

**AKKÖK HOLDING UNITED NATIONS GLOBAL COMPACT
COMMUNICATION ON PROGRESS REPORT 2016**

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About the Report

Akkök Holding United Nations Global Compact Communication on Progress for 2016 was prepared in line with the requirements of the United Nations Global Compact, of which the Holding is a party. The policies, practices and performance results of Akkök Holding and its subsidiaries in relation to the 10 core principles put forward by the compact under the headings of “Human Rights”, “Labor Standards”, “Environment”, and “Anti-Corruption” during the period between 01.01.2016 and 31.12.2016 were presented to the views of stakeholders as it is required by the Company’s principles of transparency and accountability.

While the consolidated data of Akkök Holding and all its subsidiaries were included for social and financial performance indicators, environmental indicators include data only for subsidiaries carrying out sustainability reporting practices, namely Aksa Akrilik, Ak-Kim and Akenerji. G4 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) constitute another reference point for the disclosed performance results.

Please communicate feedbacks, suggestions, questions and criticisms regarding the report to surdurulebilirlik@akkok.com.tr.

MESSAGE FROM THE CEO

Esteemed Stakeholders,

As we left behind a challenging period, we are delighted to continue to produce value all the more for all our stakeholders. We owe our success to our sustainable growth strategy we are committed to, our corporate governance approach we created in light of our 65 years of experience our investments aiming for the future as well as to our well-regarded stakeholders.

With this report that we prepared based on our commitment to UN Global Compact, of which we are a party since December 13, 2017, we present our performance in line with the 10 principles set out under the headings of Human Rights, Labor Standards, Environment, Anti-Corruption. In this report, we also shared a summary of our performance in Corporate Governance and Corporate Social Responsibility. We will continue to engage in reporting activities in the following period.

All the companies under the roof of Akkök Holding embrace our corporate governance approach that we define with the principles of openness, transparency and accountability, as an indispensable element of our operations. In this regard, our subsidiaries participating in the Corporate Governance Index were subjected to assessments like before within the framework of Capital Market Board (SPK) Corporate Governance principles. In 2016, Akış GYO increased its rating from 9.28 which was identified in 2015 to 9.44 while Aksa Akrilik increased its rating from 9.50 to 9.60. We take great pride in Aksa Akrilik, which rose up to the highest ranking in Corporate Governance Index with this score.

Creating a pluralistic and participatory business environment that shows respect to human and employee rights is among Akkök Holding's main business priorities. In this regard, we take advantage of effective communication and audit mechanisms in order to prevent possible violations of rights and discrimination. We take an active approach to increase the representation of women at all levels of our company while we carry out practices that will encourage our employees to participate in the decision-making processes. In 2016, we increased the proportion of female employees in all Group companies from 14% to 16%. The proportion of female managers in the mid management level increased from 25% to 27%, the proportion of female managers in the senior management rose to from %15 to 24% and the proportion of female managers in the Executive Boards increased from 26% to 30%.

As part of our environmental sustainability strategy, we continued to make significant investments in fighting against climate change and conserving natural resources, and also reducing the environmental impact of our Group companies' operations. In 2016, Aksa Akrilik, Akenerji and Ak-Kim, our companies that engage in sustainability reporting, reduced their direct emissions by 10% and their indirect emissions by 6%. In the same period, we enhanced the capacity of our Ayyıldız Wind Power Plant by 88% with a renewable energy investment we have realized with Akenerji and as a result we achieved a capacity increase corresponding to the electricity need of nearly 15,000 houses. Akenerji, which voluntarily shares its carbon performance data with the public every year as part of the Carbon Disclosure Project (CDP), raised its performance score from "C" level to "B" level in 2016.

During the same period, our reporting companies have improved their waste recycling rates from 63% to 92%, demonstrating a significant performance improvement.

In line with our corporate values, we regard policies and practices against bribery and anti-corruptions as one of our core responsibilities towards society. In this context, we carried on our activities that ensure the complete implementation of “Akkök Group of Companies Code of Business Ethics” that we established in 2014. During the reporting period, we did not confine ourselves only to the positive economic impact we created in our geography, and so we continued our projects and practices in education, culture, arts and sports in line with our values and corporate citizenship approach. We aim to increase our investments and activities in the area of corporate social responsibility.

As Akkök Holding, we promise to continue our practices steadfastly in all of our Group companies under the headings of Human Rights, Labor Standards, Environment and Anti-Corruption and to sustain our loyalty to the United Nations Global Compact in the following periods. I would like to thank all our stakeholders who did not leave us alone on this journey.

Sincerely,

Ahmet C. DÖRDÜNCÜ

Chief Executive Officer

CORPORATE PROFILE

Having its roots back to Aksu Yarn and Weaving Factories that is founded by dear departed Raif Dinçök in 1952, Akkök Holding comprises 18 trade and industrial companies of which one is overseas and also 18 production facilities within its body. Considered among the most deeply rooted institutions of Turkey with its 63 years of experience, the Holding focuses primarily on the chemicals, energy and real estate sectors. While closely following the international markets in the sectors in which it operates, Akkök Holding, aims to catch up with the global conditions of competition and achieve world standards with all its companies.

Exporting to over 50 countries with its 18 active companies and more than 5,000 employees, Akkök Holding realized a total turnover amounted to 8.7 billion TL in 2016. With 704 million TL investment and 1.1 billion TL exports during the period, the Holding achieved a consolidated EBITDA of 530 million TL. Akkök Holding aims to continue its investments in the forthcoming years and to sustain its stable and profitable structure.

