with these requirements, we collect written commitments from our suppliers and monitor their practices.

Koç Group respects its employees' rights to join trade unions and participate in collective bargaining. As of year-end 2015, 51,973 employees (14,162 office employees, 37,811 shop floor employees) of

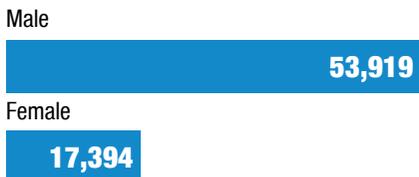
domestic and overseas Group companies are covered under collective bargaining agreements. The rate of unionization in the Group companies within the scope of this report increased by four percent to 73% in 2015. The unionization rate is 98% among shop floor employees and 43.5% among office employees.

There are 196 senior executives (11 foreign nationals, 185 Turkish citizens) and 71,313 employees (64 foreign nationals, 71,249 Turkish citizens) in the Turkey operations of the companies that are within the scope of this report. Our companies' Boards of Directors comprise 147 members (15 women, 132 men).

Group staff members are allowed to be elected to the local and central management bodies of employee or employer associations in addition to serving as members of their respective professional organizations. Some 1,175 Koç Group employees assumed duties in trade unions and 10 personnel took part in employer's unions during the reporting period. Besides these memberships and representations, a number of Koç Group employees are engaged in Provincial Employment Boards, Chambers of Industry and Commerce, and in various civil society organizations in order to contribute to job creation, the Turkish economy, and societal development.

Employee Demographics in 2015

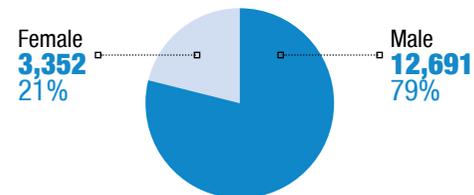
Employee Breakdown



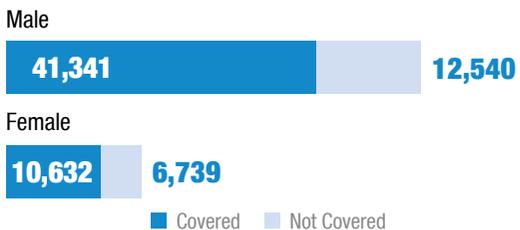
Employee Breakdown by Employment Type



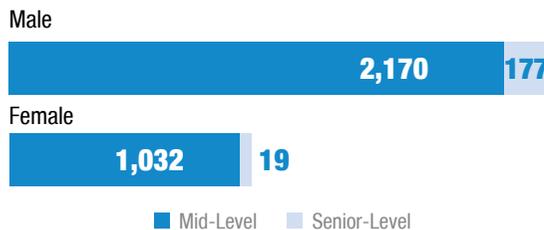
New Hires



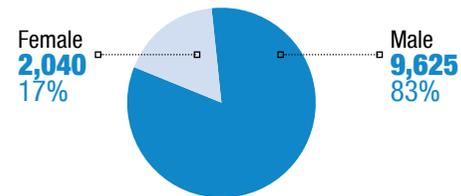
CBA Coverage



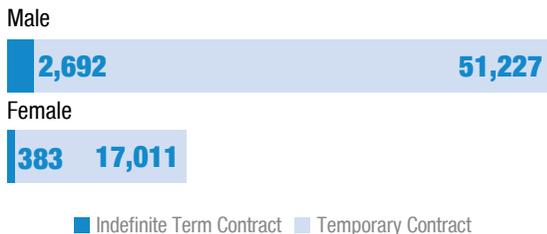
Mid-Level and Senior Management



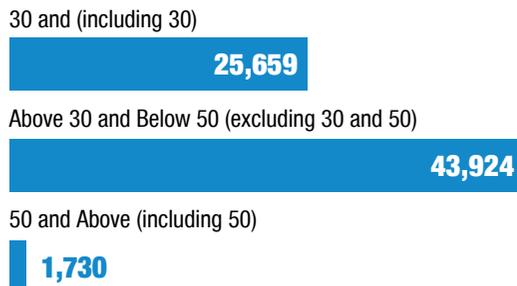
Employees Left



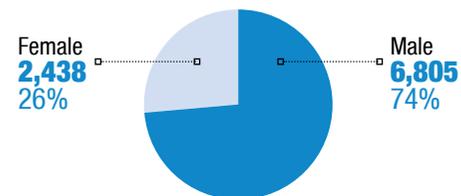
Employee Breakdown by Contract Type



Employee Breakdown by Age



Subcontractor Employees



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Gender Equality

Koç Group adopted providing jobs that respect human rights as a principle. Our Group is committed to providing equal rights to all employees regardless of religion, language, ethnicity, race, beliefs, faith, disability or any other personal attribute protected by law.

Creating a workplace culture sensitive to gender is an important element of Koç Group's human-centered employment policies. In line with this perspective, Koç Group joined a number of local and international initiatives and made commitments to create workplace environments that are sensitive to gender equality issues. In 2013, we became a signatory to the Declaration on Equality at Work developed under the leadership of the Ministry of Family and Social Policies. In January 2015, we signed the Women's Empowerment Principles that are the result of collaboration between the United Nations Global Compact and the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women).

In line with our commitments, we stepped up efforts to integrate the "Equality at Work" concept in the management approach and business processes. As a result, we created a management model, starting from the human resources processes, in order to reinforce gender equality within Koç Group.

As a first step toward establishing gender equality, we adopted "Koç Group Equality Principles and Implementation Principles" in our workplaces. Modeled after the Koç Group Code of Ethics and Business Conduct and Implementation Principles, the Equality Principles set forth the strategic background and supporting practices regarding gender equality.



ARÇELİK

One of the most important elements to ensure the best implementation of core principles and practices stipulated in the Equality Guidelines is to increase the Group workforce's knowledge on gender equality. To this end, we developed a series of training programs with the support of expert civil society organizations, international organizations, and universities for various needs of a diverse set of target audiences. These training programs span a broad spectrum, from training that highlights gender norms to leadership development training for women. The gender equality-related training initiatives are being carried out as part of the "Supporting Gender Equality for My Country" project. Information on these efforts can be accessed in the Social Investments section of the report.

Key human resources indicators are analyzed and monitored by gender in order to track the results of gender equality initiatives and to improve the existing situation.

One of Koç Group's gender equality goals is to increase the number of women in management. Managing the issue in a broad perspective while striving to achieve this goal, we also focus on increasing the share of women in recruitment and participation in leadership training. We track our progress in these areas based on objective criteria.

Koç Group's gender equality indicators are published annually in sustainability reports as well as in the Parity Report that covers the activities and indicators of the Impact Champions of HeForShe.

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Koç Group Equality Principles and Implementation Principles

A committee comprised of more than 40 staff from Group companies was formed as part of the process to draft the Koç Group's Equality Principles and Implementation Principles. Human resources manager of Group companies who were on the committee led the efforts to create subgroups composed of personnel from a wide variety of positions. The working subgroups focused on each draft principle and shared their opinions on which issues should be included in the guideline. The principles and implementation indicators that came about from these efforts were shared with Group employees. Equality Principles Implementation Boards were formed within the Group companies in order to ensure that the Koç Group's Equality Principles and Implementation Principles are implemented and to monitor activities at the highest level.

Koç Group Equality Principles and Implementation Principles:

Equal Opportunity in Employment: Excluding certain segments from employment opportunities due to discrimination is one of the major hurdles inhibiting economic and social development. Koç Group believes that inclusive employment policies are the first window of opportunity for realization of the potential of individuals.

Human-Centered Approaches in Working Conditions: Koç Group takes heed of employee needs and expectations, and improves



FORD OTOSAN

staff working environments and labor conditions. Koç Group ensures safe work conditions free of harassment and pressure for everyone while respecting the work-private life balance. Koç Group pays attention to gender equality and develops practices to support female personnel in their professional lives. Group companies design their work environments, products and services in accordance with human-centered approaches.

Equality in Career Development: Koç Group believes that diversified training opportunities are necessary for development of employees' skills.

In keeping with its core values, Koç Group provides equal opportunity to all personnel to demonstrate and enhance their potential as part of its training and development initiatives.

Equality in Career Opportunities: Koç Group provides, and ensures the provision of, equal opportunity to all staff in career development. To this end, Koç Group contributes to the elimination of all discrimination in back-up planning, appointment and promotion processes and encourages gender equality by empowering women.

Equality in Pay and Benefits Management: Koç Group upholds and adopts the principle of "equal pay for equal work" with objective and transparent management of same. The Group closely monitors compensation levels through local and international market research and updates its pay policy as needed. Koç Group implements a fair pay and benefits policy without gender discrimination between its employees.

Disseminating Equality Principles to Stakeholders: Koç Group companies believe that providing conditions that respect human dignity for their employees is among their most fundamental duties. The Group strives to disseminate its quality policy, which is reflected in products and services as well as all processes and approaches, to its stakeholders. To this end, the Group aims for the adoption of Equality Principles by employees, dealers and suppliers.

Disseminating Best Practices

We encourage broader adoption of every practice that will boost female employment and leadership and that was successfully used in our companies. To this end, we bring the Equality Principles Implementation Boards together at least once every year and organize workshops on this topic. In addition, Koç Holding employees, which is responsible for the overall coordination of the project, assumed the task of more widespread adoption of best practices among Group companies.

Ford Otosan carries out significant efforts to raise the share of female employees. In line with the Equality at Work practices implemented in 2015, Ford Otosan aimed in office employee recruitments for 1 in every 2 people, and in shop floor employees 1 in 4 people to be a woman. The company also gives preference to the applications of female operators in hiring. Ford Otosan has reviewed its company procedures that aim to increase women's active participation in the workforce; identified the tasks that can be performed by both men and women; and set new standards. Subsequent to the implementation of these standards, women were provided with job opportunities in the workshop in such processes as quality control and dimensional control.

Forklift operation used to be defined as a task that can be performed by men only. To remedy this situation, women applying for these jobs were provided with heavy construction equipment operation training, encouraged to obtain licenses to operate heavy machinery, and given the opportunity to work as forklift operators. Thanks to these and other efforts, the number of female workers employed in production jobs in our automotive group companies has more than doubled over the last two years.

TALENT MANAGEMENT

Koç Group human resources practices and plans are developed on the basis of surveys and assessments that are conducted periodically. The needs and expectations of personnel are identified, and human resources plans consistent with the strategies and plans of Group companies are formulated as part of this effort.

The Indicator Tracking and Human Resources Process Improvement System forms the basis for Koç Group's Human Resources strategies and practices. Under the system, success indicators are tracked, results are evaluated, and comparisons are made. Key indicators that are collected and analyzed via the E-Metric System are leveraged to identify areas of improvement and implement the related standardization and efficiency initiatives.

One of the efforts carried out to track the Group's key indicators and improve the various processes is company visits. Under this practice, Koç Holding Human Resources Department visits the selected Group companies each year in order to identify areas of improvement as well as successful practices for each company. Successful practices that are identified as a result of this process are shared with Group companies as part of the annual "Best Practices Day" event.

Rotations among Group companies are one of the methods used in talent management. This practice equips employees with alternative perspectives and a diverse set of competencies, prepares them for future roles, and increases synergy within the Group. The "KoçKariyerim





(My Koç Career)” portal, where open positions in Group companies are announced to employees and applications received from within the Group are managed, enables the staff to take control of their own careers and steer their own career development. More than 200 Group personnel transferred to new jobs in other Group companies using this system in 2015.

Employees of the companies that fall within the scope of this report received 66,525 employee-hours of leadership trainings in 2015. Some 24,099 employee-hours of this total were provided to female staff. The “You are the Leader” talent management program is designed to identify the development needs of those employees with senior executive potential, and supports their preparation for potential future assignments from today.

In addition to leadership development training programs, Group companies also make use of other development methods, such as one-on-one coaching, mentoring, and project initiatives. The Corporate Coaching Program provided one-to-one coaching service to the leadership candidates of the future within the Group and closely supported their development. Some 123 staff members (97 men, 26 women) received coaching services during the reporting period. In addition, 175 male and 55 female employees took part in the Group’s in-house mentoring program.

Recruitment

Koç Group seeks to recruit the most qualified professionals with the understanding that it can achieve its strategic goals and increase its value creation with a well-qualified and highly competent professional workforce.

Possession of Koç Group competencies, in addition to the knowledge and experience required for the related position, by employee candidates is an essential element in the recruitment process. Koç Group does not engage in discrimination during the recruitment process; candidates are evaluated by the related units on the basis of their competence, knowledge and experience. Employees are provided with equal access to opportunities in every process throughout their careers.

Detailed information on Koç Group Competencies and the recruitment process can be accessed [here](#).

KoçCareer RECRUITMENT PLATFORM

Designed to attract young talent and new university graduates to work for Koç Group in the future, Koç Career Recruitment Platform offers various development tools to young graduates. Some 3,130 individuals who completed 10 remote learning programs on the Koç Career platform received certifications in 2015.



Professional Development

We develop professional development applications for all our staff and give them equal access to these opportunities. Established in line with this approach, KoçAkademi Development Planning and Learning Platform serves as an open application for all Group employees to create personal development plans. The training programs, articles, electronic training modules and other resources are enriched and updated on a continual basis. The contents of the materials were revamped in 2015 according to employees' expectations and companies' needs; in addition, an exclusive development tool to

improve English language skills was added to KoçAkademi. In support of the video learning approach, 395 learning sets and 8,324 training videos were rolled out for staff use.

The development planning process for Group personnel consists of assessment, goals, identification of areas to develop, and development plans stages. Development activities are realized subsequent to these stages. Development plans were created for 17,285 employees within the Group and 94,710 development activities were planned as part of the process during the reporting period.



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LEAD Leadership Development Program

Koç Group's Leader Development Programs were revised in order to bolster the leadership development of Group employees. These programs represent an important platform in terms of creating a common Group-wide leadership language and sharing of knowledge and experience between personnel from different companies. LEAD training programs strive to provide leadership support to staff members in various stages of their careers. LEAD consists of 16 distinct programs for all employees, from new recruits to senior executives. In addition, programs of leading Turkish and foreign universities are also made available to Koç Group staff. Long-term training and development programs, such as AkademiK-Human Resources Development Program and KEEP-English Language Improvement Program, were unveiled across the Group in line with needs in 2015.



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Performance Management

Performance management is an integrated set of applications that aim to help achieve the corporate goals set in accordance with Group and company strategies at all levels within the organization; manage employee performance objectively according to common principles; and maximize performance. This process serves to measure and reward employees' accomplishments relative to their goals, identify their competencies, and plan their personal development for the future. The goal of performance management is to ensure and reward sustainable value creation rather than short-term return.

All office employees are evaluated annually relative to their previously set goals as part of performance management. Staff members to be promoted are identified as a result of performance evaluations.

Some 4,483 employees (2,596 men and 1,887 women) were promoted in 2015.

Remuneration System and Benefits Provided to Employees



TÜRKTRAKTÖR

Koç Group adopts fair and competitive pay policies in its remuneration system and related practices, to reward and sustain success through high performance standards. Pay levels are set through objective and transparent management. Additionally, gender is prevented from being a differentiating factor under the equal pay for equal work approach.

Job grades form the basis of the compensation management system in Koç Group. Job grades which define the contribution of each duty to corporate goals, are set according to an international system. Prevailing pay levels in the labor market are monitored closely

through local and international surveys across the Group; a competitive and fair pay policy is implemented as a result of market analyses. Different Group companies employ different compensation policies based on their existing pay structures, market positions, and competitive and financial strength.

Salary levels of non-unionized employees are set using a globally-recognized system, while also taking into consideration the difficulty level of the job, the level of know-how required to perform the duties, and the assumed responsibilities. Salaries and other monetary benefits for unionized staff are determined by the





Collective Bargaining Agreements signed at the end of the collective bargaining conducted with the respective trade unions they are members of.

A bonus amounting to four months' salary in total is paid on a monthly basis on top of the gross salary and a social benefit package is provided to personnel throughout the Group. When taking the bonus and social benefit package into consideration, the standard entry salary level across the Group is about 45% over the legal monthly gross minimum wage.

Benefits packages provided to all our personnel in line with their job grades are reviewed annually to meet the expectations of our employees and to maintain our competitiveness. The benefits, which are part of the total compensation packages, aim to maximize staff loyalty.

Detailed information on the benefits provided to the Koç Group employees can be accessed [here](#).

Compensation of Koç Holding's senior executive staff is set in line with the principles of the "Remuneration Policy for Members of the Board of Directors and Senior Executives." Assessments are made in accordance with the

prescribed standards and legal requirements. Other parameters taken into consideration during the remuneration determination process include macroeconomic market data, prevailing wage policies in the market, the size and long-term objectives of the company, and the positions of individuals. As a result of these evaluation processes, Koç Holding is one of the few Turkish companies that link the compensation of its executives to sustainable financial and operational performance.



