

**SUSTAINABILITY
PERFORMANCE**

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AYGAZ



SUSTAINABILITY PERFORMANCE 2020

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Sustainability Principles Compliance

Sustainability Principles Compliance Declaration

Aygaz follows the best sustainability practices closely, including the ones laid out in the CMB's Sustainability Principles Compliance Framework and conducts activities to adopt the generally accepted best practices in this field to the extent possible. Many of the topics that Aygaz manages as part of its sustainability efforts correspond to the principles stated in the "Sustainability Principles Compliance Framework" introduced by the Capital Markets Board (CMB) in 2020. Accordingly, Aygaz A.Ş. has achieved compliance with the majority of the principles stated in the non-mandatory "Sustainability Principles Compliance Framework" introduced by the CMB on a "comply or explain" basis. However, full compliance with all the principles has not been achieved yet due to the challenges in the implementation of some of these principles, uncertainties in the national and international arena, certain principles not fully aligning with the current structure of the company, and the fact that some compliance principles will be determined according to the findings of ongoing studies. Once the ongoing studies on the global practices that may contribute to the company's goal of creating sustainable value, the technical infrastructure development and data collection activities are finalized, the company aims to work toward implementing the principles that have yet to be fully complied with.

Aygaz's sustainability practices that align with the principles in the CMB's Sustainability Principles Compliance Framework are described in detail in the **Sustainability Principles Compliance** section of the Annual Report and the explanations about the key principles that have not been fully complied with are provided below. The company monitors the impact on environmental and social risk management due to the lack of full compliance with the non-mandatory principles and addresses them as part of sustainability efforts.

- Aygaz has in place an Integrated Management Systems Policy, which includes the environmental, sustainability, stakeholder, and occupational safety aspects in line with Environmental, Social, and Corporate Governance ('ESG') practices and a Code of Ethics. ESG policies and targets are defined and updated regularly within the framework of the Integrated Management Systems Policy. Studies are in progress to disclose these targets to the public in the times to come.
- Aygaz monitors key environmental, social, and governance indicators regularly and discloses them publicly. However, due to lack of comparable and verifiable data, local or international industry benchmarks are not available. On the other hand, work is under way to conduct a material aspect analysis in light of global and industry trends. Activities to determine a partnership strategy will continue in the coming years in line with the identification of material aspects.
- Aygaz has formed a Sustainability Working Group ('Working Group') and a Corporate Risk Management Working Group for the implementation of ESG policies. The Corporate Risk Management procedures are reported to the Risk Management Committee, under the Board of Directors and the activities carried out for this purpose are disclosed in the Risk Management section of the Annual Report. Studies are in progress to disclose the Sustainability Working Group's work and policy publicly.
- Aygaz carries out activities to publicly disclose its implementation and action plans in line with short- and long-term ESG targets.
- Key environmental, social, and governance performance indicators are monitored regularly. Since 2008, Aygaz has regularly published its ESG data in the annual sustainability reports. ESG performance in 2020 will be included in the sustainability section on the corporate website and in the Annual Report. Due to their limited environmental and social impact, these indicators have not been verified yet. As the standards and practices evolve in the times to come, these activities may be carried out in parallel.
- The Working Group is responsible for following and monitoring the sustainability work at Aygaz. The Working Group, which consists of Corporate Communications, Finance, Quality System ESG-S and Sectoral Relations, and the Human Resources departments, reports the issues about sustainability to the General Manager, who in turn may report to the Board of Directors, when the situation

calls for it. The sustainability strategy and targets are defined after the sustainability issues are evaluated by the Board of Directors in line with business processes. The topic of Environment and Climate Change is also handled by the Working Group.

- Aygaz discloses the incentives it offers, including those related to achieving the targets, in the Human Resources section of the Annual Report. Employees who are committed to the Occupational Health and Safety principles and procedures, who act sensitively, and who take actions to promote corporate sensitivity and effectiveness are awarded. Studies are in progress about the incentives offered for the management of environmental issues as part of the sustainability efforts.
- Aygaz has in place indicators that it has created and follows as part of its internal targets regarding how environmental topics are integrated into business goals and strategies, and disclosing these to the public in the times to come is in progress.
- Aygaz carries out activities to set short- and long-term targets to reduce its environmental impact and to disclose these targets in line with the relevant activities of Koç Group. Compliance in the long term will be considered by the company separately.
- The company is currently not part of any carbon pricing system since the legal regulation processes on this topic have not yet been finalized in Turkey. On the other hand, internal assessments and investigations together with relevant NGOs are ongoing regarding carbon pricing and carbon credits.

