



SUSTAINABILITY REPORT **2012-2013**



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## ABOUT THE REPORT

This sustainability report, which we publish this year for the 9<sup>th</sup> time, is offered to our customers who wish to benefit from our products and services, prospective employees who wish to further their careers at Aygaz, domestic and international investors, members of the media wishing to obtain more comprehensive information about Aygaz, and all of our stakeholders interested in learning about the efforts and operations of Aygaz.

The sustainability report encompasses two calendar years over the period January 1, 2012 - December 31, 2013, and we share our understanding of sustainability management and our activities under eight sub-headings: Aygaz and the Energy Sector, Corporate Governance, Sustainable Operations, Product Responsibility, Employee Satisfaction, Climate Change and Emission Management, Water and Waste Management and Social Development. We have limited the scope of our report to all of our operations related to LPG, the main business area of Aygaz. Please visit our website [www.aygaz.com.tr](http://www.aygaz.com.tr) for more detailed information on our subsidiaries, which we have included here only in our financial indicators.

Following the 2008-2009 sustainability report, prepared in accordance with GRI (Global Reporting Initiative) principles and complying with application Level C requirements, we fulfilled Level B requirements in our report for 2010-2011. In this report for 2012-2013, we progressed to GRI A level requirements, producing the most comprehensive reporting project we have ever engaged in. As a Koç Group company and signatory of the UN Global Compact, we observed the principles of the Compact in the preparation of the content of this report. The report also includes the opinions of our stakeholders, with whom we engage in many operations in various areas of business together, offering a view into their perception of our sustainability performance.

Besides our biennial sustainability reports, we also share our corporate sustainability performance in our annual financial reports. We provide data as well for the annual Koç Holding Corporate Social Responsibility Reports that are communicated to the public at [www.koc.com.tr](http://www.koc.com.tr).

This report has been published in a limited number of copies to reduce the environmental impact and has been presented to the company's stakeholders at the corporate website. The feedback and opinions of our stakeholders are our best source of guidance to increase our performance in this area of business. Please contact us at [skr@aygaz.com.tr](mailto:skr@aygaz.com.tr) or +90 212 354 1515 for any suggestions, comments, or criticism.





In line with our commitment to the UN Global Compact, we fulfill our obligations with regard to working conditions, human rights and transparent corporate governance, working with all our efforts to reduce the environmental impact of our production processes, products and services.

## Dear Stakeholders,

With the strength we have gained from more than 50 years of experience as Aygaz and our skills in adapting to global conditions, we have left behind yet another period of achievement with results far beyond our business goals. At the core of this achievement lies our sense of responsibility toward our stakeholders and our adoption of a balanced perspective on our economic expectations based also on environmental and social sensitivity. Since our establishment, we try to discern the expectations of our stakeholders accurately and focus on improving not only our products and services but also our processes.

As the first Turkish corporation to publish a report on sustainable development, sustainability management at Aygaz is the responsibility of all of our departments and this process is undertaken with a management

approach that embraces integrated policies. In this context and in line with our commitment to the UN Global Compact, we fulfill our obligations with regard to working conditions, human rights and transparent corporate governance, working with all our efforts to reduce the environmental impact of our production processes, products and services. We are happy to share our 9<sup>th</sup> report of our performance and practices in the period 2012-2013 as well as information about the impact of our products and services on society as a whole and on the environment, all presented in adherence to our principle of transparency.

We are aware of today's risks and the risks that will affect all societies in the future as a result of climate change that is an outcome of changing global conditions. We believe that choices must be made at the earliest

to cope with climate change and that taking early measures will have more of a chance of having an impact on society and will also be more cost-effective. As a responsible corporate citizen, we are aware of the responsibilities we bear for our common future. We consider the risks brought about by climate change in all of our operations and develop our business processes accordingly. To combat climate change, our goal is to achieve low-carbon concentrated production, and for this, we manage our supply processes with an outlook of sustainability. In an effort to produce a solution for the waste water issue and pollution, we place importance on water and waste management, and on developing energy-efficient processes in our operations to meet the continuously increasing energy demand, also working on projects to achieve more savings in the use of natural resources.

As a result of our work to achieve more energy efficiency in 2012, we experienced the pride of being the first company in the sector to be granted an ISO 50001 Energy Management System Certificate. Aygaz showed its determination to cope with climate change when it signed the Energy Efficiency in Buildings Declaration drawn up by the Sustainable Development Association in the same year. Aygaz continues to be a leader in fulfilling the requirements set down by this Declaration.

Aygaz constantly strives to meet the expectations of all consumers and stakeholders whose lives it effects and to be worthy of the trust shown in the Aygaz brand, continuing its social investments in order to add value to society. We are conducting the campaign, "No Barriers for My Country" together with the other Koç Group Companies to improve the quality of life of the disabled and our contributions to the implementation of the campaign are at the highest level. In this context, we started disabled-friendly applications at all of the Aygaz departments and reached more than 8,000 people with the "Correct Approach to the Disabled" Training Program that was organized to raise awareness and sensitivity in society on this issue.

In 2012, our fair and transparent management and productive business processes made us Turkey's 10<sup>th</sup> largest industrial company. The successful business results Aygaz realized were also reflected in areas outside of our balance sheets. We raised our Corporate Governance rating from its level of 8.96 in 2012 to 8.97, and

as of the date on which the assessment was made, we became the company with the second highest corporate governance rating in Turkey. We continued to occupy a place among the ranks of the group with the highest ratings in the World Corporate Governance Index.

In 2013, we completed the merger process with Mogaz that was initiated for the objective of increasing the quality of service offered to stakeholders and achieving flexibility in process management. The merger gave the company a competitive advantage in increasing supply and production efficiency and in the sales operations that began to be managed on a product basis. With this reorganization we anticipate to receive increasingly better business results.

Besides LPG, our main area of business, Aygaz has an expansive portfolio of subsidiaries that branch out into electricity and natural gas. Acting with the goal of becoming an effective player in Turkey's ever-growing natural gas market, we continue to increase our business volume in the natural gas segment. In order to increase our competitive power in the area of auto gas and acquire property in strategic locations for stations, Aygaz and Opet have joined forces in a joint venture for a real estate company. 12 separate station investments were made in 2013 and increased station investments are targeted for the coming period.

With our facilities all over Turkey and our wide dealership network, we create direct and indirect employment opportunities and our supply

chain contributes to the local economy. Besides the economic added value that we create for society, we continue to engage in bringing to life numerous social responsibility projects in many areas--from health and education to culture and the arts and sports activities--all in a continuous effort to fulfill our responsibilities toward the community at the highest level.

Here, in our 9<sup>th</sup> Sustainability Report I would like to take the opportunity to express my heartfelt thanks to the customers who have made Aygaz Turkey's most preferred LPG brand, and to all our employees from logistics to production, from finance and marketing to sales, dealers, suppliers and our distinguished shareholders, all of whom have always supported us in achieving corporate sustainability in all of the aspects of our processes.

Kind regards,



Yağız Eyüboğlu  
General Manager



# AYGAZ AND THE ENERGY SECTOR



- The global LPG sector
- Turkey's LPG market and Aygaz





With its 2,249 cylinder gas dealers and 1,567 autogas stations, head office facilities and dealers in 81 provinces, its more than 15,000 direct and indirect employees and its widespread distribution network, Aygaz provides cylinder gas to 80,000 households and autogas to nearly 1 million vehicles.

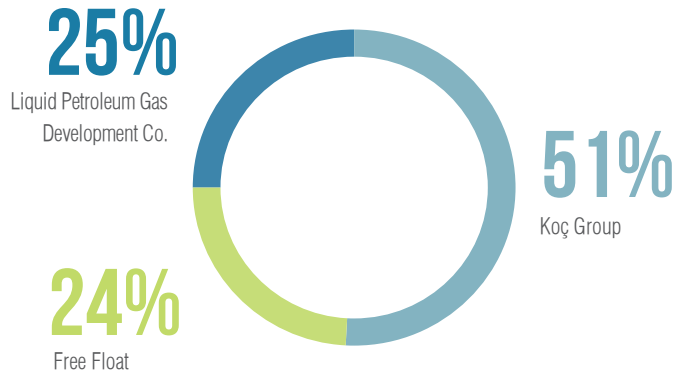
### About Aygaz

Along with being the first publicly listed LPG company of Turkey, Aygaz, operating successfully since 1961, is the only LPG company in Turkey, which performs all of the processes that involve LPG supply, storage, filling, and the production and sale of pressure vessels and equipment. Aygaz is Turkey's 10<sup>th</sup> largest industrial company according to the 2012 and 2013 rankings of the Istanbul Chamber of Industry, and is 22<sup>nd</sup> on the Turkey Fortune 500 listings in 2012.

With its strong dealership network and qualified workforce, Aygaz operates in Turkey's LPG sector, which consists of 76 distribution companies. Being Koç Group's first company to operate in the energy sector, alongside the services Aygaz provides in cylinder gas, autogas and bulk gas, it also exports cylinders, storage tanks, valves, regulators and appliances to close to 30 countries in the European, Middle Eastern and African markets.

With its 2,249 cylinder gas dealers and 1,567 autogas stations, centers, facilities and dealers in 81 provinces, its more than 15,000 direct and indirect employees and its widespread distribution network, Aygaz provides more than 80,000 households with

### Aygaz A.Ş. capital structure



cylinder gas and close to 1 million vehicles with autogas products.

Aygaz meets the demand for its products with its 5 sea terminals, 8 filling facilities, 9 distribution centers, and a production facility that is run with the most modern technologies at international standards. Despite the more widespread use of natural gas in Turkey, Aygaz continues to lead the LPG market in terms of its operational and financial results.

The merger process that was initiated in 2012 with Mogaz A.Ş. that has 232,000 ton/year LPG sales volume, was completed in 2013 in order to raise the quality of the services Aygaz offers to stakeholders, to take more rapid action with respect to market conditions, and attain an increase in productivity. A significant increase in the productivity of supply, shipping and production processes was achieved with the merger.

In addition to its current dealership organization, Aygaz has adopted a strategy of acquiring properties for stations in strategic locations in order to increase the competitive strength of its brands. It was in this context that the company Opet Aygaz Gayrimenkul A.Ş. (Opet Aygaz Real Estate) was established under

the partnership of Aygaz A.Ş. and Opet Petrolcülük A.Ş. This company's activities entail the acquisition of real estate for the operation of fuel and autogas sales stations in various regions of Turkey as well as the management and leasing of the fuel and autogas sales stations acquired.

Aygaz, together with its subsidiaries Aygaz Doğal Gaz, AES Entek, Opet Aygaz Gayrimenkul, Anadoluhisarı Tankercilik A.Ş. and also with its shares in Enerji Yatırımları A.Ş., operates besides LPG in a portfolio that stretches from natural gas to electricity. Aygaz Doğal Gaz works in line with its growth strategy both as a gas importer and as a wholesaler including LNG gas conversion facilities. With the purchasing agreements it signed in the reporting period, Aygaz Doğal Gaz has increased its activities and expanded its customer portfolio in the pipe gas operations it started a few years ago. Akpa, one of Turkey's largest sales and marketing organizations, sells carboy water under the Pürsu brand and cylinder gas in Turkey, it also deals in the fuel products trade with its stations in the Central Anatolia Region. Operating three hydroelectric power plants, AES Entek is taking steps to adding power plants running on water, coal and wind power to its portfolio.

<sup>1</sup>Liquefied Petroleum Gas (LPG) Market 2014 May sector report.

<sup>2</sup>Station and dealer figures are consolidated figures for Aygaz and Mogaz.



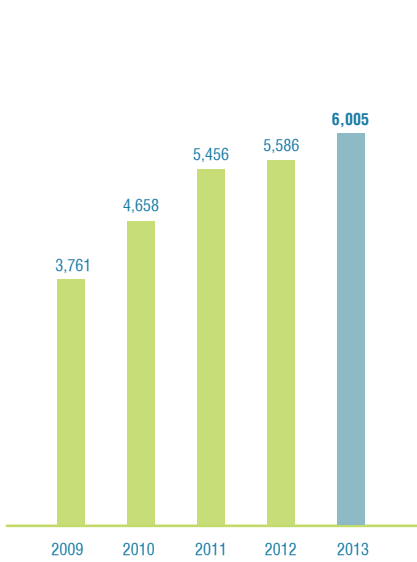
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#### Portfolio of subsidiaries



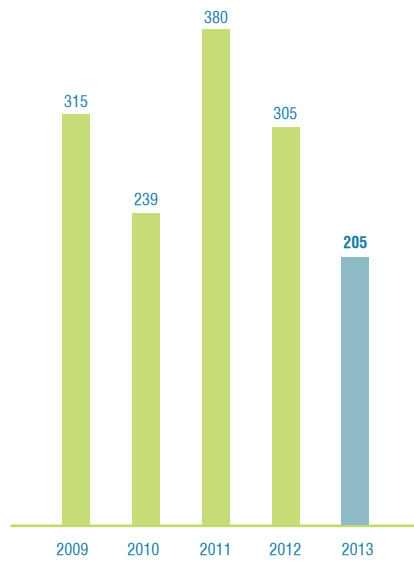
#### Sales

Million TL



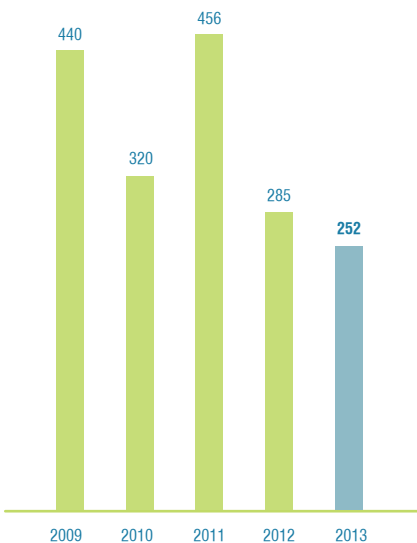
#### Net profit

Million TL



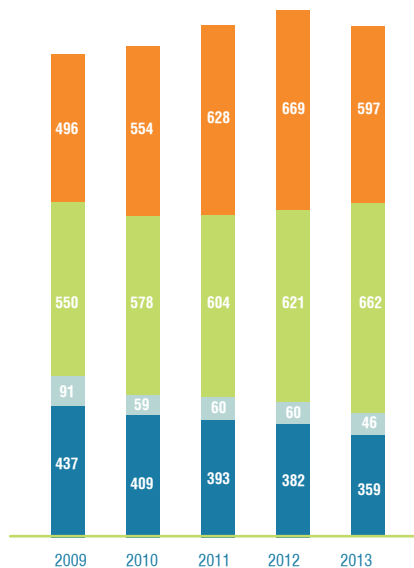
#### EBITDA

Million TL



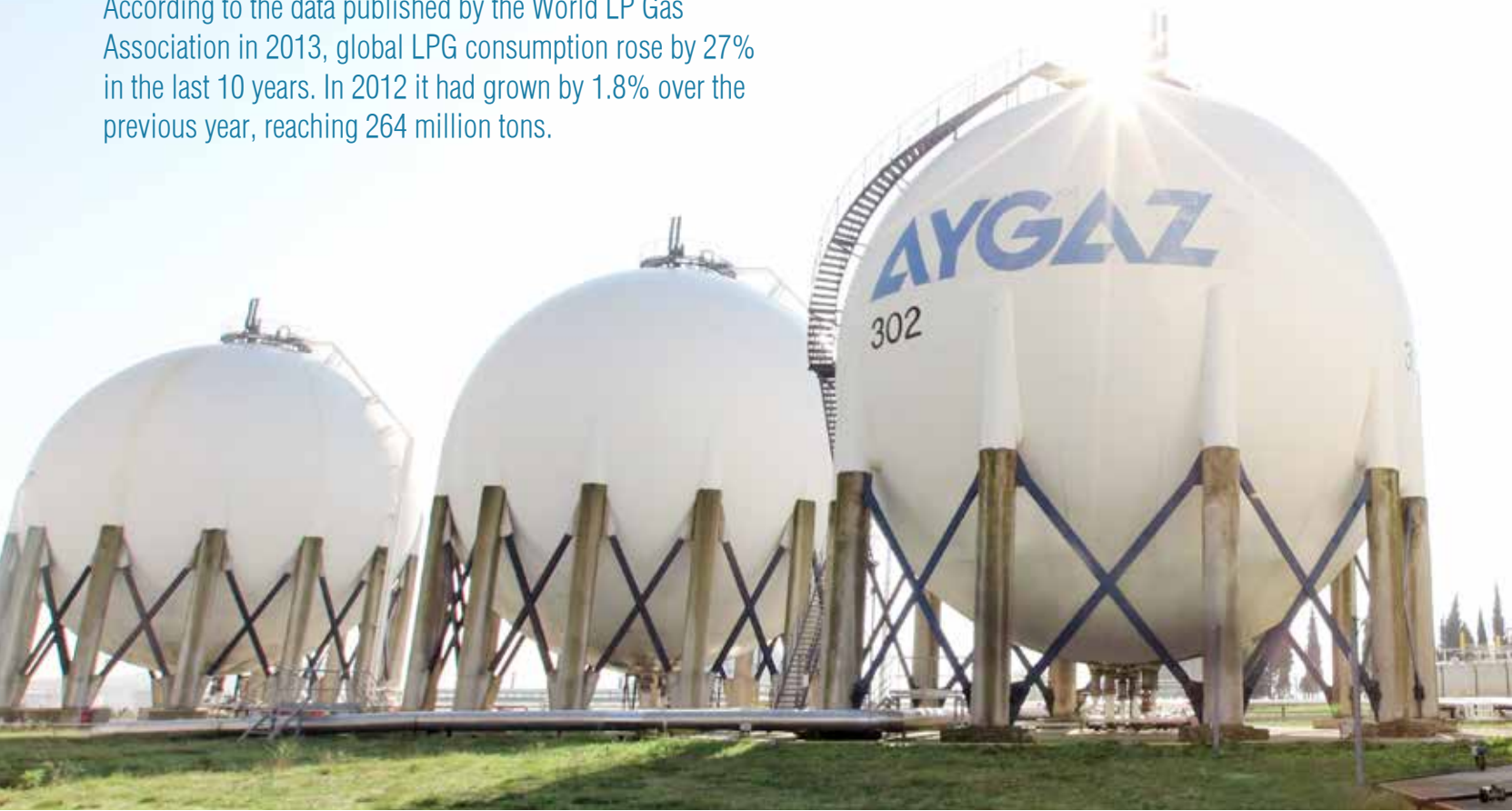
#### LPG sales

(000) Tons



■ Cylinder Gas ■ Bulk Gas ■ Autogas ■ Wholesale and international sales

According to the data published by the World LP Gas Association in 2013, global LPG consumption rose by 27% in the last 10 years. In 2012 it had grown by 1.8% over the previous year, reaching 264 million tons.



### The global LPG sector

40% of global LPG is produced in refineries as a side product while 60% is obtained from natural gas wells. In Europe, 75% of LPG is obtained in the process of petroleum refining. The consumption of LPG is on a global growth trend. According to the data published by the World LP Gas Association in 2013, global LPG consumption rose by 27% in the last 10 years. In 2012 it had grown by 1.8% over the previous year, reaching 264 million tons. Household consumption of LPG is prominent in China, India and the US, while Turkey and Russia are right behind South Korea in autogas consumption.

LPG production around the world exhibited a growth of 1.5% in 2012; the growth was 3.1% in 2013, with production rising to 274 million

tons. Today, the US, Saudi Arabia and China are the three countries that have the largest share in LPG production. When it is considered that there are 1.5 billion people who are not LPG users, it can be seen that the global LPG market represents a powerful potential for growth. Within the framework of its efforts to reduce harmful gas emissions, the European Union's goal is to increase the current share of LPG in the energy portfolio to twice its size by 2030.

### Turkish LPG market and Aygaz

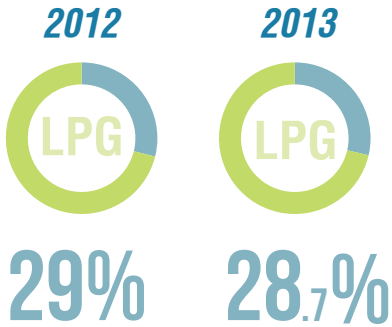
Comparing the 3,663,844-ton sales figure of 2013 with 2012, it is seen that there were decreases of 1.1% in total sales, of 5.4% in the sale of cylinder LPG and of 21.2% in the sale of bulk LPG, but an increase of 1.2% in the sale of autogas.

In 2012, 21% of the total LPG supply in Turkey was procured from domestic production; this rate was 20% in 2013. A major portion of the LPG import volume comprises purchases from Russia, Algeria, Kazakhstan and Norway. Autogas represented 73% of Turkey's LPG consumption in 2012 and 74% in 2013; cylinder gas represented 24% in 2012 and 23% in 2013. In 2012 and 2013, 3% belonged to the bulk gas segments.

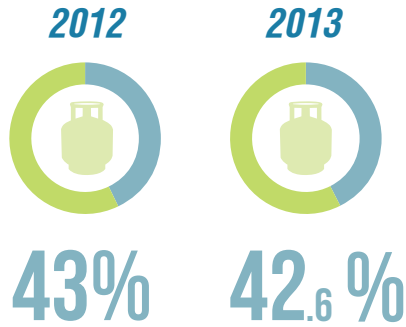
Although the more widespread use of natural gas in Turkey has led to a contraction in the cylinder gas and bulk gas markets, the share of autogas in general consumption has increased steadily. EMRA (Energy Market Regulatory Authority) data for 2013 indicate that the share of autogas in total consumption rose from 61% to 74% in the last five years, while the share

**Aygaz Group market share**

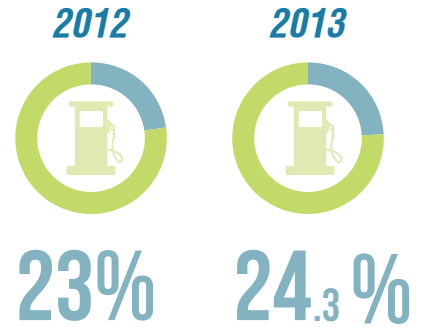
**LPG market share**



**Cylinder gas market share**



**Autogas market share**

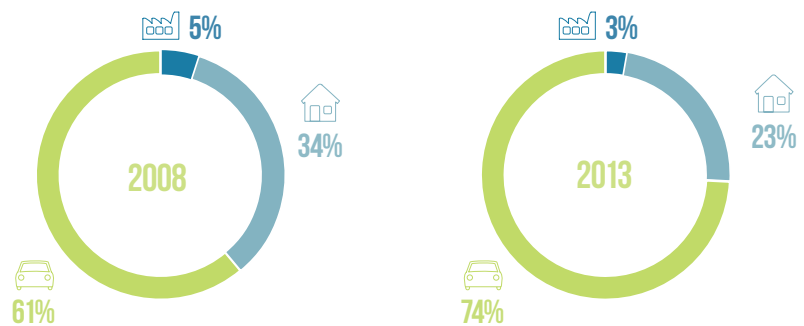


While total domestic cylinder gas, autogas and bulk gas Aygaz sales in 2012 was 1,062 thousand tons, this figure was 1,066 thousand in 2013. Together with wholesale, export and transit sales, the total domestic sales volume has reached 1.7 million tons.

of cylinder gas stood at a level of 23% as of the end of the year. The same data shows that Aygaz continued to be a clear-cut leader in the LPG sector with its 28.7% market share. As of 2013, Aygaz has a 42.6% share in the cylinder gas segment, and a 24.3% share in the autogas segment. Aygaz furthermore is responsible on its own for 37% of Turkey's LPG imports.