Number of employees: 5,225

Number of actively operating companies: 18

Combined net sales: 8.7 billion TL

Export Revenue: 1.1 billion TL

Investment: 704 million TL

Consolidated EBITDA: 530 million TL

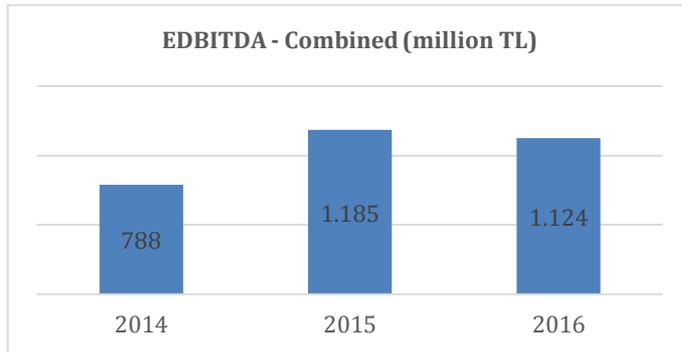
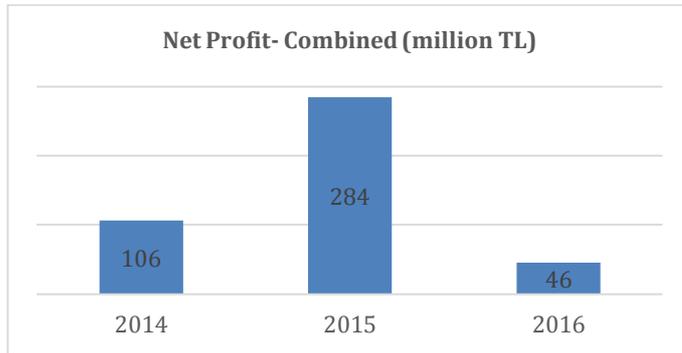
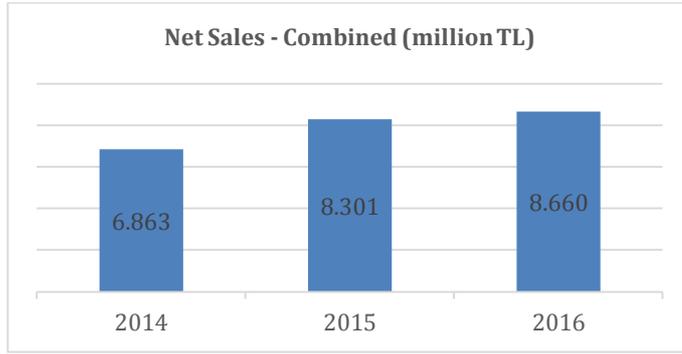
Total assets: 5,260,444 thousand TL

Total liabilities: 3,189,844 thousand TL

CHEMICALS	ENERGY
AKSA	AKENERJİ
Founded in 1968 as part of Akkök Holding.	Coalition between Akkök Holding and Czech energy company CEZ Group.
Production capacity of 315 thousand tons/per year with 100% Turkish capital	Representative of foresight and stability in the energy industry.
Established on a site of approx. 502 thousand m ²	1224 MW of installed power, of which 320 MW is renewable
The only domestic acrylic fiber manufacturer of Turkey	11.5 TWh sales volume in Energy Trade
17% global market share	EGEMER
AK-KİM	Akenerji's largest investment
800 thousand tons of total production capacity and more than 1,500 products	Erzin Natural Gas Combined Cycle Power Plant with a capacity of 904 MW and 7.4 Twh annual production capacity
Exports spreading across 70 countries on six continents	A capacity that can provide 3% of the electric energy needs of Turkey by itself became operational in the third quarter of 2014.
850 employees in total	SEDAŞ
GİZEM FRİT	Uninterrupted energy distribution service for 24/7 on a 19,421 square kilometers area comprising the regions of Sakarya, Kocaeli, Bolu and Düzce, to a population of 3,384,719 in total of four regions, 45 districts, 47 municipalities, 766 villages and 1336 neighborhoods
Established in 1979, Gizem Frit embarked upon its first frit production.	Prospective plans and projects following new technology for high quality and trustable electric energy.
Conducted pigment production in 1985, Electrostatic Powder Production in 1990 and ceramic frit production in 2008 and first enamel frit export in 1995.	Modern business management at a speed suitable for today
Joined Akkök Holding in 2015.	SEPAŞ ENERJİ
Production capacity of 132,500 tons/year	Electricity retail sales company as the end supplier for the region in Bolu, Düzce, Sakarya and Kocaeli.
30 thousand m ² of indoor plant area on a 60 thousand m ² site	1.6 million customer portfolio throughout Turkey.
Enamel, ceramic, pigment and non-stick coating highly recognized across the international market	Investments in technology with the aim of maximizing customer experience.
40 million USD export with 350 employees	Efforts to maintain market leadership in the designated supply zones.
DOWAKSA	Strength and reliability as a result of national and international collaborations.
A joint enterprise of The Dow Chemical Company and Aksa Akriik Kimya Sanayii A.Ş.	
One the strongest companies in production of carbon fiber and its byproducts.	
Integrated carbon fiber composite solutions offered to industrial sectors, mainly energy, transportation, defense.	
One and only Turkish company operating in the carbon fiber sector	