Sustainability Principles Compliance

Sustainability Principles Compliance Framework

Principle Code	No	Description	Page Number or Link
A1. Strategy, Policy and Targets	1	The Board of Directors determines material ESG issues, risks and opportunities and creates necessary ESG policies. In terms of the effective implementation of these policies, internal directives and business procedures, etc. can be prepared for the company. The Board of Directors makes decisions for these policies and discloses them publicly.	Sustainability Management, page 8
A1. Strategy, Policy and Targets	2	Determines the Company Strategy in line with the ESG policies, risks and opportunities. Determines the short- and long-term goals in line with the Company strategy and ESG policies and discloses them publicly.	Sustainability Management, page 8
A2. Implementation/ Monitoring	3	Determines the committees/units responsible for the implementation and execution of ESG policies and discloses them publicly. The responsible committee/unit reports the activities carried out in line with policies to the Board of Directors at least once a year and in any case within the maximum periods determined for the public disclosure of the annual activity reports in the applicable regulations of the Board.	Sustainability Management, page 8
A2. Implementation/ Monitoring	4	Creates and publicly discloses implementation and action plans in line with the short- and long-term goals determined	Sustainability Principles Compliance Report, pages 2-3
A2. Implementation/ Monitoring	5	Determines Key ESG Performance Indicators (KPIs) and discloses them with yearly comparisons. If verifiable data is available, presents KPIs with local and international sector comparisons.	Quality, Environment, Occupational Health and Safety, pages 18-23; Human Resources, pages 10-17
A2. Implementation/ Monitoring	6	Discloses the innovation activities that improve the sustainability performance for business processes or products and services.	Research & Development; pages 25
A3. Reporting	7	Reports its sustainability performance, goals and actions at least once a year and discloses publicly. Discloses the information on sustainability activities in the annual report.	Sustainability Reporting, page 57; Quality, Environment, Occupational Health and Safety, pages 18-23
A3. Reporting	8	It is essential to share information, which is important for stakeholders to understand the position, performance and development of the Company, in a direct and concise manner. Can also disclose detailed information and data on the corporate website and prepare separate reports that directly meet the needs of different stakeholders.	Communication with Stakeholders; pages 8-9
A3. Reporting	9	Takes utmost care to ensure transparency and reliability. Provides objective information on all kinds of developments about material issues in disclosures and reporting with a balanced approach.	Communication with Stakeholders; pages 8-9
A3. Reporting	10	Provides information about which of the United Nations (UN) 2030 Sustainable Development Goals its activities are related to.	Sustainable Growth, pages 6-8
A3. Reporting	11	Provides detailed information regarding the lawsuits filed and/or concluded against environmental, social and corporate governance issues.	Legal Disclosures, pages 106-107
A4. Assurance	12	If verified by independent third parties (independent sustainability assurance providers), discloses its sustainability performance measurements to the public and strives to increase such verification processes.	Sustainability Principles Compliance Report, pages 2-3
B. Environmental Principles	13	Discloses environmental management policies and practices, action plans, environmental management systems (known by the ISO 14001 standard) and programs.	Quality, Environment, Occupational Health and Safety, pages 18-23
B. Environmental Principles	14	Complies with environmental laws and other applicable regulations and discloses them.	Quality, Environment, Occupational Health and Safety, pages 18-23
B. Environmental Principles	15	Discloses the limitations of the environmental report to be included in the report according to Sustainability Principles, reporting period, reporting date, data collection process and reporting conditions.	Sustainability Management, page 8
B. Environmental Principles	16	Discloses the highest responsible individual, relevant committees and responsibilities in the Company for environment and climate change.	Sustainability Management, page 8
B. Environmental Principles	17	Discloses the incentives offered for the management of environmental issues, including the achievement of objectives	Sustainability Principles Compliance Report, pages 2-3
B. Environmental Principles	18	Discloses how environmental problems are integrated into business goals and strategies.	Quality, Environment, Occupational Health and Safety, pages 18-23
B. Environmental Principles	19	Discloses the sustainability performance of business processes or products and services and the activities to improve this performance.	Quality, Environment, Occupational Health and Safety, pages 18-23
B. Environmental Principles	20	Discloses how environmental issues are managed across the Company's value chain both in terms of direct operations and also about how suppliers and customers are integrated into its strategies.	Quality, Environment, Occupational Health and Safety, pages 18-23
B. Environmental Principles	21	Discloses whether it is involved in policy-making processes on environmental issues (sectoral, regional, national and international); discloses cooperation with the associations, related organizations and non-governmental organizations it is a member of on the subject of environment, and the duties taken, if any, and the activities supported.	Quality, Environment, Occupational Health and Safety, pages 18-23
B. Environmental Principles	22	Reports information on its impact with period comparisons based on environmental indicators (Greenhouse gas emissions (Scope-1 (Direct), Scope-2 (Energy indirect), Scope-3 (Other indirect)), air quality, energy management, water and wastewater management, waste management, biodiversity impacts)	Quality, Environment, Occupational Health and Safety, pages 18-23
B. Environmental Principles	23	Discloses details such as the standards, protocols, methodologies and base year used to collect and calculate its data.	Environmentally Sensitive Business Processes, pages 71-72
B. Environmental Principles	24	Discloses the status of environmental indicators for the reporting year (increase or decrease) in comparison with previous years.	Quality, Environment, Occupational Health and Safety, pages 18-23
B. Environmental Principles	25	Sets short and long-term goals to reduce their environmental impact and discloses these goals. It is recommended to determine Science-based goals based as suggested by the United Nations Conference of the Parties on Climate Change. If there is progress in the reporting year according to the previously set targets, provides information on the subject.	Sustainability Principles Compliance Report, pages 52-53
B. Environmental Principles	26	Discloses the strategy and actions to combat the climate crisis.	Quality, Environment, Occupational Health and Safety, pages 18-23 https://www.aygaz.com.tr/en/corporate/climate-change-strategy
B. Environmental Principles	27	Discloses the program or procedures to prevent or minimize the potential negative impact of the products and/or services offered; discloses the actions of third parties to reduce greenhouse gas emissions.	Quality, Environment, Occupational Health and Safety, pages 18-23
B. Environmental Principles	28	Discloses the actions taken to reduce its environmental impacts, the total number of projects and initiatives carried out, and the environmental benefits/revenues and cost savings they provide.	Quality, Environment, Occupational Health and Safety, pages 18-23
B. Environmental Principles	29	Reports the total energy consumption data (excluding raw materials) and discloses the energy consumption as Scope-1 and Scope-2.	Quality, Environment, Occupational Health and Safety, pages 68-73
B. Environmental Principles	30	Provides information on electricity, heat, steam and cooling generated and consumed in the reporting year.	Quality, Environment, Occupational Health and Safety, pages 18-23
B. Environmental Principles	31	Conducts studies on increasing the use of renewable energy, transition to zero or low carbon electricity and discloses these studies.	Quality, Environment, Occupational Health and Safety, pages 18-23
B. Environmental Principles	32	Discloses the renewable energy generation and consumption data.	Quality, Environment, Occupational Health and Safety, pages 18-23
B. Environmental Principles	33	Carries out energy efficiency projects and discloses the amount of energy consumption and emission reduction achieved through these efforts.	Quality, Environment, Occupational Health and Safety, pages 18-23