As of 2012, the distribution of Aygaz sales on a segment basis was as follows: 36% cylinder gas, 58% autogas and 6% bulk gas. In 2013, this distribution was cylinder gas 34%, autogas 62%, and bulk gas 4%. While total domestic cylinder gas, autogas and bulk gas Aygaz sales in 2012 was 1,062 thousand tons, this figure was 1,066 thousand in 2013. Together with wholesale, export and transit sales, the total domestic sales volume has reached 1.7 million tons.

**Areas of usage of LPG in Turkey and consumption shares**



Household On the road Industrial

Two white flags on tall poles. The top flag features the Koç logo (a red stylized 'K' symbol) and the word 'Koç' in black. The bottom flag features the word 'AYGAL' in blue capital letters.

Koç

AYGAL

A blue banner with rounded corners and a yellow border, containing the text 'SUSTAINABILITY MANAGEMENT' in white capital letters.

# SUSTAINABILITY MANAGEMENT





- Corporate governance
- The code of ethics
- Internal auditing and anti-corruption
- Sustainability management
- Risk management
- Materiality for sustainability
- Communication with stakeholders
- Aygaz corporate memberships



### Our vision

is to be the leading company providing energy solutions to Turkey and other potential markets, particularly in LPG and natural gas.

### Our mission

is to offer the best products and services in every field we operate in, particularly LPG, by prioritizing high quality and safety standards with working principles adopted from the corporate values of the Koç Group and by always being responsive to society and the environment.

Corporate sustainability is managed at Aygaz with an integrated understanding of governance that encompasses all social, economic and environmental impact and according to the strategy and goals set down by the Board of Directors. Aygaz operates with the objective of providing products and services at universal quality and standards, acting in accordance with its principle of being a symbol of reliability, continuity and prestige for the country, its customers, dealers and the auxiliary industry.

The goals and principles that Aygaz adheres to are parallel to those upheld by the Koç Group, of which it is a part. Koç Group has always complied with its own principles regarding the standards of social responsibility, corporate governance and ethics, and it has achieved world standards in this respect as a signatory of the United Nations Global Compact since 2006. The UN Global Compact is the fundamental source of reference for the understanding of sustainability management that Aygaz has adopted. Aygaz performance is based on the Compact's four main headings of "working conditions," "human rights," "the environment," and "anti-corruption" and this performance is monitored, reported and focused on continuous improvement. Sustainability Management is the responsibility of all departments of Aygaz and represents a

system of process management that is overseen by higher management. Compliance with ethical principles is the responsibility of the entire Aygaz value chain. Key sustainability performance areas are the subjects of the performance evaluation criteria of the relevant departments of the Aygaz organization.

Aygaz takes part in "Koç Group Sustainability Performance Evaluation and Reporting System" by which the performance of Koç Group Companies in social and environmental fields are measured. This organization provides the Group Companies with the best opportunities to share their sustainability models. Aygaz is one of the few Turkish companies that connects managerial remuneration with operational and financial performance.

Sustainability management at Aygaz is a wide participatory process conducted under its code of ethics and is supported by effective corporate governance and risk management practices.

### Corporate governance

The Principles of Corporate Governance, which are implemented in all business operations, includes the principles of fairness, transparency, responsibility and accountability that all high-level management bodies must adhere to in

Aygaz operates with the objective of providing products and services at universal quality and standards, acting in accordance with its principle of being a symbol of reliability, continuity and prestige for the country, its customers, dealers and the auxiliary industry.

# 8.97

Aygaz Corporate Governance Rating

their decision-making and in all activities. Since 2005, Aygaz prepares "Corporate Governance Principles Compliance Reports."

The importance Aygaz places on the principles of corporate governance is an indication of its determination to handle this aspect of business as a continuous and dynamic process, a quality that has been evidenced by the corporation's receiving a Corporate Governance Rating for inclusion in the Corporate Governance Index. Aygaz received a Corporate Governance Rating of 8.96 in 2012. As the company in Turkey to receive the third highest Corporate Governance Rating as of the date the ratings were announced in 2012, Aygaz has taken its place among the ranks of the leading groups with the highest ratings on the 150-country Global Corporate Governance Index. Aygaz raised its Corporate Governance Rating to 8.97<sup>3</sup> in 2013, becoming the company with the second highest Corporate Governance Rating in Turkey. The criteria considered in the appointment of Board Members and the effectiveness of the Board Committees were responsible for the increase in rating, particularly under the categories of "Stakeholders" and "Board of Directors." You can find detailed information about corporate governance structure of Aygaz on the corporate website <https://www.aygaz.com.tr/EN/> and in the Annual Reports.

## The code of ethics

As part of the organization of a Koç Group Company, the employees of Aygaz are responsible for complying with the Code of Ethical Conduct and the Implementation Principles of the Koç Group. Aygaz:

- Respects the dignity, privacy and personal rights of individuals.
- Makes no discrimination with regard to the race, background, religion, gender, social class, nationality, age, physical disability or any other differences of individuals.
- Provides all employees with equal opportunity as a part of its employer commitment in order to promote personal development and career progress, no matter what the background or beliefs of the individual might be.
- When needed, applies the mechanisms that deal with disciplinary matters in the workplace and human rights violations.
- Respects the traditions, culture and history of the communities in the geographical regions in which it operates.
- Respects the union rights of employees.

In accordance with the principles adopted by the United Nations Committee on the Rights of the Child, Aygaz does not employ children. Within the framework of the United Nations Universal Declaration of Human Rights, the Constitution of the Republic of Turkey and the Turkish Labor Law, Aygaz provides equal rights to employees with no exceptions and no discrimination with regard to language, race, color, disability, political opinion, philosophical belief, religion, sect or similar reasons. The articles of the Personnel Regulations define and manage matters regarding the prohibition of child employment, slavery or forced employment. Aygaz employs no one by force under any circumstances whatsoever. Aygaz provides material benefit to no political party and does not conduct business with government bodies in transparency.

In order to ensure that ethical values are made widespread efficiently and are transferred to upcoming generations, Aygaz published a brochure in 2011 entitled, the Code of Ethical Conduct and the Implementation Principles of the Koç Group which it required all staff members to sign. Newly hired personnel are informed about the Code and are asked to declare and commit compliance to its principles. You can find the Code of Ethical Conduct and the Implementation Principles of the Koç Group on <http://www.koc.com.tr/tr-tr/kurumsal-sosyal-sorumluluk>.

An Ethical Behavior Board has been set up to evaluate and prevent inappropriate behavior with regard to the code of ethics. The Ethics Board, comprised of the General Manager, the Assistant General Manager concerned, the Human Resources Manager, Internal Audit Manager and the Legal Adviser, assembles in necessary situations.

## Internal auditing and anti-corruption

Since its establishment, Aygaz has placed great importance on auditing operations. The Internal Audit Department audits and reports all of the business processes at Aygaz in terms of their financial, operational, environmental, ethical and social manifestations. Moreover, all the processes are monitored with an effective internal audit mechanism.

The Aygaz Internal Audit Manager holds internationally recognized Certified Internal Auditor and Capital Market Operations Advanced Licensing Certification. The Aygaz Internal Audit Department works under Aygaz General

<sup>3</sup> Note announced in the updating of March 2014.





Management and reports to the Audit Committee. Since the Internal Audit Department works under the General Manager, it has no hierarchical ties with the departments audited. The auditing plan and the execution of audits are carried out by the Internal Audit Department, thus ensuring the independence of the unit.

Additional periodic audits are executed at Aygaz by the Koç Holding Audit Group and an Independent Auditing Company. In the reporting period, all main Aygaz business processes are each audited at least once. Areas needing improvement are discussed by the parties concerned and are tied to a plan of action, after which the actions are monitored. As a result of the importance Aygaz places on internal auditing, there has been no case of corruption reported during the reporting period.

One of the differentiated characteristics of the internal audits carried out at Aygaz as a part of its management systems is the mechanism of having departments in the company that audit each other. Department representatives are given management system auditing training for this purpose. The management systems audit reports drawn up at the end of each audit are of reparative quality.

## Sustainability Management at Aygaz

### Board of Directors

Responsible for determining the sustainability strategies of Aygaz and reviewing company's performance.

### Audit Committee

Supervises the accounting system, disclosures of financial information to the public, the working and effectiveness of the independent auditor and the corporation's internal control systems.

### Risk Management Committee

Responsible for determining, evaluating, managing, reporting, and including in decision-making mechanisms all strategic, operational, financial and every kind of other risk that may affect the company.

### Executive Committee

Responsible for informing the Board of Directors of developments in the company and in the sector in

which the company operates when it is necessary to follow these matters up more closely due to the fact that the Board of Directors cannot meet at the desired time or frequency; also responsible for coordination between company management and the Board of Directors and for providing recommendations as to developing appropriate corporate strategies and engaging in more effective activities.

### Corporate Governance Committee

Responsible for seeing that the principles of corporate governance are implemented, to determine the reasons why they are not being implemented if that is the case, to identify the conflicts of interest that arise because of lack of compliance, making suggestions to the Board of Directors on improvements that may be made in corporate governance practices, and fulfilling the duties of the Nomination Committee and the Compensation Committee, as set forth in the relevant Communiqué.

### General Manager

Responsible for overseeing sustainability performance and delegation of duties.

### Assistant General Manager (Finance)

Director of the units responsible for overseeing the accounting and financial matters of transparency, risk analysis, investor relations, corporate governance, budget planning and control.

### Assistant General Manager (Technical Affairs and Investments)

Director of the units responsible for LPG filling and processes of water facilities management,, investment decisions, R&D activities, quality, environment, occupational health and safety, intellectual property rights and relations with NGOs.





In the event that stakeholders feel that there has been a breach of the code of ethics, they may make an external notification through the Customer Services Line or the Dealer Portal, or internally through the Audit Department and the Koç Holding Audit Committee Notification Lines, without facing any pressure or having to disclose their identities.

## Risk management

By virtue of the structure of the sector in which it is active, Aygaz faces many financial, operational and legal risks. These risks are appropriately managed in line with the policies set forth by the Board of Directors in accordance with international standards and practices. Financial risks arising from uncertainties and fluctuations in exchange rate, interest rate and commodity prices are identified in this context, then evaluated, after which instruments are employed if necessary to reduce the risk.

Because of its wide network of activity, Aygaz receivables are scattered over a network of many dealers and customers in different sectors and geographical locations. Care is given to avoid a concentration of risk in terms of any particular area or customer. The status of customers is a factor constantly monitored and attention is given to ensuring that risks arising from commercial

### **Emin KAYA, Editor-in-Chief, Petrotürk**

Aygaz, which will be leaving behind its 53<sup>rd</sup> year in the Turkish LPG market this year, is one of Turkey's leading enterprises. It is one of the country's finest corporations with respect to brand recognition, consumer satisfaction, corporate structure, its innovative approach, the social responsibility projects it has implemented, the employment opportunities and added value the company creates.

I believe firmly that Aygaz had proved itself over time with its performance in implementing policies that foster sustainability. It is a fact that a brand like Aygaz could not have been generated only by commercial operations. Sustainable policies that support commercial operations are the most important element in making a brand permanent and a leader. For a brand or for commercial operations to be successful, there must be an integrated policy of sustainability that brings together and regulates the elements of customer, dealer, employee, supplier, infrastructure, shareholder, regulatory organizations, technology, R&D, the environment and other components. It is because of this that I think Aygaz's position in the sector is an important indicator of its performance in achieving sustainability.

We are living in times of change and transformation. Everything is changing rapidly. This is why efforts, projects and policies that may be thought to bring about sustainability may turn out to be inadequate in the long run. The position of Aygaz in the sector invests it with major responsibilities, both in terms of shareholders and with respect to the country. In order to fulfill these responsibilities, embracing innovation and keeping up with the times is imperative. For this reason, we believe that achieving sustainability does not come from being content with the performance so far exhibited, and our expectations from Aygaz is to perform in accordance with continuously changing parameters.

receivables remain within defined limits. A policy is followed of engaging in transactions with only parties with credibility and reducing risks through bank guarantees. Working with various payment systems is a factor that facilitates collections and reduces risks. In terms of capital risk, the company's goal is to operate by maintaining the most suitable capital structure that will reduce capital costs while also providing revenue for shareholders.

Changes in laws and regulations are followed up by the units concerned, particularly by the Legal Advisory Department and the required information, training and compliance programs are implemented to ensure avoidance of legal risks. The departments concerned evaluate operational, legal and strategic risks, and the decisions taken in this context by Higher Management are followed up by the Board of

### **Assistant General Manager (Sales)**

Director of the units responsible for Aygaz sales regions and central units and the technical support provided to dealers and customers.

### **Marketing Director**

Director of the units in charge of social investments, dealer and customer relations, responsible marketing, affordability and accessibility of products.

### **Logistics Director**

Director of the units responsible for land and marine logistics, LPG procurement security, optimum stocks and supply management, and the international LPG sales supply chain.

### **Production Director**

Director of the units responsible for the production of pressure vessels and accessories in line with the relevant

standards for domestic and international markets, along with sales-transport and export activities.

### **Information Technologies Manager**

Director of the units responsible for employment continuity, disaster recovery, green IT, and information security.

### **Human Resources Manager**

Director of the units responsible for human rights, career management, employee development, trade union relations, equal opportunity, remuneration, fringe benefits, internal communications and work-life balance.

### **Internal Audit Manager**

Director of the units responsible for human rights and preventing violations of the code of ethics.

### **Corporate Communications Manager**

Director of the unit responsible for the dissemination

of correct, prompt and first-hand information about Aygaz and community investments.

### **Purchasing Manager**

Director of the unit responsible for purchasing practices outside of LPG procurement operations.

### **Legal Counsel**

Director of the unit responsible for ensuring compliance with the law.

You can reach detailed information on practices regarding the corporate governance approach of Aygaz, its Board of Directors, the Corporate Governance Principles Compliance Report and Company Policy via the Investor Relations link on the Aygaz corporate website [www.aygaz.com.tr](http://www.aygaz.com.tr).

Directors through the relevant committees. Besides the periodic reports of the Corporate Risk Management Committee, the Board of Directors is informed of corporate risk management operations by Higher Management and the Risk Management Committee within the framework of Strategic Planning and Management.

### Materiality for sustainability

The matters of materiality in the content of our report have been defined within the framework of the issues that are in the Aygaz's sphere of influence and the solutions on which the company focuses. In order to determine the priorities for achieving sustainability at Aygaz, the reporting team organized a workshop for the representatives of all departments prior to the drawing up of the 2008-2009 Sustainability Report. The team reviewed the topics that would form the framework for the 2010-2011 report. In the period of the 2012-2013 report, a survey was conducted among Aygaz managers to determine the materiality issues of Aygaz corporate sustainability. The departments reviewed the results of the survey and arrived at the universal topics illustrated below. Aygaz will continue

to implement different methods to determine materiality issues for sustainability in future reporting periods.

### Communication with stakeholders

Aygaz considers all persons, organizations and enterprises that directly or indirectly have an impact on or themselves impact the company as its stakeholders. In its effort to maintain open and bilateral communications with stakeholders, Aygaz considers its sustainability reports as one of the company's most important communication tools, both in terms of informing stakeholders about operations and also in receiving feedback from them.

Aygaz supports Non-governmental Organizations (NGOs) whose objectives are in line with its corporate goals. Aygaz contributes to the development of the sector through active participation in the various NGOs for purposes of formulating regulations and also to ensure the widespread use of LPG. Aygaz employees take active part in the NGOs that act as spokespersons of the community.

Aygaz works together with the TOBB (Union of Chambers and Commodity Exchanges of Turkey) LPG Board and the LPG Association of Turkey on LPG regulations as well as on setting up and institutionalizing a code of ethics in the sector. It works with the ISO (Istanbul Chamber of Industry) Environment Management and Policies Board, the business community and the Water Working Group of the Association of Sustainable Development (SKD), and as a member of the TÜSIAD Energy, Environment and Intellectual Rights Working Group, the company works on setting up Energy and Environment Laws and on the Protection of Intellectual and Industrial Rights. Aygaz is a member of the World LPG Association (WLPGA), an organization of international organizations and enterprises in the LPG sector, and it joins other LPG enterprises to ensure the worldwide use of LPG and to follow up on current developments in the sector. In addition, Aygaz channels its efforts into achieving productivity and quality in the metals branch of industry, in cooperation with the Union of Metal Industrialists of Turkey (MESS), of which it is a member.

#### Materiality issues for Aygaz



**Mehmet KARA, Columnist, Dünya Newspaper/enerjigunlugu.com**

Aygaz is a dominant player in the sector. Institutionalized at the highest level, Aygaz is a brand that generates trust in its products and services. Thanks to its expansive services network throughout the country, the high quality of Aygaz services has spread out all over Turkey. The company continues to raise the bar of general standards in the sector.

Just as Aygaz has proved its commercial prowess by raising quality standards in the sector, especially in the areas of autogas and cylinder gas, it has also taken on a social role, and it must also show the same performance in the matter of sustainability. It needs to ensure that the concept is internalized by society and to work to build a better perception of sustainability on the part of the public. This will not only be a positive element in terms of the corporation's reputation but also will strengthen the perception of sustainability in society.



Aygaz is a member of the World LPG Association (WLPGA), an organization of international organizations and enterprises in the LPG sector, and it joins other LPG enterprises to ensure the worldwide use of LPG and to follow up on current developments in the sector.



#### *Aygaz corporate memberships*

- Adana Chamber of Commerce
- Association of Aerosol Industrialists
- Aliağa Chamber of Commerce
- Ankara Chamber of Industry
- Antalya Chamber of Trade and Industry
- Bursa Chamber of Trade and Industry
- Chamber of Maritime Trade
- Clean Sea Association
- International Economic Relations Board
- Diyarbakır Chamber of Trade and Industry
- Dörtüyl Chamber of Trade and Industry
- World LPG Association
- Aegean Region Chamber of Industry
- Eskişehir Chamber of Industry
- Eskişehir Chamber of Commerce
- Gebze Organized Industrial Zone
- Gaziantep Chamber of Commerce
- IMMIB (Istanbul Minerals and Metals Exporters Associations)
- International DME Association
- Isparta Chamber of Trade and Industry
- İstanbul Foundation for Culture and Arts
- İstanbul Chamber of Industry
- İstanbul Chamber of Commerce
- İskenderun Chamber of Trade and Industry
- Kırıkkale Board of Provincial Employment and Professional Training
- Kırıkkale Chamber of Trade and Industry
- Union of Chemical, Petroleum, Rubber and Plastic Industry Employers
- Kocaeli Chamber of Industry
- Gulf Petroleum Products and Organized Industrial Region Association
- Gulf Chamber of Commerce
- Association of Corporate Communicators
- Lüleburgaz Chamber of Trade and Industry
- Licensing Executive Society (LES)
- Mersin Chamber of Trade and Industry
- MTO Turkish National Committee (International Chamber of Commerce-ICC)
- International Chamber of Commerce
- Advertisers Association
- Safranbolu Chamber of Trade and Industry
- Samsun Chamber of Trade and Industry
- Association of Technology and License Managers
- Turkish Industry and Business Association
- Turkish Trade Association
- Confederation of Unions of Employers of Turkey
- Quality Association of Turkey
- Corporate Governance Association of Turkey
- Liquefied Petroleum Gas Industrialists Association of Turkey
- Union of Metal Industrialists of Turkey
- Union of Chambers and Commodity Exchanges of Turkey
- Personnel Management Association of Turkey
- Association of Investor Relations (TÜYİD)
- Trabzon Chamber of Commerce
- Turkish Employment Agency



# SUSTAINABLE OPERATIONS







- LPG supply security
- Facilities
- Storage and logistics
- Vessels
- Purchasing practices
- Dealers
- Information technologies







A policy of Integration Management Systems is employed in all operational activities and the aim of all processes is the successful management of the factors of social and environmental impact.

### Why does Aygaz value sustainable operations?

The primary priority for Aygaz is to use a sustainable structure to ensure the uninterrupted continuation of operations at an optimum level. In this context, a policy of Integration Management Systems is employed in all operational activities and the aim of all processes is the successful management of the factors of social and environmental impact. Aygaz manages the direct and indirect effects of its operations with the same care. Besides its products, the physical security of the people living in the regions of its operations is also important for Aygaz. Investing in security measures is for this reason an ongoing endeavor whereby the security of Aygaz facilities is ensured and the impact on the lives of people in the region is taken into control. The social responsibility projects undertaken in Aygaz's areas of operation contribute to operational sustainability.

### How does Aygaz manage sustainable operations?

In the context of sustainable operations, Aygaz ensures that LPG is securely procured, optimizes

logistics processes so that environmental impact is kept to a minimum, invests in environmental practices in its facilities and in occupational safety measures, follows up on supply chain policies that will support sustainable growth for processes, and develops effective information systems.

Aygaz takes responsibility for the process of conducting sustainable operations in cooperation with all departments, from suppliers to dealers, facility and ship employees, from transport operators to the informatics teams that work to ensure safety and business continuity. In 2013, Aygaz established its Logistics Department, which started to manage the procurement of LPG, transport and maritime activities.

### LPG supply security

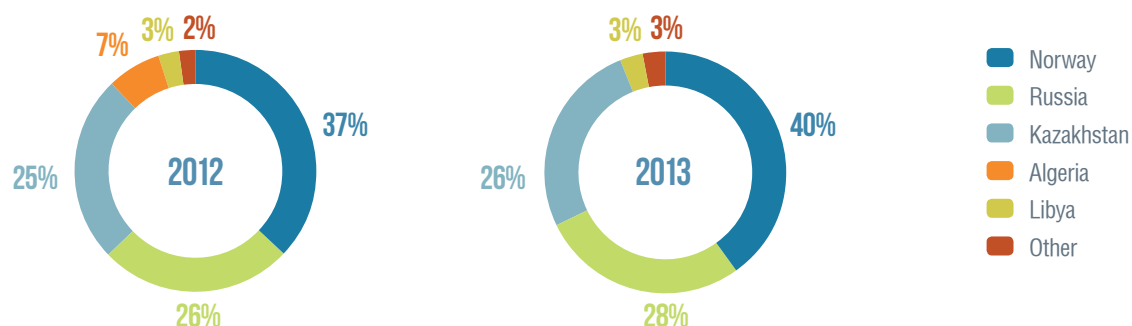
Supply security has been the most important business strategy of Aygaz since its establishment. All of Aygaz's long-term contracts are enacted with either direct producers or companies that are the extensions of producers. Aygaz makes use of the opportunities created by a high selection of

resource diversity at hand and of a strong logistics infrastructure to deal in international sales as well.