SERVICES	REAL ESTATE
AKMERKEZ LOKANTACILIK	AKIŞ GYO
An atmosphere offering both elegance and comfort at Paper Moon	An achievement born out of the experience and expertise of Akkök Holding in shopping center investment
An urban classic among the distinguished brands of food and beverage sector in İstanbul	World class investments
World class food and service quality	The leading company in the real estate sector for its quality and credibility
Interior design reflecting luxury and simplicity	Diversified projects
AKASYA ÇOCUK DÜNYASI	A wide portfolio offering different real estate investment options such as shopping center and lifestyle center, housing, land and factory buildings
Owner of the franchise license in Turkey for KidZania which operates in 19 countries and 24 cities	Strategies to diversify the project portfolio
Nearly 100 role-play opportunities for children in 65 activity areas according to their skills and areas of interest	AKMERKEZ GYO
8,000 m2 site	Innovative perspective, an aesthetic and comfortable space
AK-PA	More like a lifestyle center than a shopping mall
Exports to over 70 countries on five continents (acrylic fiber, carbon fiber, inorganic and organic chemical materials and frit)	Bring liveliness to urban life with its authentic design and social and cultural activities
Brand power in the market with fiber and yarn group products (polyester, polyamide, viscose, cotton)	The understanding of limitless comfort pertaining to modern life
Among Turkey's leading exporter companies in the textile sector	AK TURİZM
AKTEK	Tourism investments planned in Kaşık Island which has a significant investment potential as it is located in the city center
The most contemporary practices in information technologies	Cultural and touristic opportunities away from the city buzz.
Developing applications to keep Group companies' technological infrastructure up to date.	Elaborate approach towards the needs of the city, environmental and social conditions
Among the leading brands of the informatics sector	
High standards of service and customer satisfaction	
DİNKAL	
Among the preferred companies of the insurance sector	
Potential to provide services in all branches of insurance.	
Offering creative solutions to customers specific to their needs	
High quality service standard	

Key Financial Indicators



CORPORATE MEMBERSHIPS

Turkish Ethics and Reputation Association (TEİD)

İstanbul Chamber of Commerce (İTO)

Business World and Sustainable Development Association

Corporate Risk Management Association (KRYD)

Private Sector Volunteers Association (ÖSGD)

Turkish Industrialists and Businessmen's Association (TÜSİAD)

Internal Audit Institute of Turkey (TİDE)

Turkish Corporate Governance Association (TKYD)

Yenidenbiz Association

CORPORATE GOVERNANCE

An open, transparent and accountable corporate governance approach is one of the most important factors that underlie Akkök Holding's success. Together with this understanding and structure formed in light of its 65-year of business experience, the Holding undertakes operations that add value to societies in which it exists by focusing on sustainable development. Internal audit and internal control activities are put to use to ensure the compliance of all Group companies to the Code of Business Ethics while corporate risk management program identifies risks that might endanger the existence and future of the Holding upon which relevant actions and business strategies are formed. All the Group companies embrace Akkök Holding's sustainability approach and practices that create added value in social, environmental and economic fields are actualized by following the sustainability policies, practices and goals that are determined in the with the common agenda.

Akkök Holding senior management consists of a two-level system that embodies Board of Directors and Executive Board. While Akkök Holding Board of Directors that consists of 9 members, carries the responsibilities of taking action in the name of the Company and representing it, the Chairman of the Board of Directors has no executive duties. The Chairman of the Executive Board which is under the Board of Directors and consists of 7 members including the Executive Board Advisor, is the CEO of the Company and is responsible for all the executive operations of Akkök Holding before the Board of Directors. The Company has identified its senior staff as the Executive Board, the members of the Board of Directors, General Managers and Company Directors.

44% of Akkök Holding Board of Directors members and 30% of the Board of Director members of all Group companies are female.

Akkök Holding supports its corporate governance approach and relevant sustainable growth strategy with policies envisaged by the international initiatives of which it is a party. Having signed the UN Global Compact, the Holding presents its activities conducted in line with 10 principles under the headings of Human Rights, Labor Standards, Environment and Anti-Corruption to the views of its stakeholders through the reporting practices it undertakes annually. At Global Compact Turkey, the local network of the contract, there is a member of the Board of Directors representing Akkök Holding.

Akkök Holding's subsidiaries are subject to assessments every year under the main headings of shareholders, public disclosure and transparency, stakeholders and board of directors within the framework of Capital Market Board (SPK) Corporate Governance principles. In this context, Akış GYO, increased its Corporate Governance Rating from 9.16 (out of 10) which was identified in 2014, to the level of 9.28 in 2015 and to the level of 9.44 in 2016.

Another Akkök Holding subsidiary, Aksa Akrilik Kimya Sanayii A.Ş. increased its Corporate Governance Rating from 9.22 that was identified in 2014, to the level of 9.50 in 2015, and to the level of 9.60 in 2016. Rising up to the 3rd highest ranking in Corporate Governance Index with its rating in 2015, the Company achieved the highest score and ranked first in 2016. Aksa Akrilik, the world's largest acrylic fiber producer, won the first prize in the 7th Corporate Governance Awards organized by Corporate Governance Association of Turkey.

Group companies present their performance in the areas of corporate governance and sustainability management in the most transparent and accountable way. Besides Akkök Holding, Aksa Akrilik, Akenerji and Akiş GYO publish annual reports as well. While Aksa Akrilik and Akenerji publish sustainability reports annually, Ak-Kim publishes Communication of Progress Report biannually as part of the United Nations Global Compact.

The sustainability report by which Akenerji disclosed its social, environmental and economic performance for was awarded the Broze Prize in the Vision Awards organized by the League of American Communication Professionals (LACP) during the reporting period.