Principle Code	No	Description	Page Number or Link
B. Environmental Principles	34	Reports the amount of water withdrawn underground or above ground resources, water used, recycled and discharged, its sources and procedures (Total water withdrawal by source, water resources affected by water withdrawal; percentage and total volume of recycled and reused water, etc.).	Quality, Environment, Occupational Health and Safety, pages 18-23
B. Environmental Principles	35	Discloses whether operations or activities are included in any carbon pricing system (Emission Trading System, Cap & Trade or Carbon Tax).	Sustainability Principles Compliance Report, pages 2-3
B. Environmental Principles	36	Discloses information on the carbon credit accumulated or purchased during the reporting period.	Sustainability Principles Compliance Report, pages 2-3
B. Environmental Principles	37	Discloses the details if carbon pricing is applied within the Company.	Sustainability Principles Compliance Report, pages 2-3
B. Environmental Principles	38	Discloses all mandatory and voluntary platforms where it discloses environmental information.	Sustainability Reporting, page 57
C1. Human Rights and Employee Rights	39	Creates Corporate Human Rights and Employee Rights Policy, in which the company commits to comply with the Universal Declaration of Human Rights, the ILO conventions, to which Turkey is a party, and the legal framework and legislation that regulate human rights and labor conditions in Turkey. Discloses this policy and the roles and responsibilities related to its implementation.	Human Resources, pages 10-17 2019 Sustainability Report, page 46 https://www.aygaz.com.tr/uploads/kurumsal/surdurulebilirlik/a7201ffb_b33d_4881_adc8_501d8b3ffa09_aygaz-skr-en-11-agustos.pdf
C1. Human Rights and Employee Rights	40	Provides equal opportunity in recruitment processes. Considering the supply and value chain effects, includes fair labor, improvement of labor standards, women's employment and inclusivity issues (such as women, men, religious belief, language, race, ethnic origin, age, disability, refugee, etc.) in its policies.	Human Resources, pages 10-17
C1. Human Rights and Employee Rights	41	Discloses the measures taken across the value chain for the protection of groups sensitive to certain economic, environmental, social factors (low-income groups, women, etc.) or minority rights/equality of opportunity.	Human Resources, pages 10-17; Social Responsibility, pages 26-27
C1. Human Rights and Employee Rights	42	Reports developments regarding discrimination, inequality, human rights violations, forced labor, and corrective practices. Discloses the regulations against child labor.	Human Resources, pages 10-17 2019 Sustainability Report, page 46 https://www.aygaz.com.tr/uploads/kurumsal/surdurulebilirlik/a7201ffb_b33d_4881_adc8_501d8b3ffa09_aygaz-skr-en-11-agustos.pdf
C1. Human Rights and Employee Rights	43	Discloses policies regarding investment in employees (training, development policies), compensation, fringe benefits, unionization right, work/life balance solutions and talent management. Determines dispute resolution processes by creating mechanisms for employee complaints and dispute resolution. Regularly discloses the activities carried out to ensure employee satisfaction.	Human Resources, pages 10-17
C1. Human Rights and Employee Rights	44	Creates occupational health and safety policies and discloses them publicly. Discloses the precautions to prevent work accidents and health and accident statistics.	Quality, Environment, Occupational Health and Safety, pages 18-23
C1. Human Rights and Employee Rights	45	Creates and publicly discloses personal data protection and data security policies.	Quality, Environment, Occupational Health and Safety, pages 18-23
C1. Human Rights and Employee Rights	46	Creates an ethics policy (including work, business ethics, compliance processes, advertising and marketing ethics, open information, etc.) and discloses it to the public.	Human Resources, pages 10-77 Ethical Principles https://www.aygaz.com.tr/en/corporate/ethical-principles
C1. Human Rights and Employee Rights	47	Discloses activities related to social investment, social responsibility, financial inclusivity and access to financing.	Social Responsibility, pages 26-27