FLEXTRA, the Flexible Benefits Project, was launched in Group companies in order to provide a broader benefits portfolio to a diverse staff from different generations and with varying needs. The project was designed to supplement current benefits alternatives on offer to personnel, in accordance with employee-oriented, flexible and innovative human resources approaches. Based on surveys conducted as part of the FLEXTRA project, new benefits choices were offered in line with the differentiated expectations of employees. More than 7,000 staff members opted into the Flexible Benefits program – FLEXTRA, which rolled out in pilot companies in 2015. FLEXTRA will be expanded and offered to a larger number of employees in 2016.

Koç My Family PROGRAM

Koç My Family Program is a benefits platform providing Koç Group staff and their relatives, retirees, and dealers as well as Koç University students with the opportunity to benefit from goods and services offered by Group companies and other providers, as well as extra advantages through periodic campaigns. The Program has more than 102.00 members.





Suggestion System

Employee opinions and ideas play an important role for Koç Group in achieving its goals and rolling out differentiated practices. To this end, the most effective approach is to solicit feedback from the staff on the operations and processes. Group companies use suggestion systems to systematically solicit opinions and ideas from personnel. Creators of projects that are implemented as part of this system are rewarded, which enhances operational efficiency while giving employees a say in company processes.

Some 168,187 suggestions were submitted by the staff of Group companies that are within the scope of this report in 2015. Of these, 94,534 suggestions were implemented.

Most Successful Koç Employees in 2015

The Most Successful Koç Employees award system was designed to recognize, spotlight, share and reward successful personnel as well as best practices. In 2015, a total of 10 projects were selected from among nearly 900 submissions for recognition in five categories: “Making a Difference,” “Creating Customer Satisfaction,” “Adding Value to Society and the Environment,” “Developing Cooperation” and “Creative Innovations.” The 84 Group staff members who were engaged in these projects received awards as the Most Successful Koç Employees.

Koç Holding

Pension and Assistance Foundation

Koç Holding Pension and Assistance Foundation was set up in 1967 to provide additional social security and support to Koç Group personnel, who are also covered by the Social Security Institution. The Foundation provides members with lump-sum payments, retirement pensions, health insurance and financial assistance services to ensure a comfortable and secure retirement. As of end-2015, Koç Holding Pension and Assistance Foundation had 58,760 active members and 374 retired members.

MOST SUCCESSFUL KOÇ EMPLOYEES IN 2015

Making a Difference	YAPI VE KREDİ BANKASI Intelligent Management System (IMS)	FORD OTOSAN New Design Sliding Door Device Project
Creating Customer Satisfaction	AYGAZ Development of LPG Wash Method in Opening Autogas Station Process	OTOKAR Trunk Lid Customer Satisfaction
Adding Value to Society and the Environment	KOÇ UNIVERSITY Koç University Support Center for Children with Disabilities and their Families	TOFAŞ Dreams Know No Barriers
Developing Cooperation	OPET PETROLÇÜLÜK A.Ş. – KOÇ UNIVERSITY – İNVENTRAM A.Ş. Technology and Product Development Cooperation Project	TÜPRAŞ Support of Refinery Search and Rescue Team for Maintenance Operations
Creative Innovations	ARÇELİK VUX/Virtual User eXperience	ARÇELİK-LG “Kokoreç” Counter



Work-Life Balance

Koç Group supports the efforts of its personnel to establish a healthy balance between their work and private lives. Group companies offer a wide range of social activity alternatives and encourage employees to attend these events. In addition, Group companies meticulously comply with working hours and paid-leave laws and regulations. During 2015, some 991 female staff went on maternity leave and 890 of them returned to work. In the reporting period, 2,864 female employees utilized childcare services or related financial benefits.

Employee Volunteering

Partnering with employees to help address social problems is a core component of the Group's business culture. Our staff members volunteer for these activities organized by Koç Holding and Group companies in order to create value for society. Participation in these efforts also aids our employees in improving their personal knowledge and social skills. In addition to the personnel of Group companies, business partners, such as dealers and suppliers, are also encouraged to volunteer for these initiatives. This approach increases the value generated while forming a shared Group

culture internalized by the staff and business partners. Some 8,444 volunteers, 7,895 of whom were Group employees, participated in these activities in 2015.

Aygaz Search and Rescue Team was established concurrently with Basic Disaster Training in 2012 to address the need for informed intervention into disasters that take place across the country. Aiming to form a volunteer-based assistance network from both within and outside the company, Aygaz Search and Rescue Team reinforced its technical gear assets in 2015 and became equipped with more modern tools and apparatuses.

The nine major projects carried out by the Yapı Kredi Volunteering Platform in 2015 were staffed by 2,661 Yapı Kredi employee volunteers. The platform established libraries in and provided technology supplies to many of the country's schools while trying to address the wishes of children through wish tree campaigns as part of its efforts during the year. The initiative to read books out loud for the vision-impaired, which launched in previous years, also continued.



Koç Employees and Sports

We provide our staff with sports opportunities and activities to help them strike a healthy private life-work life balance while promoting a healthy lifestyle. In addition to these opportunities offered by our companies, employees of Group companies take part in the annual Koç Group Sports Fest in large numbers. More than 3,700 Group personnel participated in the 26th Koç Sports Fest in 13 categories in 2015.

Sports events, branch schools and trainings are held for employees and their families as part of the Koç Group Sports Club Association, which aims to expand the sports and social facilities provided for Group staff members.

Occupational Health and Safety

Fostering a work environment where employees and related stakeholders can do their work under healthy and safe conditions, while eliminating risks that may prevent the establishment of this environment, is an indispensable, core priority for Koç Holding and Group companies. To this end, occupational health and safety is managed proactively and systematically across the Group. Occupational health and safety specialists, workplace physicians, other health officials, and service providers in this area that are employed by Group companies monitor related developments closely and implement needed improvements in line with globally-accepted standards.

Of the 82 facilities owned by Group companies that are within the scope of this report, 63

are covered by OHSAS 18001 "Occupational Health and Safety Management System" certification. Our facility certification ratio stands at 77% as of year-end 2015.

Koç Holding Occupational Health and Safety Coordination Board is responsible for implementing the particular importance we place on occupational health and safety. The functions of this board include:

- Reviewing Group-wide practices regularly on an issue-by-issue basis,
- Developing recommendations for improvement and broader adoption,
- Ensuring that best practices are adopted by Group companies,



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- Tracking occupational accident statistics regularly and providing recommendations for improvement and development to achieve the zero-accident goal,
- Managing the processes to ensure complete compliance with applicable laws, rules and regulations.

In addition to the Occupational Health and Safety Coordination Board, which is charged with coordinating at the Holding level, the occupational health and safety issue is managed by Occupational Health and Safety Committees at Group companies. Occupational Health and Safety is implemented in Group companies via practices that begin with the recruitment

Of the 82 facilities owned by Group companies that are within the scope of this report, 63 are covered by OHSAS 18001 “Occupational Health and Safety Management System” certification. Our facility certification ratio stands at 77% as of year-end 2015.

process. Employees are asked to provide health information as well as medical reports stating that they are fit and healthy for the job as part of the hiring process. In addition, regular health screenings as well as medical examinations and health screenings for special tasks are performed across the Group. Workplace physicians, occupational health and safety special-

	Number of Active OHS Committees	Number of Assigned Representative Employees on OHS Committees	Total Number of Active OHS Committee Members
ARÇELİK	14	31	207
AYGAZ	12	26	105
FORD OTOSAN	5	6	62
KOÇ BİLGİ GRUBU	3	16	44
OPET	5	21	74
OTOKAR	1	3	14
OTOKOÇ	25	61	326
TAT	6	14	72
TOFAŞ	9	11	98
TÜPRAŞ	5	21	35
TÜRKTRAKTÖR	14	25	144
YAPIKREDİ	17	28	85
TOPLAM	116	263	1.266

ists, and additional health personnel as needed at the Group facilities provide the requisite health services for the staff. Health and occupational safety-related provisions of collective bargaining agreements are adhered to fully and completely. In addition to various workplace practices, training activities and projects are also conducted for personnel and their families.

Group companies organize training activities in order to raise and bolster occupational health and safety awareness. As a result, measures implemented against identified risks are expanded in scale and scope. To this end, processes and practices were implemented throughout the year to eliminate occupational health and safety risks that were identified as a result of risk assessment activities; training was administered to employees of Group companies and contractor firms as needed.

During 2015, 506,764 employee-hours of training was provided to 68,933 personnel of Group companies, and 67,143.25 employee-hours of training was provided to 28,927 contractor firm staff members.

2015 Occupational Health and Safety Data

Injury Rate	0.82
Occupational Illness Rate	0.02
Lost Working Days Rate	24.23

An aerial photograph of a large industrial complex, likely a Ford factory, surrounded by green fields. The facility features several large buildings with grey roofs and numerous blue storage containers. A parking lot with many cars and a lot of white trucks are visible. A green circular graphic is overlaid on the left side of the image, containing the text 'INNOVATING FOR THE ENVIRONMENT' in white, bold, uppercase letters. A white circular line is also visible, partially overlapping the green circle and extending across the top of the image.

**INNOVATING
FOR THE
ENVIRONMENT**

“Being the best at all times is our central goal.”

Our Founder Vehbi Koç

The expectations of society and the technologies that meet those expectations most effectively have served as the driving force behind industry since the start of the industrial revolution. The needs of people multiplied and diversified as the world’s population expanded. Innovative products and production technologies capable of addressing these diverse needs emerged while production levels rose to meet the demand. However, this new scenario also brought about risks for society and the business community, including scarcity of resources, environmental pollution, and climate change. Solutions to these problems, which grow more apparent by the day, will also arise from innovation and technology. To this end, the highest priority for the business community is to generate solutions that meet the needs of modern society and address the prob-

lems of today’s world, in addition to developing products and services that meet the needs of future generations while minimizing environmental risks in both production and consumption. The most successful business leaders of tomorrow will be those who can develop business models that effectively resolve this challenge.

In lock step with the rest of the world, the leaders at Koç Group companies aim to ensure the protection of people, communities, and biodiversity; to develop environmentally-friendly, efficient, and creative business models; and to meet future generations’ expectations via environmentally-friendly and value-added products. We are striving to transform Group companies into organizations that use state-of-the art technology, generate knowledge through innovative ideas, and that grasp and guide trends in industrial development.



FORD OTOSAN

ENVIRONMENTAL MANAGEMENT

Improvement of environmental performance is a core business goal across Koç Group. Consequently, the Group executes environmental management with a top-down organizational approach, extending from Koç Holding’s executive leadership down to the operational units of Koç Group companies. As a Group-wide practice, the overarching strategies and policies set by the platforms formed by Koç Holding’s executive team are converted to industry-specific strategies and policies by the Group companies. Koç Group companies boost their performance by implementing the operational goals that are set in line with these strategies and policies.

The results of initiatives undertaken are reviewed by the senior management of Group companies, Koç Holding’s executive management, and other related high-level administrative bodies. In turn, these results are used to devise the strategic approaches for the upcoming periods.

Compliance with environmental laws and regulations of the countries the Group operates in constitutes the minimum level of implementation of Koç Group’s environmental management system. Group companies monitor environmental laws and regulations continuously and execute proactive compliance efforts. The level of compliance is monitored by individual Group companies as well as by Koç Holding.

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In addition to fully complying with legal and regulatory requirements, the Group adheres to other guiding principles as set forth in Koç Group Operating Principles and the environmental policy documents published by individual Group companies, pursuant to related international standards and initiatives led by the UN Global Compact. In addition, Koç Group Environmental Vision and Mission, Koç Group Environmental Policy, and Koç Group Climate Change Strategy are other policy documents laying down the common principles that shape the policies of Group companies.

The details of Koç Holding's environmental management approach can be accessed [here](#).

Koç Holding and Group companies focus on three core areas as part of their environmental management efforts. All Group companies:

- Seek to limit the environmental impact of their operations, energy and water consumption in particular as well as emissions and waste generation; increase recycling and protect biodiversity; and carry out improvement activities in light of “existing best practices” to achieve these goals;
- Monitor the environmental impacts of their products and services throughout their lifecycles, from the design and planning stages to the end of their economic lives; develop environmentally-friendly products; and reduce the potential detrimental impacts; and



FORD OTOSAN

- Implement environmental protection-related educational activities to raise awareness among and increase the knowledge base of broad segments of society, led by its employees, customers, dealers, suppliers, subcontractors, and other operational stakeholders.

Established within Koç Holding with the participation of Group companies' environmental, energy and sustainability specialists, the Koç Group Environmental Council is the highest-level coordinating body for environmental management issues at Koç Holding. The Council is responsible for identifying long-term environmental management strategies in addition to action plans for implementing these strategies, sharing examples of best practices among Group companies, carrying out efforts to ensure compliance in keeping with changes in environmental regulations, organizing environmental training activities, and developing environmental management systems across the Group. Various working groups are formed under the Koç Group Environmental Council to expand activities and improve performance in certain focus areas.

Staffed with participants chosen from among the Environmental Council membership, these working groups aim to determine and ensure Group-wide adoption of existing best practices; execute joint initiatives to increase synergy; and formulate plans geared toward improvement. During the reporting period, the Environmental Council formed working groups to focus on the key issues of Energy Efficiency, Water, Soil, Integrated Environmental Permits, Waste Management, Coordination Board for Improving the Investment



FORD OTOSAN

Climate, Greenhouse Gases, and Biodiversity. The working group structure is updated on an as needed basis.

The long-term strategic plans devised by the Koç Group Environmental Council are converted into actionable goals by the companies. Group companies ensure organization-wide adoption of these goals starting from their senior management teams. Efforts of related units are evaluated by way of numerical performance indicators. During the reporting period, the Koç Group Environmental Council created a long-

term strategic plan to be effective until 2020. Under this strategic plan, Koç Group companies are expected to certify their facility environmental management systems in accordance with international standards such as ISO 14001 and ISO 50001; implement best practices in energy and water efficiency; initiate efforts to achieve zero-waste operations; adopt green procurement processes and environmentally-friendly product practices; undertake anti-climate change related initiatives; and execute efforts to create environmental awareness among the entire society.

Annual performance evaluation reports are drafted in line with the key performance indicators determined by the Group Environmental Council; these reports are presented to Koç Holding's senior management. Further, the Audit Group conducts policy- and performance-based periodic audits and reports the results to the related company senior management team. In addition to the audits conducted by the Audit Group with the contribution of the Environmental Council, the environmental policies and performance of Group companies are also subject to intra-company and independent auditing processes. Improvement efforts are carried out to address the target areas of improvement identified via these audits. Shortcomings identified after the Environmental Audit are tracked via quarterly interim reports; registered in the target cards of the companies for that year; and improvements are implemented.

The environmental management systems of Koç Group companies are based on the ISO 14001 Environmental Management System Standard and other internationally-accepted standards. These systems are certified through periodic external audits in order to ensure the integrity of implementation. Seventy-nine of the 82 facilities owned by Group companies that fall within the scope of this report are ISO 14001 certified. The share of certified facilities increased to 96% in 2015, up from 89% in 2014. In addition to ISO 14001, other methods widely used by Group

¹ Yapı Kredi operation facilities are excluded from this calculation.

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companies include the ISO 50001 Energy Management System Standard; ISO 14064-1 for Quantification and Auditing of the Greenhouse Gas Emissions System Standard; OHSAS 18001 Occupational Health and Safety System Standard; ISO 9001 Quality Management System Standard; ISO 10002 Customer Satisfaction Management System Standard; ISO 27001 Information Security Management System Standard; ISO 17025 Laboratory Management System Standard; EFQM; Six Sigma; and Total Productive Maintenance (TPM). Group companies also use Supply Chain Management System standards such as ISO 28001 and CIPS; ISO 20000 Information Technology Service Management System Standard; ISO 22301 Business Continuity Management System Standard; and social responsibility systems such as BSCI and SEDEX.

Additionally, Group companies conform to sector-specific or generally-accepted local and international product and process quality standards, norms, product information and labeling practices. For example, REACH, RoHS, EuP, and WEEE are regulations governing the consumer durables sector that set the environmental attributes of products. Group companies comply with the European Union's REACH Regulation while also expecting their suppliers to adhere to this regulatory framework.

Group companies bring their environmental management efforts and accomplishments to the attention of their respective senior management teams as well as to the executive management of

Koç Holding. This information is also shared with the related stakeholders via sustainability reports and other various tools.

Koç Group companies approach environmental risks with a holistic approach, from procurement and logistics to sales and consumption of products and services. The aim is to mitigate the impacts across the value chain. To this end, Group companies expect their suppliers to adopt environmental policies and a governance approach that is identical to theirs; include environmental management criteria in supplier auditing methodologies; and execute capability enhancement initiatives. Some 13% of active suppliers of Group companies were audited based on environmental management criteria during the reporting period. In addition, environmental training administered to the personnel of supplier firms totaled 41,564 employee-hours.