For many years, Aygaz has been the only Turkish LPG company to procure from abroad with its own fleet. Aygaz chooses its business partners in the light of the belief that stakeholding companies with a professional and ethical approach will take on key roles in the continuous and secure procurement of LPG. Procurement from abroad is achieved not only at the level of quality that is in line with European standards, but also in big volumes from the suppliers.

Aygaz's LPG procurement strategy is based on the principle of diversity in terms of place of origin, supplier and port of loading. Aygaz has furthermore adopted a strategy of differentiating between cargo dimensions, thereby increasing source diversity and limiting the effects of any changes that many occur in any segment of the shipping market. Besides ensuring that the product is procured from different regions, by increasing the diversity of suppliers, Aygaz contributes to

### LPG procurement at Aygaz by country



risk management. It does not supply LPG from countries that are subject to restrictions and/or under embargo by Turkey or international organizations.

Thanks to its supply diversification strategy, Aygaz is not fully dependent on any region or country. In 2012, the company worked with 12 different suppliers from 7 separate countries and in 2013, with 14 different suppliers from 6 separate countries. Aygaz closely follows the developments in all countries, especially of those which it relies on LPG resources, and formulates alternatives in cases where conditions may adversely affect the flow of the product.

## Facilities

Aygaz boasts 5 sea terminals, 8 filling facilities and 9 distribution centers, as well as an additional facility where pressure vessels and accessories are produced, all operated in line with international standards and using the most modern technologies. With a total storage capacity of 171,000 m<sup>3</sup>, Aygaz's annual cylinder filling capacity is 1 million tons.

At Aygaz, all the quality, environment, occupational health and safety, energy and customer satisfaction management systems are managed in an integrated manner. Aygaz achieved another "first" in 2012 when its negotiations with Türk Loydu resulted in its being granted ISO 50001 Energy Management Systems certification. Aygaz updated its

Integrated Management Systems policy in 2013 and, after defining its requirements with regard to its Energy Management System, implemented the full integration of all systems, acting according to the same systematic approach it has adopted at all of its locations.

In 2012, the company centralized the monitoring of all cylinder filling operations at its facilities in an effort to support the operation of all Aygaz terminals at optimum conditions, and in this context, initiated the Facility Reporting System

to enhance productivity. Aygaz strives to minimize environmental impact as it develops its technological structure and places importance on environmental safety in the regions in which it operates. Within its ISO 14001 Environment Management System certification, Aygaz targets keeping environmental impact at its facilities at a minimum, regularly assessing relevant criteria. Collaborations with neighboring facilities are established in the areas in which Aygaz facilities are located in order to maintain environmental and emergency management.

### Emre ÇELİK, Production Management Supervisor, Aygaz

I have been working at the Aygaz Gebze Industrial Cylinder and Tank Plant since 2011. The concept of corporate management with which Aygaz works, its emphasis on the social life of its employees, and its satisfying salary scheme have all made a positive impact on my career. Taking part in e-trainings and classroom education, assuming duties and responsibilities in new projects provide us with the opportunity for individual development. In addition, the internal communication meetings and activities that are organized regularly give us the chance to freely express our views and suggestions to management.

One of the work practices I am happy with is the integrated company management system (MII-Manufacturing Integration and Intelligence). Thanks to the integration of the TPM infrastructure and the SAP-MII software, the data collected from our production lines (machinery-based quantity information, operator and machinery operation times) can be monitored and reported on the spot. Production data can be obtained from operators and monitored at any moment at every level of higher management. This data can also be reviewed in the form of practical reports to facilitate rapid and effective decision-making.

The innovative and reliable brand reputation of Aygaz gives it a competitive advantage in the sector. I believe that Aygaz occupies a prestigious place among other enterprises in the sector with the quality of its products and services and also its social responsibility projects.

As part of its Occupational Health and Safety efforts aiming to achieve a zero-accident level, Aygaz organized "Occupational Health and Safety Good Practices Competition" in 2013 to increase awareness among its employees. My team and I won the best "Good Practice Award" for our project on "Safely lowering large-volume tanks to the ground from overhead conveyors."

Aygaz strives to minimize environmental impact as it develops its technological structure and places importance on environmental safety in the regions in which it operates.

### Operational entry and decommissioning practices

During the process of opening an operational site, the elementary principle for Aygaz is to avoid making an adverse impact on existing environmental, social and economic assets. When time comes to exit an operational site, besides making sure that decommissioning practices do not affect the environment, an effort is made to restore the natural features of the area to its original state. During the processes of opening or decommissioning operational sites, the social and economic impact of the operations are reviewed and adversities are eliminated.

Environmental Impact Assessment (ÇED) reports are prepared at Aygaz as required by law in order to evaluate the environmental impact of planned investments. Investment decisions are made in the light of developments in the regulations and standards, environmental impact, fire safety, and occupational health and safety.

For the decommissioning of the Gaziantep and Bursa facilities during the reporting period, the results of the assessments made of social and economic impact factors made it necessary to stop cylinder-filling operations at the Gaziantep Filling Facility. It was decided that the facility would continue to function as a cylinder distribution center and in this, employment rates at the facility were preserved as much as possible. The assessments made at the Aygaz Bursa Filling Facility also resulted in the decision to halt operations there too and all machinery and equipment that was assumed to present a risk if left at the site were disassembled. In addition, all under- and above-ground tanks were dismantled and sent to the recycling companies. The areas inside the facility were organized so as not to present a risk to the environment.

Aygaz cylinders, tanks, valves and regulators are produced by cutting edge technology in the Gebze Plant, built on a 52,000 m<sup>2</sup> open and a 25,000 m<sup>2</sup> closed area, and are subjected to safety and quality testing at international standards within the framework of ISO 9001, ISO 10002, ISO 14001, OHSAS 18001, and ISO 50001 certifications. In order to ensure the free movement of its products in the European Union, Aygaz carries CE and PI branding certification under the "Transportable Pressure Equipment Directive" and the "Pressure Equipment Directive." Products produced at the Gebze Plant are exported to a total of 26 countries in the Middle East, Africa, the Gulf States and Europe. Cylinder production at Gebze increased by 20% in 2013 over the previous year, while the production of valves rose by 26%.

### Storage and logistics

Meeting 37% of Turkey's LPG imports by itself, Aygaz manages one of the largest LPG logistics operations of its kind in Turkey. As the owner of a land tanker fleet with the largest capacity in Turkey, Aygaz as of 2013 has 104 tanker semitrailers, 183 truck tankers, 208 cylinder gas semitrailers and trucks, and 23 sea vehicles of different sizes.

With regular Supply Network Planning (SNP), Aygaz minimizes total supply chain costs. Using lighter tankers with larger volumes provides an environmental advantage as well as increased safety levels. Optimized supply network planning makes it possible to find the supply facility best suited for each station or dealer in the cylinder gas and autogas segments.

For Aygaz, transport safety is a crucial element in logistics management. To increase the safety of the fleet, the land transport fleet is monitored 24/7 via the Vehicle Tracking System and speed checks are implemented. In the case of an accident, the damages that may be caused by flammable and explosive LPG are checked through measures taken according to Turkish Standards, European Norms and the European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR).

Aygaz undertakes its transport of LPG, cylinder gas, tanker and water products with 113 transport







companies, 518 vehicles and 650 drivers. The competencies of drivers are kept in check, driver education on occupational safety is continuously provided to keep drivers informed. The driver training courses encompass contents on laws on transport, technical regulations and safety rules, corporate information, on-the-job training, developing skills in braking, non-skid stopping, avoiding overturning, defensive driving skills, fighting sleeping at the wheel, night driving and road risk analysis. Total education provided to transport personnel is approximately 5,000 person\*hour annually.

All training and advertising work on transport safety are shared with the Transport Safety Board set up within the Aygaz organization. The Transport Safety Board includes representatives from the Transport Department as well as other units working in the areas of quality, facilities, sales, corporate communications and legal consultation.

## Vessels

The Aygaz marine fleet creates a competitive advantage in terms of logistics. The marine transport operations of the company are carried out under its subsidiary Anadoluhisari Tankercilik A.Ş., which it established in 2010. Aygaz works with its fleet of four vessels--Kandilli, Kuleli, Kuzguncuk and Beylerbeyi--which are at an

average age of 14. The latest addition to the fleet, Beylerbeyi, has the distinction of being the youngest and biggest LPG ship sailing under the Turkish flag. In line with efforts to rejuvenate the fleet, the 30-year-old vessel Anadoluhisari was removed from service in 2012.

Anadoluhisari Tankercilik holds Quality (ISO 9001), Safety (ISM Code) and Environment (ISO 14001) management system certificates and has completed work on its Ship Energy Efficiency Management Plan (SEEMP), which it has integrated into its management systems. It received fleet certification ClassNK following on-board inspections.

Aygaz complies with the rules put into effect and constantly updated by the IMO (International Maritime Organization) and its sub-agencies. Every ship and tanker in the fleet holds approximately 50 certificates that are periodically verified by international classification societies, flag states, port states and insurance companies. In an effort to increase navigation security, the vessels Beylerbeyi and Kuzguncuk have transitioned into making use of electronic mapping systems. It is anticipated that these mapping systems will be implemented in all vessels of the fleet by 2015.

To develop in the area of marine transport, Aygaz, along with other transporters of chemicals and petroleum products, participates in benchmark meetings held twice a year to discuss and share experiences on matters of management, navigation, personnel, cargo and environment safety.

### *Anadoluhisari Tankercilik A.Ş. vessels*

	Date of building	Capacity (cbm)
Kandilli	1991	3,206
Kuleli	1996	5,025
Kuzguncuk	2001	6,820
Beylerbeyi	2008	11,000

## Awards for Aygaz vessels

In 2013, the vessels Kuleli and Kuzguncuk passed port state control in Greece and Romania within the scope of the Paris Memorandum. The ship Kuzguncuk won first place in the assessment made by "Deniz Haber (Sea News)" of 16 Turkish flagged ships and won the "December-2013 Medal of Pride."



As a result of integrating purchasing functions with supplier performance in a way that is reportable to the Aygaz Group, a bridge has been formed between production and sales distribution and the Aygaz Group has been given the opportunity to monitor the entire supply chain.

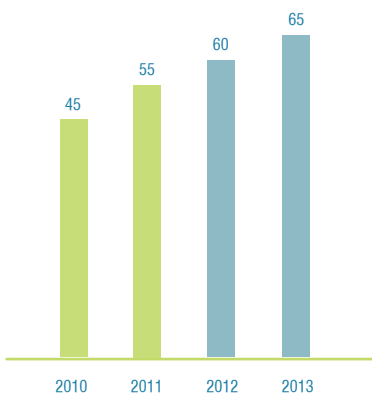
Aygaz complies with the rules that are put into effect and constantly updated by IMO (International Maritime Organization) and its sub-agencies. Since 2004, Aygaz continues to integrate the implementation of the “International Ship and Port Facility Security Code (ISPS Code)” at its port facilities to ward off against possible dangers in international waters such as piracy, stowaways or incidents of theft at port. In addition, the company pursues a program of Tanker Management Self-Assessment. The first of these self-assessments were implemented in 2012 in the “Chevron TMSA-Office Audit.”

Convention on Standards of Training, Certification and Watchkeeping for Sea-farers (STCW).

### Purchasing practices

The efforts that Aygaz began in 2011 to centralize the management of purchasing practices have been implemented via the Electronic Purchasing System (EPS) that the company set up on the Electronic Reporting Platform (ERP). The integration of this program into the system involved integrating the automatic reporting of request collection, approval mechanisms, need planning, order management, inventory management processes with finance, accounting, sales distribution and other different functions. This systematic change was supported with multi-level decision possibilities, and the flow of information is now being channeled to all the departments concerned to facilitate rapid and accurate formulation of their purchasing strategies. From another perspective, as a result of integrating purchasing functions with supplier performance in a way that is reportable to the Aygaz Group, a bridge has been formed between production and sales distribution and the Aygaz Group has been given the opportunity to monitor the entire supply chain.

*Number of suppliers visited*



Aygaz acts with the objective of employing reliable, qualified, environmentally aware and well-trained personnel and seamen. In this respect, it meticulously abides by the general regulations of SOLAS - “International Convention for Safety of Life at Sea” in order to ensure the occupational safety and security of its employees. As a reflection of this, no accident or injury took place on any of the ships in our fleet over the period 2012-2013. The trainings that the personnel received on board contributed greatly to this achievement. All training programs for ship employees are set up and monitored to ensure compliance with the obligations set down by the International

70% of the brass used in the production of valves is recycled. In this period, the effective management of salvage earned returns of TL 14.6 million of recycled precious material.

As of the end of 2013, Aygaz works directly with 312 suppliers. Procuring its products by prioritizing local suppliers, Aygaz first carries out market research in the local market and only applies for imports from the international markets if purchasing from the domestic market is not possible. As a part of its domestic supply policy, Aygaz supports the capacity improvements of its suppliers. By doing this, the company increases the diversity of products procured from the suppliers and its own know-how, thereby contributing to the development of the region. Aygaz is continuously working on projects in this respect and new ones were undertaken in the reporting period. The imported compressors used at our facilities have been replaced by domestically manufactured compressors. Also, negotiations with domestic manufacturers have resulted in the replacement of the LPG guns used at the dispensers in our autogas, channeling a total of TL 500,000 back into the supply network. Aygaz adheres meticulously to the UN Global Compact of which the Koç Group is a party. As a requirement of this joint liability, suppliers are expected to comply with laws and regulations and with the principles of business ethics related to matters of child labor, working conditions, and anti-corruption. The Purchasing Department continues to work on the Commitment of

Compliance with Global Principles and the Rules of Business Ethics to ensure that these principles are upheld and implemented by suppliers as well. In this context, declarations of commitment will have been received from every supplier Aygaz works with by the end of 2014. There were no instances of terminated contract with either suppliers or contractors due to violations of human rights over the reporting period.

Aygaz has adopted the principle of fulfilling its environmental duties by respecting the environment during its production to the maximum degree. With regard to this, safety forms are requested from suppliers delivering chemicals and such materials are marked and packaged according to defined principles. In the salvage procurement work undertaken by the Purchasing Department, the criteria governing the environment, as well as occupational health and safety are always considered. 70% of the brass used in the production of valves is recycled. In this period, the effective management of salvage earned returns of TL 14.6 million of recycled precious material. At the same time, suppliers are cautioned in the conditions of contract and in written notices that priority must be given to materials that consume the least amount of global resources. Internal customer training programs have contributed to raising awareness in this respect.



**Fatih MUSTAFAOĞLU,**  
**Sales Manager,**  
**Boy Pol Boya ve Polimer Kimya A.Ş.**

We have a working relationship with Aygaz based on many years of mutual trust. Our joint R&D efforts and projects have contributed a great deal to develop our firm's quality standards and products. We have created innovative developments, particularly in paints and varnishes. For many years we have been undertaking R&D efforts together with Aygaz, in association with major universities. An example of these efforts is a valve putty, which was previously not produced locally in Turkey. Our most recent joint development is a non-leafing, fast-curing paint.

Aygaz's primary expectation from our firm is quality assurance in line with the brand profile of Aygaz. In addition, punctuality in deliveries and technical support from Aygaz, both during R&D and after the sale, form the ongoing business partnership between our firm and Aygaz. Paints and resins, which are produced in accordance with specifications, are tested and approved by Aygaz paint laboratories.

We are in constant communication with Aygaz officials. Thanks to our long-standing relationship, the level and method of communication are quite satisfactory.



Aygaz aims to spread its corporate culture and vision among dealer personnel in order to standardize quality of service through well-educated and informed employees.

## Dealers

An efficient and widespread dealer network in Turkey plays an important role in Aygaz's success. Aygaz regards dealers as its primary business partners, and as such, strives to develop long-standing dealer relationships. Aygaz has 2,249 cylinder gas dealers and 1,567 autogas stations across Turkey under Aygaz, Mogaz and Lipetgaz brands.

Aygaz has set development and institutionalization of dealers as a business objective. Accordingly, communication with dealers is maintained by regional mini or national dealers' meetings, visits, the dealer portal, Aygaz Dealer Contact Line, campaigns and practice circulars. Dealers can voice their suggestions and complaints over the dealer portal and visits. The dealer portal allows dealers' to provide their feedback and opinions on new products and services, advertisements and other activities, while enabling the company to take new steps towards increasing dealer satisfaction. Aygaz places emphasis on developing new products based on requests and feedback received from dealers, while increasing dealer motivation through certain practices such as bonuses and trips.

Dealers are subjected to Aygaz work responsibilities and no child or forced labor is employed at Aygaz dealers. The dealers are expected to uphold Aygaz standards on corporate and visual identity and rules on etiquette, security and service standards. In addition to the information and instructions on





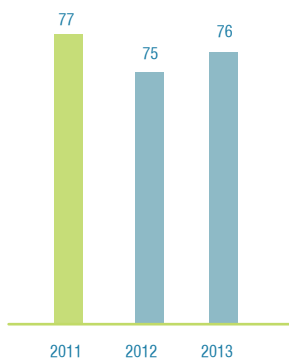
dealer stores, vehicles, employee outfits and etiquette on Aygaz Dealer Portal, the dealers are also expected to follow the standards stated in the Dealer Standards handbook for cylinder gas dealers. Whereas the autogas dealers are expected to comply with the TS 11939 Standards on autogas station safety as well as relevant regulations. In addition, autogas station personnel are required to acquire certification from TMMOB by undergoing the Authorized Personnel Training.

Field managers conduct regular dealer visits to control the working environment at Aygaz dealers and to improve dealer communications. Also, Mystery Shopping Surveys are conducted on a regular basis to ensure continuous compliance with standards.

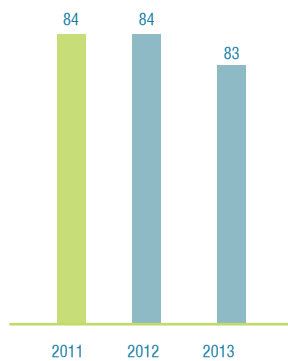
Aygaz aims to spread its corporate culture and vision among dealer personnel in order to standardize quality of service through well-educated and informed employees. Aygaz Training Truck, offering training to Aygaz, Mogaz, Lipetgaz dealer personnel, has continued its tours in Turkey during the reporting period. The Perfect Service Training Program covering issues on quality services, products, technical information, and security



#### Cylinder gas dealer satisfaction



#### Autogas dealer satisfaction



#### **Bekir ÇİLOĞLU, Aygaz Afyon Dealer**

We have been serving as a cylinder gas dealer for Aygaz since 2004, and we have renewed our contract in 2013 for five more years. Aygaz is a family. As it is an institutionalized and well-established brand, we always receive a positive feedback from customers when they find out that we are an Aygaz dealer. We always benefit from the brand and image of Aygaz in our business.

We are pleased with our level of communication with Aygaz. Aygaz Regional Office and sales personnel contact us multiple times throughout the day. We relay market and field information, and receive prompt feedback. Meanwhile, we maintain written communication via e-mail for daily and monthly information.

In line with the business standards of Koç Group and Aygaz, our partnership with Aygaz taught us how to work in an important, disciplined, planned and sustainable market share. Our current and projected sales, fieldwork and market share are all included in our monthly and annual programs. Thus, as a dealer, I can say that the first thing we learned was being systematic.

There are very few companies around the world which managed to become a generic trademark. In Turkey, Aygaz is the first brand that pops in mind when cylinder gas is the subject, even for competitors. Despite the shrinking in the cylinder gas market in recent years, Aygaz has maintained its well-earned position.

Despite the benefits of working with a company such as Aygaz, working relentlessly to carry the flag might require certain sacrifices, such as one's social and family life. Although business life might get exhausting, we continue our efforts in line with the principle of "success through hard work".





Aygaz benefits from an effective information systems management that alleviates workload while maintaining data protection and business continuity as well as an information technologies team that develops the company's internal applications.

were attended by the cylinder gas dealer personnel and delivery service personnel on regular basis. The employees at dealers were provided trainings on Aygaz and its practices, LPG, LPG related accidents, customer satisfaction, behavior and etiquette under the training program titled Super Service Training.

Aygaz Training Truck provided Perfect Service and Safety trainings in 92 sessions for 1,300 dealer employees in 2012, and in 82 sessions for 1,319 dealer employees in 2013. Also in 2013, Aygaz Training Bus provided training for 2,725 pump staff in 69 provinces. Aygaz instructors with LPG Authorized Personnel Course Trainer Certificate along with the experts from Chamber of Mechanical Engineers and Chamber of Chemical Engineers provided LPG Authorized Personnel training to a total of 23 subcontractors, blue collar workers, facility personnel and technical personnel. In addition, during the reporting period, Cylinder Gas Marketing Department provided LPG Safety and Perfect Service training to a total of 1,853 people.

Aygaz periodically measures dealer satisfaction. All Aygaz dealers were interviewed in the dealer satisfaction survey carried out by Koç Holding. Dealer satisfaction in the cylinder gas category increased to 76 in 2013, up one point compared to 2012, while dealer satisfaction in the autogas category achieved 84 points in 2012, and 83 point in 2012, ranking at the top among the Koç Group companies.

### Information technologies

Aygaz regards the management of information technologies as an important component of business sustainability. Aygaz benefits from an effective information systems management that alleviates workload while maintaining data protection and business continuity as well as an information technologies team that develops the company's internal applications.

Koç Group Information Technology Standards are applied in information technology process management. Regular IT controls are conducted by



Koç Holding and External Audit Firms each year. The content of such controls is established on the basis of COBIT (Control Objectives for Information and Related Technology) framework and ISO 27001 Standards, as well as on the methodologies of the auditing firms. Aygaz continues to develop new IT applications by evaluating customer satisfaction surveys and other customer feedback.

Aygaz attaches utmost importance to data security. In this context, Aygaz has established an internal audit and quality assurance unit under the Information Technologies Department to ensure the highest standards in all processes and applications. In order to ensure data security, passwords and user standards are implemented in locations and systems in accordance with certain policies. Backups for server and data sources in external locations are stored centrally in Istanbul. All types of data that may affect business continuity are kept continuously in the Disaster Recovery Centre in Ankara. Mobile devices are protected with various security policies. All systems are protected with multiple layers

of up-to-date security measures, such as IPS, Antivirus and Firewall. In addition, network-based identification systems are planned for development in the future against advanced attack methods.

Risk Management and Business Continuity Plans are kept as part of the information technologies infrastructure. Business Continuity Plans have been distributed to various regions, and authorized personnel have been trained on what to do in case of a disaster. These scenarios are tested twice a year for feasibility. In addition, a company-wide Risk Management Project is ongoing.