C1. Human Rights and Employee Rights	48	Holds information meetings and training programs for employees on ESG policies and practices.	Quality, Environment, Occupational Health and Safety, pages 18-23
C2. Stakeholders, International Standards and Initiatives	49	Carries out sustainability activities by taking into account the needs and priorities of all stakeholders (employees, customers, suppliers and service providers, public institutions, shareholders, community, and non-governmental organizations, etc.).	Sustainable Growth, pages 6-8
C2. Stakeholders, International Standards and Initiatives	50	Publishes and publicly discloses a customer satisfaction policy regarding the management and resolution of customer complaints.	Quality, Environment, Occupational Health and Safety, pages 18-23 Customer Complaints Management Commitment https://www.aygaz.com.tr/en/corporate/general-manager-customer-complaints-management-commitment
C2. Stakeholders, International Standards and Initiatives	51	Carries out continuous and transparent stakeholder communications; discloses the stakeholders, purpose, topic and frequency of communications and the developments in sustainability activities.	Communication with Stakeholders; pages 8-9
C2. Stakeholders, International Standards and Initiatives	52	Discloses the international reporting standards adopted (Carbon Disclosure Project (CDP), Global Reporting Initiative (GRI), International Integrated Reporting Council (IIRC), Sustainability Accounting Standards Board (SASB), Climate-Related Financial Disclosures Task Force (TCFD), etc.).	Sustainability Reporting, page 7
C2. Stakeholders, International Standards and Initiatives	53	Discloses the international organizations or principles (Equator Principles, United Nations Environment Program Finance Initiative (UNEP-FI), United Nations Global Principles (UNGC), United Nations Principles for Responsible Investment (UNPRI) etc.), of which it is a signatory or member, and international principles adopted (International Capital Market Association (ICMA) Green/Sustainable Bond Principles).	Sustainability Reporting, page 7
C2. Stakeholders, International Standards and Initiatives	54	Makes firm efforts to be included in Borsa Istanbul Sustainability Index and international sustainability indices (Dow Jones Sustainability Index, FTSE4Good, MSCI ESG Indices, etc.).	Sustainability Reporting, page 7
Corporate Governance Principles	55	Makes maximum effort to comply with all Corporate Governance principles as well as the mandatory Corporate Governance principles stated in the Capital Markets Board's Corporate Governance Communiqué II-17.1.	Annual Report 2020 Corporate Governance, pages 86-87 https://www.aygaz.com.tr/uploads/yatirimci-iliskiler/isaiyilet-raporu/a717575d_dc2e_4tc6_8628_2549d8880b_ahr_eng_31-mart.pdf
Corporate Governance Principles	56	Takes into account sustainability, environmental impact of its activities and the applicable principles when determining its corporate management strategy.	Sustainable Growth, pages 6-8
Corporate Governance Principles	57	As stated in the Corporate Governance Principles, takes the necessary measures to comply with the principles regarding the stakeholders and to strengthen the communication with the stakeholders. Seeks the opinions of stakeholders when determining sustainability-related measures and strategies.	Corporate Governance, pages 82-105
Corporate Governance Principles	58	Works to raise sustainability awareness and promotes its importance through social responsibility projects, awareness activities and trainings.	Social Responsibility, pages 26-27
Corporate Governance Principles	59	Works to become a member of international standards and initiatives on sustainability and to contribute to studies.	Sustainability Reporting, page 7
Corporate Governance Principles	60	Discloses anti-bribery and anti-corruption policies and programs and promotes the principle of tax integrity.	Annual Report 2020, pages 96 https://www.aygaz.com.tr/uploads/yatirimci-iliskiler/isaiyilet-raporu/a717575d_dc2e_4tc6_8628_2549d8880b_ahr_eng_31-mart.pdf Ethical Principles https://www.aygaz.com.tr/en/corporate/ethical-principles