As part of their environmental management activities, Group companies also conduct environmental awareness training initiatives for their employees, business partners, and society at large. Within this scope, Group companies administered more than 3.2 million person-hours of environmental training attended by nearly 700,000 persons during 2015.

During 2015, Group companies channeled more than TL 65 million to environmental management and training activities, and TL 177 million to environmental performance improvement initiatives, for a total of over TL 242 million for environment

	Number of Training Sessions Administered to Group Employees	Number of Training Sessions Administered to Contractor Firm Employees	Number of Training Sessions Administered to Society at Large
Number of Participants	26,353	23,699	646,144
Training Hours (person-hour)	55,748	19,633	3,184.533

related efforts. More than TL 200 million of these outlays and investments were realized by Tüpraş. An overwhelming share of the TL 1.3 billion R&D spend by Group companies in 2015 was for activities designed to reduce the environmental footprint of products and production processes.

In an effort to raise awareness on the environment and the problems it faces, a major element of the Group's environmental strategy, we began to organize World Environment Day under the auspices of Koç Holding's CEO in 2014. Focusing on a different environmental issue each year, the event's 2015 theme was "Climate Change." The day's activities included presentations, attended by a large number of experts to mark the occasion. The presentations discussed major issues such as the climate change negotiation process and Turkey's position within this process; the dynamic structure of the climate change regime; the opportunities and threats presented by the process of finding solutions to climate change.

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OTOKAR

There is consensus among the science community, international organizations and leading decision-makers that climate change figures among the most significant problems of the present day. The Global Risk Report of the World Economic Forum has identified climate change among the top three risks threatening the global economy for the past three years. To this end, climate change has rapidly started to become part of the strategic business plans and operational process of the world's corporations.

Koç Group responds to climate change with a strategic approach that assesses risks and opportunities in a top-down structure, extend-

ing from Koç Holding down to Group companies. The Group's climate change initiatives are coordinated by the Koç Group Environmental Council. The Koç Group Climate Change Strategy, which was formulated based on SWOT analyses conducted with the participation of the Group companies, serves as the foundation for the climate change management-related activities within Koç Group. The Strategy is revised periodically in light of contemporary developments, as evidenced by the revisions made during the reporting period. Group companies integrate this strategy into their business processes and develop action

plans based on the specific requirements of their respective industries. These action plans encompass improvement targets for supply, production, product design and development processes. The results in relation to these targets are tracked by way of numerical, time-series performance indicators. Assessments are also influential in the compensation of responsible managers as part of corporate and individual performance evaluation systems.

Performance assessment results are reviewed by the Group Environmental Council; used to create future scenarios in light of expected developments; and reported to Koç Hold-



KOÇ HOLDİNG

ing senior management for use in setting strategic guidelines. In addition, compliance with related policies, efforts carried out, and results obtained are also subjected to audits conducted by the company's internal audit function and Koç Holding Audit Group.

Koç Group sees climate change as a major risk that has the potential to impose devastating impacts on the living environment in addition to social and economic welfare. The need for new products, services and business models to address this threat has emerged

both for impact mitigation and for compliance as a result of the effects of climate change. The provision of financial tools, products and services to support these needs presents opportunities for the business community. Companies that agree to be part of the solution through their business models, next-generation products and forward-looking services will continue to exist and prosper in the future. To this end, Koç Group considers the fight against climate change as a major business and investment opportunity.

Generating effective solutions to the problem of climate change requires coordinated efforts of all related actors. Armed with this awareness, Koç Group assumes pioneering roles on various platforms in order to attract public attention to the subject and to produce solutions in conjunction with interested parties, in addition to the Group's internal efforts. Koç Group has been represented on local and international climate change platforms since 2011. In the international arena, the Group follows the United Nations Framework Convention on Climate Change (UNFCCC) processes and participates in the Climate Change Conference of the Parties. Locally, the Group supports the contribution efforts carried out within the scope of UNFCCC as well as the climate change initiatives of NGOs.

Group companies execute emissions reduction initiatives under the Climate Change Strategy, which consists of four main headings: products, technology, partnerships, and stakeholder relations. All companies that are within the scope of this report perform emission measurements according to IPCC Guidelines. The ISO 14064-1 certification initiative that launched in 2011 is ongoing with an expanding scope. The Koç Group Climate Change Strategy can be accessed [here](#).



Energy Efficiency and Emission Reduction Initiatives

A significant portion of the activities carried out by Koç Group companies related to environmental policies, long-term environmental strategy and climate change strategies consists of projects that focus on energy intensity and greenhouse gas emission reduction. While lowering the impact on the environment and climate, these efforts also help the Group companies achieve operational efficiency, which in turn has a positive effect on costs.

The overall energy intensity of the Group companies that are within the scope of this report was 859.50 GJ/TL million of net income while greenhouse gas emission intensity was 58.23 tons CO₂e/TL million of net income in 2015. In the energy sector, which has higher energy intensity due to the nature of the industry, these figures stand at 1,472.73 GJ/TL million and

Energy Conservation and Reduction in Greenhouse Gas Emissions by Year

Year	Energy Conservation (million GJ)	Reduction in Greenhouse Gas Emissions (thousand tons CO ₂ e)
2011	3.37	348.6
2012	5.44	369.8
2013	3.06	208.2
2014	2.00	149.9
2015	1.26	91.17



Tofaş Uses Solar Energy in Production

Tofaş implemented a project during the report period where air heated by solar energy is used in manufacturing processes. As a result of this innovation, Tofaş generated 2,181 GJ of solar-powered energy annually while reducing greenhouse gas emissions by 122 tons of carbon dioxide equivalent.



TOFAŞ

Energy Efficiency at Tüpraş

Tüpraş strives to implement energy efficiency projects that minimize its energy consumption, by eliminating current energy losses and boosting efficiency, without sacrificing quality or performance, in order to rank among Europe's low-emission refineries by 2017.

Efforts to achieve these goals continued at a rapid pace in 2015. The amount of crude oil processed by Tüpraş rose 37% over the previous year during the reporting period while sales revenue declined 7% compared to 2014. Despite the increases in unit sales and the TL/USD exchange rate, the 47% drop in oil prices compared to a year earlier led to a decline in sales revenue. Thanks to higher operational efficiency, energy consumption per unit of crude oil processed by Tüpraş went down from 3.34 GJ to 3.29 GJ while the normalized Energy Intensity Index Value was 99.25 for the year.

With this effort, Tüpraş conserved 1 million GJ of energy and reduced greenhouse gas emissions by 71,744 tons CO₂e as a result of 21 efficiency projects and operational enhancement initiatives in 2015.

99.78 tons CO₂e/TL million. The Group companies operating in non-energy industries have an average energy intensity of 164.73 GJ/TL million and an average greenhouse gas emission intensity of 11.15 tons CO₂e/TL million.

Thanks to the energy efficiency initiatives executed by Group companies in accordance with the Long-Term Environmental Strategy, the Group's consolidated energy efficiency development and greenhouse gas emission reduction performance is rising noticeably. To this end, the energy efficiency projects implemented in 2015 conserved 1.3 million GJ of energy and reduced greenhouse gas emissions by 91,000 tons CO₂e. The Group's energy sector operations, more specifically the initiatives at Tüpraş refineries, account for the lion's share of this performance.

Energy efficiency and emission reduction initiatives are also the most important focal point of Group companies operating outside of the energy industry. To this end, the Group's non-energy companies recorded 228,000 GJ of energy conservation and nearly 20,000 tons CO₂e of greenhouse gas emission reduction during 2015.

In 2015, Arçelik conserved 13,716 GJ of energy and reduced greenhouse gas emissions by 1,881 tons CO₂e as a result of replacing air





Ford Otosan's Intermodal Logistics Application

Ford Otosan works to have the leanest, most flexible, fastest, most cost-competitive, and most environmentally-friendly supply chain organization. Ford Otosan executes shipment, equipment and route optimization, purchasing planning, logistics hub location preferences, haulage design, and mode of transportation selection applications as part of its supply chain flow design, tracking, and improvement efforts. The carbon footprint of the logistics operations was reduced by 70% as a result of initiatives that the company has undertaken for 15 years. Among these efforts, the intermodal logistics application has come to the forefront in recent years.

Intermodal freight transport involves the transportation of freight using multiple modes of conveyance without any handling of the freight itself when changing transport modes. Adopting intermodal transport changed Ford Otosan's transportation model significantly. Ford Otosan reduced the share of land transport in its logistics operations to 41% due to this application; the overall average share of land transport is 75% in 28 EU countries and 95% in Turkey. The share of sea and rail transportation in Ford Otosan's logistics operations stands at 44% and 15%, respectively. This resulted in 4,800 tons CO₂e reduction in the carbon footprint of logistics operations in 2015 while total greenhouse gas emission reductions from logistics optimization initiatives amounted to 6,000 tons CO₂e.

Otokar Milk Run Optimization

Forty percent of all local suppliers' materials shipments at Otokar were effected through Milk Run vehicles in 2015. Carried out by 116 suppliers on five routes during the reporting year, this shipment mode declined from 25-30 vehicles per day to an average of seven vehicles daily. To this end, the vehicle load factor rose from 71% in 2014 to 78% in 2015 while using next-generation, environmentally-friendly vehicles reduced emission levels. Otokar aims to increase the vehicle load factor above 80% in the year ahead.

Opet Personnel Transportation Optimization

Subsequent to the relocation of the Opet Headquarters to its new facility, Opet implemented route optimization and occupancy rate improvements in its personnel transportation services. The employee transportation bus fleet declined from 19 to 16 vehicles despite an increase in the number of personnel being transported. This resulted in a decrease in total daily distance traveled from 1,307 kilometers to 1,051 kilometers, conserving 0.3 GJ of energy.

guns with electric guns in assembly lines, optimizing operation times at the polyurethane facility, and investing in absorption refrigeration systems. Ford Otosan achieved 68,382 GJ of energy conservation and 3,536 tons CO₂e of greenhouse gas emission reduction thanks to the Heat Recovery and Heating of Wash Lines from Paint Shop and Furnace Waste Gases Project implemented at the Gölcük Plant. Tat Gıda's Mustafakemalpaşa Sek Süt Plant conserved 3,600 GJ of energy and reduced greenhouse gas emissions by 462 tons CO₂e through improvements in the yogurt process automation. KoçSistem saved 4,000 GJ of energy by switching from physical servers to virtual servers.

Logistics operations, which are performed in large part by service provider firms, are significant for Group companies in terms of ensuring business continuity as well as for being an indirect source of energy consumption and emissions. Group companies reduce the impacts from logistics processes and create cost advantages through route optimization, intermodal logistic planning applications, and fleet choices.

WATER MANAGEMENT

Water is the source of all life as we know it. Clean water sources, critical to sustain human life, are also a basic input for industry. Ensuring access to freshwater resources has become increasingly important in recent years for various reasons, population growth and climate change in particular. To this end, a priority area for Group companies, as part of the Group's environmental strategy, is to reduce freshwater withdrawals by boosting water efficiency in production, recycling and recovery; to lower the stress on resources through resource diversification; to cut the amount of generated wastewater; and to further improve the quality of wastewater. All of these parameters are evaluated within the scope of the risk management systems, and performance results are evaluated periodically, at least on an annual basis.

Group companies consumed 35.1 million m³ of freshwater in 2015, corresponding to water consumption intensity of 302.14 m³/TL million of net income. Some 420.21 m³ of water was consumed in the energy industry for each TL 1 million of net income; the corresponding consumption levels were 226.78 m³ in the consumer durables sector, 131.66 m³ in the automotive industry, and 40.86 m³ in the finance sector. The share of surface water and underground water resources in the Group's

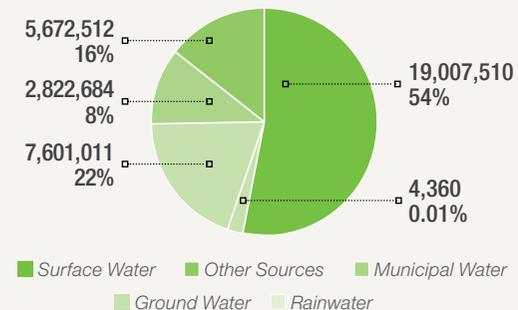
total freshwater withdrawal went down from 89.6% five years ago to 76% in 2015. Over the same period, total water withdrawal was reduced by 29% despite production growth during the year and higher water use due to new plant investments. This reduction is due to the efficiency in consumption processes as well as increased levels of recovery.

More than 96.86 million m³ of water was reverted back to production through recycling and reuse. As a result, the share of water use that is recovered in production stands at 73.4%. This same ratio was 92.5% in the consumer durables sector and 96% in the automotive industry.

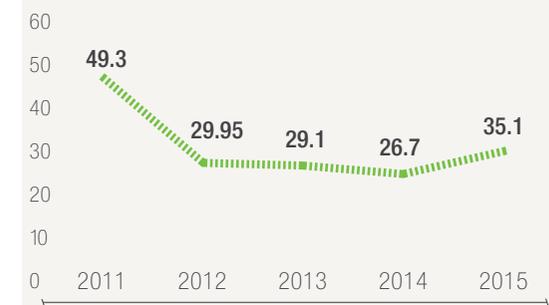
Wastewater from the Group companies' manufacturing operations that cannot be recovered

undergoes chemical and biological treatment processes in units appropriate for their pollution load. The wastewater that has reached the quality norms stipulated by the discharging licenses is discharged either into the receiving environments specified by the same licenses, or into municipal sewage systems. Wastewater quality parameters are monitored continuously to ensure that the wastewater does not exert any negative impact on the biodiversity of natural receiving environments or on the species living in that environment; wastewater is only discharged once it has reached a quality level higher than the stipulated norms. Some 18.3 million m³ of wastewater from Group companies' operations were discharged after it reached sufficient quality standards in 2015.

Total Water Withdrawal by Source (m³-%)



Water Consumption Trend (million m³)





Efficient Water Use at Tat Gıda

Water consumption reduction projects implemented at Tat Gıda facilities resulted in 1.9 million m³ of water conservation in 2015. The Karacabey plant conserved 1 million m³ of water from the project to recover water that evaporated from the cooling towers and 480,000 m³ of water from an initiative to reuse the water that was initially used in tomato holding tanks to pump the tomatoes down to the next process.

The Torbalı plant conserved 217,920 m³ of water by using water from the cooling process and the aseptic tank as a carrier in tomato channels; and then reusing this water and the water coming from the tomato sorting conveyor for pumping in tomato holding tanks. The Mustafakemalpaşa plant conserved 200,000 m³ of water by repairing the leaks in pumping and washing tanks, reducing the number of manifolds in washing tanks, preventing water main leaks, and installing new tanks.

Tüpraş Water Preparation Unit

Tüpraş built a new Water Preparation Unit at its İzmit Refinery in order to reduce the consumption of natural resources and use water resources more efficiently in line with its global climate change-driven risk approach.

Tüpraş is an intensive user of water by the nature of its operations, from fighting fires in emergency conditions to processing water in various phases of its production activities. This project supplies the entire process water need of Tüpraş while recovering the urban wastewater of neighboring municipalities. Ensuring sustainable use of resources and protecting biodiversity, this effort is also important in terms of protection of the ecosystem.

Adopting a pioneering approach, Tüpraş conducted research and feasibility studies for the recovery of urban wastewater to be used in the refinery; subsequently, it developed and deployed this technology. In addition, Tüpraş broke new ground for local administrations and Turkey's refining industry by integrating technology into its applications.

Tüpraş achieves a reduction per hour of 1,250 m³ in withdrawal from raw water resources thanks to the large number of projects it executes in order to utilize resources more effectively and efficiently while reducing its raw water consumption via improvements in operational conditions. This amount corresponds to the hourly water consumption of a city with a population of 130,000 people.

The Water Preparation Unit, which was built based on "Pre-Treatment and Reverse Osmosis Membrane" technology for the reuse of treated wastewater, has an investment value of about TL 55 million. The Project to Recover Gulf Facility Urban Wastewater for Use as Process Water in Industry, developed in conjunction with Kocaeli Metropolitan Municipality's İSU General Directorate, commenced operation at the İzmit Refinery in two phases, in November 2014 and in May 2015.

RESPONSIBLE USE OF RESOURCES

As part of their environmental management practices, Koç Group companies also focus on using raw material resources efficiently, preserving and improving biodiversity, reducing waste at the source, and engaging in waste recycling.

The basic practices adopted by Group companies in the area of efficient use of raw materials are recovering waste and using it in production, and improving reusability, particularly in packaging materials.