All new systems in Aygaz are created on virtual server architecture or cloud computing. Aygaz communication infrastructure has been enhanced with the portal, websites, instant messaging applications and a high-capacity mail system to increase connectivity. Remote access has been enabled for all units after relevant security measures are taken.



# PRODUCT RESPONSIBILITY







- Product quality
- Product safety
- Product accessibility
- Customer satisfaction
- R&D activities





Aygaz aims to raise awareness on the benefits of LPG as a safe and environmentally-friendly fuel with reduced greenhouse gas effect, which contributes to the future of sustainable energy if produced and used responsibly.

### Aygaz products

Aygaz's products are cylinder gas, autogas, bulk gas, pressure vessels, valves, portable LPG heaters, heating stoves, patio heaters, barbecues, small cylinder devices, cartridge camping devices, high-pressure regulators, low-pressure regulators, regulator sets, hoses and carboy, PET bottled and cup water.

### Why does Aygaz value product responsibility?

Aygaz product responsibility involves not only to Aygaz customers but also to all LPG users. Aygaz aims to raise awareness on the benefits of LPG as a safe and environmentally-friendly fuel with reduced greenhouse gas effect, which contributes to the future of sustainable energy if produced and used responsibly. With this goal in mind, Aygaz places utmost importance on delivering its products and services to its customers in a quality and safe manner.

### How does Aygaz manage product responsibility?

Aygaz product responsibility involves quality, accessibility, affordability and safe delivery of products, informing consumers correctly on LPG, providing technical support for customers, and ethical advertising. In addition, Aygaz conducts its R&D studies with a focus on customer needs as well as an efficient use of energy and water, while undertaking various awareness-raising efforts aimed at increasing customer satisfaction and loyalty.

Product responsibility at Aygaz is managed in conjunction with the departments of LPG

Supply, Product Quality, Marketing, and Purchasing. Pricing of Aygaz products is a transparent process that is fully compliant with the Energy Market Regulatory Authority (EMRA) directives.

### Product quality

Product quality process at Aygaz involves all business units and is coordinated by the Product Quality Management with quality standards well beyond the legal minimum. Thanks to the LPG Quality Assurance System, Aygaz monitors and controls the quality of its products through procurement, storage, and shipment stages.

Aygaz ensures product quality in LPG procurement and distribution using sample analyses. Samples taken during LPG distribution are analyzed in Aygaz LPG Analysis Laboratories in Ambarlı, Yarımca, Dört Yol and Aliağa as well as the METU Petrol Research Laboratory (PRL). Results of the analyses are evaluated by the Product Quality Management. During the reporting period, the number of LPG analysis laboratories increased to six with the addition

of the Kırıkkale laboratory, and a total of 5,500 samples were taken in 2013.

Aygaz participates in the "Fuel-Products Laboratories Comparison Program" (LABKAR) coordinated by METU PRL, which compares LPG analysis laboratories operating in Turkey. Aygaz compares results from TÜBİTAK MAM and TÜPRAŞ laboratories with the monthly co-sampling study. Besides regular sample analyses, samples are also taken from stations in response to customer complaints in order to determine if the complaints are related to product quality. During the reporting period, no customer complaint was to be related to product quality.

Aygaz has been serving customers in accordance with the European Autogas Quality Standard EN 589 since it came into effect in Turkey.

## Product safety

Aygaz operates with the mission of delivering its products to customers with the highest standards in safety. Product safety is a field of

constant improvement, with various projects and R&D activities undertaken each year.

All production, filling and distribution processes as well as after-sales support are carried out in compliance with relevant safety standards to ensure that Aygaz customers can benefit from their cylinders in the most safest and most-problem-free manner possible. Each cylinder passes various safety test in Aygaz facilities before reaching the homes of Aygaz customers, where it is controlled and installed by experienced Aygaz service personnel who informs the customers on their use.

Stored in the Aygaz facilities, which feature robust technological infrastructure and equipment, LPG is automatically pumped into cylinders and then distributed after the completion of safety tests. Each Aygaz cylinder passes through inspections for leakage and overfilling and reaches the customer sealed with the "Cylinder Information Card" and "Hologram Lid," which ensure that the product is fully filled and has passed all quality tests. In addition to

All production, filling and distribution processes as well as after-sales support are carried out in compliance with relevant safety standards to ensure that Aygaz customers can benefit from their cylinders in the most safest and most-problem-free manner possible.



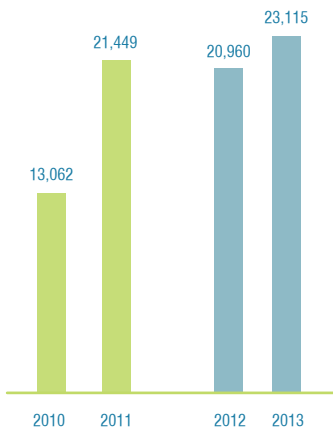
## Pürsu – Pürsu Ege – Pürsu Elite

Aygaz started carboy water sales in 2011 with its Pürsu brand. With the addition of Pürsu Ege and Pürsu Elite brands to its portfolio, Aygaz has extended its market presence by 176% in 2012 year-over-year. Thanks to this performance, Pürsu now ranks in top 100 in a market of approximately 300 brands. In 2013, a new natural spring water filling plant in Bursa Uludağ was added to the existing Sapanca and Nazilli facilities in order to diversify resources. Water sales increased by 18% in 2013 to reach 17,500 per day on average. Pürsu ranks among the top 8 brands in the industry with a market share of 1.7%.





**Number of calls received by the Technical Call Center**



the fact that Aygaz products are produced at ISO 9001 Quality, ISO 14001 Environment and OHSAS 18001 Work Health and Safety certified facilities; they bear CE and PI markings, denoting free circulation within the EU. The Blue Information Card located on all Aygaz household type cylinders bear important information and warnings for safe and correct use of cylinders. As of 2011, Aygaz was the first in the sector to apply body belts to small cylinders. Since 2013, Aygaz expanded the practice into home cylinders on a regional basis. Visuals on home cylinder belts aim to raise awareness on safe use of cylinders while providing information on when to change the cylinder gas equipment.

In order to ensure safe and correct use of cylinder gas products, in 2012, a specially designed Aygaz Training Truck, which also includes a showroom for Aygaz products, began to be used for training activities aimed at cylinder gas personnel and consumers, replacing the Aygaz Training Bus. The Training Truck delivered 66 awareness-raising activities to more than 1,000 consumers in 2012, and provided 560 consumers with training for safe

use of cylinder gas in 36 training sessions. With the addition of consumer trainings in Aygaz Summer Festival, over 7,000 consumers have been provided with cylinder gas safety training.

Aygaz Conversion Specialists Club, established to raise the safety standards in autogas conversion and encourage conversion and maintenance activities to be carried out in accordance with TSE standards, also provides customers with information on all topics related to safe and high-quality autogas conversion.

Aygaz provides support for customers in all stages of product use in order to ensure safe and continuous use of LPG. Aygaz provides technical service to bulk gas and industrial cylinder system customers with 28 technical service points, fully trained on LPG systems and equipment, and endowed with all tools and spare parts to make immediate intervention on the spot. Operational bulk gas and industrial type gas systems are controlled at least once a year to ensure continuous operation. In addition, Aygaz provides a 7/24 Technical Service for additional test and control requests, fault notifications and other requests from the customers.





Installation of new bulk gas and industrial LPG systems and revision of existing systems are carried out by approximately 20 Aygaz Installation Subcontractors across Turkey. Installation and revision operations that are controlled by Aygaz Technical Service guarantee that Aygaz customers can benefit from LPG safely.

Initial response to service request from autogas stations are provided by Aygaz Technical Call Center, which is available 7/24, while installation and post-installation technical services in autogas stations are carried out by specialist Fault Solution Center (AÇM) teams. Trained by and working exclusively for Aygaz, this 50-person team makes periodic



### Aygaz Call Center

	2011	2012
Total number of calls received	180,663	182,512
Monthly average number of calls received	15,055	15,209
Average length of calls received	1 m 46 s	1 m 53 s

inspections and calibration of dispensers in autogas stations at least once a year. AÇM team also responds to fault notifications as well as additional control and calibration requests from autogas dealers.

With its "Aygaz Otogaz" brand renewed in 2012, Aygaz organizes Free Maintenance Days. These events involve free of charge gas adjustments and ignition system, emission and gas leak controls by Aygaz teams. In 2012, 800 free maintenance days were held at 285 autogas stations. Customers were informed on the qualities of the product, and 25,000 customers were presented with autogas.

### Responsible advertisements

Aygaz acts as a "Responsible Seller" in all its marketing activities. The products and services are explained to consumers in the most accurate, direct and clear way to prevent misleading customers. As with the rest of the Koç Group, Aygaz acts in compliance with International Chamber of Commerce (ICC) Code of Advertising Practice and Advertising Self-Regulatory Board of Turkey.

Detailed information concerning the campaigns is provided with subtexts in TV commercials, which are displayed in a size and speed that is most visible for the consumers. In addition, details regarding campaigns are presented to consumers via printed materials and website.

### Bilal Emin TURAN, Economics Editor, Posta Newspaper

Aygaz is the industry leader in autogas and cylinder gas and the highest ranking company in terms of distribution network, product and service quality, and customer satisfaction. Aygaz shines out with its innovative and environmentally-friendly products, an ever-greater demand for energy and improving service quality. Aygaz not only increases its performance based on its competitive advantage of widespread dealership network, but also makes it sustainable.

Although relegated to a secondary status with the introduction of natural gas in almost every home in major cities, LPG is still the most needed and used energy source for low-income families. In this sense, I believe that social responsibility projects, vocational courses and house visits to provide energy-saving information aimed at low-income families would benefit the industry as a whole, given that Aygaz is already at the top in terms of its corporate image.





Available 7/24 in 81 provinces across Turkey, the Aygaz Services Line directs customer service requests to relevant units to provide solution.

### Product accessibility

Aygaz ensures the accessibility of its products through a broad distribution network for autogas and cylinder gas. Various marketing campaigns are organized throughout the year to create benefit for the customers, and to improve the affordability of the products. Aygaz monitors shopping habits of autogas, cylinder gas, bulk gas and water customers through the Paro program in order to craft customized and customer-oriented campaigns. Over 300 campaigns were organized in 2013 via the Paro program, reaching over 420,000 cylinder gas, water and autogas customers across Turkey.

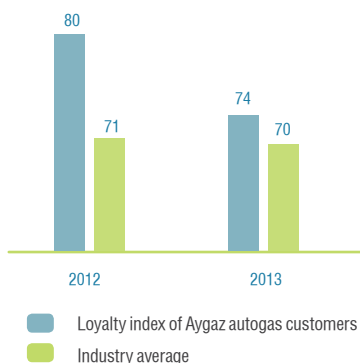
Aside from campaigns, Aygaz also gains new customers through "door-to-door surveys" conducted in various locations in Turkey. Aygaz Express System, realized in 2007, allows ordering through satellite connection, thereby providing for an even faster and easier ordering process. The dealer network using Aygaz Express was expanded in 2012, and the setup of Aygaz Express System has begun at Mogaz dealers. Aygaz Express System's

#### **Orhan PAMUK - Novelist** **Interview / Aygaz Dünyası Magazine, 43**

Aygaz played a major role in changing daily rituals. Back then, it was a real challenge to heat summer houses during fall. Moreover, it was hard to get kitchen amenities in there like the ones you could have in the city. You had to make do with gas furnaces, portable stoves and such. Aygaz changed all that. Another important thing is the development of sandwich stalls and restaurants that found a chance to spring up in locations off of the main city gas grid, and the consequent change in culinary culture and habits. In the sixties, when I was in secondary school, hotdogs were the most popular food after cheese sandwich. Now, it is largely replaced by doner kebab, a traditional taste more suitable to our palate. But it was a rare thing before the 60s, or, before Aygaz to get the meat, some coal, and to light up a grill while someone keeps spinning it to make doner kebab. It was too costly, both in terms of energy and money. But Aygaz helped make doner kebab available everywhere. The doner wheeling oven developed by Aygaz had a profound impact on what was previously an upper-class habit, changing a tradition in the process. The upper-class doner kebab turned into a common food, which could be cooked on every small stall using affordable ingredients. In today's Germany, the term "Turkish" has come to be identified with doner kebab in a slightly tongue-in-cheek manner, just as we identify "Italian" with pizza. Turks started migrating to Germany in mid 60s, after the doner kebab boom in Turkey. If it wasn't for Aygaz, maybe the doner kebab would not be so popular. Aygaz made it so and made it cheap. It was brought to Germany, and then spread across Europe. It was a combination of cultural tradition with modernity.



### Autogas Customer Satisfaction Survey (Scale of -66 to 135)

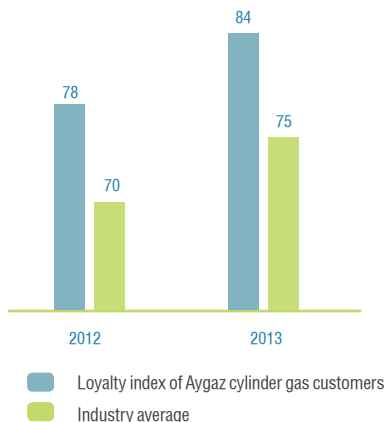


infrastructure also provides easy payment options for customers via credit card and Paro card campaigns.

Aygaz is committed to provide all product-related information to consumers in a clear and reliable manner. Communications with consumers are handled through the media, Aygaz Services Line, Aygaz website, consumer SMS and e-mails, one-on-one communications, trainings provided by the Aygaz Training Truck, and consumer survey groups.

Available 7/24 in 81 provinces across Turkey, the Aygaz Services Line directs customer service requests to relevant units to provide solution. The Service Line also provides information on cylinder deposit fees, current gas prices, regulator prices, cylinder usage instructions, cylinder gas, bulk gas and Aygaz

### Cylinder Gas Customer Satisfaction Survey (Scale of -66 to 135)



Autogas via a voice response system. The Services Line operates on the basis of a ticket system. All requests received by the Services Line are resolved in accordance with Customer Information Request and Complaints Procedure, and are responded through the Common Response Instruction.

Aygaz website was completely renewed in 2013 for an improved customer experience. In addition, Aygaz launched a new website, [www.aygaznerede.com](http://www.aygaznerede.com), displaying dealer locations on map to enhance accessibility.

Aygaz utilizes internet and mobile applications effectively for product accessibility; providing consumers with a continuous channel for communications through the popular Aygaz Corporate, Aygaz Cylinder Gas and Aygaz Autogas Facebook pages. Consumers are

Aygaz provided advantageous payment options for consumers who wished to convert their vehicles to autogas through the conversion campaign in 2013, which saw a total of 1,700 consumers opting for conversion, expanding the autogas conversion market by 3%.

provided with the ability to locate cylinder gas and autogas dealers, place an order and receive required information through Aygaz applications for iPhone and Android. In addition, Aygaz Twitter, Google+ and YouTube pages were launched during the reporting period.

Aygaz Conversion Specialists Club, unprecedented in the sector, provides various advantages to existing autogas consumers as well as those who want to convert their vehicles to autogas. During the reporting period, Aygaz Conversion Specialists Club developed a new application on the Club's Facebook page, titled Depometre, which aimed to help consumers calculate their autogas consumption and to remind them the importance of engine tune-ups to get better mileage. Aygaz provided advantageous payment options for consumers who wished to convert their vehicles to autogas

## Customer information confidentiality

Aygaz guarantees confidentiality of customer information via confidentiality agreements signed by third parties. Information gathered from consumers during campaign periods, is used only with customer's approval and under no circumstances shared with other companies. Customer information is kept securely within the Aygaz Express Database, a part of KoçSystem electronic database, preventing unauthorized access. Dealer information is protected in accordance with the "Dealer Control" agreement, which is renewed every five years. Dealer-specific information, such as sales and current accounts are kept in a secure database, accessible only to authorized persons. Due to these measures, no violation of customer information security or customer privacy occurred in the reporting period.



Aygaz was awarded “Customer Friendly Company” and “Customer Friendly Brand” certifications by Turkish Standards Institute (TSI) in 2013, for the first time in Turkey.



### Aygaz Autogas with Improved Formula

After a lengthy R&D and customer feedback period, Aygaz Euro LPG, developed in 2010 as the first additive-enriched fuel, was renamed to Aygaz Autogas as of December 2012 in response to customer demands.

Engine cleansing, increased performance and lower fuel consumption benefits provided by Aygaz Autogas were proven through tests conducted by the independent laboratories of ITU OTAM (Automotive Technology R&D Center). Aygaz Autogas cleans residue in engine cylinders, pistons and valves while preventing further residue build-up. This cleaning effect increases performance while reducing fuel consumption by 2.66% according to constant speed tests conducted at 90 km/h.

through the conversion campaign in 2013, which saw a total of 1,700 consumers opting for conversion, expanding the autogas conversion market by 3%, whereas the campaign aimed at existing customers offered free-of-charge gas adjustment and autogas. As a result, approximately 20,000 consumers had their vehicles serviced for better performance.

Aygaz Conversion Specialists Club was granted the Golden Prize in “Direct Marketing” category of Mixx Awards Turkey 2012, one of the most recognized awards in interactive marketing.

### Customer satisfaction

Aygaz regards customer satisfaction as its main objective, and enjoys the position of being the first company in the LPG industry with ISO 10002 certification.

Aygaz received the award for being “The Company Committed to Consumer Satisfaction” at the 16<sup>th</sup> Annual Consumer Awards from the Turkish Ministry of Customs and Trade for the second consecutive year. Aygaz also participates in the Turkey Customer Satisfaction Index (TMME). Aygaz was among the leading companies in the TMME 2012, and was one of the companies that received first prize in the LPG Distributors-Cylinder Gas category in TMME 2013.

Aygaz was awarded “Customer Friendly Company” and “Customer Friendly Brand” certifications by Turkish Standards Institute (TSI) in 2013, for the first time in Turkey following the inspections conducted by the Institute.

A Customer Satisfaction Survey is carried out every year by Koç Holding in order to observe consumers’ satisfaction level. Aygaz has been the leader of the sector with the highest score since the first survey in 2003.

Customer satisfaction and loyalty surveys conducted in 2012, covering 3,203 autogas customers in 29 provinces, yielded a loyalty score of 80. The 2013 survey covering 3,193 autogas customers yielded a result of 74 which is 4 points above the industry average, reinforcing Aygaz’s position as the industry leader. In the same year, the group’s autogas brand, Mogaz, achieved a score of 70 in the customer loyalty index.

Cylinder gas customer satisfaction survey conducted in 2013, covering 4,930 customers in 34 provinces, yielded a score of 84 on a scale of -66 to 135, signifying a 6 point increase compared to 2012. The difference between Aygaz’s score and the industry average increased 1 point in 2013 compared to 2012, reaching 9 points.

## R&D activities

Aygaz monitors existing technologies and conducts R&D efforts in order to provide innovative, safe, and quality products to its customers. Aygaz R&D processes are directed by the R&D Management established in 2010, while an R&D portal allows a single interface of access to current projects. At Aygaz, R&D practices are focused on three categories: new product development, machinery and process development, and alternative fuels.

Aygaz develops projects by utilizing TÜBİTAK TEYDEB incentives in association with universities and technoparks. During the reporting period, six projects were granted TÜBİTAK TEYDEB grant. Presented in the World LPG Association conference, the “Camp-Type Model Identification System” project placed second in the 2013 Innovation category.

With 26 patents as of 2013, Aygaz is the R&D leader of the industry. Aygaz made three patent applications to Turkish Patent Institute in 2012, followed by five applications in 2013. Aygaz has been allocating resources for the protection of its intellectual property since its foundation. Aygaz Intellectual Property Rights Management and Intellectual Property Management processes are fully compliant with international standards.

As part of its product diversification efforts, Aygaz has started offering its 2 kg LPG cylinders in 2011 with a new blue body belt. Aygaz distributed this product throughout Turkey with two new belt designs with Turkish tiles in 2012. The design was adapted to home cylinders in 2013 and large scale trial runs for a nature-themed body belts for home cylinders were carried out.



Presented in the World LPG Association conference, the “Camp-Type Model Identification System” project placed second in the 2013 Innovation category.

### **Muzaffer YAŞAR, Professor, Istanbul University**

Our first meetings with Aygaz R&D team was made seven years ago, when we served as TÜBİTAK project monitors and arbiters for TÜBİTAK-TEYDEB projects carried out by Aygaz in Yarımcı and Ambarlı facilities, and evaluated the projects in the Zincirlikuyu Head Office.

Thanks to our joint projects with Aygaz, I was able to put into use my 25 years of scientific expertise I had gained in national and international universities and research centers, and enjoyed the highest level of professional satisfaction by witnessing our scientific work culminated in a new product.

After the TÜBİTAK TEYDEB regional evaluation meetings, which went on for approximately four years in various projects, I realized Aygaz's potential for industrial R&D, which was of great importance for our country. To contribute to these efforts, I applied to TÜBİTAK TEYDEB three years ago to request to participate in Aygaz projects, and inform that I would no longer continue my job as a project monitor or an arbiter. I have been engaging in R&D projects with Istanbul Teknokent, ARKİM Enerji Makina Kimya and Aygaz for the last three years.

Aygaz R&D efforts are run by a very good team of experienced young professionals. With innovative projects created by its executives and R&D staff, Aygaz endeavors to achieve its goals for the future, and ensure sustainability. The results we achieved in our joint projects with Aygaz provided immense benefits for university-industry partnerships as well as for academic development of graduate and doctoral students. As the industry leader in Turkey, Aygaz is capable to initiate new R&D projects to utilize local fossil fuels required by the industry. For example, coal and petroleum coke will be used in synthesized gas and diesel production for intercity freight shipment and urban bus transportation. Storage, facility and station infrastructure can be established for LNG and CNG vehicles.





# EMPLOYEE SATISFACTION





- Social diversity and equal opportunity
- Performance evaluation system
- Employee development
- Compensation and fringe benefits
- Internal communication
- Work-life balance
- Human rights
- Occupational health and safety



Aware of the role its employees play in corporate development and sustainable corporate performance, Aygaz provides training and development opportunities as well as fair and inclusive working environment.



### Why does Aygaz value employee satisfaction?

Aygaz's human resources policies are based on the philosophy expressed in the phrase of its founder, Vehbi Koç, "Our most valuable asset is our human resources." Thus, Aygaz endeavors to create a happy and peaceful working environment for its employees. Aygaz's corporate success is based on its loyal, innovative and highly-motivated employees. Aware of the role its employees play in corporate development and sustainable corporate performance, Aygaz provides training and development opportunities as well as fair and inclusive working environment.

### How does Aygaz manage employee satisfaction?

Under the title of employee satisfaction, Aygaz manages human rights and social diversity at the workplace, recruitment, employee development, performance evaluation, employee rights and opportunities, trade union relations, work-life balance and occupational health and safety. All matters affecting working conditions at Aygaz are under the authority and responsibility of the Human Resources Department, which reports directly to the

General Manager. Relations with trade unions are managed by the Industrial Relations Manager, which operates under the Human Resources Department.