Open Door Policy

Stakeholder communication and involvement are of great importance to Akkök Holding and Group companies' corporate governance and sustainability approach. Aksa Akrilik and Ak-Kim carry out Open Door Policy in line with their principles of transparency and accountability, through which communication becomes easier and more direct between the employers and the employee on/off duty; the customers and the business partners; and the shareholders and the relevant officials. Aksa Akrilik welcomes local communities and press members on Open Door Days and shares with the stakeholders its business processes, environmental management systems and the values it created for the city's economic and social development. With respect to this, Ak-Kim opens its facilities to public institutions, organizations and students at every level who want to receive information.

HUMAN RIGHTS

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

Principle 2: make sure that they are not complicit in human rights abuses.

Akkök Holding considers undertaking operations that respect to human rights among its main priorities and acts with an approach that protects and guards these rights in its relationship with its employees and other stakeholders. The Holding strives to create a democratic working environment respectful of human rights in all Group companies while benefitting from effective communication and audit mechanisms to spread this understanding in its value chain.

All the Group companies adopt Akkök Holding Human Resources Policy and the principle of providing equal opportunities for everyone in any human resources process as they act proactively against discrimination based on religion, language, race and gender. The companies organize trainings and conduct communication works in order to raise consciousness among employees regarding human rights issues. In the reporting period, 63 Ak-Kim employees were provided with 157 man*hour of ethical training comprising human rights topics.

Stakeholders of Akkök Holding and Group companies can resort to the Company's Ethics Representative, Ethics Board, Human Resources Department or Akkök Ethics Line for the violations of human rights. During the reporting period, no complaints regarding human rights impacts have reached us through the formal grievance mechanisms.

Akkök Holding and Group companies make assessments regarding human rights principles in their auditing practices for suppliers and contractors in order to spread human rights approach in the value chain. In this context, all the new suppliers Akenerji started to work with were subjected to relevant audits during the reporting period.

LABOR STANDARDS

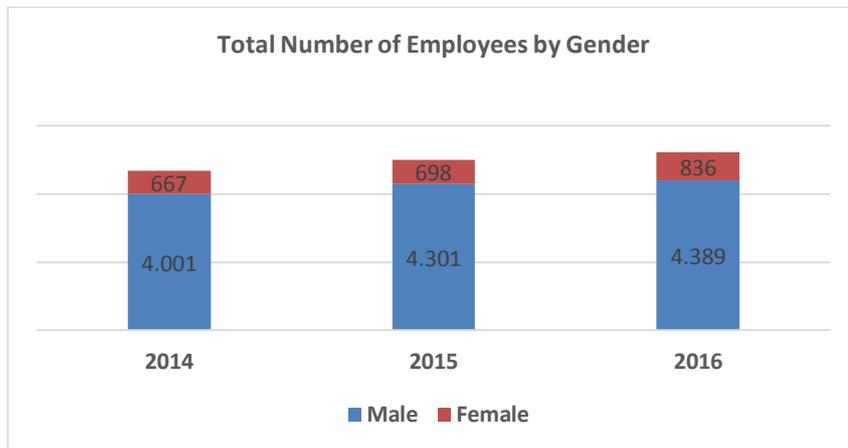
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labor;

Principle 5: the effective abolition of child labor; and

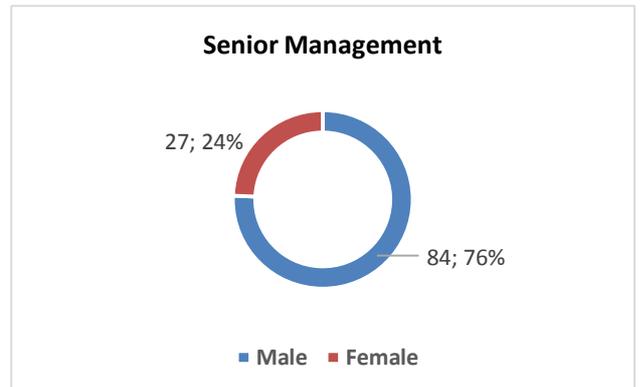
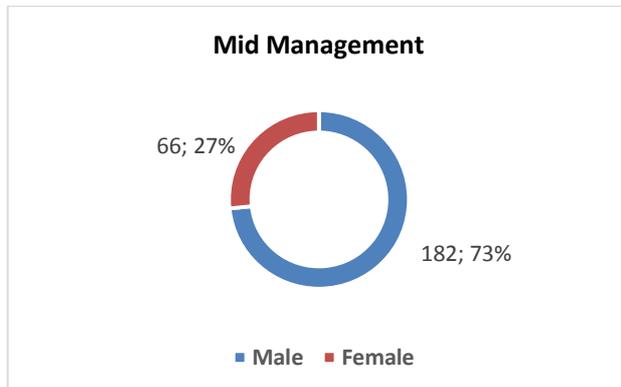
Principle 6: the elimination of discrimination in respect of employment and occupation.

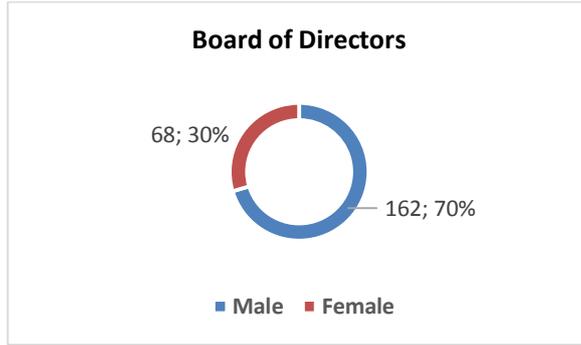
Akkök Holding strives to create a pluralistic and participatory business environment that respects human and employee rights. In line with its Human Resources Policy that is accepted as the main reference in all Group companies, fair and non-discriminative approach is pursued in all human resources processes from recruitment to performance evaluation, from remuneration to employee development practices. Employees are encouraged to participate in the decision-making processes through effective communication mechanisms with which a democratic working environment is achieved.