Arçelik Electronics Plant reuses the material generated by reprocessing the plastic production waste, between 15% and 25%, in the manufacture of plastic back covers of televisions. In addition, the facility reuses the material generated by reprocessing the EPS packaging

set aside as production waste, between 3% and 7%, in the manufacture of EPS packaging. The Cooking Appliances Plant began to reuse paint and enamel waste thanks to various R&D projects developed by the company. The Washer Plant reuses the plastic mallets from plastics manufacturing operations as well as demolished boilers that are production waste as raw materials. Further, production waste process bearing ends of discs used in drum front and back cover production are used in drum seal sheet and shaft cover production in the Drier Plant. In addition, use of chemicals was reduced by 34% as a result of efforts at the wastewater treatment facility of the Washer Plant, which entailed use of alternative materials and efficient operations. Sixty percent of cardboard packages used at Arçelik during the year contain recycled cardboard.

Yapı Kredi Recycling Movement

The Recycling Movement launched by Yapı Kredi in 2011 in order to improve the sustainable utilization of resources and to raise staff awareness on this issue continued during the report period. Employee education activities are having positive effects on performance.

Some 1,033 tons of paper were sent for recycling and 37,173 tons CO₂e of greenhouse gas emission were prevented; in addition, 17,554 trees were saved and 26,847 m³ of water were conserved in 2015. Further, 9.5 tons of plastic were sent for recycling, conserving 41.4 tons of crude oil and 477 GJ of energy. While 730 kg of glass were sent for recycling, which conserved 7 GJ of energy, 141 kg of metal were also sent for recycling, conserving 2.3 tons of water and reducing greenhouse gas emissions by 282 tons CO₂e.

Recycled Packaging Waste (Tons)



ACCOUNTABLE,
TRANSPARENT
AND RESPONSIBLE
MANAGEMENT

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TALENTS

INNOVATING FOR
THE ENVIRONMENT

Climate and Energy

Water Management

Responsible Use
of Resources

INNOVATION AND
PRODUCT STRATEGY

EMPOWERING
THE VALUE CHAIN

EMBRACING
THE COMMUNITY



During the reporting year, Aygaz recovered 454 tons of materials by crushing and reusing the welding slag from the submerged arc welding process within gas tank production, and reusing in production the gates from the plastic injection process in valve manufacturing. The Ford Otosan İnönü Plant lowered the per-vehicle use of corrugated paper by 0.15 m² and of wooden mallet by 750 cm³ with the front bumper bracket special transportation table as part of packaging optimization efforts in 2015. Exhaust emission levels declined by 32% with the redesign of the front casting bracket table due to transportation efficiency. The clutch housing special separator reduced corrugated paper use by 1.6 m² per vehicle. Various efforts to expand the use of recyclable packaging materials for all parts shipped to the factory resulted in 30% improvement shipments made in cardboard boxes.

All Group companies aim to reduce waste at the source; sort the waste and recover it to the maximum extent possible; and minimize the amount of waste removed. The total amount of waste generated by Group companies was reduced by 19% in 2015 compared to the previous year. Some 32,000 tons of hazardous and 282,700 tons of non-hazardous waste was generated as a result of Group companies' ope-

rations during the year. The waste recovery ratio jumped from 78.6% in 2014 to 95% in 2015.

Launched in 2010 with the participation of Group employees for the recycling of residential paper, glass, plastic and metal wastes, the Koç Group Recycling Project was officially completed in 2013. However, the project is being extended as an employee driven initiative. Under this effort, 3,601 tons of paper, 844 tons of plastic, 715 tons of metal and 634 tons of paper waste were collected and recycled.

Koç Group companies ensure that no negative impact is imposed on natural environments, forests or wetland areas located on or near their operation sites, or on the living organisms inhabiting these sites. None of the operation sites of Group companies are located on protected natural or historic sites, special environmental preserves, or RAMSAR sites, as required by law or international agreements. There are no land or water resources that have suffered a significant impact in terms of biodiversity value or species population due to the Group companies' operations. The 22,000 m² of wetlands, located on the site of Ford Otosan's Kocaeli Factories, is being protected by the company due to the area being on a bird migration route. Similarly, a 34,780 m² area that settled as a result of an earthquake was reforested and converted into parkland for emp-

loyees to enjoy. Additionally, a 104.5 km² area was reforested and taken under protection at the Arçelik Cooking Appliances Plant.

Guidelines to preserve biodiversity are among the principles set out by the Koç Group Environmental Council regarding the assessment of potential environmental impacts of new investments. The negative impact of chemical materials supplied by Group companies on the environment and biodiversity is managed in accordance with the REACH Regulation.

In addition to preserving biodiversity, Koç Group companies also carry out initiatives to boost the environmental quality of the land we inhabit, led by the Group companies' corporate forestation activities. Group companies planted some 46,476 trees as part of their forestation efforts during 2015.

Number of Trees Planted by Year

2011	89,140
2012	50,043
2013	55,944
2014	30,545
2015	46,476



The pioneering and innovative environmental management practices of Koç Group companies were deemed worthy of awards by a number of organizations in 2015.

- Koç Group companies Arçelik and Tofaş were included in the Carbon Disclosure Project (CDP) Turkey Leadership Index as part of the CDP.
- Arçelik was recognized with an award in the Waste Management category at the 2015 Sustainable Business Awards. Arçelik was also presented with the “E-Waste Hero Award” at the Istanbul Electrical & Electronics Waste Summit for its two recycling facilities established in Eskişehir and Bolu to fulfill its duties as per the WEEE regulation and for its WEEE Management System. The Arçelik Compressor Plant won first place in the product/service category with its Eco Compressor Project at the European Business Awards for the Environment 2015, Turkish National Competition. In the same competition, Arçelik Dishwasher Plant was runner-up in the Process category with the Elimination of Phosphate Residue through Nanotechnology Surface Application Project. At the ESO Technology Awards, distributed by the Eskişehir Chamber of Industry, Arçelik Compressor Plant garnered the 2015 ESO Technology Development Award for its Eco Compressor – The Most Efficient Refrigerator Compressor Project.
- Aygaz Aliağa Filling Facility was recognized with an Environmental Facility Award at the Environmental Facility Awards 2015, organized by the Turkish Healthy Cities Association.
- Tofaş was the recipient of the “Green Business” award in the Carbon and Energy Management category at the Sustainable Business Awards 2015, which was organized as part of the Green Business Summit.
- At the SENVER Industrial Energy Efficiency Competition held by the Ministry of Energy and Natural Resources, Tüpraş garnered the most awards with a total of 16 projects implemented at its İzmit, İzmir, Kırıkkale and Batman Refineries. In the SENVER-2 category, Kırıkkale Refinery was presented with first prize, İzmit Refinery received second prize, İzmir Refinery placed third; meanwhile, Batman Refinery won the Special Jury Prize in the SENVER-3 category.



A man in a white lab coat is sitting at a desk in a soundproofed room, working on a laptop. The room is filled with black acoustic foam panels. In the foreground, a white washing machine is visible. A blue circular graphic with white text is overlaid on the left side of the image.

**INNOVATION AND
PRODUCT STRATEGY**

“Our Goal is to Generate Resources for Continuous Development.”

Our Founder Vehbi Koç

Business strategy at Koç Group, the Turkey’s R&D leader, is primarily devoted to innovation initiatives that focus on developing new value-added business models, creating new markets, and introducing environmental-friendly and energy efficient products for the benefit of future generations. In addition to the efforts of Group companies that pioneer technology and innovation in their respective industries, Koç Holding practices that foster a culture of innovation, set the strategic direction, and ensure systemic development also play a major role in the success of R&D initiatives across the Group.



OTOKAR

INNOVATION AND INTELLECTUAL PROPERTY RIGHTS MANAGEMENT

Innovation initiatives carried out across Koç Group are centered on five core strategic goals:

1. Building a culture of innovation and creating the right working environment to enhance our capacity to innovate,
2. Cultivating an “intrapreneurship” approach across the Group, and supporting the staff’s entrepreneurial disposition and efforts,
3. Extending innovative endeavors not only across product and service development activities but also towards all business units and operations,
4. Stepping up partnerships with external stakeholders, an important source of innovation, and managing such collaborations in a more efficient manner,
5. Managing innovative operations within defined processes to ensure their sustainability.

Launched in 2013 to implement the Koç Group Innovation Strategy, the Koç Innovation Program seeks to establish and develop an innovation management infrastructure in the Group companies. These respective infrastructures are built in keeping with the Innovation Management Model that was developed exclusively for Koç Group.

Koç Innovation Program, which strives to innovate with a start-up spirit but manufacture with the power of well-established industry, is driven by intrapreneurs. These intrapreneurs are supported through various training programs, a mentoring scheme, new project management models, and remuneration systems. The Group focuses on business model innovation and boosting its open innovation capability. Launched with the voluntary participation of Group companies in order to spread the culture of innovation within Koç Group companies and foster the emergence of innovative business models, the Koç Innovation Program reached five participants in its third year of operation.

Koç Group Innovation Index, developed alongside the Koç Innovation Program, tracks and

BeGlobal – Silicon Valley Program

Launched in 2015 to enhance the innovation perspective, the BeGlobal – Silicon Valley Program was attended by executives from various Koç Group companies. Program participants studied the world’s most innovative practices, went on various company visits, and attended events with speakers who are subject matter experts in their respective fields. The program, which strives to present applied knowledge as well as theory to the participants on location, aims to bolster the innovation perspective across the Group.



improves the innovation capabilities of Group companies over the years.

Koç Group Technology and Innovation Council, responsible for the coordination of R&D initiatives carried out within the Group, fosters a suitable environment to set the long-term R&D and innovation strategies, goals and action plans with the participation of executives of Group companies responsible for their R&D activities.

Accounting for about 13% of Turkey's total private sector R&D spending, Koç Group was represented in the 2015 "EU Industrial R&D Investment Scoreboard." This European Commission report ranks the world's top 2,500 companies by their investments in research and development, and included Koç Holding and three Koç Group companies. This success is a result of the steadily growing workforce,

infrastructure and resource investments that have taken place for many years. In 2015, the Group's R&D capability and capacity expanded significantly. Group companies' R&D outlays jumped 14% to TL 1.3 billion while R&D staff size increased 13% to 4,321 in 2015.

Thanks to the experience and know-how built up over many years, Koç Group boasts Turkey's largest intellectual property rights portfolio: more than 7,000 brands, over 3,600 patent families and 8,400 patents, more than 800 industrial designs, and over 4,800 Internet domain names. In addition, Koç Group companies applied for 660 patents and utility models in 2015.

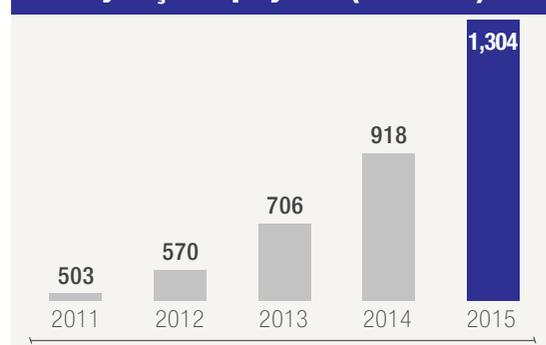
Effective management of intellectual property rights is critical in terms of translating these successful innovation initiatives into economic value and safeguarding it. To this end, Koç

Ford Otosan Sancaktepe R&D Center

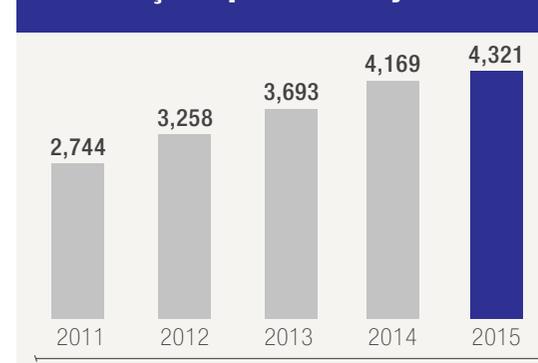
Commencing operations in 2015 after a TL 68 million capital investment, Ford Otosan Sancaktepe R&D Center is Turkey's largest R&D facility in one location. Officially certified as a research and development center by the Ministry of Science, Industry and Technology, this Center employs 1,378 personnel.

The Center is equipped with a number of state-of-the-art technology research capabilities, including a Virtual Reality Lab (CAVE), Embedded Systems and Software Development Lab, and Design Studio.

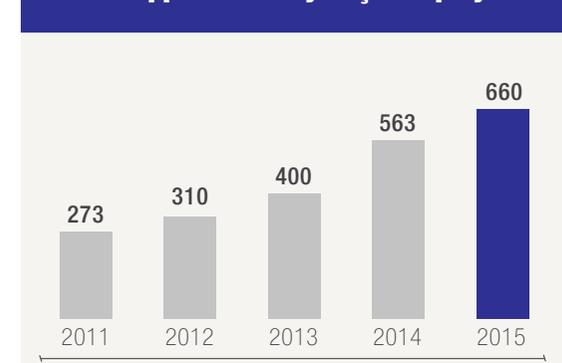
**R&D Investments
by Koç Group by Year (TL million)**



Koç Group R&D Staff by Year



Patent Applications by Koç Group by Year



² Turkish Statistical Institute 2014 R&D Activity Statistics





PRODUCT STRATEGY IN EMERGING MARKETS

Group is the first Turkish entity to devise an intellectual property rights strategy and share it with its stakeholders.

The Koç Group Intellectual Property Rights Strategy consists of five core elements:

1. Maximizing the use of the intellectual property rights system to obtain a sustainable competitive advantage and achieve the best business results,
2. Protecting difference-making innovations and strong brands in its markets of operation,
3. Creating value by managing its intellectual property portfolio in alignment with business objectives,
4. Commercializing intellectual property through acquisition, sale or licensing and being open to partnerships in this field,
5. Respecting the intellectual property rights of third parties.

A significant share of the Group companies' innovation projects is carried out jointly with universities and research institutions. Most of these projects are supported by innovation incentive programs of major organizations, such as the European Union and TÜBİTAK (Scientific and Technological Research Council of Turkey).

Detailed information on the innovation partnerships and projects undertaken by the Group can be found in the [Koç Holding 2015 Annual Report](#).

Working to ensure market diversification and competitiveness of Group companies is a significant component of Koç Group's business strategy. To this end, our innovation strategy targets the development of products and services in line with customer expectations in emerging markets in order to boost the Group's presence in these markets. These efforts are carried out by Group companies individually but are monitored closely by Koç Holding. Koç Holding supports the Group companies by means of the innovation management system, expertise in intellectual property rights, opportunities for collaboration under the Koç Technology and Innovation Council, and the Performance Management System.

Economic growth is projected to accelerate in the world's developing countries – led by China, India, Southeast and East Asia – while the share of this bloc in the global economy rises. This scenario will likely improve the general welfare and raise living standards in these markets. A presence in these markets presents major opportunities for many Koç Holding companies. As a result, led by the durable consumer goods and automotive subsidiaries, Group companies are devising product strategies for emerging markets and

intensifying their investments in that direction. Arçelik's manufacturing plant investments in Africa and Thailand during the previous reporting period are a good example of this approach. In addition to its manufacturing capacity investments, Arçelik's strategy to develop products centered on internet and mobile communication technology is also gaining prominence for increasing penetration in emerging markets.

The initiatives of the Group's automotive companies also stand out in their product development efforts for emerging markets. For example, Otocar and Tofaş engage in important product development initiatives in line with diverse geographic characteristics, climate conditions and local needs in various product platforms. During the previous reporting period, Ford Otosan launched cross-licensing initiatives launched for China market. This effort, which was part of the Ford Otosan's business strategy that encompasses product, engineering and technology exports, allows the company to actively take advantage of opportunities in these markets and their surrounding regions.

ECO-INNOVATIVE AND VALUE ADDED PRODUCTS



TOFAŞ

Reducing energy consumption and other environmental impacts of the product and service portfolio is an important focal point of the Group companies' innovation efforts. Thanks to this work, Group companies not only reduce the environmental footprint of a major component of the value chain, but also address growing consumer demands for environmentally-friendly, energy-efficient products and services. By preferring these value-added products that offer reduced environmental impact alternatives, the consumers of Group companies conserved 1.14 million GJ of energy during 2015.

Arçelik's R&D spend to improve the environmental performance of its products totaled TL 47 million in 2015. The stand-by power consumption of television sets was lowered from 0.3 W to the 0.12 W – 0.29 W range during the year, equivalent to overall energy savings of 38.6% during stand-by. As a result, the stand-by power consumption of the entire product portfolio fell below 0.3 W.