As a Koç Group company, Aygaz acts in compliance with laws and regulations covering social rights, working conditions, occupational health and safety, as well as its own "Staff Regulations". While reflecting Koç Group principles, these provisions are adapted to Aygaz on the basis of private sector conditions.

The relations between Aygaz employees with all the stakeholders are regulated in compliance with the Principles of Ethical Conduct and Practice, implemented in 2010. Aygaz has an Ethical Conduct Committee which monitors and controls compliance with the rules. These Principles form a guideline for Aygaz to prevent human rights violations.

### Social diversity and equal opportunity

In line with its sustainable growth targets, Aygaz aims to create a team of successful and qualified professionals. Aygaz believes that success comes through employees with different views and qualifications, and does

not discriminate employees on the basis of religion, language, nationality, gender, physical disability, age, or ethnical background. Recruitment and employment criteria are based solely on qualifications. Job request forms and job adverts request no gender or any other information that might lead to social inequality. Processes such as performance evaluation, promotion, reassignment, salary, professional and personal development are carried out on the basis of equal opportunities.

Reduction of gender inequality is one of the most important topics that plays a key role in achieving the country's development goals. The most comprehensive initiative to achieve this goal, the Equality at Work Platform was developed under the leadership of the Ministry of Family and Social Policies and in association with World Economic Forum. The platform aims to close the economic participation and opportunities gap highlighted in the Gender Gap Report by up to 10% in three years. Koç Holding signed the "Declaration of Equality at Work" on 15 January 2013. As a Koç Group company, Aygaz has made a commitment to uphold and promote these principles to eliminate gender discrimination across Turkey. There are no lawsuits filed against Aygaz on discrimination,



an issue which is under the joint responsibility of the HR Department, Legal Consultancy and the Aygaz Management Team. Also, Aygaz has no record of complaints filed in this regard.

## Performance evaluation system

Aygaz implements a “Performance Management System” in order to achieve perfect performance as well as to evaluate employee performance objectively. The system is based on delegating objectives from upper management down to all employees. Results from the Performance Management System are used for determining wages, personal development planning and identifying manager potentials.

In order to boost efficiency with regard to achievement recognition and acknowledgement practices, the reward categories were redefined and the Blue Star Reward System was established in 2012. The Blue Star Reward System aims to instantly recognize and reward high performance and efforts that make difference.

Aygaz began to use a performance-based reward system in 2013, which enables instant recognition of achievements for white collar workers, and blue collar workers were included in the scope of the new performance system to evaluate their contribution to company goals and identify their areas of development.



### **Bülent DİKENER, Valve-Regulator Production Manager, Aygaz**

I have been working in the Koç Group for 18 years, five of which in Gazal. Following the merger of Aygaz-Gazal in 2001, I have been working in Aygaz for 13 years.

At Aygaz, we always feel like part of a big family with our employees, sub-industries and dealers. The performance management system at Aygaz provides employees with career opportunities based on their success, which is crucial in terms of equal opportunity. Competency assessments offer valuable feedback for self-improvement, while training opportunities help employees overcome their shortcomings. A good work-life balance has a positive impact on our performance. Regular internal communication meetings allow employees to express their expectations to senior management.

I can say that, among all practices of Aygaz, the ones I am most satisfied with are the performance management system and goal-oriented management. With a corporate culture arising from the finest of Koç Group traditions, Aygaz is an exemplary company in its industry.





*Average training hours per employee*

	2012	2013
White Collar	35.17	43.39
Blue Collar	24.54	34.96

**Employee development**

Aygaz regards continuous training and development of employees as a prerequisite of corporate organization. A 360-degree skill evaluation system is used to measure employee competencies, and employee development planning is made accordingly. The Koç Academy System, a development platform integrated with Koç Group, provides training in the digital environment, expanding the personal development opportunities further. In 2013, the average number of hours of training provided per person increased to 36.9 hours in 2013 from 32.7 hours in 2012.



Team-building “We Are One” training, Sales Development Program, Ethem Kocabaş Blue Collar Conferences, Leadership Trainings, New Employee Orientation Trainings, Excel, Advanced Driving and SAP trainings continued during the reporting period. In 2012, a comprehensive Sales Development Program was put into practice to increase the motivation and performance of sales and field managers. In addition, seminars were held to encourage personal development of the employees working in terminals and facilities. As with every year, Aygaz continued to provide its employees with Executive MBA opportunities and English language training support at Koç University. In order to increase professional knowledge and





skills, 14.93 person\*hour of training in 2012 and 16.83 person\*hour of training in 2013 were provided.

### Compensation and fringe benefits

Aygaz compensation policy is based on fair, objective, competitive and rewarding criteria. Based on the principle of “equal pay for equal job,” employees are salaried in parallel with how much value their jobs create. Same principles apply to both female and male employees on an equal basis. Employee compensation is determined based on education, experience and the level of knowledge, skill and performance as required by the position.

Aygaz implements an effective fringe benefits management system that compliments salary management. Aygaz employees are offered preventive and curative health services, with optional medical consultancy for family members. Also as an optional benefit, private health insurance is available for spouse and children of the employees. Aygaz also offers life insurance and in-house doctor for its employees.

Koç Holding Pension and Support Fund Foundation encompasses all white collar employees, and is optional for blue collar employees. The number of employees who

signed on to Koç Holding Pension and Support Foundation was 1,059 in 2013, compared to 842 in 2012. All employees who become members of the foundation are subject to a 6% premium deducted from their salaries. Aygaz also contributes an equal premium on the employee's behalf, thereby increasing employee's savings. Koç Holding Pension and Support Fund members are also provided with an optional private health insurance. The number of employees who benefited from private health insurance was 356 in 2012, increasing to 418 in 2013. Part-time employees are not eligible for Koç Holding Pension and Support Fund private health insurance; however, they are eligible to benefit from other employee benefits.

### Internal communication

Aygaz prepares an annual 'Internal Communication Plan' with the aim of building transparency in management and strengthening the sense of cooperation among employees. As part of the plan, which is updated each year based on feedback coming from the employees, Senior Management Business Results Sharing Meetings, terrace breakfasts, visits to regions and facilities, service award ceremonies, “Once in a Month” meetings, department dinners, cultural trips, sports festivals, year-end communication meeting and celebration, Turkish

In 2012

14.93

In 2013

16.83

person\*hour of training were provided.



**İbrahim ERGÜL, Investments and Facilities Manager, Aygaz**



I have been working at Aygaz for 3 years. Aygaz, managed professionally, is a company that values its employees, conforms to corporate values at every point and that has a senior management that is highly accessible. Since there are a sufficient number of management positions pertinent to the structure of the company, I think that there are ample opportunities for career promotions. I know that I can share my expectations with the Human Resources Department, whose objectivity I believe in, or with my managers.

I find it very positive that the General Manager at Aygaz organizes employee communication meetings periodically or when a certain issue emerges.

Music Choir, social activity groups and similar activities are organized.

Senior management at Aygaz adopts an open-door approach, which enables all employees to reach managers from any level. The Communication Meetings that bring the senior management and employees working at different levels together were held during the reporting period as well. During these meetings, the employees were informed about the performance of the company and its targets by the Senior Management and communication with employees was strengthened. During the breakfast meetings, with the participation of the General Manager, the employees were also

asked for their opinions and suggestions for practices in the company.

The Individual Suggestion System at Aygaz offers the employees an opportunity to share their creative ideas that could grow the company. With this system employees can fill in the "Individual Suggestion Form" and share their suggestions on all issues. Suggestions evaluated by the relevant location managers and then approved by the Individual Suggestion System committee are put into practice.

"The Most Successful Koç Employees" competition held annually at the Koç Group continues to award the best practices and

projects. In 2012, 14 projects have made to the finals and the "Object on Hanger" project won the first award. In 2013, "Aygaz-Aytemiz Supply and Storage Cooperation" and "We Bring Consumers and Conversion Specialists Together in the Digital World" were awarded.

Aygaz started to carry out "Employee Engagement Research Model" in 2011 instead of "Employee Engagment Survey" in order to update the measurement method in favor of focusing more on the engagement. In 2013 Aygaz increased its engagement score to 68 from 65 in 2012 and demonstrated its success among Koç Group Companies and also across Turkey.

## Support for the "World Occupational Health and Safety Day" from Aygaz

In line with the importance Aygaz attaches to its employees and the value chain, a new OHS project was carried out in 2013. Within the framework of the project "Best Practice Awards for Raising Awareness", International Labor Organization declared April 28<sup>th</sup> as the "World Occupational Health and Safety Day." In commemoration of this meaningful day, Aygaz organized the first "Occupational Health and Safety Best Practice Awards" competition to raise awareness of Aygaz employees in 2013. 29 projects applied for the competition in three main categories: "Improvements after Work Accidents", "Improvements on Near Miss Activities" and "Improvements on the Current Situation." After the evaluations by the committees of OHS experts, the following projects received awards: Yarımca Facility's "Tanker Maintenance Workshop Life Line Installation" and Gebze Facility's "Grounding Large Volume Tanks from Aerial Conveyor" projects were given the "Best Project for Improving the Current Situation" awards. Diyarbakır Facility's "Project for Improvement on Preventing Gas Leakage in the Filling Head" was chosen the "Project for Best Improvement for post-near-miss situations." Işıkent Facility's "Project for Preventing Work Accidents in Automation Machines" was given the "Project for Best Improvement after Work Accidents" award.



Aygaz believes that building a successful balance between work life and social life of employees will increase employee efficiency and contribute to sustainability performance.



## Work-life balance

Aygaz believes that building a successful balance between work life and social life of employees will increase employee efficiency and contribute to sustainability performance. Hence, Aygaz develops a variety of projects that will enrich the social lives of employees and strengthen the cooperation and team spirit among them. At Aygaz Headquarters, there is a well-equipped gym where employees can train with a sports instructor. Outside the Headquarters, there are places available for sports activities such as football, volleyball and table tennis in all locations.

Aygaz organizes picnics, fast-breaking and end-of-year dinners to bring employees together in social gatherings other than the work environment. "My Social Activity Club", working on a voluntary basis, organized activities like

trips, cultural and art events and tournaments for the employees for socializing during the reporting period. In addition to all these, Aygaz Group employees participate in the annual Koç Sports Fest tournaments organized by the Koç Group. 324 employees in 2012, 223 employees in 2013 represented the Aygaz Group in different branches of sports in İstanbul, Ankara, İzmir, Bursa and Adana.

Another activity that took place during the reporting period was the Aygaz-Opet Turkish Music Choir established to bring Classical Turkish Music fans together. Aygaz-Opet Turkish Music Choir started its journey with an amateur spirit on a voluntary basis and it has later evolved into a wider platform that is open to all employees of Koç Energy Group Companies, Koç Holding staff and their relatives and dealers. There were 35 voluntary participations to the choir in 2012 and 30 new members joined the choir in 2013.

## Health and safety issues in collective bargaining contracts

There is a section on occupational health and safety within the MESS Group's collective bargaining agreement. The collective bargaining agreement explicitly outlines employer's responsibilities regarding the working environment.

Issues like pre-employment examinations, periodical examinations every 6 months, the annual X-ray, provision of legally required protective gears by the employer are all described within the agreement.

The collective bargaining agreement signed with the Seafarers' Union of Turkey includes similar items in relation to employers and employees as part of its article on "Health Protection and Occupational Safety."



“Vocational Education: A Crucial Matter for the Nation” project that has been running since 2006 with the collaboration of Koç Holding, Vehbi Koç Foundation and the Ministry of Education has been supported by Aygaz employees on a voluntary basis. The project was completed following the graduation of the last interns in 2013. Within the framework of the project, 9 Vocational High School Mentors from Aygaz mentored 92 students to contribute to their vocational developments.

## Human rights

In line with its responsible and sustainable development perspective, Aygaz aims to be an organization committed to respect human rights and disseminate this perspective among all of its stakeholders. Aygaz adopts a human rights management approach that involves internationally recognized practices. With this in mind, Aygaz primarily adheres to UN Universal

### Occupational Health and Safety Committees

	2012	2013
Number of active OHS committees	11	13
Number of members in active OHS committees	90	76
Number of representatives volunteering for OHS committees	11	31

### Orhan Pamuk, Novelist Interview / *Aygaz Dünyası Magazine*, 43

The Dealers' meeting in 1967... People at home talked a lot about this event. It is like an organization all around Turkey... My novel "New Life" bears influences from this dealers' meeting. You know what Ziya Gökalp says: A nation needs a unity of religion, history, language ... (I always say so because my father used to say so) and a unity of dealers. Because wherever you would go in this country, you would see an Arçelik or Aygaz dealer. This is how you understand that you are a nation. It creates a sense of belonging. Every one of them was happy for being an Aygaz dealer, they were so proud. This is how we experienced it: The İzmit dealer used to send you a package of Turkish fairy floss, the dealer in Malatya used to send you a basket of apricots, some other dealer would send strawberries and Çanakkale dealer would send canned food. Each time, my father would bring these home. And we used to feel that we were working at a company that was constantly growing and representing all Turkey.



In line with its responsible and sustainable development perspective, Aygaz aims to be an organization committed to respect human rights and disseminate this perspective among all of its stakeholders.

Declaration of Human Rights and supports international protocols on work and working conditions as well as on preventing child labor along with forced and compulsory labor. In this context, no Aygaz employee can be given a different set of tasks without his/her consent or forced to change their careers. In case of any modifications with regards to tasks and positions, employees are given the minimum period of notice aligned with the relevant law and regulations. All vested rights are given back to

the employees after they leave their jobs for any reason. In changes of position due to changes of working conditions, employees are offered other suitable positions at Aygaz and the Koç Group. The fact that there was no serious loss of employment during the merger of Aygaz-Mogaz during the reporting period and the direction of most of the employees to other positions after the decommissioning of the Bursa and Yarımca Filling Facilities reveals Aygaz's commitment to the issue. For Aygaz, trade union rights are among the

basic human rights. Union relations are carried out within the framework of rules set by the collective bargaining agreements. There is no specific disagreement with unions and sporadic problems are solved through the positive dialog established between the chief union representatives together with the team of representatives.

At Aygaz, Private Security Services are outsourced. The security company has trained all the security officers on topics including



***Birol KORKMAZ, Cylinder Gas Sales Coordination Manager, Aygaz***

I have been working at Aygaz for 24 years. I started working at Aygaz as an Operating Manager and I have also worked as an Item Manager, Marmara Region Sales Manager and SEÇ-G Manager, Mogaz Sales Manager. In the last two years, I have been working as Cylinder Gas Sales Coordination Manager.

As part of Koç Group, Aygaz is a leading company in its sector and has a well-established past, which makes everyone in the world of business want to be part of this company. Aygaz is selective in its recruitment and it always offers a career plan for its employees at all positions. With a long-term vision, Aygaz offers the ideal career opportunities to its employees through trainings and educational activities to improve their talents and occupational knowledge. There are also opportunities to take positions at other leading companies of the Koç Holding. The numerous trainings contribute to the career planning of employees. At Aygaz your fringe benefits are never ignored and they are provided in full scale. All these important opportunities in career development increase your efficiency and sense of belonging. Hence, Aygaz has been a company with highest levels of employee satisfaction for many years.

Employees at Aygaz are valued for their opinions. The periodic surveys inquire into potential areas of improvement for employees. The feasible ones are put into practice and the seemingly difficult ones are studied and evaluated with attention.

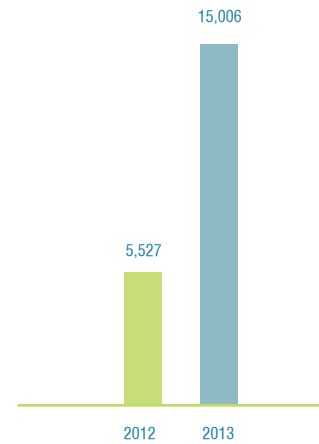
Because of the different positions I have had at Aygaz, I had the opportunity to work in different areas. This has also confronted me with numerous situations that shaped my career. I would like to share an anecdote about this. We were working on our campaign titled as "Aygaz Warns Against Home Accidents", which was one of the important projects in our country. I took an active role in the project. We organized training events for housewives in most of the cities and their vicinities in Turkey. One of those training events took place in my region at the Public Education Centre in Bozöyük. We completed all the fieldwork. The housewives filled the hall and listened to our trainers with due attention. We received questions at the end of the training and our booklets were handed out. A week later, I was a guest in Esra Ceyhan's live show on a TV channel and shared some information about

this project. A week after the show was aired; I paid a visit to one of our dealers in a small vicinity of Bolu. While entering the dealer's store, a lady grabbed my arm and said: "I saw you on TV, please come to our neighborhood and organize a training. We, housewives, have many small home accidents. We can prevent these if we would be more informed." I told her that we had no means of organizing trainings in every vicinity and although we hadn't organized one in hers, we could still send her some printed material. She became very happy and said she really appreciated Aygaz. So we sent her some information booklets. That's how I realized that the people of our country are willing to learn and they appreciate good things. I thought that Aygaz succeeded in this and such projects should be perpetuated for the sake of sustainability. That lady who spoke to me was perhaps not a customer of Aygaz. I really felt that the communication we built through this important project has increased the satisfaction of our customers, who are our stakeholders, to even higher levels. It became once more evident to me that such participative approaches are rewarding in the long run in the world of business.



Aygaz also organizes training activities to increase employees' knowledge and competence on OHS issues. A total of 5,525 person\*hour training in 2012 and a total of 15,006 person\*hour training in 2013 were given to employees.

**Occupational health and safety trainings<sup>4</sup> (person\*hour)**



human rights, as per the Law on Private Security Services, no. 5188. Aygaz did not receive any complaints about human rights violations during the reporting period. 29% of Aygaz employees and 53.5% of blue collar Aygaz employees are members of the union in 2012. In 2013 these rates are 26% for Aygaz employees and 80% for blue collar Aygaz employees.

### Occupational health and safety

Aygaz is committed to align its operations with the relevant regulations and the implementations they entail in order to offer its employees a healthy and safe working environment. Aygaz deems this as a core responsibility. Aygaz, has been operating in line with its objective of “zero” accidents and “zero” occupational diseases since its establishment. Its investments concerning OHS activities continued throughout the reporting period.

Aygaz attends meetings of the Occupational Health and Safety Coordination Board of Koç Holding and contributes to the Board

#### **Elifcan YAZGAN, LPG Supply and Trade Specialist, Aygaz**

I have been working at Aygaz for 7 years. Aygaz is a corporate and professional company and values its employees. The ergonomics of the working environment is crucial for Aygaz and the company supports its employees for personal improvement. At Aygaz, social activities to bring employees together are organized regularly. Concerned of the employees' health the food is prepared under the control of medical professionals aiming a balanced nutrition. Aygaz also offers its employees sports facilities and sports consultancy services. Employees are offered full-day access to specialist physicians. The company informs its employees about occupational health and safety. The shuttle services are planned in accordance with the requests of employees. The implementations such as the memberships to foundation and health insurance create added value. We can easily share our expectations from the company to our department managers and to human resources. What I like best at Aygaz is its sports facilities and sports consultancy services at the workplace.

I think that Aygaz's awareness of sustainability was built much before than other companies and I am very proud of this.

#### **Meltem ÖNER, Human Resources and Accrual Specialist, Aygaz**

I have been working at Aygaz for 26 years. Aygaz is a leading company where employees are in a stable and reliable working environment. They work in solidarity and in a free environment where they can voice their opinions. Our company supports employees who would like to improve themselves and they are evaluated in line with their talents when some suitable career opportunities arise. We can also share our questions and expectations with the Senior Management at the company communication meetings. We feel that our senior managers are very close to our employees and they are easily accessible when we need them. Compared with other companies in the sector, Aygaz attaches great importance to employee engagement. The work life practice I like best at Aygaz is the Pension Foundation service for employees.

<sup>4</sup>White and blue collar employees of the contracting companies are not included.



pertaining to good implementation and development areas. Aygaz continues to operate and make improvements in line with the results of the Occupational Health and Safety and Risk Assessments, Corrective-Preventive Activities, Internal-External Audits and the Occupational Health and Safety Meetings. Assessments and practices that are implemented prior to and during the investments made are determined by OHS experts.

There are active OHS committees in all Aygaz facilities including the ones with less than

50 employees. These committees include union representatives as well and designed to represent entire Aygaz workforce. Occupational health and safety related views, suggestions and complaints from employees and union representatives are carefully considered. Aygaz's understanding of OHS is shared with the entire value chain; hence Aygaz expects all the contracting companies to abide by the Occupational Health and Safety Specification.

Aygaz also organizes training activities to increase employees' knowledge and

competence on OHS issues. A total of 5,525 person\*hour training in 2012 and a total of 15,006 person\*hour training in 2013 were given to employees.

As a result of Aygaz's activities on occupational health and safety, no occupational disease or fatal accident took place during the reporting period.

#### **Zeynep BİLİCİ, Purchasing Specialist, Aygaz**

I have been responsible for Purchasing at Aygaz for two months. Aygaz is a company for which everyone would like to work and be proud of working for. The career opportunities and fringe benefits I was offered have increased my life standard. My managers offer their full support for improving my skills and I heartily believe that this support will continue. As a Koç Group company, Aygaz has all sorts of channels through which it can deal with all sorts of issues on the side of employees. The surveys, employee evaluations, and the feedback from employees contribute to the employee engagement at the company.

Aygaz has a special place in my mind, because it is a Koç Group company. I have wanted to work for Aygaz since my university years and being part of this company is a great value in my life.



A close-up photograph of a blue car's side window. The window is highly reflective, showing a clear reflection of a bright blue sky with scattered white clouds. In the reflection, a tall, modern building with a distinctive white, angular top is visible. The car's body panels, including the door and a portion of the roof, are visible in the foreground, showing a glossy blue finish. A dark blue semi-transparent banner with rounded corners and a thin yellow border is overlaid on the upper part of the image, containing the title text.

# **CLIMATE CHANGE AND EMISSIONS MANAGEMENT**



- Energy savings in production
- Energy savings in logistics
- Energy savings from products



Aygaz participated in the 4<sup>th</sup> National Energy Efficiency Forum and Fair in 2013 and signed the Declaration of Energy Efficiency in Buildings prepared by the Association of Sustainable Development to combat climate change.



### Why does Aygaz value climate change and emissions management?

Fighting against global warming triggered by rising greenhouse emissions is the most important business responsibility of Aygaz. The issue of climate change for Aygaz is not only a problem hampering natural life, but also a significant global risk that could also have an impact on social and economic life. For that reason, Aygaz attaches great importance to energy saving and energy efficiency activities. Aygaz generates projects that aim to have an efficient energy use and reduce energy consumption in production, transportation and sales processes of products. With its environmentally-friendly processes, Aygaz offers LPG to its customers, one of the greenest energy resources of the world.