At Akkök Holding companies where the principle of equal pay for equal work policy is adopted, there is no base salary practice discerned by gender. The performance and competencies of employees are taken as a basis in remuneration and promotion practices and also the proportion of female employees working at decision-making positions is increasing steadily. During the reporting period, there was not any case of discrimination reported within the operations of Akkök Holding and Group companies.

Representation of Women in Mid-Senior Management and Boards of Directors*





*These figures reflect 2016 yearend values.

During the reporting period, the proportion of female employees in all Group companies increased from 14% to 16%. In the same period, the proportion of female managers in the mid management level increased from 25% to 27%, the proportion of female managers in the senior management rose to 24% from %15 and the proportion of female managers in the Executive Boards went up to 30% from 26%.

Respecting human and employee rights is considered as the fundamental principle in all activities of Akkök Holding and Group companies. Accordingly, the employees' right to unionization and collective bargaining are protected and the continuity of labor peace is guaranteed. During the reporting period, there were no cases of child labor or forced/compulsory labor within the scope of the operations of Akkök Holding and Group companies. Again, there are no activities bearing risks regarding these issues within the supply chain of the Holding and Group companies.

Akkök Holding conducts its business activities transparently while encouraging its employees to participate in decision-making processes through effective and bi-directional communication mechanisms offered both at the level of the Holding and the Group companies. Believing in the importance of a participatory working environment, the Holding builds trust and loyalty in its relationship with its employees and obtains important inputs in favor of business processes and the working environment by reaching out employees' innovative ideas.

Great Place to Work

Aksa Akrilik and Ak-Kim receive feedbacks of their employees regarding the working environment through 'Great Place To Work' Trust Index and obtains important inputs for their performance in this field. Companies make improvement plans after survey studies they conduct under the headings of "Trust," "Respect," "Fairness," "Pride," and "Team Spirit" to receive the evaluations of the employees. For the action plans determined as a result of the survey conducted at Aksa Akrilik in the previous reporting period, 12 project groups were set up and improvement works were initiated. Ak-Kim also created a focus group to carry out action plans determined as a result of the survey and began to work on improving the working life and increasing the confidence index of the Company. With these projects, the aim is to make contributions to create a working environment in which employees are proud of their work and their company and work in full harmony and collaboration with their colleagues.

Suggestion systems are one of the most important means of receiving feedback from the employees at Akkök Holding companies. During the reporting period, 957 suggestions were received from employees at Aksa Akrilik, 403 of these suggestions were evaluated as feasible and 170 of them were actualized. Again in the same period, 35 of 117 suggestions received from Ak-Kim employees were implemented. Akenerji obtained 52 suggestions from the employees at the power plants and each suggestion was carefully evaluated and applied according to its feasibility status.

ENVIRONMENT

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

Principle 8: undertake initiatives to promote greater environmental responsibility; and

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

Akkök Holding acts with the awareness of its responsibilities in fighting against climate change and protecting natural resources, and also designs pioneering practices in order to minimize environmental impact arising from the operations of the Holding and Group companies. Following Akkök Holding's management approach, Group companies that create a wide sphere of impact across its wide operational geography focus on technological investments, stakeholder collaborations and product life cycle and ensure continuous development of their environmental sustainability performance.

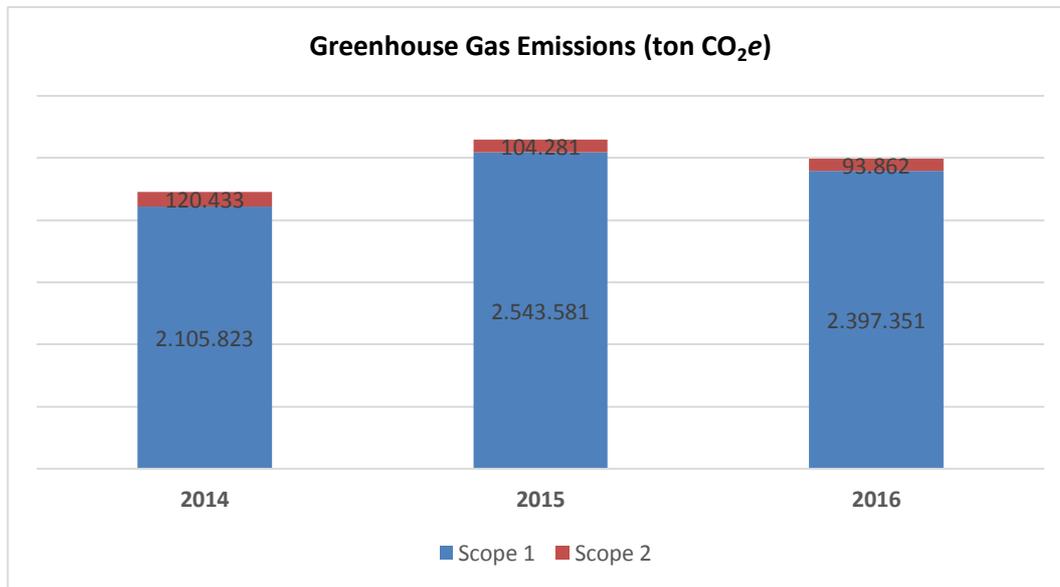
Akkök Environmental Committee, the highest authority in the context of Akkök Holding's environmental sustainability management, is responsible for the identification of strategies in this area and the standardization of the key performance indicators monitored across the Group. Represented by all Akkök Holding companies, the Committee ensures the complete implementation of the Holding's environmental sustainability approach in all Group companies. Strategies and targets, which are formed with an understanding that accounts for all lifecycles from product to services, from supply to development and from production to distribution are meticulously pursued and vigorous efforts are made to extend this understanding throughout the value chain.