Water consumption in one washing cycle was reduced and 560 liters of water was saved annually in 60 cm wide "good" level dishwashers

which cover 85% of product portfolio. Through speed engines, annual water consumption of 60 cm and 45 cm wide dishwashers were reduced by 840 and 560 liters respectively. As part of the Lotus Project carried out during the year, the company developed a dishwasher model that consumes merely 5.5 liters of water. In addition, the energy efficiency of the models that consume six liters of water was raised to A++. Innovative features were designed and deployed in North America and Australia markets, included Bad Odor Prevention System, Zonal Washing System and Tablet Detergent Auto-Detection System. Auto-Dosing Liquid Detergent System is also completed and introduced in the products. Homewiz, another project undertaken in 2015, enables consumers to connect to their dishwashers through internet and tablets.

Another initiative conducted during the year related to efficient gas stove burner design. The burner developed as a result of this project reached 65% efficiency, compared to existing burners in the marketplace which are 58% efficient. The company began rolling out these new design burners in products gradually during 2015. The 90 cm T and wall-type range hoods that were developed by Arçelik during the year successfully passed the testing procedures of the Germany-based independent product testing organization SLG to become the first product in the category to be certified as noise quality rating.



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Improvements to Arçelik washing machines during the year lowered energy consumption by 2% while the noise level of washing machines manufactured in 2015 was reduced by 78% compared to the previous period. The company also undertook initiatives to increase the market penetration of the 54 cm deep tumble dryers with energy efficiency ratings of A+ and A++ were developed during previous years. A+++ and beyond energy efficient products were also spread. Efforts to reduce cooling fluid levels of tumble dryers resulted in 12% improvement in A+ products and 31% improvement in A++ products. Further, wood packaging materials used in tumble dryers were lowered by 3.9% despite rising production levels while 20 tons of paper was conserved through better design of user manuals.

As part of the Diesel-LPG Dual Fuel Project unveiled by Aygaz, a conversion kit was developed that enables heavy vehicles, such as buses and trucks, to run on both diesel and LPG as an alternative to exclusive use of diesel. Deployment of this kit reduces the diesel consumption of the engine and replaces it with LPG use. CO₂ and other emissions, particulate emissions in particular, are reduced and fuel economy is improved as a result of this application. Aygaz completed the Diesel-LPG conversion of 11 tankers and one training bus in its fleet. Aygaz and Tüpraş are undertaking the Olefin Project as a joint venture where they are developing processes to reduce the olefin content of LPG. Reduction of the olefin content of LPG will in turn reduce vehicle emis-

sions such as CO₂, CO, NO_x, and HC. As part of the Sulfur-Free Odorant project, a TÜBİTAK-supported R&D effort, a sulfur-free and environmentally-friendly odorant chemical was developed for LPG and the patent application was submitted. Registered under the GreenOdor brand in Turkey and internationally, this odorant will significantly reduce sulfur emissions in autogas and cylinder gas consumption. Efforts to deploy the new odorant will continue in 2016.

Aygaz took first step for the "Cylinder Tracking Project" in 2015, which aims to boost efficiency by enabling the tracking of the cylinders filled and distributed by the company at the facility, dealer, and

customer level. Two patent and one utility model applications were submitted for the project, which will break new ground in the global LPG sector. Some 1 million cylinders were barcoded as part of the project; the company plans to monitor the results of the pilot initiative in 2016 and expand the scope of the project gradually in coming years.

The basic requirement to achieve sustainable competitiveness is the possession of technological competency and knowhow by the company. To that end, the most important goal of Tüpraş's R&D strategy can be summarized as "Product Differentiation, Self-Sufficiency in Process." The core objective of every project implemented by Tüpraş





is to attain the goals in strategic business lines. As such, the company has developed projects in the areas of mathematical modeling of existing processes, process simulation, and process controls in accordance with the goal of innovating production technologies and gaining new process development capabilities. In addition, Tüpraş undertakes efforts to develop products in line with compliance with prospective regulations and market expectations within the scope of high profile projects such as Development of New Self-Healing Asphalt Agglomerate for more Durability and Low Maintenance of Surface Roads; Development of Alternative Fuel Additives with Glycerol Etherification and Fuel Compatibility Determination

Project; Boron and Nanoboron Doped Hydro-processing Catalysts Development Project; New Modified Polymer Bitumen Development Project from Waste Polymer Additives; Light and Middle Distillate Production with Olefin Oligomerization. With the same level of commitment, the Company continues to execute development and performance evaluation initiatives for specialty asphalt, alternative fuels, fuel additives, biofuels, base oil, nanotechnology applications, and catalysis.

Ford Otosan implemented the "Filobil" project which uses machine to machine communication technology via modules installed in Ford Trucks vehicles. This service enables identification of

mechanical problems and changes in road conditions as well as immediate intervention in the event of accidents. This technology, rolled out as a partnership of Ford Otosan with Vodafone Turkey and Filotürk, provides fuel economy of up to 20% in Ford Trucks vehicles.

Featuring the enhanced versions of the front-wheel drive 2.2 liter Duratorq TDCi diesel engine engineered by Ford Otosan, Transit Custom and Tourneo Custom models deliver the highest fuel economy values in their class (6.5 l/100 km) thanks to the automated Start/Stop system.

Deployed in the Transit/Tourneo Courier model engineered by Ford Otosan, Ford's efficient and





powerful 1.0 liter EcoBoost gasoline engine provides the best fuel economy in its class among the gasoline engines available in the European market. Vehicle integration of this engine was also performed by Ford Otosan. The revolutionary 1.0 liter three-cylinder EcoBoost gasoline engine delivers the performance of a traditional 1.6 engine while providing fuel savings of 24% and cutting greenhouse gas emissions by 25%.

Engineered 100% by Ford Otosan, the Next Generation Ecotorq EU6 Engine Family and Exhaust Gas Filtration System aims to be a leader in its product category. As part of this project, the Smart Engine Management System, which operates by interacting with the infrastructure and the driver, is the first of its kind within Ford Global. Ford Otosan developed its own original electronic modules and software in this project. Prototype tests reveal that the Next Generation Ecotorq EU6 Engine Family and Exhaust Gas Filtration System offers the most advanced fuel economy and emissions levels in its class. The EU6 Exhaust Gas Filtration System, developed by Ford Otosan with an R&D outlay of EUR 7 million, stands out as one of the select few technologies developed with internal resources, not just for Ford Otosan but in the automotive industry worldwide. As part of the project, the company also launched the EUR 1.5 million Exhaust Emission Systems Testing Center. Set up within the Ford Otosan Gölcük R&D Center, the facility is Ford Global's first in the region, and it will provide

an invaluable testing capability for other R&D activities to be carried out down the road.

Under the project undertaken by TürkTraktör in 2015, three-cylinder engines compliant with Tier-IV emission standards were developed to be deployed in TT model tractors; production commenced for deployment in two tractor models. Projected R&D spending for the engines, for which field and emission tests are ongoing, is TL 1.2 million. In addition, within the reporting period, the TD4F model developed for European market was commercialized under the brand CESAIH JXB in Turkey. The style design of the CASEIH JXB branded garden tractor was completed and introduced to the local market. In line with the engine emission legislation, another project carried out by TürkTraktör is the design of the F5C engine TD5/FARMALL A model tractor which has a level of STAGEIIIB Emission level. Its mass production towards the European market is also completed. In addition, the company also carried out a project for the Tier IV engine application in Utility Light model tractors during the reporting period. R&D outlays for the project that entails improvements in the Utility Light model tractors and the new engine applications.



**EMPOWERING
THE VALUE CHAIN**

**“Customers are our benefactors.”**

Our Founder Vehbi Koç

We owe Koç Group’s success as much to the supply chain and dealer network that enable the operations of the Group companies as to activities of our enterprises. Shaping its sustainability approach with a view that goes beyond Group companies’ operations and encompasses the entire value chain, Koç Group also assesses its sustainability performance within this scope. Consequently, Koç Group strives to enhance its commercial success in all processes, from procurement to product and service delivery to the customer as well as adoption and broad acceptance of responsible conduct and behavior. To this end, Group companies act together with their respective stakeholders led by their business partners, such as suppliers and dealers.

The Group Companies expect their suppliers and dealers, the strategic components of their value chains, to embrace the same operating principles that Group companies adopt in social, environmental, economic and ethics matters. Supporting the capacity enhancement needed to also implement these principles in the operations of the business partners is an essential task for Koç Group Companies. Additionally, Group Companies see providing their products and services responsibly and increasing customer satisfaction as means to improve the sustainability of the value chain.

PRODUCT AND SERVICE RESPONSIBILITY

In addition to production operations, Koç Group’s approach to creating a sustainable business model entails assessing consumer expectations correctly and offering value-added products that meet the future expectations of customers while improving their quality of life. However, Group companies prioritize providing products and services to consumers responsibly as much as meeting their expectations.

The scope of our product and service responsibility includes focusing on consumer safety during the product and service development processes, attaining the norms of superior quality, informing consumers accurately and transparently, protecting consumer data, and increasing consumer satisfaction.

Product Quality and Safety

The primary goal of Koç Group companies is to deliver products and services that address consumer expectations and needs, conform to international quality standards, and create customer satisfaction. However, ensuring consumer health and safety during the consumption of our products and services is just as important for Group companies – a critical issue they can never waver on.

It is a core responsibility for Koç Group companies to comply with all applicable laws, regulations, product and service standards in the countries they conduct operations. To this end, Group enterprises have in place control processes to ensure full compliance with laws, regulations and mandatory quality standards during the design, production and market offering processes of their products and services. Compliance criteria vary by industry based on the unique characteristics of each sector. This allows Koç Group companies to sell their products to customers in tens of countries across the world and ensure their satisfaction.

Koç Group companies offer products and services for sale only on the condition that they comply with consumer health and safety standards. All Group companies oversee full compliance with effective laws and regulations



as well as compliance with health and safety standards, in keeping with generally-accepted norms across all phases of the life cycle of a product or service from the design process to the delivery of the product or service to the consumer. All products and services rendered by Koç Group enterprises are reviewed for compliance with consumer health and safety standards; the Group did not have any instance of violation of these standards in 2015.

Consumer Durables:

Enhanced Product Durability at Arçelik

In the consumer durables industry, product durability is not only governed by law. It is also an influential factor in product selection, an element of product quality that creates consumer satisfaction. Further, durability boosts the economic value of products by increasing their useful life cycle while reducing product-based environmental impacts. A global player in consumer durables, Arçelik designs its products to guarantee their use at the same quality level for 10 years. All Arçelik products are subjected to expected life cycle testing through simulations under 10-year overloading conditions. Only models that pass these testing procedures successfully are approved for commercial sale and offered to the market.

Automotive Group: Vehicle Safety

Koç Automotive Group companies undertake product design and R&D efforts to fully comply with the laws and regulations that govern the vehicle safety standards of the markets that they manufacture vehicles for and to equip their vehicles with the state-of-the-art safety technologies. As a result, vehicles manufactured by Koç Automotive Group enterprises render a safer driving experience for consumers. The passive and active safety technologies that vehicles are equipped with conform to the highest norms in their respective categories as confirmed by testing by international organizations such as NCAP.

Advances in intelligent urban and infrastructure technologies elevate the meaning of traffic safety to a whole new level. To this end, intelligent driving systems, where vehicles communicate with each other and with the infrastructure, are gaining prominence in the present day. The CoMoSef initiative, which also includes Otokar and KoçSistem as project partners, is a European Union effort participated by 23 project partners from nine countries that aims to develop the intelligent traffic systems of the future. KoçSistem's role in the initiative is to develop technologies that will enable communication of vehicles with other vehicles on the roads and roadside units. Information provided by this communication will enhance the driving experience in addition to safety and support traffic management. As part of this project, Otokar is working on various systems, such as warnings for intersection collision, traffic rule violation, danger zone, and vehicle right of way.

Responsible Advertising and Marketing

Koç Group companies conduct their advertising and marketing communication efforts in line with the four core values of the Koç brand – Leadership, Optimism, Solidarity and Value Generation. These activities are also carried out in accordance with the International Chamber of Commerce's Advertising and Marketing Communication Practice and the guidelines of the Turkish Advertising Self-Regulatory Board. The messages and means used as part of these efforts are ethical, honest, accurate, responsible to society, in conformity with applicable laws and regulations, and respectful of personal rights. Descriptions, claims and visuals used in advertising and marketing communications are verifiable and documentable without being misleading, while avoiding detraction, imitation, and abuse of commercial reputation. Conditions of digital media use were also added to the Koç brand corporate identity guidelines as the use of this emerging media became commonplace across the Group.

Product Information

Group companies go beyond legal and regulatory mandates in their product descriptions in terms of scope and detail, providing the most accurate, current and reliable information on their products and services. Product labels and informational documents, depending on the industry and type of product or service, inform the consumers. Product information materials also provide product ingredients, conditions of safe use, and environmental impacts. Product information, in most instances, is provided to consumers on or alongside the product; meanwhile, many informational tools are also available on the website of the respective companies. There have been no violations of laws or regulations with regard to consumer information or product labeling in Group enterprises during the reporting period.

Yapı Kredi: Easy and Transparent Product Information

Yapı Kredi posts detailed information on all its products and campaigns, in addition to its credit card product agreements, on the corporate website. The company provides various instruments, such as sample loan repayment tables, for consumers to benefit from more detailed and easy to understand information, especially regarding loan products. Information on deposit products is designed to enable consumers to compare products and interest rates and to avoid confusion. Potential gains and losses from the products are shared with consumers in a transparent and easily understood fashion. When a consumer contacts a call center for information, call center representatives convey all information that the consumer is legally entitled to with regard to the product or service in question pursuant to the agreement. This practice supports Yapı Kredi customers to make informed decisions on financial products and services.



FORD OTOSAN

Customer Data Security

Group enterprises are in possession of a large amount of customer data, either as a consequence of products and services rendered or in an effort to get to know the customer better. It is our responsibility to use these data in compliance with applicable laws and regulations, with the permission of customers, and within their authorization limits; to safeguard the security of customer data; and to prevent access to customer data by third parties when customers withhold their consent for it. Group companies ensure the confidentiality of these data via systems designed in keeping with internationally-accepted standards. The standard generally applicable to these systems is the ISO 27001 Information Security System Standard. Meanwhile, companies in certain industries also conform to other confidentiality standards. For example, Koç Bilgi ve Savunma Sistemleri complies with the military level information security protocols while Otokar conforms to the AQAP 2110 NATO Standard.

Yapı Kredi, which is responsible for maintaining a large amount of personal consumer information pursuant to governing laws and regulations, defined the confidentiality of Banking Secrets and Customer Data as part of its Code of Ethics. Every employee is obligated to abide by these rules and report any suspicion of violation immediately to the related bodies. Further, customers who suspect a violation also have access to a quick and easy reporting mechanism. In order to prevent harm to customers, all reported information is evaluated meticulously and investigated by the Ethics Unit. Some 314 notifications were received within this scope in 2015; all cases were investigated and concluded.

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in the Value Chain

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Customer Satisfaction

Creating customer satisfaction is a common strategic goal of all Koç Group companies irrespective of the industry. Group enterprises engage in creative and competitive practices to gain the appreciation of customers and bolster their competitive edge. Koç Holding and Group companies conduct customer satisfaction surveys each year to track their performance in this area. In addition to the in-house surveys of Group enterprises, surveys by independent organizations also reveal successful results for Group companies.

According to the results of customer satisfaction and loyalty surveys conducted in 2015, Aygaz A.Ş. brands maintained their leadership with scores of 77 points in the cylinder gas sector and 84 points in the autogas sector. In the surveys conducted during 2015 measuring customer satisfaction in sales processes, Ford Otosan customers expressed 89.4% satisfaction in the automobile segment, 89.6% satisfaction in the light commercial vehicle segment, and 77.4% satisfaction in the heavy commercial vehicle segment.

Based on the outcomes of the surveys measuring satisfaction from authorized service locations, Ford Otosan customers conveyed 79.8% satisfaction in the automobile segment,

82.5% satisfaction in the light commercial vehicle segment, and 80.7% satisfaction in the heavy commercial vehicle segment. In the surveys conducted during 2015, Otokoç passenger vehicle customers expressed 92% satisfaction with sales processes and 81% satisfaction with service processes. Meanwhile, Otokoç commercial vehicle customers conveyed 91% satisfaction with sales processes and 80% satisfaction with service processes.

Tofaş improved its customer satisfaction score to 78% in 2015 as a result of the services it combined via after-sales business development initiatives.

Just like all other Koç Group companies, Tüpraş is committed to rendering the highest quality products and services to its customers, constantly improving its products and services, and treating all its customers equally and fairly. As a result, despite its superior performance, Tüpraş carries out a number of initiatives to raise the level of customer satisfaction. Surveys conducted in 2015 reveal that Tüpraş customers' satisfaction level from the products and services rendered to them by the company stands at 88.8%.

RESPONSIBILITY IN THE VALUE CHAIN

Koç Group believes that it will have attained true success when its sustainability initiatives are adopted across the Group's value chain. To this end, Group companies aim to expand their sustainability approaches to their respective value chains and achieve sustainable growth within their economic spheres of influence.