### How does Aygaz manage climate change and emissions management?

Energy efficiency and emissions reduction initiatives are being managed under the coordination of the Technical Affairs and Investments under the Quality Systems—Health, Safety and Environmental Directorate

with contributions from Technical Affairs and Investments Assistant General and production and filling facilities. Also, as a part of the Environmental Coordination Committee, the highest management unit at Koç Group dealing with environmental issues, Aygaz contributes to the management of long-term strategic activities and strategic plans related to environment. The committee, in coordination with the Koç Holding Audit Committee, carries out a Group-wide environmental audit every two years, continuously raising environmental awareness within the Group as well as identifying potential risks in advance.

As a result of numerous actions taken and activities organized to increase energy efficiency, Aygaz acquired ISO 50001 Energy Management System certification for Gebze and Yarımca facilities and led the way in the sector. ISO 50001 Energy Management System is based on improvements made by organizations in line with their energy policies following its performance evaluations in areas of efficient use of resources, protection of the environment and reduction of costs. A 5-year energy plan was prepared in 2013, after an independent company made an energy etude.

In 2011, within the framework of ISO 14064 Standard for the Measurement and Reporting of

Greenhouse Emissions, Aygaz for the first time measured its greenhouse emissions resulting from the operations at the Yarımca Filling Facility and got it verified by an independent institution. During the audit process within the scope of ISO 14064, low GHG emission values have once again proved that LPG is an environmentally-friendly source of energy.

At Aygaz facilities, the flue gases (CO, NO<sub>x</sub>, SO<sub>2</sub>), particles, volatile organic vapour and gas are measured by independent companies in order to reduce stack gas emissions produced during combustion. Within the framework of the Regulation on the Control of Industry-induced Air Pollution, companies accredited and authorized by the Ministry of Environment and Urbanization make measurements in every two years and these measurements are evaluated as part of the relevant regulation. Periodic measurements were made at 187 sources in 11 locations and the results of the measurements were found within the limits set by the relevant regulation in 2013.

Aygaz participated in the 4<sup>th</sup> National Energy Efficiency Forum and Fair in 2013 and signed the Declaration of Energy Efficiency in Buildings prepared by the Association of Sustainable





Development to combat climate change. With this declaration, Aygaz has committed to develop company policies to improve energy consumption performance at the company facilities, to set targets for time-based energy and CO<sub>2</sub> reduction and to act in accordance with the relevant standards by way of determining an implementation strategy and an audit program to realize these targets. Following the signing of the declaration, Aygaz formed the Aygaz Energy Efficiency Working Group as a first step to realize these commitments. The project team initially prepared a training presentation including some simple measures that could be taken at houses and workplaces. The training presentations aim to introduce the project to all Aygaz employees and encourage them to contribute to energy efficiency through simple and individual measures. The Integrated Management Systems Policy was revised within the context of the declaration and the commitment of the management was specified.

#### Environment trainings to the company staff

Environment training	Number of people	Total hours	Person*hour
2012	2,889 <sup>5</sup>	5,502 <sup>6</sup>	1.90
2013	1,784 <sup>7</sup>	6,733 <sup>8</sup>	3.77

#### Environment trainings to the contractor company staff

Environment training	Number of people	Total hours	Environment training per person
2012	4,145 <sup>9</sup>	6,007 <sup>10</sup>	1.44
2013	812 <sup>11</sup>	2,671 <sup>12</sup>	3.28

#### Yaşar KIZILBAĞ, Journalist, Star Newspaper

When evaluating the position of companies, the most important criteria for me is customer satisfaction. As far as I can observe, Aygaz attaches great importance to this issue. The fact that Aygaz has been among the leading companies in the Turkey Customer Satisfaction Index for many years confirms this.

Aygaz takes some exemplary and leading actions focusing on energy efficiency and the reduction of carbon emissions. We know that Aygaz has social projects on sustainability. They could have a stronger focus on this issue.



<sup>5</sup> Sub-employers (SE) and Vice General Managements (VGM) are excluded.

<sup>6</sup> SE and VGM are excluded.

<sup>7</sup> SE and VGM are excluded.

<sup>8</sup> SE is excluded and VGM is included.

<sup>9</sup> VGM is included.

<sup>10</sup> VGM is included.

<sup>11</sup> VGM is excluded.

<sup>12</sup> VGM is included.





During the reporting period, a total of 220,000 kWh of electricity and 15 tons LPG were saved with 21 efficiency projects.

The business plan includes preparing building inventory charts, creating content for the training programs for blue and white collar employees and information and awareness-raising activities. Energy Efficiency and Energy Management System Internal Auditor trainings were organized for the technicians. The near term targets include preparing the building inventory charts for all Aygaz facilities, building the energy-monitoring infrastructure at the Yarimca Terminal Head Office and organizing awareness-raising campaigns to accord with the project field.

In 2012, within the framework of environment management, 5,502 person\*hour of trainings and in 2013 a total of 6,733 person\*hour of training were given. Aygaz, setting the protection of the environment as a priority, increased its investments on environmental safety by 4.5% in 2013 compared to the previous year.

### Energy savings in production

As a company that sets objectives for lower emission levels, Aygaz's main energy resources are LPG, natural gas and electricity.

During the reporting period, Aygaz continued to develop projects for the efficient use of energy sources.

Within the framework of the project for recycling in heating systems and steam lines at Aygaz Diyarbakır Filling Facility, the shortening of line routes of steam lines, changing the steam traps and the revisions after the feeding of heating equipment of steam recycling, Aygaz saved 7,300 kg's of LPG during consumption. In 2013, a saving of 36,000 kWh per year was realized by way of directing the LPG from the tanks to the filter tunnels without pumps and through the outlet line during the odorless LPG filtering process. During the reporting period, a total of 220,000 kWh of electricity and 15 tons LPG were saved with 21 efficiency projects.

As a result of actions to reduce greenhouse gas emissions, a total reduction of 216.60 tons of emissions and in 2013 a reduction of 151.09 tons of greenhouse gas emissions were achieved.

The efficiency projects increased production by 21% in the 2012-2013 period and energy consumption increased by 17%. Thus, an energy saving of 4% was achieved. With this saving, the carbon equivalent has been reduced by 500 tons.

### Energy savings in logistics

Aygaz controls an expansive transportation fleet. Regular route planning studies are

### Amount of energy and emissions saved due to conservation and efficiency improvements in 2012 and 2013

	2012	2013
Energy savings (GJ)	46.12	26.46
CO <sub>2</sub> emissions savings (tons)	216.60	150.97

### Amounts of CO<sub>2</sub> emissions induced by logistics<sup>13</sup>

	Total km	Total CO <sub>2</sub> emission
2012	52,434,079 km	40,047 ton
2013	51,709,279 km	39,493 ton

carried out to minimize the environmental impact that could be caused by this fleet and the quality of vehicles is controlled to reduce their environmental impact and risks.

The distribution network optimization enabled the autogas stations to receive supply from the most appropriate facility and this minimized the total distance covered. Increasing the supply flow of the tankers reduces the amount of CO<sub>2</sub> emitted during supply.

### Energy savings from products

LPG is considered to be a green energy source everywhere in the world since when burnt, LPG does not emit air-polluting gases like engine and carbon monoxide. When compared with other fuels, LPG's particulate material (PM) and nitrogen oxide (NO<sub>x</sub>) emission and carbon-hydrogen rate are lower and it emits less carbon dioxide (CO<sub>2</sub>). Since LPG's energy efficiency per unit is high, it is consumed in lesser amounts to get the amount of energy one would derive from other fuels.

Aygaz Autogas produces an energy saving of 2.66% compared to equivalent products of other LPG brands.

### Aygaz Autogas

	2012	2013
Fuel consumption saving (%)	2.66	2.66
TEP value equivalent to saving	14,965.72	19,748.33

\*Fuel consumption saving has been determined in a fuel consumption test at 90 km/h constant speed.

### Energy savings through products with less environmental effects (GJ)



<sup>13</sup> Only the tank and fixture parts of the vehicles in the Aygaz fleets belong to Aygaz. The internal combustion engines, responsible for greenhouse gas emissions, belong to subcontracting companies.

# WATER AND WASTE MANAGEMENT





- Water consumption and waste water management
- Material use and waste management
- Salvage and waste management systems



Aygaz contributes to the sustainable use of resources by way of strengthening its investments in waste management and recycling so that the company's waste will not harm the balance of natural life.



### Why does Aygaz value water and waste management?

Aygaz deems saving natural resources and using them efficiently are the main tenets of environmental sustainability, hence the company pays due attention to the use of water consumption in its operations. Aygaz carries out activities to reduce water consumption, increase discharge quality and increase the amount of recycled water in production.

Rapid population increase, urbanization and industrialization result in ever-increasing amounts and types of waste. Aygaz contributes to the sustainable use of resources by way of strengthening its investments in waste management and recycling so that the company's waste will not harm the balance of natural life.

### How does Aygaz manage water and waste management?

Water and waste management is administered under the Technical Affairs and Investments Assistant General, by the Quality Systems—Health and Safety Directorate with contributions from Technical Affairs and Investments Assistant General and all other facilities.

By putting Aygaz's Quality, Environmental and Occupational Health and Safety on the foreground, Aygaz Purchasing Department acts together with Quality Systems—Health, Safety and Environmental Directorate while conducting waste and salvage activities. As a member of Koç Group and in accordance with Koç Group Environmental Policies, Aygaz is primarily responsible for minimizing the source of waste resulting from its activities and recycling of it. Non-recyclable waste is disposed via methods in line with environmental regulations, management standards and the type of waste. Primary goal of the waste water management is to bring recycled waste water back into use in production processes.

### Water consumption and waste water management

As a result of the diminishing natural water resources and the increasing water consumption, Aygaz develops sustainable solutions for recycling water and preserving the current resources.

#### Recycling hydrostatic test water

Gas cylinders and tanks go under hydrostatic testing within the Aygaz facilities. Water used for these tests pooled together and reused in operations.



### Coast Clean-up Initiative

Aygaz aims at raising awareness about the impact of sea pollution on natural life. Within the framework of this aim, during the reporting period, Aygaz employees gave their support to the "Coast Clean-up Initiative" rolled out in collaboration with the Turkish Maritime Environment Protection Association (TURMEPA). Aygaz participated in the activity with a team of 15 volunteers and a total of 178.5 kg waste was collected.

In 2012, in accordance with the law no.5312 on Principles of Intervention in Urgent Cases of Pollution of the Sea Environment by Oil and Other Noxious Items and Compensation for Damage, Aygaz employees were given trainings on the intervention of sea pollution.





#### Amount of water recycled by year



Aygaz develops sustainable solutions for recycling water and preserving the current resources.

#### Recycling water used in washing units and paint cabins

Aygaz recycles and reuses water consumed in cylinder washing units and painting cabins.

#### Water recycling project

With the water recycling project implemented at Yarımca Filling Facility, although the water consumption rate might change based on the daily water need, the average saving amount is 25 m<sup>3</sup>/day and that translates into an annual saving of 7,500 m<sup>3</sup>. In this way, consumption of natural resources has been significantly reduced.

#### Waste water management

In order to avoid deterioration of biological balance and environmental pollution Aygaz is committed to waste water management. The total amount of waste water generated in 2012 and 2013 are 37.371 m<sup>3</sup> and 65.923 m<sup>3</sup> respectively. Industrial waste water at Aygaz facilities is treated at treatment facilities and then discharged to a receiving environment or to the municipal sewage. Depending on its contamination characteristics, waste water coming from the facilities are discharged to the environment after it is treated chemically and biologically. At Işıkkent, Kırıkale and Yarımca facilities waste water is discharged to the

sewage after treatment; at Eskişehir, Lüleburgaz and Ankara facilities sewage trucks are used. Since Gebze Facility and Isparta Facility are within the organized industrial zone, waste water is discharged to the treatment facility of the organized industrial zone. All the facilities have licenses related to the discharge environments. In 2012, a total of 116,802 m<sup>3</sup> water was consumed at Aygaz. 66,061 m<sup>3</sup> of that amount was recycled and used again. In 2013, a total of 122,711 m<sup>3</sup> water was consumed and 80,633 m<sup>3</sup> of that amount was recycled and reused. The recycling rate has been realized as 65.7%. The amount of discharged water in 2012 and 2013 were 37.371 m<sup>3</sup> and 56.923 m<sup>3</sup> respectively.





## Material use and waste management

Aygaz, with the awareness that waste management is critical in environmental sustainability, carries out activities to reduce the amount of material used in its products and product packaging processes. Aygaz keeps track of global resource consumptions to monitor its environmental impact and performance at the facilities and evaluates these consumptions on a target basis.

During the reporting period, 40,261,000 kWh of natural gas was consumed and in 2012 and in 2013 a total of 20,682 tons and 27,925 tons of materials were used, respectively. During the

reporting period, a total of 13,575 tons of materials (sheet metal, brass, zamak, paper, plastic, zinc wire and sand) were recycled. By this way, 28% percent of all the materials used, which is 48,606 tons in total, have been recycled.

### Reduction in paint consumption

Activities carried out to reduce the consumption of paint at Aygaz filling facilities have reduced the consumption of paints used per cylinder tonnage from 1.60 kg in 2012 to 1.55 kg in 2013.

Apart from measures taken for saving paint and sludge, international developments in paint technology have been integrated to the

processes. Within this scope, paints without TGIC are used for a greener process.

### Optimization in the transportation of camp cylinder sleeves

With the pressing of sleeves under steam at Ambarlı Filling Facility, approximately 15,000 sleeves were pressed into bales of 100 kg and 50x70x70 cm in size. This resulted in a significant saving in waste transportation cost and presented a more efficient use of the storage areas. In 2013, an amount of 44.14 tons of sleeve waste was discharged to the licensed waste disposal companies.

## Packaging waste

Aygaz works with an organization authorized in relation to obligations regarding recycle packaging waste. Aygaz reports its annual production amount of packaging material to the relevant portal of the Ministry of Environment and Urbanization. The documentation is done through the authorized organization.

**Amounts of hazardous waste  
disposed by methods (tons)**

	2012	2013
Recycling	581.78	609.43
Interim storage	11.02	0
Incineration	56.87	52.16

## Salvage and waste management systems

Aygaz's sensitivity towards environment at the production stage also continues in later stages. Aygaz attaches high level of importance to issues such as recycling and disposal of salvage and waste resulting from production. Entire waste and salvage generated at the Aygaz facilities are classified as hazardous and non-hazardous in line with the regulations and sent to licensed companies for disposal or recycling processes. Aygaz also makes annual waste declarations as part of its waste management policy. Ministry of Environment and Urbanization and Provincial Directorate

of Environment and Urbanization carry out inspections. Used oils are collected separately in the facilities depending on their categories after being analyzed by Ministry of Environment and Urbanization accredited laboratories, in accordance with Used Oils Management Regulations.

Hazardous and non-hazardous waste are disposed or recycled through via licenced companies in line with rules and regulations of the Ministry of Environment and Urbanization. In 2012 12,000.88 tons and in 2013 4,001.95 tons non-hazardous waste were recycled. Recyclable hazardous waste generated by

Aygaz's operations are recycled via licensed recycling companies. Non-recyclable wastes are disposed by licensed companies through safe storage and incineration. In 2012 and 2013, 638,65 tons and 661,59 tons of hazardous waste were handed over to companies accredited by Ministry of Environment and Urbanization using authorized vehicles.

## Biological diversity and environmental development practices

Aygaz considers avoiding adverse impacts on the physical integrity and the biodiversity in and around the fields that it operates, as its primary responsibility. In order to meet this responsibility, Aygaz conducts risk identification practices, takes precautions against potential risks, measures and monitors environmental impacts in a multi- dimensional manner. None of the Aygaz's operations take place on natural conservation zones designated by law or international conventions, special environmental protection areas or Ramsar sites. There are no lands or water basins seriously affected in terms of biodiversity and the living population as a result of Aygaz's activities.

Through raising awareness on climate change, Aygaz contributes to the dissemination of more responsible and sustainable consumption habits. As part of this policy, in 2012 Aygaz planted 592 trees in Tema İzmir Urla Commemoration Forest on behalf of its employees to strengthen the environmental awareness of its staff. In 2013, during the 'Tree Planting Festival' celebrated at Eskişehir Filling Facility, over 300 trees were planted and an area of 6.000m<sup>2</sup> was afforested.



# SOCIAL DEVELOPMENT





- Health
- Education
- Culture

- Sports
- Environment







Aygaz includes dealers and suppliers to the projects hence widening its impact area and contributing to promotion of sense of awareness and responsibility. The stakeholder platform provided by Aygaz received support from 733 employees in 2012 and 81 employees in 2013 through their active participation in social responsibility projects.

### Why does Aygaz value social development?

For Aygaz, sustainable development depends not only on economic development, but on social and cultural developments as well. With this policy in mind, Aygaz carries out social responsibility projects and through its investments in health, education, culture, environment and sports, it contributes to sociocultural development in the geographical areas where its operations are. The company, with all these actions, intends to increase quality of life. When determining the investment areas for social development, Aygaz considers the results of the Reputation Survey made biannually by Koç Holding, the suggestions coming from the dealers and the needs and expectations of the geographical areas where the operations take place.

### How does Aygaz manage social development?

At Aygaz, health, education, culture, environment and sports projects are run under Corporate Communications Directorate and with collaboration from relevant departments.

Volunteers make up the major source of energy in all Aygaz projects. Aygaz includes dealers and suppliers to the projects hence widening its impact area and contributing to promotion of sense of awareness and responsibility. The stakeholder platform provided by Aygaz received support from 733 employees in 2012 and 81 employees in 2013 through their active participation in social responsibility projects. The resources allocated to social responsibility projects by Aygaz were TL 4,767,000 in 2012 and TL 5,120,000 in 2013.

### Health

Aygaz believes that health is both a prerequisite desired end for social welfare. With this aim in mind, Aygaz deems projects for the improvement of social health as one of its prioritized areas of responsibility.

#### **Aygaz supports diabetic children**

The Children and Adolescent Diabetics Association (CADD), to which Aygaz has been a member since 2004, organizes informative and integrative activities to teach children how to live with diabetics and to raise the



awareness of families on diabetics. The Diabetic Children Camp, which has been organized with the participation of more than 100 children in July each year, is one of the leading activities of Aygaz in this area. During the Diabetic Children Camp, which has been supported by Aygaz for 10 years and which is one of Turkey's first health camps for children, diabetic children learn living self-sufficiently and they can also enjoy their time and build new friendships. In 2013, 100 "sweet children" came together for the 21<sup>st</sup> time and they were given trainings on diabetics. The children also participated in handicraft, ballet, modern dance and sports activities.

#### Safe Motherhood project

Another project supported by Aygaz is the Safe Motherhood project run successfully by the Family Health and Planning Foundation of Turkey (TAPV) for many long years. By supporting this project, Aygaz aims to inform pregnant women and mothers about their own health as well as their babies' health. The aim of the project is to raise the quality of

mothers' and babies' lives and help reducing mother and infant mortality rates. Apart from this, Aygaz, in collaboration with TAPV, supports the "Training Program on Women's Health (KESP)" rolled out to raise the awareness of families with limited financial means and education. Between December

2012 and June 2013, 1,837 women received participation certificates for the training activities that were organized in 19 provinces. 4,500 women participated in the project since its inception.

#### **Serhat ALİGİL, Journalist, Bugün Newspaper**

I see Aygaz as an established, leading and strong company in its sector. Its speedy adaptation to the ever-developing and changing market conditions and its search for innovation is especially noteworthy.

I know some of Aygaz's projects carried out in the field of sustainability. Because of my personal interest in archeology, I closely follow the "Sagalassos Project." "Istanbul Theatre Festival" is also in my field of interest thanks to my keenness on theatre. In addition to these, I find "What will the weather be like tomorrow?" project and their awareness-raising projects on cylinder gas very satisfactory. I find Aygaz's performance successful, but insufficient in its current state. If I need to exemplify this insufficiency, I might refer to the fact that the theatre festival has been organized once in every two years only due to lack of funds.

For me, the concept of sustainability is a wide area covering issues like the procurement and efficient use of raw materials for production, the seniority average of company employees, selling the products to end-users with affordable prices and collecting the over-used cylinders in optimal conditions. In all these areas, there are still many actions to be taken for the whole sector and not just within the organization. I find the work of sectoral organizations in these areas insufficient. For example, more training should be given to people using the sector's products out of households. It would also be very useful if the results of surveys and analyses would be disclosed to the public in comparison with the global examples in the industry. Also, increasing the support for cultural and art activities is a great need.





### No Barriers for My Country

In order to make the lives of disabled individuals easier and enable them to lead lives without any hurdles, Aygaz joined Koç Holding's "No Barriers for My Country" project in 2012. The project aims to make Koç Group companies and dealers accessible, while raising social awareness about disabled individuals in society. In 2012, 10 trainers delivered 92 awareness-raising trainings to a total of 2,461 people.

During the trainings, the participants were given "No Barriers" booklets to raise their awareness and information. All the toll-gates at the Head Office and in all regions were covered with "No Barriers" stickers. A number of amendments were made at Gebze Facility and at the Head Office to turn the buildings into friendly places for the disabled. In 2013, 19 trainers delivered 272 awareness-raising trainings and 5,946 people were reached. Also, additional instructions on some safety issues related to cylinder gas, autogas, bulk gas and gas leakages were delivered in an easily accessible way through the Call Center. In addition to this, in the 13 provinces visited during the Aygaz

Summer Festival, organized as part of Aygaz's communication activities, approximately 7,000 participants were given some awareness-raising trainings on the "No Barriers" project.

### Aygaz Group Search and Rescue Team

Since 1999, Koç Group companies have been carrying out projects on crisis management and search and rescue activities after disasters and they have been building their own search and rescue teams. Aygaz is now one of those Koç Group companies with its own search and rescue team. The foundations of the team were laid with the Basic Disaster Awareness (SAR-1) Training delivered to volunteers from different positions at Aygaz who would like to be part of the Search and Rescue Team. The team members, who were all volunteers, received their certificates after they completed their trainings on Light Search and Rescue delivered by Sakarya Search Rescue Association. The new Aygaz volunteers who will be supporting the search rescue activities in 2013 have completed their Team Evaluation Training and Basic Disaster Awareness Training and 22 volunteers were given their certificates.

### Education

A young and dynamic population is a leading factor in the development of a global economy based on information and technology and social development. Within this framework, investments made in education with the support of the private sector will play an important role in evolving Turkey into an information society. With this principle in mind, Aygaz continued with its social responsibility investments in education during this reporting period as well.

### Vocational Education: A Crucial Matter for the Nation (MLMM) project

The "Vocational Education: A Crucial Matter for the Nation (MLMM)" project, launched in 2006 with the collaboration of the Ministry of Education, Koç Holding and Vehbi Koç Foundation, aims at raising awareness on the significance of vocational and technical education in terms of economic development of the country in all levels of society. The project also aims to contribute in training qualified workforce and encourage young individuals to receive vocational training.