Sustainable Growth

In defining its sustainable growth targets and strategies, Aygaz considers the impact on all stakeholders.



Aygaz approaches sustainability, which includes environmental, social, and corporate governance topics, with the aim of managing its financial and non-financial assets effectively. Sustainability is an essential tool in maintaining the trust-based relationship built with stakeholders and preserving the company's reputation.

Sustainability aspects are identified by considering global trends such as information security, big data, climate

change, demographic changes, increasing energy demand, and the rise of sustainable energy resources while a sustainable growth approach that takes into account the impact on all stakeholders is adopted. The sustainability aspects at Aygaz were identified according to the opinions of senior executives, strategic decisions, stakeholders, and external trend analyses. Top priority issues that will create value for both Aygaz and stakeholders were identified through

these analyses. Aygaz contributes to the Sustainable Development Goals in these strategic areas as well.

More information on the material aspects and a Prioritization Matrix can be found on pages 14-16 of the 2019 Sustainability Report.

Sustainability Reporting

In preparing the sustainability reports, leading global standards, policies and principles are taken as basis.



Aygaz discloses its sustainability approach and performance in the sustainability reports, prepared in accordance with GRI Standards. Important international and global standards, policies and principles, in particular those of the International Labor Organization (ILO), United Nations (UN), Carbon Disclosure Project (CDP), Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), and Taskforce on Climate-Related Financial Disclosures (TCFD) are taken as basis while preparing the sustainability reports. Since 2018, Aygaz has been included in the BIST Sustainability Index, which consists of publicly traded companies with high corporate sustainability performance, for its effective and strong sustainability management.

As a company of Koç Group, which is a signatory of the United Nations Global Compact (UNGC), Aygaz is a signatory of the United Nations Women's Empowerment Principles (UN WEP) and discloses its compliance with these principles in its sustainability reports.

The company works toward the adoption of sustainability across the organization and further improvements in performance.

The CMB's Sustainability Principles Compliance Framework specifies the basic principles, which the publicly traded companies are expected to disclose regarding environmental, social and corporate governance topics. Accordingly, the content of the 2020 Annual Report has been expanded in line with the principles announced by the CMB. Corporate governance approach, performance, and sustainability activities, which are specified in the Principles are disclosed in the Sustainable Growth section of the Annual Report.