Group enterprises strive to instill their operating norms – from ethical operating principles to working norms dictated by the international initiatives they are committed to, led by the UN Global Compact – in their business partners, such as suppliers, contractors, dealers and distributors. Agreements that establish business partnerships also encompass business ethics, quality, environmental, human rights, and operating principles norms in keeping with UN Global Compact principles. Group companies also support their business partners to help them boost their performance in these areas. The most important example of this effort is the training sessions administered to suppliers. Koç Group companies conducted 1,328 personXhours of business ethics training, 41,564 personXhours of environmental training, 9,173 personXhours of training in social matters, and 1,073 personXhours of training in economic matters for their suppliers in 2015.

Implementation and performance control efforts, in addition to training and support initiatives, also play a major role in expanding the capacity to establish sustainable business models across



the supply chain. To this end, supplier auditing efforts of Group companies, which encompass such areas as quality, the environment, business ethics, employee rights and human rights, also serve to manage sustainability risks in the supply chain. Group companies use risk-based selection criteria to determine the scope of their audit plans that cover an increasing number of suppliers each year. To this end, more than 1,500 suppliers were audited for social, environmental and ethics compliance in 2015; meanwhile, 1,183 suppliers were audited in terms of human rights criteria. Some 10% of suppliers across the Group are subjected to human rights audits. The scope of the human rights audits is the largest in the consumer durables industry, with 33% of suppliers undergoing these audits.

In an effort to ensure a more active communication for its expectations from suppliers regarding sustainability issues, Arçelik A.Ş. has a business conduct e-learning program. Following the pilot practice launched in 2014, 30 suppliers in total (15 from Turkey and 15 from international operations) were audited in line with SEDEX audit standards for codes of conduct and occupational safety.

A large multiplier effect emerges when success is attained across the entire value chain. Armed with this understanding, Koç Group companies undertake efforts to make suppliers and dealers in their respective value chains more successful. These efforts may relate directly to commercial activities, governance approach or capacity enhancements, such as sustainability management.



ARÇELİK

Support for Business Transparency Project from Arçelik

Global Reporting Initiative has carried out the program “Business Transparency Project” since 2009 in order to improve transparency and accountability by increasing the penetration of sustainability reporting within the supply chains. The program also encourages the companies that adopt these practices by giving them increased visibility on international platforms. Business Transparency Project aims to raise the corporate sustainability performance of small businesses that are part of the supply chains of large corporations; to expand their capacity to meet the expectations of main producers in this area; to help acquire the capability to undertake sustainability reporting; and to promote successful firms as examples of good applications internationally. This Project is funded by the European Commission and the Swiss government. Arçelik supports the project’s 2015 implementation by the participation of 13 of its suppliers and the provision of the infrastructure for training activities.

Arçelik aims to improve the sustainability management and reporting-related knowledge and skills of Arçelik suppliers that participate in this project for a period of one year. The goal is the issue of reports by suppliers in the GRI G4 standard at the conclusion of the project. As part of this effort, Arçelik sets an example for many companies in Turkey in terms of the visibility of its supply chain.

OC

TOPLUMSAL CİNSİYET EŞİTLİĞİNİ SAĞLAMAK İÇİN
BAKİŞ AÇIMIZI DEĞİŞTİRME ZAMANI. BU DEĞİŞİMİ ANCAK
KADINLAR VE ERKEKLER OLARAK BİR ARADA YAPABİLİRİZ.

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EŞİTİZ.**

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THE COMMUNITY**





SOCIAL INVESTMENTS

Social responsibility is not merely a focal point for Koç Group, but rather a business culture we inherited from our founder Vehbi Koç that is now part of our organization's DNA.

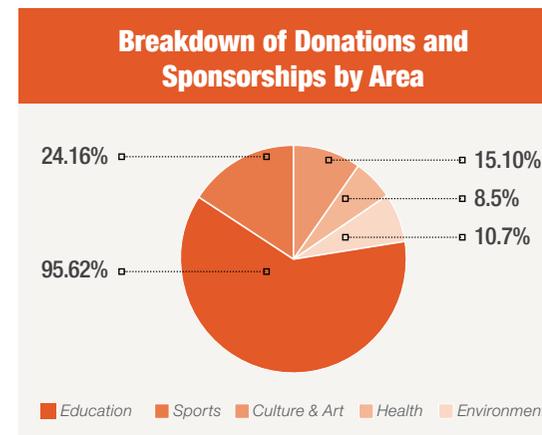
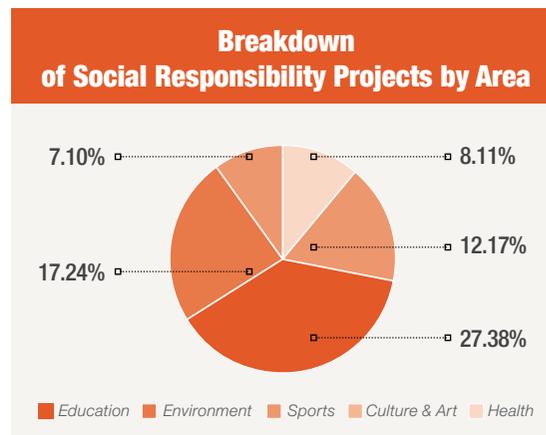
Koç Group's social responsibility approach goes beyond simply being charitable. Instead, the approach adopted by the Group includes being part of the effort to guide the community in a positive direction. Institutionalizing these efforts, the Group pioneered Turkish industry as well as the country's civil society landscape. In addition to launching a large number of civil society organizations in Turkey, Koç Group also established the country's first private sector supported foundation, Vehbi Koç Foundation, setting an example for the entire nation.

Koç Group is the driver behind the establishment of many organizations that play a major role in a number of areas – from education and health to the environment – including TEMA (The Turkish Foundation for Combating Soil Erosion, for Reforestation and the Protection of Natural Habitats), Turkish Educational Foundation, Educational Volunteers Foundation of Turkey, and Turkish Family Health and Planning Foundation.

Koç Group focuses its social investments on high value-added initiatives. We design and carry out all our projects in line with the principles of sustainability, volunteerism, innovation, and creativity.

**Koç Group's 2015 Sustainability Report covers social investment projects that are implemented by Koç Holding and extended to Koç Group Companies. Other projects that are carried out by Koç Group Companies can be accessed through company website or company sustainability reports.*

Koç Group companies undertook 71 social responsibility projects and 152 donation and sponsorship initiatives within their business geography during the reporting period to support higher standards of living for the population. Group companies invested more than TL 102 million in these various efforts.



For My Country

One of the finest examples of the corporate social responsibility initiatives carried out by Koç Group with its personnel and dealers is the “For My Country” project. Launched in 2006, the project aims to raise social responsibility awareness among individuals and create solutions to society’s problems with the participation of players in our value chain. The theme of For My Country changes every two or three years, as the project addresses a different social issue each period.

The No Barriers For My Country project, launched in 2012, concluded in the first half of 2015. Subsequently, the new theme of For My Country is decided as gender equality. The project, Supporting Gender Equality For My Country is expected to be in place between 2015-2017.

	For My Country Volunteers	Number of Participating Companies
2006	81	43
2007	81	30
2008	81	22
2009	81	-
2010	121	49
2011	135	46
2012	116	34
2013	125	34
2014	125	34
2015	125	34

¹ Companies were not included in the 2009 project.

**2006
2007**

Independent themed, we addressed a variety of needs in the field via 387 local projects in 81 provinces.

**2008
2009**

In collaboration with TEMA (The Turkish Foundation for Combating Soil Erosion, for Reforestation and the Protection of Natural Habitats) and Ministry of Environment and Forestry, we planted 1,084,000 trees and seven forests in seven regions, and instilled a love of trees in 18,000 students as part of the “For My Country Forests” initiative.

**2010
2011**

We carried out the National Regular Blood Donors Acquisition Campaign under the “Donating Blood For My Country” initiative, collecting 83,579 units of blood donations and creating awareness among some 104,000 persons.

**2012
2015**

Under the “No Barriers For My Country” initiative:
We conducted 2,433 Accommodating Disabilities Training sessions at our companies that reached 103,482 employees.
We reached out to 22,500 persons, mostly children, in 36 provinces through our dealers.
We improved schools’ physical structures at 1,361 locations.
We retrofitted 20 school buildings to accommodate students and teachers with disabilities.
We developed disability-friendly products and services at our companies.
We carried out 20 social responsibility projects.
We enhanced Human Resources and Dealer procedures with disability-friendly practices.

2015

Launched the Supporting Gender Equality For My Country project.



Gender Equality Initiatives

A deep gender inequality hinders access to education, health services and economic opportunities. Present in every country across the world, this inequality ranks among the chief obstacles to economic and social development. Koç Group's social development initiatives in 2015 focused on social gender inequality, one of the most widespread human rights violations that the civilized world faces today. To this end, Koç Group carried out a series of projects and initiatives that encompassed a broad range of issues, from creating social awareness to combating violence against women and domestic violence.

In 2013, Koç Holding signed the Declaration on Equality at Work developed by the Ministry of Family and Social Policies and in January 2015, became a signatory of UN Women and UN Global Compact's Women Empowerment Principles. Koç Holding also initiated a cooperation agreement with UN Women to support empowering women in social and economic life in Turkey.



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HeForShe

In 2014, Koç Holding signed a cooperation agreement with the United Nations Entity for Gender Equality and Empowerment of Women (UN Women). Under the agreement, Koç Holding became the implementation partner in Turkey for UN Women's worldwide HeForShe campaign. The Company played an active part in devising, implementing and spreading the campaign's communication strategy in Turkey. In keeping with our belief that the first step in sparking change in a social problem area is raising awareness on the subject, Koç Holding supported the HeForShe campaign to generate broader society awareness on this topic. In addition to the proactive role Koç



Holding and Group companies played in the communication phase of the initiative, the late Mustafa V. Koç, former Chairman of the Board of Directors of Koç Holding, supported the effort personally and served as one of the ambassadors of the campaign.

Targeting social gender equality by 2030, HeForShe launched the IMPACT 10x10x10 initiative in order to accelerate this goal. Under this initiative, 10 political leaders, 10 university leaders and 10 corporate leaders who will spearhead the global change movement made three ambitious commitments each and were selected as Impact Champions. Mustafa V. Koç, Chairman of the Board of Directors of Koç Holding, was also selected as an Impact Champion.

What is HeForShe?

Developed by UN Women, HeForShe is a solidarity movement that invites every segment of society to become a supporter and envoy of change for social gender equality and women's rights.

The HeForShe campaign aims to highlight the great pressure social gender inequality places on the entire spectrum of society and to invite everyone – men and women – to support equality. In an environment where social gender equality is achieved, the campaign pays attention that the society will get the best of it.

Koç Holding's efforts in relation to the IMPACT 10x10x10 Initiative

UN Women launched the IMPACT 10x10x10 initiative in 2015 in order to expand the HeForShe campaign's area of influence and to share the steps companies need to take toward gender equality with the entire world. UN Women invited 10 leaders each from politics, business and academia from across the globe to champion this cause. Each leader made three ambitious commitments that will spark change within their respective spheres of influence. Mustafa V. Koç, Chairman of the Board of Directors of Koç Holding, was selected as one of the 10 corporate leaders worldwide as part of the HeForShe IMPACT 10x10x10 initiative. The other impact champions selected for the program were the chairmen of McKinsey & Company, Vodafone, Twitter, Unilever, Barclays, Schneider Electric, PricewaterhouseCoopers, AccorHotels, and Tupperware Brands.

Koç Holding has made the following impact commitments to the HeForShe program:

1. Fund implementation of the HeForShe campaign in Turkey & mobilize 4M supporters by 2017.
2. Empower HeForShe mobilizers at Koç to shift gender norms across Turkey, reaching 100,000 people with gender sensitization training by 2020.
3. Strengthen gender sensitive work environment to drive towards parity.

Supporting Gender Equality For My Country

The For My Country initiative focused on the theme of gender equality in 2015, in a way that supports Koç Holding's efforts to establish gender equality across society.

The project's aims include creating awareness about the causes and consequences of gender inequality in all segments of society; developing a more egalitarian approach in business culture and in social life with a holistic perspective; and serving as a role model.

Similar to every other prior "For My Country" project, Koç Holding leverages the Group companies and its dealer network in this initiative.

Koç Group's goals with regard to Group companies with this project include:

- Carrying out the Koç Group Equality Guidelines and Implementation Principles;
- Increasing the scope and frequency of "Gender Equality" seminars for Koç Group employees;
- Expanding the scope and frequency of "Gender Equality" seminars for the supplier and dealer network;
- Developing creative corporate responsibility suggestions and initiatives on gender equality that will enhance the effectiveness of the project;

- Ensuring that organizations owned by Koç Group companies adopt gender equality-sensitive communication approaches (job postings, ads and commercials, media initiatives, and the like);
- Supporting the project by way of social responsibility initiatives.

In line with these goals, we trained 350 volunteer trainers from among employees of Group companies to give "Gender Equality" seminars to Koç Group managers and staff; these volunteer trainers began conducting seminars at the companies. As of September 2015, 6,648 personnel attended awareness seminars that were organized at 33 Koç Group companies.

The details of our initiatives regarding strengthening workplace culture on gender



sensitivity can be found in the Inspiring Talent section of the report.

We adopted a three-pronged approach with regard to the dealer network leg of the Supporting Gender Equality For My Country Project. The first prong leverages the volunteer dealers who are also "For My Country Envoys" to reach all Koç Group dealers, administrators all

Aygaz Supports Gender Equality

An informational video on gender equality was added to the content of the training sessions administered regularly to the members of the "Aygaz Conversion Club" by Aygaz Otogaz. As a result, 180 persons were reached with this key message in Adana, Antalya, and Ankara. A video highlighting gender equality was also added to the professional training curriculum of Tüplügaz customer service agents and to the safe cylinder use awareness training for customers by Aygaz. The training trucks that travel across Turkey reached 550 Customer Service Agents and 750 customers, for a total of 1,300 persons. For My Country Talks are organized as part of dealers' region visits. Interviews and news on gender equality were included in "Aygaz World" magazine, an Aygaz publication. This will help the company reach out to an audience of 6,500 comprised of employees, dealers and Conversion Club members.



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project seminars and conveys project goals to the entire dealer network.

The second prong capitalizes on the Koç Group dealer network to reach the entire public and conduct seminars for local communities to raise “Social Gender Equality” awareness. The seminars to be administered to the target groups listed below, which dealer volunteers will choose from among, are given by the instructors of the Turkish Family Health and Planning Foundation (TAPV) and the Mother-Child Education Foundation (AÇEV). Seminar content covers the concept of gender equality and fundamentals of gender equality.

1. Middle School and High School Students and Teachers
2. University Students
3. Employees of Governmental Entities and Municipalities
4. Trade Associations and Workplaces
5. Public at Large
6. Local Governments

The third prong foresees our dealer volunteers, who have completed basic training on gender equality, to generate solutions to address local problems and advocate increased stakeholder participation for this cause. Our dealers are trained and supported by TAPV instructors on advocacy and project development initiatives.

A Training Program for Law Enforcement Personnel Who Work with Victims of Domestic Violence, in Conjunction with Koç Holding

Violence against women is a leading social ill in Turkey that urgently needs to be addressed. Working diligently to eliminate this problem, Koç Holding partnered with the Üsküdar Police Department, the Humanist Bureau to provide training for law enforcement officers who work with the victims of violence against women and domestic violence.

Designed in 2013 for Üsküdar Police Department personnel, the program was administered for 84 law enforcement staff who work in domestic violence units within all districts of Istanbul during 2015. As part of the program,

19 instructors were trained. An additional 224 personnel attended remote training. Under the initiative, Istanbul Police Department aims to implement this program in the entire province with its trained instructors.

The distance learning module, one of the program’s most significant outputs, can be accessed at the www.kadinguvene.org website. A trainer’s guide was compiled for the instructors. A brochure for the victims of violence against women as well as an informational document for police officers who work with them were also prepared.





Women's Health Education Program from Aygaz

Aygaz has partnered with the Turkish Family Health and Planning Foundation for many years to educate pregnant women and mothers in both maternal health care and infant health issues. The goal of these initiatives is to raise the standard of living of mothers and their babies while also reducing mortality rates of these two groups. Some 1,076 women received a certification of attendance from training sessions administered by Women's Health Training Program (KSEP) instructors in 20 provinces in 2015. The project has reached out to 7,000 women since its launch.