In 2013, Aygaz supported the scholarship and project activities of the “Vocational Education: A Crucial Matter for the Nation” project by offering a grant of TL 3,2 million. The “Collaboration Protocol on Development of Vocational Training” project, launched in cooperation with the Education Reform Initiative in 2010, was completed in 2012.

Within the framework of the “Vocational High School Coaches Program” running as part of the “Vocational Education: A Crucial Matter for the Nation” project, more than 500 voluntary

employees from 20 Koç Group companies have offered their support. At the end of 2012, the program was transferred to the business world with the leadership of the Private Sector Volunteerism Association (ÖSGD). In 2012, 9 Aygaz employees have assumed active responsibility and offered their mentoring services to 92 students as part of the Vocational Education Mentors Program offering support for the personal improvement of vocational high school students. The “Vocational Education: A Crucial Matter for the Nation (MLMM)” project, accepted as an exemplary project by the national and international parties



in the vocational education sector, was finalized in 2013 when the last interns were graduated. In the upcoming period, Koç Holding decided that companies would be developing their own original models in line with their private conditions, sectors, needs and potentials. Aygaz has structured its own project by offering scholarships to a total of 25 students in Gebze, Diyarbakır and Samsun. The project, which started in the second semester of 2012-2013, will continue with the selection of new students in every 4 years.

### Trainings in high schools and universities

Aygaz employees, in order to raise awareness, provide trainings in their respective fields and they visit universities as speakers. In this context during the reporting period, 9 Aygaz employees, specialists in their respective fields, met with students and shared their information and experience about the sector with them.

### Aygaz supports non-governmental organizations

Apart from its corporate activities in education, Aygaz offers its support to specialized non-governmental organizations as well.

#### **Aytül ÇINAR, Educational Volunteers Foundation of Turkey (TEGV)**

Our collaboration with Aygaz started in April 2002 with the grant of 5 Portable Education Units to the foundation and it has been continuing for 11 years. With the support we received from Aygaz, we have been able to reach a greater number of disadvantaged children. As a result of our collaboration, more than 200,000 children were reached in 5 Society Centers affiliated with The Social Services and Child Protection Agency in 40 different provinces.

Children have stated that during the time they spend at the Firebeetle they have acquired an awareness of hygiene and self-care, technical skills for computer use and they have learnt playing some computer games and drawing pictures and improved their social skills. 94% of the children who participated said that they wanted to encourage their friends to participate in the program and that they were highly satisfied with it.





Aygaz funds projects in culture and arts with the aim of protecting the cultural heritage, supporting the artists and ideas in all fields of art, enriching the cultural and artistic life of our country on a national and global level and disseminating it to the masses.

During the reporting period, Aygaz supported the Educational Volunteers Foundation of Turkey (TEGV), Koç University, Foundation for the Protection of Street Children, Turkish Education Foundation, Vehbi Koç Foundation, Alternatife Life Association, Erkut Soyak Anatolian High School and ODTÜ Oil and Natural Gas Engineering.

Aygaz also supports the TEGV Firebeetle project by paying the insurance premiums of 4 firebeetle trailer trucks. In 2012 Aygaz refurbished one of these trailer trucks. As end of 2013, Firebeetle trucks have reached 209,147 children in 40 different provinces giving trainings in the fields of art, language, communication, information and technology.

### Culture

Aygaz believes in the transformative power of investments in culture and arts. Aygaz funds projects in these areas with the aim of protecting the cultural heritage, supporting the artists and ideas in all fields of art, enriching the cultural and artistic life of our country on a national and global level and disseminating it to the masses.

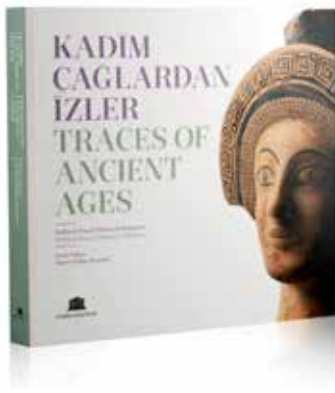
### Supporting İKSV Theatre Festival

Organized every two years by Istanbul Foundation for Culture and Arts (İKSV), in 2012 the Istanbul Theatre Festival met art lovers for the 18<sup>th</sup> time with the sponsorship of Koç Holding Energy Group Companies Aygaz, Opet and Tüpraş between May 10 and June 5 2012.

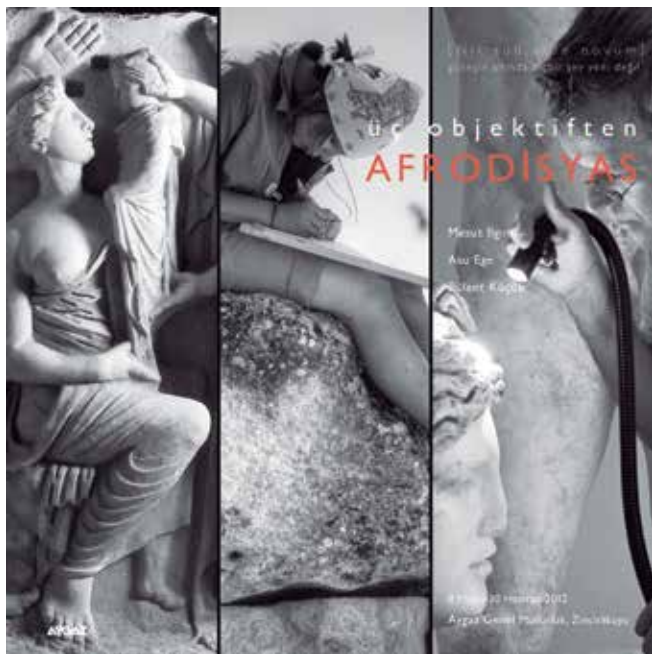
The theme of the festival this year was "Freedoms-Questioning". 5 international and almost 40 Turkish theatre and dance groups participated in the festival and more than 100 performances were staged. During the festival 22 different venues in the city were used by world-renowned theatre and dance groups and interviews, workshops, conferences and exhibitions were held.

### The excavation and restoration of the Sagalassos Ancient City

The sponsorship of Aygaz to the excavation and restoration studies of the Sagalassos Ancient City since 2005 continued during the reporting period as well. Aygaz deems the excavation and restoration studies of the Sagalassos Ancient City, which is accepted as one of the largest







archeological initiatives in the Mediterranean region, as a major step to unearth the cultural and historical richness of Anatolia.

The excavation work in the Sagalassos Ancient City whose first settlements are traced back to the year 4200 BC has been continuing with the support of Leuven University in Belgium. The restoration of Antonine Nymphaeum, one of the most splendid structures of Sagalassos, famous for its monumental fountains, has been led by the restoration specialist high engineer Semih Ercan and his team, and was completed in 2010. Thus, Antonine Nymphaeum, a candidate for UNESCO's World Heritage List, has assumed its past glory and was opened to visitors. After the completion of the restoration of Antonine Nymphaeum, the restoration work of the Upper Agora structures around the fountain started. The Upper Agora, political center of the ancient city, will be restored completely together with its fountain and all monumental structures by the year 2016.

#### **Supporting Van Castle excavations**

Aygaz has been supporting the Van Castle tumulus excavations in cooperation with the

Ministry of Culture and Tourism and Istanbul University since 2010. In 2012, after the unearthing of a 2800-year-old fountain belonging to the Urartian Kingdom in the south of Van Castle, the most extensive excavations continued in the southern parts of the Van Citadel, also known as the old Van City. Excavations in this area revealed the street texture of a Seljuk-Ottoman town.

#### **Maydos Kilisetepe excavations**

As of 2012, Aygaz started supporting the Maydos Kilisetepe Tumulus excavations led by the Ministry of Culture and Tourism. The excavations are carried out by a team from Çanakkale Onsekiz Mart University in the Maydos Kilisetepe Tumulus which is situated in the middle of the Ecebat vicinity.

#### **Aphrodisias photography exhibition**

Aygaz supports the restoration of reliefs at Aphrodisias, one of the most important ancient cities of Anatolia. In 2012, Aygaz organized a photography exhibition titled as "Aphrodisias from Three Lenses" which aimed at representing the city from three photographers' perspectives.

#### **Aygaz supports Sevgi Gönül Theatre Days**

Aygaz has been supporting Koç University Sevgi Gönül Theatre Days since 2006 and the support continued during the reporting period. The festivals organized in 2012 and 2013 included performances of university ensembles and professional theatre groups, interview with actors, authors and directors, and workshops.

#### **Aygaz Library project**

With the aim of unearthing treasures of the region with all its history and culture and to preserve it for future generations, Aygaz has been managing the "Aygaz Library" project since 1996. Aygaz Library was established with the aim of preserving documents that shed light on the history and culture of Anatolia. Until now the library has presented 13 sources on different areas from history to archeology for its readers. Dr. Önder Bilgi's work, produced after long studies, on human images in different civilizations before the Antiquity, has taken its place on the shelves at the Aygaz Library. The last study published by the library is the book titled "Traces from the



Ancient Ages" in which the cultural heritages of Anatolia from the Early Neolithic Periods to the end of the Byzantine Era are studied.

### The Diplomatic History of Ottoman project

The Project on the Diplomacy of the Ottoman Era has been launched by Aygaz to make the information and documents of the Ottoman diplomatic archives accessible to lovers of history and researchers. Within the scope of the project, information and documents compiled from Ottoman archives are being published in a book format. Until now, 25 books were published as part of the project. The books published are appreciated both in Turkey and abroad and are being used as references by researchers and media organizations.

### Sports

Recognizing the contribution of sports activities to social development through personal development and social communication, Aygaz supports the promotion of sports in all parts of society starting from Aygaz employees. In 2012 and 2013, Aygaz continued supporting sports activities through its investments.

### Aygaz supports Koç University RAMS American Football Team

Since 2007, Aygaz has been supporting Koç University RAMS American Football Team and sponsoring the expenses of the team members. Koç University Sports Club American Football Team has completed the 2012-2013 season Turkey Protected Football 2<sup>nd</sup> League as a champion and rose to the 1<sup>st</sup> League.

### Karadeniz Off-Road Games Cup

The first phase of Karadeniz Off-Road Games Cup was organized in Samsun Batıpark with the support of the Governorship and Municipality of Samsun and with the sponsorship of Aygaz in 2012. The games brought fans of nature and race together. During the first phase of Karadeniz Off-Road Games that was organized as part of the 19 May Youth and Sports Week activities, 30 land vehicles competed in the race.

### Aygaz supports Beşiktaş Handball Team

In 2013, Aygaz A.Ş. became a sponsor of Beşiktaş Gymnastics Club Handball team for the 2013-2014 season with its Mogaz brand.

Within the framework of the sponsorship, the Mogaz brand will be seen on all uniforms of team members and the technical staff and on the uniform sales replica. Aygaz will also be sponsoring Beşiktaş Handball Team during the 2014-2015 season.

### Environment

Along with developing technological and innovative projects that enable energy and resource efficiency in its operations, Aygaz also takes initiatives to promote environmental awareness of its employees and stakeholders, to disseminate more responsible and sustainable consumption habits and carrying out activities to support the environmental awareness in the community.

### Energy efficiency and trainings of environment

In 2013, with the collaboration of Aygaz Doğal Gaz, Aygaz delivered awareness-raising trainings on "Energy Efficient and Environment" in Sarıyer Anafartalar Primary School and Darıca Aslan Çimento Vocational High School. As part of the activity, approximately 200 primary school





students were given one-hour information presentations on the environmental damage of wastes used in daily life and on the potential energy efficiency that could be gained through different ways of recycling of these wastes.

#### What will the weather be like tomorrow?

Aygaz is continuing its support to the “What will the weather be like tomorrow?” project launched in conjunction with the Regional Environment Center (REC) in 2010. The project aims at raising awareness on environmental issues and climate change, informing the public on possible solutions to climate change and contributing to solution-seeking parties. With this project Aygaz makes a call for young people to fight against climate change and highlights the significance of witnessing climate change by “seeing and touching”. Within the framework of the project titled “Sky Truck”, education trucks visited 32 different cities and 10,000 students were reached in 2010 and 2011. The REC experts have delivered trainings on climate change to students on each day

of the week. In 2012, the project, which created a positive reaction on the media and social media platforms paused its travelling trainings. In the same year, infrastructure work was completed for the trainings to be delivered at Rahmi Koç Museum and the awareness-raising trainings were carried out in its new venue.

#### Earth Hour

During the reporting period, Aygaz continued its support for the “Earth Hour” activity launched by the World Wide Fund (WWF) with the aim of reducing carbon emissions and preventing global climate

change. The “Earth Hour” activity, in which 1 billion people and thousands of organizations participated, was supported by the Aygaz Head Office in İstanbul Esentepe and 10 different regional and sales offices within Turkey.





### Performance Indicators

Operational indicators	2011	2012	2013
Autogas sales (thousand tons)	604	621	662
Cylinder gas sales (thousand tons)	393	382	359
Bulk gas sales (thousand tons)	60	60	46
LPG storage capacity (m <sup>3</sup> )	218	170	170

Provinces where total LPG sales exceeded 5% during the reporting period	Cylinder gas	Autogas	Bulk gas
Istanbul (12.4%)	38,147	86,128	8,191
Ankara (10.4%)	15,884	92,914	2,275
Izmir (7.0%)	30,745	37,897	6,391

Financial Indicators	2011	2012	2013
Operating profit (million TL)	371	206	170
Profit before tax (million TL)	419	345	237
Total tax paid (million TL)	50,994	40,870	32,703
Investment expenditure (thousand TL)	202,171	97,102	76,484
Donations and financial support (thousand TL)	5,686	4,767	5,120
Dividend payment	125,000	150,000	300,000
Employee salaries (thousand TL)	133,714	129,092	153,059
Sales revenue (thousand TL)	5,455,670	5,586,059	6,004,984
Net assets (thousand TL)	2,712,123	2,956,255	3,188,306

Employee Indicators*	2011	2012	2013
Total number of employees	1112	1190	1182
Average seniority years	8.82	7.68	7.94
Average age	36.78	35.88	36.29
Turnover (%)	White collar: 0.9	White collar: 0.8	White collar: 3.7
	Blue collar: 7.7	Blue collar: 6.4	Blue collar: 7.5
Total training (hour)	23,732	34,825	43,615
Training per employee (hour)	26.9	32.7	36.9

\*The datas of 2011 and 2012 are consolidated due to Aygaz's merger with Mogaz and the data of 2013 indicates the figures after the merger.

## Performance Indicators

Managers	2011	2012	2013
Total number of managers <sup>15</sup>	92	92	123

Managers by gender	2011	2012	2013
Women	13	13	16
Men	115	109	107

Breakdown of employees by status	2011	2012	2013
Blue collar	488	599	609
White collar	624	591	573

Breakdown of employees by gender	2011	2012	2013
Women	118 (10.6%)	110 (9%)	110 (9.4%)
Men	994 (89.4%)	1,080 (91%)	1,072 (90.6%)

Breakdown of employees by age	2011	2012	2013
18-29	221	254	235
30-39	519	544	523
40-49	339	359	390
50 and above	33	33	34

Breakdown of employees by education	2011	2012	2013
Primary school	113	105	100
High school	441	564	611
Two-year degree	76	68	59
Undergraduate	402	362	333
Post-graduate	80	91	79

Educational status of senior management	2011	2012	2013
Undergraduate	5	5	5
Post-graduate	4	5	5

<sup>15</sup> All managers at Aygaz are Turkish citizens.

### Performance Indicators

Unionization rates based on agreement types	2011	2012	2013
Unionized white collar	0	0	0
Non-unionized white collar	633	591	573
Unionized blue collar	284	312	310
Unionized blue collar	195	287	299

### Social Indicators

	2011	2012	2013
Local Supplier Rate (%)	94	93	92
Local Supplier Budget (TL)	1,145,000	1,195,000	1,050,000
Employee Satisfaction (%)	78	65	68
Autogas Dealer Satisfaction (%)	84	84	83
Cylinder Gas Dealer Satisfaction (%)	77	75	76
Autogas Customer Satisfaction (%)	77	80	74
Cylinder Gas Customer Satisfaction (%)	81	78	84

### Environmental Indicators

	2011	2012	2013
<b>MATERIAL</b>			
Amount of consumed material	25,918	20,682	27,924
The rate of recycled material used in production for all materials consumed	25.9%	26.09%	29.29%
<b>WATER</b>			
Total amount of water consumed-tons	84,536	116,802	122,711
Amount of recycled water- m <sup>3</sup>	50,465	66,061	80,633
Rate of recycled water -%	45	56.5	65.7
Total water discharge- m <sup>3</sup>	48,627	37,371	56,923



**Environmental Indicators****2011****2012****2013**

<b>ENERGY AND EMISSION</b>			
Consumption of electric energy-Kwh	10,347,149	19,023,561	21,442,401
LPG consumption-kg	751,263	711,250	550,800
Energy savings amount after efficiency actions-TEP	130.194	46.12	26.46
Energy savings amount after indirect energy consumption-TEP	85.98	28.99	8.08
Emissions reduction amount after efficiency actions-ton CO <sub>2</sub>	72.517	216.60	150.97
Amount of savings after the use of products with reduced environmental impact-GJ	509,240	626,585	826,823
Direct greenhouse emission-tons CO <sub>2</sub> e	7203.68	6156.93	6276.43
Amount of greenhouse emissions reduced-tons CO <sub>2</sub>	75.517	216.60	151.09
Logistics-induced CO <sub>2</sub> emissions –tons	36,439	40,047	39,493

<b>WASTE</b>			
<b>Hazardous wastes discharged-tons</b>			
Recycling-tons	466.791	581.78	609.43
Interim storage	19.02	11.02	0
Incineration	110.083	56.87	52.16
<b>Non-hazardous wastes discharged-tons</b>			
Recycling-tons	238.539	4001.95	12000.88
Amount of recycled packaging waste-tons	56.278	80.14	104,35
Expenditures and investments in environment protection	1,872,180	3,864,066	4,035,043

<sup>16</sup> The consolidated total amounts from the Head Office, Lüleburgaz, Samsun, Işikkent, Diyarbakır, TYÜ, Safranbolu, Gebze, Dörtöyl, Bursa, Eskişehir, Aliağa, Kırıkkale, Ambarlı, Yarımca facilities.

<sup>17</sup> The consolidated total amounts from the Head Office, Lüleburgaz, Samsun, Işikkent, Diyarbakır, TYÜ, Safranbolu, Gebze, Dörtöyl, Bursa, Eskişehir, Aliağa, Kırıkkale, Ambarlı, Yarımca facilities.

<sup>18</sup> The consolidated total amounts from the Head Office, Lüleburgaz, Samsun, Işikkent, Diyarbakır, TYÜ, Safranbolu, Gebze, Dörtöyl, Bursa, Eskişehir, Aliağa, Kırıkkale, Ambarlı, Yarımca facilities.

<sup>19</sup> The consolidated total amounts from the Head Office, Lüleburgaz, Samsun, Işikkent, Diyarbakır, TYÜ, Safranbolu, Gebze, Dörtöyl, Bursa, Eskişehir, Aliağa, Kırıkkale, Ambarlı, Yarımca facilities.

<sup>20</sup> The range of the recycled packaging waste consists of glass, paper, cardboard, metal and plastic.

## Awards received during the reporting period

- In 2012 Aygaz has been one of the companies that received the first prize in Turkey Customer Satisfaction Index (TMME). In 2013, Aygaz, Mogaz and Lipetgaz brands received the first prize in the LPG Distributors Cylinder Gas category.
- The Ministry of Customs and Trade the 16<sup>th</sup> Traditional Consumer Awards and the "Company Aiming Customer Satisfaction" award was given to Aygaz for a second time.
- Aygaz has been chosen as the most reputable brand in the energy sector according to an independent survey.
- In the "Best Workplaces Survey" of the Aon Hewitt Consultancy company, Akpa has been chosen as the second best company in Turkey with its high employee loyalty score and for its human resources policies.
- The autogas ad campaign with the slogan "Those who are after performance come to Aygaz" received the Crystal Apple award at the 24<sup>th</sup> Crystal Apple Turkey Ad Awards.
- Aygaz has been awarded by Koç Holding for its achievement in the "No Barriers" campaign.
- In the 2013 Effie Turkey Ad Campaigns Competition organized by the Associations of Advertisers and Ad-lovers, Aygaz received the Bronze Effie award for the "Follow" ad campaign for Otogaz and Mogaz Otogaz received the Silver Effie award for its "Endless Road" advertisement.
- Within the scope of The Turkish Standards Institute Marmara Region Coordinatorship's TSE Quality Award program, Aygaz received the Silver Plate award with its ISO 9001 Quality Management System Certification that Aygaz has had since 1995.
- Aygaz campaigns have been awarded with the Golden Award in the "Direct Marketing" category of the Mixx Awards (Marketing and Interactive Excellence) competition which had more than 400 applications from 70 agencies.
- Aygaz Activity Report was awarded with the Bronze Award at the International Stevie Awards.
- At the 2012 Activity Report Vision Awards organized by the American Communication Professionals League (LACP), Aygaz was awarded with the "Golden Award" in the "Energy - Oil, Gas & Consumable Fuels" category.
- Aygaz received two Crystal awards, one Silver and one Bronze award at the Crystal Apple Awards.
- In the MediaCat Felis 2013 Awards' "The Best Direct Marketing Media Usage" category, Aygaz received an award for its "Autogas Conversion and Maintenance Campaign". In the Felis 2013 Awards' digital section, in "The Most Creative Digital Platform Application" category, Aygaz received an award as well.
- In the Direct Marketing Awards organized by the Association of Direct Marketing Communicators (DPID), Aygaz received the second prize for its "Conversion and Maintenance" campaign in the Integrated Online Media campaign category. In the Loyalty Applications Category, Aygaz received the third prize for its Mehmetçik Foundation Donation Campaign.
- In the European CSR Awards, organized by the European Commission Corporate Social Responsibility Communication, Aygaz received the third prize for its "How will the weather be like tomorrow?" project in the innovation category and "The Awakening of Sagalassos" project in the resources category.
- Aygaz received the encouragement award at the 18<sup>th</sup> Şahabettin Bilgisu Environment Awards organized by the Yarımca Filling Facility Kocaeli Chamber of Industry.
- In 2013, as a result of the audits made within the framework of a model whose criteria were determined by the Turkish Standards Institute, Aygaz received Customer-friendly Organization awards for 13 filling facilities and the Aygaz brand received a Customer-friendly Brand Certificate.
- Aygaz Diyarbakır and Eskişehir Filling Facilities came first and second respectively on a city basis at the "Clean Industry" Competition organized by Ministry of Environment and Urbanization.