The data, provided in the report, pertains to the period from January 1 to December 31, 2020. Performance data includes the actualized data of the previous 11 months and the projected data for the 12th month. Social performance indicators are as of November 30, 2020, and the Occupational Health and Safety data covers the period from January 1 to December 31, 2020.

The "comply or explain" provision of CMB's Sustainability Principles Compliance Framework is addressed in the Sustainable Growth section of this report.

Aygaz is included in the BIST Sustainability Index since 2018.

Sustainability Management

The sustainability management at Aygaz is built upon the Integrated Management Systems Policy, which is created in alignment with the sustainability strategy and goals. The Board committees, which are actively involved in the company's corporate governance, play a key role in sustainability management. The Sustainability Working Group, which consists of the Corporate Communications, Finance, Quality System, ESG-S and Industry Relations, and Human Resources departments, is responsible for following and monitoring the sustainability-related activities. The Working Group reports to the General Manager, who in turn reports to the Board of Directors when needed. The sustainability strategy and targets are defined based on the evaluations of the Board of Directors in line with business processes.

Stakeholder Communications



Effective communication and cooperation with the stakeholders plays a key role in the company's pioneering work in the industry and drives its success in all areas, especially in high priority issues. Drawing from the stakeholder analysis conducted in 2017, Aygaz strives to diversify its communication channels. The opinions and feedback received regularly from relevant stakeholders in accordance with the Sustainability Report and sustainability priorities provide direction for future work and projects. Guided by a consistent and transparent disclosure policy, the company communicates information regarding its performance, future aspirations, and strategies accurately and briefly by considering the needs of different stakeholders.

More information on the memberships and affiliations of can be found on page 67 of the 2019 Sustainability Report.

Stakeholder Group	Communication Method	Communication Frequency	Some Issues Brought up by the Stakeholders
Shareholder, Investors, Analysts	Investor Conferences, face-to-face meetings at the head office, responding to information requests received by phone and in writing, teleconferences, analyst meetings, senior management meetings, Investor Relations page on the corporate website, Annual Report, Sustainability Report, company presentations, earnings releases, briefings, material event disclosures	Immediate response to information requests, minimum each quarter	
Business Partners and Dealers	Dealer Hotline, satisfaction surveys, Aygaz Training Truck and Training Bus, collaborative projects, audits, dealer portals	Daily	<ul style="list-style-type: none"> • Highlighting product quality and safety-related activities more in communications • Sharing case studies regarding customer focus • Emphasizing brand strength further • Placing innovation at the heart of the customer experience • Focusing on competitiveness in market conditions • Diversifying new business channels and seizing opportunities
Employees	Employee satisfaction and loyalty research and surveys, online idea collection platform, intranet plasma screens, internal communication activities, announcements, committee meetings, company publications, suggestion systems	Daily	<ul style="list-style-type: none"> • Contributing even more to the development of social projects • Adopting more next-generation HR approaches (flexible working hours, etc.) • Increasing the ongoing intrapreneurship activities • Talent management and career planning • Gaining more knowledge on R&D and Innovation
Affiliates and Subsidiaries	Meetings, collaborative projects	On demand	
Public Institutions and Regulatory Authorities	One-on-one meetings, official visits, industry events	At least once a month	
Customers	Communication campaigns, advertisements, website, social media, Aygaz, Mogaz, Pürsu Customer Service Line, market and customer loyalty surveys, visits	Daily	
Media	Press releases and press conferences, interviews, reputation surveys, website, trade publications	Weekly	<ul style="list-style-type: none"> • Developing a corporate responsibility project that reflects the strength of the Aygaz brand and that can be owned for years
Non-governmental Organizations and Chambers	Following the industry agenda, social responsibility topic, collaborative projects, sponsorship and donations, reputation surveys, working committees and boards	Weekly	<ul style="list-style-type: none"> • Continuing to work on environmental policy and activities related to the country's most pressing matters, integrating quality with environmental management • Raising energy efficiency awareness among end-users
Trade Unions	Face to face discussions, collective bargaining agreement, collaborative projects, General Assembly, open workplace meetings	At least four times a year	
Suppliers	Supplier portal, audits/inspections	Daily	<ul style="list-style-type: none"> • Working to expand the scope of employment in operations across the country • Constantly improving quality, safety and occupational health practices further
International Organizations and Initiatives	Joint projects, conferences, seminars, and corporate memberships	Minimum monthly	
Universities	Conferences, training programs, festivals	Minimum monthly	

Human Resources

The human resource of Aygaz consists of a creative, skilled and highly motivated, best-in industry workforce.