Yapı Kredi Mortgage Provides Hope for Women

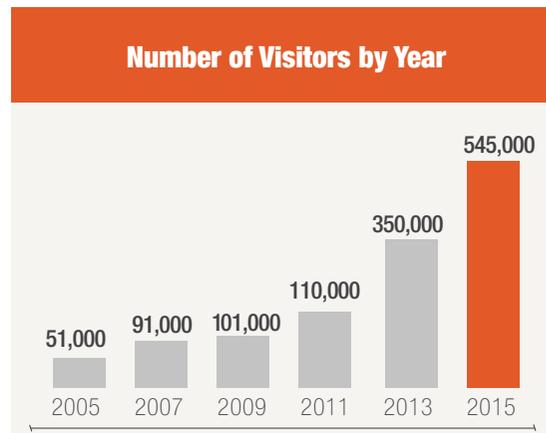
Yapı Kredi Mortgage donated to the AÇEV Basic and Advanced Literacy and Women's Support Training project, which was launched to benefit girls and adult women who were unable to go to school, for each mortgage loan taken out by a female customer in March 2015. The campaign supported the education of more than 500 girls and adult women.





Istanbul Biennial

Koç Holding assumed the sponsorship for the ten-year period 2007 to 2016 of the International Istanbul Biennial, organized by the Istanbul Foundation for Culture and Arts (İKSVA) as a contemporary arts event focused directly on social issues. In 2015, Koç Holding resolved to extend its support for this mega organization until 2026, which coincides with its own 100th anniversary. Embracing sustainable partnerships and believing that art is a major indicator of social development, Koç Holding sees its support for the Istanbul Biennial – today one of the top four biennials worldwide – among its priorities. Arçelik, Koçtaş, Tüpraş, Aygaz, Opet, Yapı Kredi Publications and Ford Otosan, all Koç Group companies, also support various projects within the Istanbul Biennial.



Our sponsorship of the Istanbul Biennial aims to boost interest in contemporary art among young people and to draw the interest of those who have yet to come to know contemporary arts by setting their curiosity in motion. The Biennial is a platform where diversity and different opinions can be exhibited side by side. We see the Biennial not just as an artistic production, but also as an event that provides the opportunity to internalize democracy and to become open to opposing viewpoints, for societies that dare to approach life without prejudice.

A number of diverse projects are executed at each Biennial in order to broaden the base of museum and exhibition goers and to expand the number of visitors within each age category. Thousands have benefited from guided tours at the exhibition sites while training programs conducted for children and young people with the support of Koç Holding have reached hundreds of youth.

The Istanbul Biennial has become the most internationally followed and renowned arts event in Turkey. Sponsorship of the Biennial is synonymous with supporting the Istanbul brand.

Organized under the title “SALTWATER: A Theory of Thought Forms,” the 14th Istanbul Biennial met with arts enthusiasts between

September 5 and November 1, 2015. As part of the 14th Istanbul Biennial curated by Carolyn Christov-Bakargiev, works of more than 80 artists and arts groups from across the globe were exhibited at 36 locations on the European and Asian sides of Istanbul.



14th Istanbul Biennial, Adrian Villar Rojas, The Most Beautiful of All Mothers, Büyükaada, 2015 *Photo Credit: Sahir Uğur Eren*



Koç Fest

Koç Holding started Koç Fest in 2006 with the aim of bringing music and entertainment to universities across Turkey, creating a special festival for students, and starting an annual tradition. Today, Koç Fest has visited university students on their own campuses for 10 years.

As a company, Koç Holding believes that sports enhance the quality of life and make for a healthier society, both physically and mentally. Under the umbrella of Koç Fest, Koç Holding has assumed the main sponsorship of the Turkish University Sports Federation since 2009. As a result, the most prestigious sporting event among Turkish universities and the most broadly participated sports organization in the country has come to be known as the “Turkish Koç Fest University Games” and became an integral component of the festival. This initiative made Koç Fest the biggest youth festival in Turkey.



2015 Koç Fest Provinces

Muğla/Sıtkı Koçman University
Balıkesir/Balıkesir University
Karabük/Karabük University
Sivas/Cumhuriyet University
Gaziantep/Gaziantep University
Antalya/Akdeniz University
Isparta/Süleyman Demirel University

More than 22,000 athletes from 185 universities compete in the Turkish Koç Fest University Games each year. Some of the athletes and teams that are successful in the competitions go on to represent Turkey at international events with the support of Koç Holding.

Koç Fest aims to boost the number of university athletes while fostering the culture of being a true sports fan. All Koç Fest activities are designed to advance amateur sports and expand the fan base of each sport activity.

22,000
Athletes

46 Sports

38,500
Students
Attending
the Event

40,000 Fans
in the Indoor
Sports Facility

275,000
Concert
Attendees

16,500
Students
Attending Talks
and Shows

13 million
Persons
Reached on
Social Media



In an effort to raise ethical, mentally and psychologically healthy young people who are team players, talks in various areas are held as part of Koç Fest each year. Major figures in sports meet with university students at these talks.

Supported by the 15 largest companies in the Koç Group, Koç Fest also holds the distinction of being the largest project carried out jointly by Koç Group. Activities at the event sponsored by Arçelik, Grundig, Beko, Tüpraş, Opet, Aygaz, Setur, Yapı Kredi, Koçtaş, Tanı, Bilkom, Ford Trucks, Avis, Ford and Fiat brands also promote various digital technologies to young people.

Some 400 suppliers and a team of 250 are employed in the preparation and field work of Koç Fest each year. The economy created by Koç Fest, when combined with the impact of the arrival of thousands of athletes in the event cities, also boosts local economies. We create a mini Olympics atmosphere in the finals city selected each year with the participation of 5,000 athletes and hundreds of administrators.

Turkish National Olympic Committee Sponsorship

Raising the bar ever higher in its support for sports and athletes, Koç Holding became the main sponsor of the National Olympic Committee of Turkey (TMOK) in order to contribute to Turkey's efforts during its Olympics journey. The first national main sponsor of the National Olympic Committee of Turkey, Koç Holding aims to contribute to the Olympic spirit in Turkey and initiatives on the global stage via this sponsorship.

Committed to developing Turkey into a country with accomplishments across a diverse range of sports disciplines in the international arena, Koç Holding has also become the sponsor of Turkey's candidacy to host the 2020 Olympics and Paralympics. The Holding engages in efforts to promote an active lifestyle among the country's population and to ensure that sports are practiced more broadly.

Organized in collaboration with National Olympic Committee of Turkey, the "Olympic Action Days" project was initiated to encourage elementary school students in particular to embrace the culture of sports and Olympic values. Later on, the initiative aims to generate that same awareness across the entire society. As part of the project carried out in coopera-

tion with academics and pediatric psychologists, a diverse range of topics – including the culture of sports, Olympic Games and philosophy, fair play, healthy nutrition, and environmental awareness – are taught in an interactive manner via videos, cartoons, mini contests and colorful visuals. This initiative reaches out to thousands of children.



KidZania – Earthquake Simulation Center

Koç Group has always prioritized support for projects that have a positive effect on children's development, turn education into entertainment, and help raise more enlightened generations. KidZania Children's Republics, which have 16 offices in 13 countries across the globe, opened an office in Istanbul in 2014 to the great satisfaction of Koç Holding and Koç Group companies.

This project allows youth ages 4 to 14 the chance to experience 90 professions, and Koç Holding supports the effort with an earthquake simulation center. In the activity area, young visitors are informed about proper procedures prior to, during and after an earthquake. Carried out with support from Boğaziçi University's Kandilli Observatory, the project features a theoretical lesson followed by an applied program about earthquakes and their aftermath.

VEHBI KOÇ FOUNDATION



Vehbi Koç Foundation (VKV) has worked to exemplify the best in education, healthcare and culture since the day it was established through its centers of excellence and various programs. Vehbi Koç Foundation continued to make a difference in the community through the operations directed from its headquarters as well as via its subsidiary institutions in 2015.

VKV INSTITUTIONS

Education

Private Koç Elementary & Middle School and High School (High School 1988, Elementary & Middle School 1998)
Koç University (1993)
Model School Project

Healthcare

Semahat Arsel Nursing, Education and Research Center (SANERC, 1992)

VKV American Hospital (1995)
Koç University School of Nursing (1999)
Koç University School of Medicine (2010)
Health Sciences Campus

Culture

Sadberk Hanım Museum (1980)
Vehbi Koç and Ankara Research Center (VEKAM, 1994)
Suna-Inan Kiraç Research Institute for Mediterranean Civilizations (AKMED, 1996)
Antalya Kaleiçi Museum (2000)
Koç University Research Center for Anatolian Civilizations (ANAMED, 2005)
ARTER (2010)
Detailed information on VKV institutions and 2015 activities can be accessed at Vehbi Koç Foundation's website, www.vkv.org.tr.



Vehbi Koç Award

Vehbi Koç Foundation, established 46 years ago as Turkey's first private foundation, presents the Vehbi Koç Award each year in the areas of culture, education and healthcare. The recipient of the 14th Vehbi Koç Award was Professor Ali Nesin and his Mathematics Village Project for his contributions to education. Professor Nesin accepted the USD 100,000 monetary prize on behalf of the Nesin Foundation.

Professor Nesin founded Mathematics Village in 2007 in the Şirince village of İzmir's Selçuk district with the help of Sevan Nişanyan. A

non-profit enterprise that has become a model worldwide, Mathematics Village offers the volunteer support of globally-renowned academics from Turkey and across the world to more than 1,000 students each year.

Professor Ali Nesin makes invaluable contributions to mathematics with his Mathematics Village initiatives in addition to academic and general-interest articles and books. Professor Nesin has changed many young people's approach to math while making the discipline more accessible and popular with his efforts over the last 20 years.



VEHBI KOÇ ANMA VE ÖDÜL TÖRENİ

International Nasreddin Hodja Caricature Competition and Symposium

Aiming to support the social development of various branches of art and the successful representation of our country in different areas abroad, Koç Holding has served as the main sponsor of the International Nasreddin Hodja Caricature Competition organized by the Cartoonists Association since 2008. Held since 1974 in a format open to all caricaturists worldwide, the competition has awarded the grand prize to Turkish caricaturists many times.



CONTRIBUTION TO LOCAL ECONOMY

One of the biggest industrial conglomerates in the world, Koç Group is also the largest corporate group in Turkey in terms of economic value generation, share in total exports, contribution to tax revenues, employment creation, and weighting in Borsa Istanbul.

The significance of Koç Group for local economic development includes the ecosystem comprised of direct economic value generated by Group companies as well as the development of high-quality products and services, R&D investments, employment potential, and the supply chain.



TAT GIDA

Sharing Economic Value

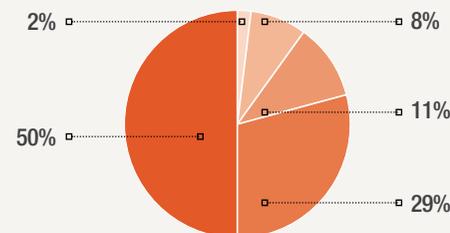
Koç Group, which consists of leading companies in Turkey's economy, continued to increase the economic value it generated for its stakeholders during this reporting period. In addition to the economic value represented by the Group companies themselves, the ecosystem they have created to execute their operations also makes up a significant part of the Turkish economy. Therefore, our calculation of the total economic value generated by the Group includes the economic value distributed through various stakeholders in addition to the economic value created directly within the Group. To this end, the Koç Group companies that fall within the scope of this report generated nearly TL 125 billion in economic value from product and service sales in 2015. The Group also distributed more than TL 115

billion in economic value through various channels, including operating expenditures, procurement, employee compensation, dividends, tax payments, donations, sponsorships, and social investments.

The share of the automotive industry in total economic value generated by Group enterprises rose from 23% in 2014 to 29% in 2015. Meanwhile, the finance industry's share increased from 7% to 8% as that of the energy industry declined from 57% to 50%. The share of other industries in total economic value generated by Group companies went unchanged from 2014 to 2015. The automotive industry's share in total economic value distributed by Group companies climbed from 23% in 2014 to 30% in 2015, while the shares of consumer durables, finance, and other industries each increased

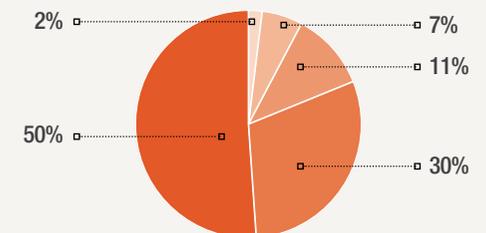
Since some of the companies within Koç Holding's consolidation scope are not included into the scope of this report (for the scope of the report see p. 1) the financial data disclosed in this section might differ from those information disclosed to public via financial reports in Public Disclosure Platform.

Economic Value Generated by Industry (%)



■ Energy ■ Automotive ■ Consumer Durables ■ Finance ■ Other

Economic Value Distributed by Industry (%)



■ Energy ■ Automotive ■ Consumer Durables ■ Finance ■ Other



by one percentage point. The share of the energy industry in total economic value distributed by Group companies was down 10 percentage points between 2014 and 2015.

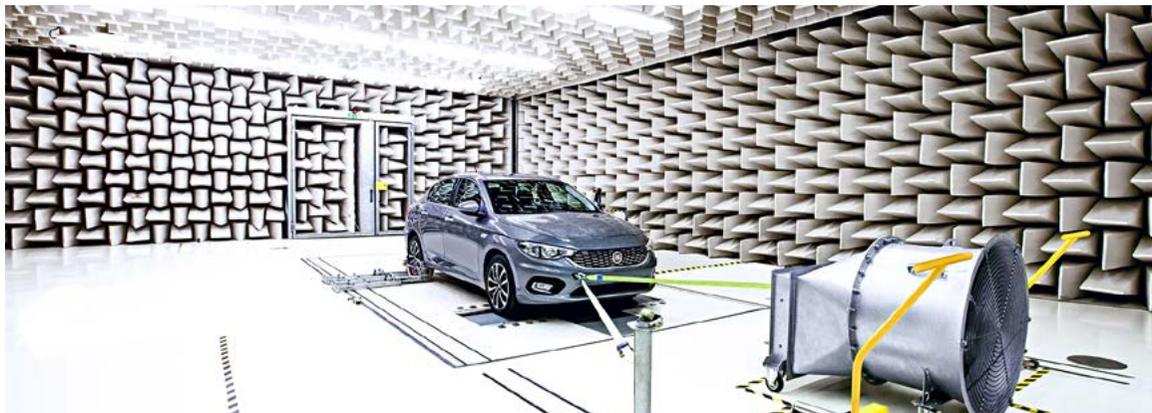
An effective and strong supply chain is essential to ensure continuity of production. For this reason, the selection of suppliers they will do business with is a critical task for Group companies. To this end, Group enterprises devise supplier selection procedures based on number objective criteria. Selecting a local supplier is one of the high priority criteria within this process. This creates an advantage in terms of cost and operational efficiency while ensuring continuity of production. Selecting local suppliers also gives a significant boost to the local economy. To this end, Koç Group companies that fall within the scope of this report made more than 61% of their purchases, in terms of amount, from local suppliers in 2015.

Accessible and Affordable Products

Koç Group companies establish a presence in their respective markets of operation with innovative, value-added products in line with their business strategies. It is essential that the portfolio of products and services these enterprises put together address the needs and expectations and fit the purchasing power parameters of the target consumer segments, while adhering to product strategies. In addition, Group companies ensure that their sales and service locations offer easy access to consumers. As part of this effort, Koç Group enterprises take advantage of various tools in their product and service development processes, including market trend studies, consumer expectations surveys, focus group initiatives, consumer feedback, and consumer purchasing power analyses. Similar monitoring tasks are also conducted by Koç Holding staff.

Arçelik and Standard of Living in Emerging Markets

The share of emerging markets in the world economy is expected to rise rapidly over the long term. Economic growth on the Asian continent, led by India, China and ASEAN countries, will shift the economic balance of power toward the east. This shift is also projected to create a new middle class that demands higher standards of living. The ranks of the middle class are expected to swell to more than 50% of the world's population within the next 10 years due to the growth and increasing purchasing power in emerging markets. In response, Arçelik aims to expand its presence in emerging markets with products and services that will meet the needs and expectations of this new demographic segment, fit their lifestyles, and raise their quality of life. The production facility investments realized in previous years, first in Africa and subsequently in Thailand, represent major strides of the Company's strategy within this effort. Arçelik plans to reach the new consumer segment through innovations in product and service technologies that will address the soaring penetration rates of internet and mobile devices.



TOFAŞ

Increasing Need for Employment and Support for Professional Development

One of the most important advantages of Turkey, Koç Group's main operating region, in terms of development is its young and dynamic population. On the other hand, one of the foremost indicators of a developed society is the creation of high-quality jobs for the younger generations. As the need for jobs expands in Turkey with each passing day in line with the young, growing population, so does the personnel needs of industrial and services sector companies as a result of economic growth. The critical aspect of this balance is

to have a qualified workforce that meets the modern day needs of business and industry.