## Stakeholders

Stakeholders	Method of Communication	Aim of communication
<b>Employees</b>	Internal Communication Activities, Trainings, Communication Meetings, Announcements, Committees, Intranet, Satisfaction Surveys, Corporate publications, Awards, Suggestion Systems, Group Studies, Breakfast Chats	We aim for a transparent and participative business environment, looking for common sense to improve business processes, being a desired place to work and keep talented human resources within our organization.
<b>Business partners/ dealers</b>	Intranet, Fair and Seminars, Communication Meetings, Dealer Meetings, Facility Outings, Trainings, Audits, Satisfaction Surveys, Reports, Sub-industry Days, Dealer Portals, Reputation Survey	We increase efficiency and quality in business processes, look for innovations for competitive advantage, increase our benefits for customers, build a win-win relationship and aim for improving the business quality and corporate development of all parties.
<b>Customers</b>	Ads, internet site, call center, campaigns, trainings, researches, focus group studies, satisfaction survey, customer portal, visits, projects, press bulletins, PR activities, local and international fairs	We abide by the principles of corporate governance and transparency. We carry our simultaneous dissemination of complete, correct and timely information to all our stakeholders. All Aygaz customers are fairly and equally treated and strict security procedures are followed while storing confidential information. In order to understand our customers' needs and expectations we effectively use communication channels and use this information while developing new products and services. We use the required labelling and marking for products and services so that customers can give conscious decisions about their purchases.
<b>Investors/ Shareholders</b>	Special case announcements, Investor Meetings, Ordinary General Assemblies, Reports, Internet Site, Bulletins, Open Door Meetings, Face-to-face Meetings, Conference Participation, Facility Outings, Roadshows	One of the most important strategic objectives for Aygaz is to create value for its shareholders. We disseminate timely, correct, complete, clear and accessible information to all our shareholders.
<b>Suppliers</b>	Intranet, Meetings, Fairs and Seminars, Supplier Days, Sub-Industry Days, Audits, Invitation to Social Activities	We aim for partnership in solution finding to increase the quality. We cooperate with our suppliers to run their business operations within the sustainability framework just like ours. We encourage our suppliers to respect the law, the environment and its' stakeholders while they convey their products and services.
<b>Government and Regulatory Bodies</b>	Regulation Commissions, Reports, Audits, Trainings, Official Visits, Seminars	We aim to create an ethical commerce environment. We actively contribute to the process of drafting laws through the NGOs and commerce associations that represent Aygaz. We find international examples for benchmarking exercises, take part in international NGOs and work towards an efficient information and expertise flow into Turkey from countries with more developed legislations.
<b>Unions</b>	Regular Information Meetings, Face-to-face Evaluations, Collective Labor Agreements, Common Projects, Workshops, Participation in General Assembly Meetings, Open Workplace Meetings, Trainings	The quality of our products and services start with our employees. Our employees are our best assets. The improvement of working conditions, making our employees heard and sustaining business achievements depends on our partnership with unions.
<b>NGOs</b>	Reports, Announcements, Consultancy Panels, Audits, Press Meetings, Conference, Congress and Focus Group Studies, Common Projects, Reputation Surveys	We aim for solution partnership in order to contribute to the social and sector-based development.
<b>Media</b>	Press Bulletin, Press Meetings, Press Gatherings, Private Interviews, Reputation Surveys, Report Sharing, Visits, Press Outings, E-bulletins, Conference, Presentation, Social Responsibility Projects	As a company that respects communication and freedom of information, we aim to present ourselves to the public in the best way possible by disseminating corporate news to our stakeholders from the first hand and in a timely manner.
<b>Opinion Leaders</b>	Consultancy panels, researches, reports, invitation to meetings, sharing meetings, working groups, researches	We constantly consult to independent experts in their subject areas in order to improve business operations and realize our mission of becoming a self-sufficient company.
<b>Competitors</b>	Membership to sectoral organizations, Fairs, Reports, Common projects, Face-to-face Communication, Conferences, Congresses	For the development of the sector, we aim to develop a common understanding about the necessary changes in law.
<b>Financial Actors</b>	Investor Meetings, Announcements on the Internet, Bulletins, Research Outcomes, Roadshow, General Assembly, Conference, Financial Bulletins, Development Reports	We disseminate information on our corporate operations based on the transparency principles. We engage in mutually beneficial relationships.
<b>International Organizations</b>	Fair and Congresses, Conferences, Corporate Memberships	We aim to create value through sharing with the sector, reach new customers along with the existing ones, evaluate opportunities for cooperation with organizations and establishments, improve the vision of Aygaz, carry out comparative studies and to be informed about the current agenda.
<b>Local People</b>	Local Press, Communication Meetings, Common Councils, Booklets, Projects, Education Bus, Trainings, Reputation Surveys, Open Workplace Meetings, Facility Outings, Congresses open to the public, Local Activities, Roadshow, Social Responsibility Projects, Internet Site, Campaigns	We want to be good neighbors.
<b>Community</b>	Facility Outings, Internet Site, Reputation Survey, News Bulletin, Social Responsibility Projects	As good citizens, we assume responsibility in social development.



GRI INDICATORS	SECTION	PAGE	EXPLANATION	REPORTING LEVEL
<b>PROFILE INDICATORS</b>				
1.1	Message from the General Manager	2,3		FULLY
1.2	Message from the General Manager	2,3		FULLY
	Risk management	15,16		
2.1	GRI Table			FULLY
2.2	Aygaz products	32		
	Product safety	33,34,35	Aygaz corporate web site: <a href="https://www.aygaz.com.tr/EN/#!/Tupgaz">https://www.aygaz.com.tr/EN/#!/Tupgaz</a> ; <a href="https://www.aygaz.com.tr/EN/#!/Otogaz">https://www.aygaz.com.tr/EN/#!/Otogaz</a> ; <a href="https://www.aygaz.com.tr/EN/#!/Dokmegaz">https://www.aygaz.com.tr/EN/#!/Dokmegaz</a> ; <a href="https://www.aygaz.com.tr/EN/#!/Cihazlar">https://www.aygaz.com.tr/EN/#!/Cihazlar</a>	FULLY
2.3	About Aygaz	6,7		FULLY
2.4				FULLY
2.5	About Aygaz	6,7	Aygaz operates in Turkey.	FULLY
2.6	About Aygaz	6,7	Aygaz corporate web site: <a href="https://www.aygaz.com.tr/EN/#!/Kurumsal/Yatirimcilliskileri/HisseBilgisi">https://www.aygaz.com.tr/EN/#!/Kurumsal/Yatirimcilliskileri/HisseBilgisi</a> ; 2013 Annual Report <a href="https://www.aygaz.com.tr/Processor/AnnualReportDownloadProcessor?f=f56fa051-1bd8-4319-a3b9-4db2789994be">https://www.aygaz.com.tr/Processor/AnnualReportDownloadProcessor?f=f56fa051-1bd8-4319-a3b9-4db2789994be</a> , pp. 2-3	FULLY
2.7	Turkey's LPG Market and Aygaz	8,9		FULLY
2.8	About Aygaz	6,7	2012 Annual Report <a href="https://www.aygaz.com.tr/Processor/AnnualReportDownloadProcessor?f=3afde999-2c3b-4341-afaa-8e16c996d30a">https://www.aygaz.com.tr/Processor/AnnualReportDownloadProcessor?f=3afde999-2c3b-4341-afaa-8e16c996d30a</a> ; 2013 Annual Report <a href="https://www.aygaz.com.tr/Processor/AnnualReportDownloadProcessor?f=f56fa051-1bd8-4319-a3b9-4db2789994be">https://www.aygaz.com.tr/Processor/AnnualReportDownloadProcessor?f=f56fa051-1bd8-4319-a3b9-4db2789994be</a>	FULLY
	Performance indicators	74		
2.9	Message from the General Manager	2,3	2012 Annual Report <a href="https://www.aygaz.com.tr/Processor/AnnualReportDownloadProcessor?f=3afde999-2c3b-4341-afaa-8e16c996d30a">https://www.aygaz.com.tr/Processor/AnnualReportDownloadProcessor?f=3afde999-2c3b-4341-afaa-8e16c996d30a</a> , pp. 16-17; 2013 Annual Report <a href="https://www.aygaz.com.tr/Processor/AnnualReportDownloadProcessor?f=f56fa051-1bd8-4319-a3b9-4db2789994be">https://www.aygaz.com.tr/Processor/AnnualReportDownloadProcessor?f=f56fa051-1bd8-4319-a3b9-4db2789994be</a> , pp. 16-17	FULLY
2.10	Awards received during reporting period	78		FULLY
3.1	About the Report	1		FULLY
3.2	About the Report	1	Aygaz Sustainability Report 2010-2011 was published on October 17, 2011 in Turkish and on October 27, 2011 in English.	FULLY
3.3	About the Report	1		FULLY
3.4				FULLY
3.5	Materiality issues for Aygaz	16		FULLY
3.6	About the Report	1		FULLY
3.7	About the Report	1		FULLY
3.8	About the Report	1		FULLY
3.9	About the Report	1	Koç Group and Group companies, use a reliable and standard system and information technology infrastructure in performance measurement. All measurement parameters used in this report are provided on the basis of methodologies accepted in the field and adhere to the methods established by GRI performance indicators.	FULLY
3.10	GRI Table		No re-statements are used in this report.	FULLY
3.11	About the Report	1		FULLY
3.12	GRI Table			FULLY
3.13	GRI Table		The information disclosed in this report did not receive independent audit within the scope of this study.	FULLY
4.1	Sustainability management at Aygaz	14,15		FULLY
4.2	GRI Table		Aygaz Chairman of the Board and General Manager tasks are carried out by different individuals.	FULLY
4.3	GRI Table		There is no independent member in the Governance Body. Members of the Governance Body who represent the main shareholder may work outside Aygaz, in the governance bodies in Koç Group companies.	FULLY
4.4	Internal communication	45,46		
	Compensation and fringe benefits	45		FULLY

GRI INDICATORS	SECTION	PAGE	EXPLANATION	REPORTING LEVEL
<b>PROFILE INDICATORS</b>				
4.5	Sustainability management	14,15		FULLY
	Compensation and fringe benefits	45		
4.6	GRI Table		Aygaz corporate web site, 2012 Annual Report: <a href="https://www.aygaz.com.tr/Processor/AnnualReportDownloadProcessor?f=3afde999-2c3b-4341-afaa-8e16c996d30a">https://www.aygaz.com.tr/Processor/AnnualReportDownloadProcessor?f=3afde999-2c3b-4341-afaa-8e16c996d30a</a> , p.57	FULLY
			Aygaz corporate web site, 2013 Annual Report: <a href="https://www.aygaz.com.tr/Processor/AnnualReportDownloadProcessor?f=f56fa051-1bd8-4319-a3b9-4db2789994be">https://www.aygaz.com.tr/Processor/AnnualReportDownloadProcessor?f=f56fa051-1bd8-4319-a3b9-4db2789994be</a> , p.55	
4.7	GRI Table		Aygaz corporate web site, 2012 Annual Report: <a href="https://www.aygaz.com.tr/Processor/AnnualReportDownloadProcessor?f=3afde999-2c3b-4341-afaa-8e16c996d30a">https://www.aygaz.com.tr/Processor/AnnualReportDownloadProcessor?f=3afde999-2c3b-4341-afaa-8e16c996d30a</a> , pp. 14-15,18-19	FULLY
			Aygaz corporate web site, 2013 Annual Report: <a href="https://www.aygaz.com.tr/Processor/AnnualReportDownloadProcessor?f=f56fa051-1bd8-4319-a3b9-4db2789994be">https://www.aygaz.com.tr/Processor/AnnualReportDownloadProcessor?f=f56fa051-1bd8-4319-a3b9-4db2789994be</a> , pp. 14-15,18-19	
4.8	Aygaz's mission and vision	14	Aygaz corporate web site: <a href="https://www.aygaz.com.tr/EN/#!/Kurumsal/SosyalSorumluluk/VizyonHedefillkeler">https://www.aygaz.com.tr/EN/#!/Kurumsal/SosyalSorumluluk/VizyonHedefillkeler</a>	FULLY
	The code of ethics	13		
4.9	Sustainability management at Aygaz	14,15		FULLY
4.10	Sustainability management at Aygaz	14,15		FULLY
4.11	Risk management	14,15	More detailed information on risk management at Aygaz may be obtained from our annual reports published under investor relations section of Aygaz's corporate web site <a href="http://www.aygaz.com.tr">www.aygaz.com.tr</a> .	FULLY
4.12	The code of ethics	13	Signed by Koç Holding on March 30, 2006, Koç Holding and Group Companies- in all country operations- comply with the United Nations Global Compact.	FULLY
	Sustainability management at Aygaz	14,15		
4.13	Communication with stakeholders	16		FULLY
	Corporate Memberships	17		
4.14	Stakeholders	79		FULLY
	Communication with stakeholders	16		
4.15	Communication with stakeholders	16		FULLY
4.16	Communication with stakeholders	16		FULLY
	Stakeholders	79		
4.17	Communication with stakeholders	16		FULLY
	Stakeholders	79		
<b>PERFORMANCE INDICATORS</b>				
EC1	Performance indicators	74	Aygaz corporate website, 2012 Annual <a href="https://www.aygaz.com.tr/Processor/AnnualReportDownloadProcessor?f=3afde999-2c3b-4341-afaa-8e16c996d30a">https://www.aygaz.com.tr/Processor/AnnualReportDownloadProcessor?f=3afde999-2c3b-4341-afaa-8e16c996d30a</a> , p.2, 125, 131-133 2013 Annual Report <a href="https://www.aygaz.com.tr/Processor/AnnualReportDownloadProcessor?f=f56fa051-1bd8-4319-a3b9-4db2789994be">https://www.aygaz.com.tr/Processor/AnnualReportDownloadProcessor?f=f56fa051-1bd8-4319-a3b9-4db2789994be</a> , pp. 2-3, 78, 102-103, 122-124	FULLY
EC2	Message from the General Manager	2,3		FULLY
	Aygaz Auto Gas	38		
EC3	Compensation and fringe benefits	45		FULLY
EC4	R&D activities	39	The government is not present in the shareholding structure of Aygaz.	FULLY
EC5	Compensation and fringe benefits	45	Aygaz only operates in Turkey. Everyone in Aygaz is compensated above minimum wage.	FULLY
EC6	Purchasing practices	24,25	Local sourcing for Aygaz is realized through domestic purchasing.	FULLY
EC7	Facilities	76		FULLY
	Performance indicators	67		
EC8	Safe Motherhood Project	68,69,70		FULLY
	"Vocational Education: A Crucial Matter for the Nation" Project	73		

GRI INDICATORS	SECTION	PAGE	EXPLANATION	REPORTING LEVEL
<b>PERFORMANCE INDICATORS</b>				
EC8	Energy efficiency and trainings of environment	73		FULLY
EC9	Message from the General Manager	2,3		FULLY
	Dealers	26		
	Purchasing practices	24,25		
	"Vocational Education: A Crucial Matter for the Nation" Project	68,69,70		
	Operational entry and decommissioning practices	22		
EN1	Material use and waste management	62		FULLY
EN2	Water consumption and waste water management	60, 61		FULLY
	Salvage and waste management systems	63		
EN3	Performance indicators	77		FULLY
EN4	Performance indicators	77		FULLY
EN5	Energy savings in production	56		FULLY
	Energy savings in logistics	56,57		
	Energy savings from products	57		
EN6	Energy savings from products	57		FULLY
EN7	Energy saving in production	56		FULLY
	Information technologies	28		
EN8	Waste water management	61		FULLY
EN9	GRI Table		There is no water body significantly affected by Aygaz's water use.	FULLY
EN10	Waste water management	61		FULLY
EN11	Biological Diversity and Environmental Development Practices	63		FULLY
EN12	Biological Diversity and Environmental Development Practices	63	Aygaz does not operate in areas where there is significant impacts of activities and products and services on biodiversity.	FULLY
EN13	Biological Diversity and Environmental Development Practices	63		FULLY
EN14	Biological Diversity and Environmental Development Practices	63	In Aygaz, biological diversity management is addressed under sustainability management title.	PARTIALLY
EN15	GRI Table		There is no activity area at Aygaz that poses any harm to living organisms listed on IUCN's Red List.	FULLY
EN 16	Amounts of energy and emission saved due to efficiency improvements in 2012-2013	57		FULLY
	Performance indicators	77		
EN17			There is no data regarding indirect emission amount aside from the use of indirect energy. The data will be shared as of 2016.	NOT REPORTED
EN18	Amounts of energy and emission saved due to efficiency improvements in 2012-2013	57		FULLY
EN19	GRI Table		Aygaz produces no such emissions.	FULLY
EN20			The data will be shared as of 2016.	NOT REPORTED
EN21	Waste water management	61		FULLY
EN22	Salvage and waste management systems	63		FULLY
EN23	GRI Table		No significant spilling incident occurred at Aygaz facilities during the reporting period.	FULLY



GRI INDICATORS	SECTION	PAGE	EXPLANATION	REPORTING LEVEL
<b>PERFORMANCE INDICATORS</b>				
EN24	Salvage and waste management systems	63	There is no hazardous waste sent to other countries.	FULLY
EN25	Biological Diversity and Environmental Development Practices	63		FULLY
	Waste water management	61		
EN26	Energy savings from products	57		FULLY
	Aygaz Auto Gas	38		
EN27	Salvage and waste management systems	63		
	Packaging waste	62		
EN28	GRI Table		No sanctions and serious fine occurred out of non-compliance with environmental laws and regulations.	FULLY
EN29	Vessels	23		
	Energy savings in logistics	56,57		FULLY
	Stocks and logistics	22,23		
EN30	Investments in environment	72,73		FULLY
LA1	Performance indicators	74,75		FULLY
LA2	Performance indicators	74		FULLY
LA3	Compensation and fringe benefits	45		FULLY
LA4	Human rights	48,49,50		FULLY
	Performance indicators	76		
LA5	Human rights	48,49,50		FULLY
LA6	Occupational health and safety	50,51		FULLY
LA7			The data will be shared as of 2016.	NOT REPORTED
LA8	Occupational health and safety	50,51		FULLY
	Occupational health and safety trainings	50		
LA9	Occupational health and safety	50,51		FULLY
	Health and safety issues in labor contracts	47		
LA10	Compensation and fringe benefits	45		
	Employee development	44,45		FULLY
LA11	Employee development	44,45		FULLY
LA12	Performance evaluation system	43		FULLY
LA13	Performance indicators	75		FULLY
LA14	Compensation and fringe benefits	45	Personal characteristics of employees may by no means constitute a reason for differential treatment in the remuneration process of Aygaz. Therefore, all Aygaz employees are paid equal wages as long as they perform the same job. Equality of wages for male and female employees may solely vary due to seniority status, overtime, performance bonus and similar payment circumstances.	FULLY
HR1	LPG supply security	20,21		PARTIALLY
HR2	Purchasing practices	24,25		FULLY
HR3	GRI Table		Aygaz offers no training in this scope.	FULLY

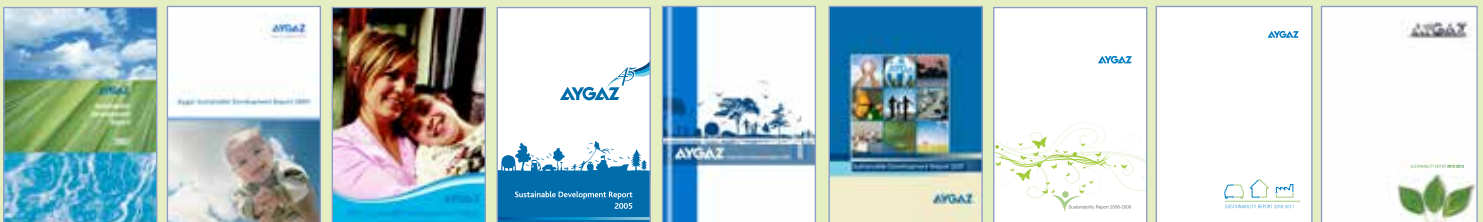
GRI INDICATORS	SECTION	PAGE	EXPLANATION	REPORTING LEVEL
<b>PERFORMANCE INDICATORS</b>				
HR4	Social diversity and equal opportunities	42,43	No incidents of discrimination occurred at Aygaz during the reporting period.	FULLY
HR5			Aygaz does not operate in areas where the right to collective bargaining is at risk.	FULLY
HR 6	Human rights	48,49,50		FULLY
HR7	Human rights	48,49,50		FULLY
HR8	Human rights	48,49,50		FULLY
HR9	GRI Table		No incident of violations involving rights of indigenous people or actions taken during the reporting period.	FULLY
SO1	Social development	66		FULLY
	Operational entry and decommissioning practices	22	<a href="https://www.aygaz.com.tr/EN/#!/Kurumsal/SosyalSorumluluk/VizyonHedeflikeler">https://www.aygaz.com.tr/EN/#!/Kurumsal/SosyalSorumluluk/VizyonHedeflikeler</a>	
SO2	Internal auditing and anti-corruption	13,14,15		FULLY
SO3			Internal audit department employees undergo anti-corruption training (2 employees)	FULLY
SO4	The code of ethics	13		FULLY
	Internal auditing and anti-corruption	13,14,15		
SO5	Communication with stakeholders	16		FULLY
SO6	Communication with stakeholders	16	There is zero contribution to political parties, politicians and related institutions. Aygaz manages its relations to state organs with transparency.	FULLY
SO7	GRI Table		There are two legal cases against Aygaz regarding anti-competitive behavior. There are no legal cases regarding anti-trust or monopoly practices.	FULLY
SO8	GRI Table		There is no monetary fine that exceeds 500.000 TL per case and not paid at Aygaz.	FULLY
PR1	Product safety	33,34,35		FULLY
PR2	R&D activities	39	There is no case of non-compliance with regulations and voluntary codes concerning health and safety impact of products and services during the reporting period.	FULLY
PR3	Product quality	32,33		FULLY
	Product safety	33,34,35		
PR4	Product Safety	33,34,35	There is no case of non-compliance with regulations and voluntary codes concerning product and service information and labeling during the reporting period.	FULLY
PR5	Customer Satisfaction	38		FULLY
PR6	Responsible Advertisements	35		FULLY
PR7	Responsible Advertisements	35	There is no case of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship during the reporting period.	FULLY
PR8	GRI Table		There is no case of substantiated complaints regarding breaches of customer privacy or loss of customer data during the reporting period.	FULLY
PR9	GRI Table		There is no case of non-compliance with laws and regulations concerning the provision and use of products and services during the reporting period.	FULLY
OG1	LPG supply security	20,21		PARTIALLY
OG2	GRI Table		There is no investment amount realized for renewable energy.	FULLY
OG3	GRI Table		There is no renewable energy production.	FULLY
OG4	GRI Table		There is no operation field that is evaluated and inspected that could constitute a risk to biological diversity.	FULLY
OG10	GRI Table		There has been no significant dispute with indigenous people.	FULLY
OG12	GRI Table		There has been no resettlement in any household due to operations.	FULLY
OG13	GRI Table		No process safety incident occurred at Aygaz during the reporting period.	FULLY
OG14	GRI Table		No biofuel was produced or procured.	FULLY

### Disclaimer

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