Group companies allocate significant resources for eco-friendly technologies and environmental protection activities and create efficiency in the use of energy, water and raw materials in their projects and practices. During the reporting period, Aksa Akrilik allocated 1.7 million USD for environmental protection expenditures and investments. In the same period, Ak-Kim allocated 3.1 million and Akenerji spent 640,000 TL for the investments and expenditures in this area.

Group companies act in line with Akkök Holding's management approach in fighting against climate change and continuously improve their performance on this subject through effective energy and emission management practices. In accordance with internationally accepted standards, these practices are carried out by the Energy Management Units, Boards or related units of the Companies and the performance results are presented to stakeholders in line with voluntary global initiatives such as Carbon Disclosure Project.

Group companies manage their energy consumption and greenhouse gas emissions in light of concrete targets and monitor these targets with international standards such as ISO 50001 Energy Management System and ISO 14064-1 Greenhouse Gas Calculation and Reporting Standard. While Aksa Akrilik and Ak-Kim fulfill the requirements of ISO 14064-1, Akenerji meet the requirements of ISO 14064-1. An independent institution audits the emissions of all the Group companies every year and their emission amount is certified with extensive assurance.

The companies within the scope of this report achieved 6% less Scope 1 and 10% less Scope 2 emissions in 2016 than in the previous period. In the same period, the total amount of emission was reduced by 6% compared to the previous period.



Group companies make significant investments in energy efficiency and green energy and carry out innovative practices to reduce their carbon footprint to minimum. Akxa Akrilik achieved 40,179 GJ of thermal energy saving and 756 GJ of electric energy saving and also reduced 4,400 tons of CO₂e by implementing energy efficiency projects in the reporting period. Starting to receive the results of energy saving projects carried out since 2011, Ak-Kim achieved 4,680 GJ of electric and 22,140 GJ of steam energy saving while reducing total greenhouse gas emissions by 6%. In the same period, Akenerji reduced its total energy consumption by %10 and its total emissions by 12%. Erzin DGKÇS, the only active natural gas plant of Akenerji as of 2016, which constitutes almost all the company's Scope 1 emissions, increased its emission efficiency by 5.5%

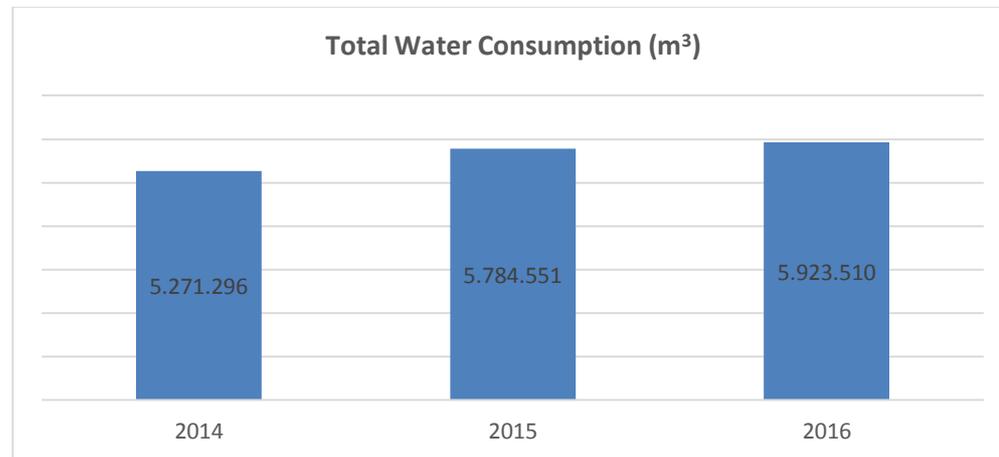
CDP Climate Change Program

Sharing publicly its carbon performance on a voluntary basis within the scope of Carbon Disclosure Project (CDP) Climate Change Program of which it became a part in 2011, Akenerji, raised its performance score from "C" to "B" level with the report presented to CDP during the reporting period. The Turkish companies participating in the program in which nearly 4,000 companies worldwide take part, provide the necessary data for the country report by disclosing their emission reduction strategies and emission amounts. Data compiled from the annual country reports are used to set new courses for fighting against climate change globally. Akxa Akrilik aims to complete the preliminary preparations for the CDP climate study in 2017.

Capacity Enhancement at Ayyıldız Wind Power Plant

Akenerji started its investments in the field of renewable energy for the first time in 2005 with the hydroelectric power generation plant and is among the first electricity producer in the private sector to invest in this field. During the reporting period, the company enhanced the capacity of Ayyıldız Wind Power Plant located in Balıkesir. After the increase in its installed power by 88%, Ayyıldız reached 28.2 MW of installed capacity and this enhancement of 13.2 MW corresponds to the electricity need of nearly 15,000 houses. Increasing steadily the proportion of renewable energy in total installed capacity, Akenerji boosted its installed power in wind and hydroelectric power plants to 320 MW and raised the proportion of renewable energy sources in total installed power to 25% by the end of 2016.

Akkök Holding conducts effective practices for the conservation of natural resources, an issue that is among its sustainability priorities. Water and waste management practices focus on recycling and reducing waste at its source while water and raw material consumption arising from the operations are reduced consistently.