Aygaz aims to become an agile organization, which employs professionals who provide high added value in a manner that promotes sustainable growth. Aygaz regards managing its human resource as a business priority with a focus on employee satisfaction, continuous improvement and mutual open communication, and is a preferred employer for all its stakeholders and employees.

Aygaz adopts the motto of its founder Vehbi Koç, “Our human resource is our most important asset,” and manages the company processes that focus on working for the benefit of all stakeholders with its team of creative, skilled, and visionary

people. Aygaz defines the human resources policy around the principles of modernity, transparency and equality.

In 2020, the average number of people in the workforce of Aygaz was 1,304. At Aygaz, 14% of employees are female, and 86% are male. The average age of employees is 39 while average tenure at the company is 9.5 years. People with undergraduate and graduate degrees account for 45% of all employees. This ratio reaches 93% among office employees. Aygaz promotes gender equality and diversity in its workforce and supports the women to be in decision-making roles.

Key Human Resources Policies at Aygaz

The key principles that guide the human resources policies include: Equal opportunity for all, recruiting and appointing the right person to the right job, equal pay for equal work, merit-based promotion, timely recognition and rewarding, continuity and efficiency in professional success, effective internal communication, and sensitivity to the community.

The right candidate for the right position

In hiring skilled employees who will serve the company’s vision, Aygaz applies new generation selection and placement

processes. Aygaz carries out strong promotional activities in line with the Koç Group employer brand approach to attract the best talent that will drive the company forward. The company also organizes events at universities to inform the bright youth of the future about the constructive and pioneering corporate culture at Aygaz as well as the industry and Koç Group and strengthens the employer brand with various activities via different communication channels.

The selection and placement processes carried out to attract qualified human resource to Aygaz include group interviews with participation from all management levels, case studies, presentations, foreign language assessments, numerical/verbal/personality inventories, and reference checks. Candidates are assessed for prospective roles without considering concepts such as fair competition, religion, language, race, ethnicity, and gender while the recruitment strategies are adjusted annually to align with global trends. The employees, who are selected with great care and diligence based on “the right candidate for the right position” and “equality at work” principles start their careers at Aygaz with a comprehensive, interactive and digital orientation program.

Quality internship experience updated with next-gen work trends

Aygaz quickly adapted to the changing conditions that the pandemic caused while the internship process was redesigned to take place online together with all Koç Group companies. After engaging with the students in the Koç Holding online career fair, the entire process was revised as online. Aiming to provide prospective interns with a high quality experience that aligns with the requirements of this day and age, processes such as interviews, personality inventories and English tests are now conducted in the digital medium. The interns, who are regarded as future Koç employees, went through an end-to-end employee experience that involved

orientation, project work and performance assessment. As in previous years, the goal of the updated internship program was to provide a high quality internship experience that included responsibilities and social benefits, and ensured that each candidate was evaluated equally, fairly and objectively.

Structured employer brand activities

In early 2020, the tag “Aygaz'da #bildiğinden fazlası var” (There is #more than you know at Aygaz”) was created to communicate the company's fields of operation, work culture, and vision to potential candidates. Aygaz partnered with universities to share its existing and new business lines, innovative work culture, and technology and innovation focus with their students. The employee videos created to communicate the new business lines of Aygaz and the employee experience were also posted to social media to reinforce the employer brand.

Updated performance system: Koç Dialogue

Aygaz aims to reward the creation of sustainable values rather than short-term returns through a performance management system that focuses on an objective assessment of employee performance.

Accordingly, a performance system based on objective and critical results with dialogue placed at the core is applied. The SF system developed in 2018 has created an environment where the employees can set their targets, get the necessary approvals, and access anywhere anytime digitally. The system was applied twice in 2020 as “Interim Performance Appraisal” and “End-of-Year Appraisal”. Starting from 2021, the flows and digital infrastructure will be entirely updated and the process will continue as Koç Dialogue Performance System.