Koç Group, Turkey's largest private sector employer, directly employs about 82,000 persons in the country. However, the workforce employed as a result of Koç Group companies' operations reaches into the hundreds of thousands when we take into account the economic hinterland of the Group's value chain, which also includes suppliers, dealers and distributors.

In addition to its direct and indirect contribution to employment, Koç Group also supports sustainable development through education and training initiatives that boost the employability of young generations. In 2015, a total of 50,080 persons attended training initiatives aimed at enhancing professional knowledge and skills conducted or supported by Group companies within this effort. Further, some 3,685 college and 2,715 high school students completed internships at Koç Group enterprises during the reporting period.





Yapı Kredi Chair of Finance

Yapı Kredi established the Yapı Kredi Chair of Finance at Koç University in 2011 to support academic studies in finance. The Yapı Kredi Chair of Finance is expected to serve as a bridge between the banking industry and academia. The curriculum of the Yapı Kredi Chair of Finance, supported through analyses, case studies, and theoretical sources, and contributed to by internationally-renowned scientists, instructs students to use financial tools to create real business strategies.

Yapı Kredi Banking and Insurance Associate Degree Program

Yapı Kredi launched the Yapı Kredi Banking and Insurance Associate Degree Program in collaboration with MEF University in 2015. Yapı Kredi offers internship opportunities for students and job opportunities for graduates as part of the two-year program which aims to train the bankers and finance professionals of the future.

Tofaş Science High School

Tofaş believes that support for education, particularly in science and math, raises the quality of education in our country. The construction work begun by Demirtaş Organized Industrial Zone (DOSAB) at end- 2012, and realized with contributions from Tofaş, was completed in 2014. Tofaş Science High School, which opened its doors during the



2014-2015 academic year, provides education to 384 students. Tofaş Science High School graduated its first class in 2015. In addition, the student body of Tofaş Science High School recorded a significant accomplishment in becoming the most successful school in Bursa province in terms of the pass rate in the national university placement exam.



Fiat Laboratories

Administered in conjunction with the Vocational Education: A Crucial Matter for the Nation proj-

ect, Fiat Laboratories aims to train a technical workforce for the Turkish automotive industry – in particular one that is conversant in modern technologies – and deploy these qualified people in the industry.

Fiat Laboratories have been established at vocational high schools in 11 provinces across the country. As of 2015, some 1,300 students and instructors have taken part in Fiat Laboratories nationwide. In 2015, the labs graduated 268 students. Of this total, 40 (five of them girls) were given jobs at Fiat authorized service locations while another 10 were hired by the TOFAŞ plant.

MEGEP Project for Strengthening Vocational Education and Training System

Signed with the Ministry of National Education as part of the Tüpraş Technical Education Program, the agreement covers collaboration for training staff in refinery and process branches. Fifty-six students attended training at Tüpraş refineries under the project in 2015.

GRI G4 CONTENT INDEX

Indicators			Descriptions	Omissions
UNGC Indicators	WEP Indicators	GRI G4 Indicators		
		G4-1	Message From the Chairman (p.4); Message From the CEO (p.5)	-
		G4-2	Message From the Chairman (p.4); Message From the CEO (p.5); Koç Group Sustainability Priorities (p.10)	-
		G4-3	Contacts (Inside Back Cover)	-
		G4-4	www.koc.com.tr/en-us/activity-fields/sectors www.koc.com.tr/en-us/activity-fields/list-of-brands	-
		G4-5	Contacts (Inside Back Cover)	-
		G4-6	www.koc.com.tr/en-us/activity-fields/international-network-of-koc-group	-
		G4-7	www.koc.com.tr/en-us/investor-relations/corporate-overview-and-governance/shareholder-structure	-
		G4-8	Koç Holding 2015 Annual Report (Inside Front Cover - Our Strategy)	-
		G4-9	Koç Group in 2015 (p.6-7); Employee Demographics in 2015 (p.23); Occupational Health and Safety (p.33-34)	-
UNGC 6		G4-10	Employee Demographics in 2015 (p.23)	-
UNGC 3		G4-11	Employee Demographics in 2015 (p.23); Workplace Culture (p.22)	-
		G4-12	Sharing Economic Value (p.77)	-
		G4-13	www.koc.com.tr/en-us/investor-relations/material-disclosures	-
		G4-14	Risk Management (p.16); Business Ethics and Anti-Corruption (p.17); Workplace Culture (p.22); Occupational Health and Safety (p.33-34); Environmental Management (p.36); Climate & Energy (p.40-41)	-
		G4-15	Risk Management (p.16); Business Ethics and Anti-Corruption (p.17); Workplace Culture (p.22); Gender Equality (p.24); Occupational Health and Safety (p.33-34); Environmental Management (p.36); Climate & Energy (p.40-41); Gender Equality Initiatives (p.67); HeForShe (p.68)	-
		G4-16	Koç Holding Sustainability Strategy (p.9); Gender Equality (p.24); HeForShe (p.68)	-
		G4-17	About the Report (p.3); Koç Group in 2015 (p.6-7)	-
		G4-18	"About the Report (p.3)	-
		G4-19	Koç Group Sustainability Priorities (p.10); Koç Group Sustainability Management (p.11-12)	-
		G4-20	About the Report (p.3); Koç Group Sustainability Priorities (p.10)	-
		G4-21	About the Report (p.3)	-
		G4-22	No such restatement made in this report	-
		G4-23	About the Report (p.3)	-
		G4-24	Our Stakeholders (p.12-13)	-
		G4-25	Our Stakeholders (p.12-13)	-
		G4-26	Our Stakeholders (p.12-13)	-
		G4-27	Our Stakeholders (p.12-13); Customer Satisfaction (p.62)	-





Indicators			Descriptions	Omissions
UNGC Indicators	WEP Indicators	GRI G4 Indicators		
		G4-28	About the Report (p.3)	-
		G4-29	About the Report (p.3)	-
		G4-30	About the Report (p.3)	-
		G4-31	Contacts (Inside Back Cover)	-
		G4-32	About the Report (p.3); GRI G4 Content Index (p.81-85); Legal Disclaimer (Inside Back Cover)	-
		G4-33	Legal Disclaimer (Inside Back Cover)	-
		G4-34	Board of Directors and Committees (p.15-16)	-
	WEPs 1	G4-38	Board of Directors and Committees (p.15-16)	-
	WEPs 1	G4-40	Board of Directors and Committees (p.15-16)	-
UNGC 10		G4-56	Business Ethics and Anti-Corruption (p.17-19); www.koc.com.tr/tr-tr/hakkinda/Documents/Koc%20Group%20Code%20of%20Ethics%20and%20Business%20Conduct.pdf	

Indicators			Descriptions	Omissions
UNGC Indicators	WEP Indicators	GRI G4 Indicators		
			Material Issue: Economic Performance	
		G4-DMA	Koç Group in 2015 (p.6-7); Sharing Economic Value (p.77)	-
		G4-EC1	Sharing Economic Value (p.77)	-
		G4-EC3	Koç Holding Pension and Assistance Foundation (p.31)	-
		G4-EC4	Koç Holding 2015 Annual Report (p.204)	-
			Material Issue: Market Presence	
		G4-DMA	Not Material	-
		G4-EC6	Workplace Culture (p.22)	-
			Material Issue: Indirect Economic Impacts	
		G4-DMA	Innovation and Product Strategy (p.51-57); Social Investments (p.65); For My Country (p.66); Gender Equality Initiatives (p.67)	-
		G4-EC7	Innovation and Intellectual Property Rights Management (p.51-53); Social Investments (p.65); For My Country (p.66); Gender Equality Initiatives (p.67); HeForShe (p.68); Supporting Gender Equality For My Country (p.69-71); Istanbul Bienal (p.72); Vehbi Koç Foundation (p.75)	-
		G4-EC8	Innovation and Product Strategy (p.51-57); Innovation and Intellectual Property Rights Management (p.51-53); Product Strategy in Emerging Markets (p.53); Eco-Innovative and Value Added Products (p.54-57); Enhanced Product Durability at Arçelik (p.60); Contributing to Local Economy (p.77-80)	-
			Material Issue: Procurement Practices	
		G4-DMA	Sharing Economic Value (p.78)	-
		G4-EC9	Sharing Economic Value (p.78)	-
			Material Issue: Energy	

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Indicators			Descriptions Specific Standard Disclosures	Omissions
UNGC Indicators	WEP Indicators	GRI G4 Indicators		
		G4-DMA	Environmental Management (p.36-39); Climate & Energy (p.40-41); Energy Efficiency and Emission Reduction Initiatives (p.42-44)	-
UNGC 8		G4-EN5	Energy Efficiency and Emission Reduction Initiatives (p.42-44)	-
UNGC 8 UNGC 9		G4-EN6	Energy Efficiency and Emission Reduction Initiatives (p.42-44)	-
UNGC 8 UNGC 9		G4-EN7	Eco-Innovative and Value Added Products (p.54-57)	-
		Material Issue: Water		
		G4-DMA	Environmental Management (p.36-39); Water Management (p.31-33)	-
UNGC 7 UNGC 8		G4-EN8	Water Management (p.45-46)	-
UNGC 8		G4-EN10	Water Management (p.45-46)	-
		Material Issue: Biodiversity		
		G4-DMA	Environmental Management (p.36-39); Responsible Use of Resources (p.47-48)	-
UNGC 8		G4-EN11	Responsible Use of Resources (p.48)	-
UNGC 8		G4-EN13	Responsible Use of Resources (p.48)	-
		Material Issue: Emissions		
		G4-DMA	Environmental Management (p.36-39); Climate & Energy (p.40-41); Energy Efficiency and Emission Reduction Initiatives (p.42-44)	-
UNGC 8		G4-EN18	Energy Efficiency and Emission Reduction Initiatives (p.42-43)	-
UNGC 8 UNGC 9		G4-EN19	Energy Efficiency and Emission Reduction Initiatives (p.42-44)	-
		Material Issue: Effluents and Wastes		
		G4-DMA	Environmental Management (p.36-39); Water Management (p.45-46); Responsible Use of Resources (p.47-48)	-
UNGC 8		G4-EN22	Water Management (p.45-46)	-
UNGC 8		G4-EN23	Responsible Use of Resources (p.47-48)	-
UNGC 8		G4-EN26	Responsible Use of Resources (p.47-48)	-
		Material Issue: Products & Services		
		G4-DMA	Eco-Innovative and Value Added Products (p.54-57)	-
UNGC 7 UNGC 8 UNGC 9		G4-EN27	Eco-Innovative and Value Added Products (p.54-57)	-
		Material Issue: General		
		G4-DMA	Not Material	-
UNGC 7 UNGC 8 UNGC 9		G4-EN31	Environmental Management (p.39);	-
		Material Issue: Supplier Environmental Assessment		
		G4-DMA	Environmental Management (p.36,37,39); Responsibility in the Value Chain (p.62-63)	-



Indicators			Descriptions Specific Standard Disclosures	Omissions
UNGC Indicators	WEP Indicators	GRI G4 Indicators		
UNGC 8		G4-EN32	Responsibility in the Value Chain (p.62-63)	-
			Material Issue: Employment	
		G4-DMA	Workplace Culture (p.21-22); Employee Demographics in 2015 (p.23); Work - Life Balance (p.32)	-
UNGC 6	WEPs 2	G4-LA1	Employee Demographics in 2015 (p.23)	-
UNGC 6	WEPs 2	G4-LA3	Work - Life Balance (p.32)	-
			Material Issue: Labour - Management Issues	
		G4-DMA	Not Material	-
UNGC 3		G4-LA4	One of our basic UNGCs is to inform our employees reasonably in advance in cases of new assignments, downsizing or workplace shutdowns within the outlines prescribed by law in order to avoid negative impacts of such changes, if any, as much as possible. The minimum notice periods in that respect are not shorter than the periods stated by the related laws and collective bargaining agreements.	-
			Material Issue: Occupational Health and Safety	
		G4-DMA	Occupational Health and Safety (p.33-34)	-
		G4-LA5	Occupational Health and Safety (p.33-34)	-
	WEPs 3	G4-LA6	Occupational Health and Safety (p.33-34)	-
			Material Issue: Training	
		G4-DMA	Workplace Culture (p.21-22); Talent Management (p.26-27); Professional Development (p.28); LEAD Leader Development Program (p.28); Performance Management (p.29)	-
UNGC 6	WEPs 4	G4-LA9	Professional Development (p.28);	-
		G4-LA10	Professional Development (p.28); LEAD Leader Development Program (p.28)	-
UNGC 6	WEPs 4	G4-LA11	Performance Management(p.29)	-
			Material Issue: Diversity and Equal Opportunity	
		G4-DMA	Workplace Culture (p.21-22); Employee Demographics in 2015 (p.23); Gender Equality (p.24-26)	-
UNGC 6	WEPs 2	G4-LA12	Employee Demographics in 2015 (p.23)	-
			Material Issue: Equal Remuneration for Women and Men	
		G4-DMA	Workplace Culture (p.21-22); Employee Demographics in 2015 (p.23); Gender Equality (p.24-26); Remuneration System and Benefits Provided to Employees (p.29-30)	-
UNGC 6	WEPs 2	G4-LA13	Workplace Culture (p.21-22); Employee Demographics in 2015 (p.23); Gender Equality (p.24-26); Remuneration System and Benefits Provided to Employees (p.29-30)	-
			Material Issue: Supplier Assessment for Labour Practices	
		G4-DMA	Responsibility in the Value Chain (p.62-63)	-
		G4-LA14	Responsibility in the Value Chain (p.62-63)	-
			Material Issue: Non-Discrimination	
		G4-DMA	Workplace Culture (p.21-22); Employee Demographics in 2015 (p.23); Gender Equality (p.24-26)	-
UNGC 6	WEPs 3	G4-HR3	No discrimination case has been occurred during the reporting period.	-
			Material Issue: Freedom of Association and Collective Bargaining	



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Indicators			Descriptions Specific Standard Disclosures	Omissions
UNGC Indicators	WEP Indicators	GRI G4 Indicators		
		G4-DMA	Workplace Culture (p.21-22); Employee Demographics in 2015 (p.23)	-
		G4-HR4	No case indicating that freedom of association and collective bargaining was under risk has been occurred during the reporting period. Same UNGC applies to supplier audits and no risk aspect witnessed.	-
		Material Issue: Child Labour		
		G4-DMA	Workplace Culture (p.21-22)	-
UNGC 5		G4-HR5	No case indicating child labour risk has been occurred during the reporting period. Same UNGC applies to supplier audits and no risk aspect witnessed.	-
		Material Issue: Forced or Compulsory Labour		
		G4-DMA	Workplace Culture (p.21-22)	-
UNGC 4		G4-HR6	No case indicating forced or compulsory labour risk has been occurred during the reporting period. Same UNGC applies to supplier audits and no risk aspect witnessed.	-
		Material Issue: Indigenous Rights		
		G4-DMA	Not Material	-
UNGC 1		G4-HR8	No such case occurred during the reporting period	-
		Material Issue: Supplier Human Rights Assessment		
		G4-DMA	Responsibility in the Value Chain (p.62-63)	-
UNGC 2		G4-HR10	Responsibility in the Value Chain (p.62-63)	-
		Material Issue: Anti-Corruption		
		G4-DMA	Business Ethics and Anti-Corruption (p.17-19)	-
UNGC 10		G4-SO3	Business Ethics and Anti-Corruption (p.17-19)	-
UNGC 10		G4-SO4	Business Ethics and Anti-Corruption (p.19)	-
		Material Issue: Public Policy		
		G4-DMA	Business Ethics and Anti-Corruption (p.17-19)	-
UNGC 10		G4-SO6	Business Ethics and Anti-Corruption (p.17-19)	-
		Material Issue: Customer Health and Safety		
		G4-DMA	Product and Service Responsibility (p.59); Product Quality and Safety (p.59-60)	-
		G4-PR1	Product Quality and Safety (p.59-60)	-
		Material Issue: Product and Service Labeling		
		G4-DMA	Product Information (p.61); Yapı Kredi: Easy and Transparent Product Information (p.61)	-
		G4-PR3	Product Information (p.61); Yapı Kredi: Easy and Transparent Product Information (p.61)	-
		G4-PR4	Product Information (p.61)	-
		G4-PR5	Customer Satisfaction (p.62)	-
		Material Issue: Innovation and Product Strategy		
		DMA	Innovation and Product Strategy (p.51-57)	-





Legal Disclaimer

This Report has been prepared by Koç Holding A.Ş. (“Koç” or “Koç Holding” or “Koç Group”) in the context of COP for United Nations Global Compact (UNGC) and Women Empowerment Principles (WEP) Initiatives.

All information and opinions contained in this Report which does not purport to be comprehensive, have been provided to by Koç Group and have not been independently verified for this purposes.

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