CDP Water Program

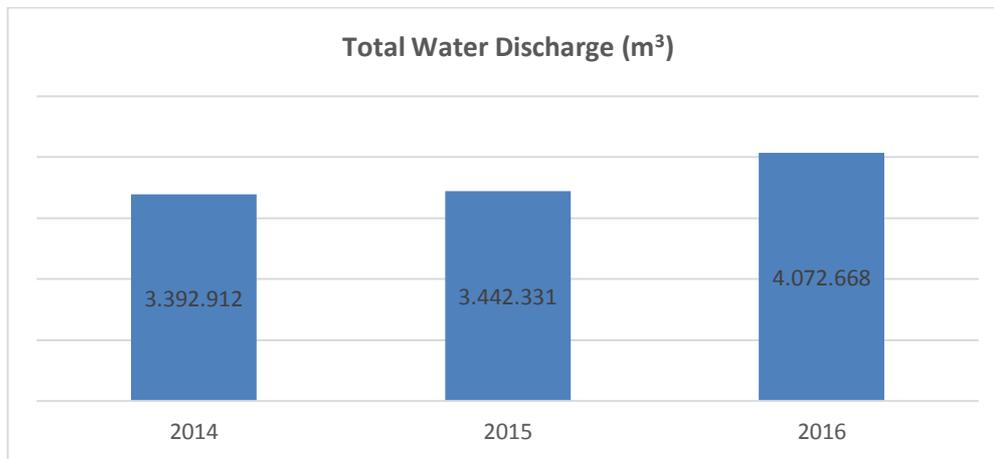
Akenerji participate in the CDP Water Program that was actualized in 2015 in Turkey. The program, which aims at mobilizing private sector to take responsibility in the issue of water, provides companies with a platform where they can transparently disclose their water use and risks and strategies regarding water. Akenerji, the first and only energy company to participate in CDP Turkey Water Program, increased its score from “C” to “B” by 2016.

Joint Treatment Facility

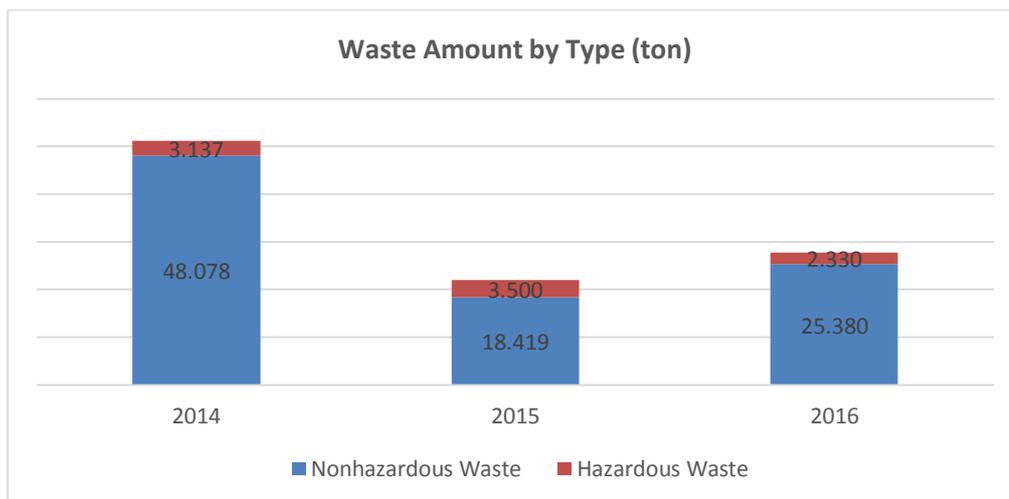
With the Project that was completed in 2015, a joint treatment facility was established in YALKIM Organized Industrial Zone, where Akxa, Ak-Kim and DowAkxa from Akkök Holding are located. At the facility all household and industrial wastewaters are treated together. At the facility where improvement activities were carried out in 2016, 2,830,040 m³ waste water was treated in accordance with the regulations. Waters recovered at the facility are characterized as raw water at dam water quality, while impacts on ecological balance were significantly reduced with the alternative raw water source that was formed.

Ak-Kim Akualys Ultrafiltration Module

Ak-Kim realizes pioneering innovation practices in the field of environmentally friendly products and allocates a significant resource to these studies every year. In 2015, after a five yearlong study and an investment worth 35 million USD, the Company has developed Akualys Ultrafiltration Module and started production at its new factory in Yalova. The Ultrafiltration Module, which is comprised of high performance hollow fibers, the equipment enables advanced physical treatment without altering the chemical specification of water. Ak-Kim Akualys Ultrafiltration Module can be utilized in various areas, including but not limited to treatment of water for complying with discharge standards of receiving environments at industrial and municipal water treatment facilities, significantly contributing to the minimization of environmental impacts of the facilities.



Akkök Group companies fully fulfill their Environmental Impact Assessment obligations regarding new investment fields or capacities increases at existing plants and thus avoid possible negative impacts on biodiversity.



During the reporting period, the amount of waste generated by the operations of companies covered by the report, increased by 26% compared to the previous period. However, 55% of the hazardous waste and 96% of the nonhazardous waste were recycled. As a result, the proportion of waste recycled increased from 63% to 92% compared to the previous period.

Ferric III Chloride Recovery

Ak-Kim achieves the recovery of hydrochloric acid solution discharged as waste during galvanizing and surface treatment at its Ferric III Chloride facility licenced by the Ministry of Environment and Urbanization. At the facility that accepts an average of 5,000 tons of hydrochloric acid solution, inputs are used in the production of second grade chloride known as "Type 2". In this way, the solution is recycled back to the economy and the environment is protected.

Group companies regularly conduct environmental training to ensure that employees adopt Akkök Holding's environmental sustainability approach. In this regard, a total of 5,401 man*hour of environmental training was provided to the employees of Aksa Akrilik, Akenerji and Ak-Kim during the reporting period.

ANTI-CORRUPTION

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

Accepting the great responsibilities that the business world bears in the combat against corruption, Akkök Holding aims to constitute an example for both the sectors where it operates and its stakeholders with the practices it carries out in this field. While the Holding perceives opposing bribery and corruption as one of its primary responsibilities for society, it conducts effective communication, training and audit practices concerning these issues at the level of the Holding and Group companies.

“Akkök Group of Companies Code of Business Ethics” that was formed in 2014, reflects the ensemble of rules that all Group companies must take basis in their relations with stakeholders. The text that defines the framework of the Holding and Group companies’ relations with its employees, partners, suppliers, customers, vendors, other stakeholders and the public, predicates upon the principles of responsibility, honesty, trust and equality, privacy and legal compliance. The principles define the Group approach in the face of legal and ethical risks comprising the issues of bribery and corruption.

You can access Akkök Group of Companies Code of Business Ethics at <http://www.akkok.com.tr/Kurumsal/Documents/10.04.2014-akkok-is-etigi.pdf>

The Holding establishes the necessary organizational structure for the effective implementation of the Code of Business Ethics in the company and its subsidiaries. An Ethics Board, which was formed from Company ethics members, conducts its activities in line with Akkök Group of Companies Ethics Board Working Directives. An Ethics Line was established and is managed by an independent institution to ensure that all stakeholders, especially employees are able to communicate the violations of principles. On the line, which operates on the basis of confidentiality and is accessible every day of the week, the identifying information of notifiers are kept confidential and shared with the Ethics Board only upon the permission of the individuals concerned.

Akkök Holding guarantees not to take any adverse action against individuals who notify violations.

The primary activities that Akkök Holding carries out to ensure all Group companies act with the same understanding and rigour are communication and training practices. In this respect, these activities continued during the reporting period in an attempt to enable the approval of these principles as fundamental and indispensable corporate values, to ensure their adoption and implementation in all Group companies.

While in-class trainings on Akkök Group of Companies Code of Business Ethics continued, the training program for the mid-level managers included sections in which ethical principles were addressed. Holding’s ethical values were discussed in depth inside the monthly electronic newspaper “Ethics Post”, that is an important internal communication tool. With pop-up questions directed to all employees twice a month, the aim was to create common awareness and to carry on training activity. The awareness and the visibility of business

ethics principles were enhanced with various activities organized in the context of the 25th of May World Ethics Day and Week.

The Akkök Holding Internal Audit Group carries out controls in various areas, primarily increasing the efficiency of operations, ensuring financial security and compliance with laws and regulations; with the audits it conducts through internal audit teams and independent auditors. Periodical inspections are carried out in relation to bribery and corruption risks within the framework of the annual internal audit plan of the Group. During the reporting period, there were no cases of corruption or bribery identified within the scope of the audits.

CORPORATE SOCIAL RESPONSIBILITY

Akkök Holding aims to contribute to social and cultural development as much as to the economic development of the geography in which it operates and in this respect, it carries out important corporate social responsibility activities. In line with the responsibilities corporate citizenship demands, the Holding manages projects and support activities that prioritize its regions of operations and focus on education, art and environmental issues. The Holding predicates its CSR practices upon stakeholder participation as in all business processes while it promotes volunteerism in all its activities.

Support for Education

Akkök Holding believes that sustainable social development can be achieved mainly by supporting education and sustain training of younger generations in a knowledgeable, deliberate and sensitive manner. The Holding, which has built schools in various regions of Turkey, also provides infrastructural support for the universities mainly in the regions of operations.

Among the schools the Holding has built so far: Raif Dinçkök Primary and Middle School (Çerkezköy/Tekirdağ), Aksa Vocational and Technical Anatolian High School (Yalova), Güzin Dinçkök Primary Middle School (Maltepe / İstanbul), ISOV Vocational Training Center and Social Facilities, Dinçkök Anatolian Technical High School (Zincirlikuyu / İstanbul) Güzin Dinçkök Primary School (Van). In addition to these projects, the Holding undertook the construction of the rectorate building of Yalova University and Maslak dormitories of İstanbul Technical University.

Support for Yalova Orthopedics Sports Club

Akkök Holding, which has actualized corporate social responsibility projects that add value to social and cultural life, gives support for sports in Yalova where its production facilities are located since 2012. Since November 2012, the Group is the main sponsor of Yalova Orthopedics Sports Club (YOSK), one of the leading sports clubs competing in the Wheelchair Basketball Super League.

Raif Dinçkök Cultural Centre

Akkök Holding, brought Raif Dinçkök Cultural Center into service in 2011 to enrich the social and cultural life in Yalova. The center, which was built with a contemporary architectural approach, has responded to Yalova's important need with the facilities it provided. Built in four separate blocks on a 10,000 m² provided by Yalova Municipality, the Center includes various sections such as multi-purpose halls, organized training workshops, foyer, exhibition and cafeteria areas, belvedere and terrace that allow for different cultural and art representations in the center.

Mamut Art Project

Akkök Holding maintained its support for art during the reporting period. In 2016, the Holding continued to support the Mamut Art Project, whose main sponsorship it assumed in 2015 for the first time, within the framework of its "Investment in the Future" strategy. Since 2013, the Mamut Art Project brings young artists together with collectors, galleries,

culture-art institutions and art lovers and exhibits its success by winning many awards received since its foundation.