The objective of this new performance management system, as Aygaz has chosen to apply, being part of Koç Group, will support new ways of doing business

Key Human Resources Policies at Aygaz

- > Equal opportunity for all
- > Recruiting and appointing the right person to the right job
- > Equal pay for equal work
- > Merit-based promotion
- > Timely recognition and rewarding,
- > Continuity and efficiency in professional success
- > Effective internal communication
- > Sensitivity to the community





Aygaz has been conducting surveys to measure satisfaction and loyalty through an independent research firm since 1996. The employee loyalty score of Aygaz was 75.3 in 2020.

and working models, and accelerate digital transformation and agile work approach. Through this system, it is aimed to evolve the company culture into a more inclusive and development-focused structure where an exchange of ideas is encouraged more, dialogue is promoted, and a transparent and creative work environment is promised.

In addition to changes in the processes, the new performance system also involves a mindset transformation. The trainings, prepared in collaboration with some of the best in the corporate training world, including Emeritus, NeuroLeadership Institute (NLI), and Columbia Business School, were introduced in November and made available to all Aygaz office employees. The trainings are scheduled to be completed by the end of February 2021. On the other hand, the Koç Dialogue Online Awareness Webinars, organized to ensure that the updated performance system is internalized by all the employees who are within its scope, are ongoing.

Remuneration management based on equal pay for equal work

Aygaz applies an international job assessment system that measures the contribution of all jobs toward achieving company goals and ensures that they are ranked according to their scale. A competitive remuneration policy, determined in line with the company's current wage structure, position in the market, competition, and financial means,

is applied fairly without any bias for gender, language, religion, and race.

Remuneration for unionized employees is determined according to the collective bargaining agreements with MESS (Turkish Employers Association of Metal Industries) or Turkish Seamen's Union, depending on the job. Employees are paid 16 salaries, consisting of 12 salaries + 4 bonuses per year, while all employees are offered comprehensive fringe benefits, standard or varied depending on the position.

Sustainable efficiency through employee loyalty

Aygaz combines international norms and macro trends with human resources strategies to become a pioneer and attain an exemplary position in the business world by forming a creative, skilled, and highly motivated, best-in-industry workforce.

Aygaz evaluates the feedback received from its internal customers every year to maximize employee loyalty and satisfaction on all levels. Accordingly, the company has been conducting surveys to measure satisfaction and loyalty through an independent research firm since 1996. The outputs of these surveys are used to analyze the strengths and development areas, review business processes and human resources policies, create action plans, and ensure sustainable loyalty. The employee loyalty score of Aygaz was 75.3 in 2020.

Employee experience that promotes loyalty

The "experience" aspect has become an integral part of the employer's promise and brand as a major transformation, driven by different working models that emerged along with digitalization, big data management, and mobility, occurred. The employee experience, which means the whole of how the employees perceive their companies, has been a key focus area for Aygaz in 2020. Accordingly, the employees continued to learn, change and develop as a rapid transformation



was triggered by the pandemic. Strategies were developed to create an employee experience that offers the tools and technologies for improving work environments and increasing productivity and provides development solutions that encourage the employees toward delivering their best performance. The integrated Employee Experience approach was reviewed with this focus as part of the “Agile” working model. The action planning process was redesigned to increase the participation of colleagues from different groups while the focus remained on improving the quality of planned actions. To achieve this goal, an “Employee Experience Agile Team” was formed at Aygaz, making sure that it would have a representative from each unit to consider specific needs.

Aware that one of the keys to improving the experience is listening to the employee, Aygaz encourages its employees to share their expectations and experiences via various channels. In addition to the Annual Employee Loyalty Survey, other practices were introduced during the pandemic; for instance, monthly mood surveys were conducted to understand the needs and feelings of

employees while HR Break enables the employees who are in remote areas to share their expectations and experiences. As a result, all actions were implemented by keeping the employee in focus and welcoming their suggestions.

All employees can contact the Human Resources team 24/7 by email at ikyasor@aygaz.com.tr and aygazinsankaynaklariyoneticiligi@aygaz.com.tr. These email addresses have been openly communicated to the employees, who are encouraged to reach out for all their questions and problems and get support.

Furthermore, all customers and employees may choose to convey their grievances, questions, and requests via the Aygaz Customer Call Center Line (444 4 999) and the website (www.aygaz.com.tr) 24 hours a day, 7 days a week.

Integrated career and talent management

At Aygaz, career plans are made for employees in line with their knowledge, skill, and competency level through a process that considers the employee's expectations.

Accordingly, the company has moved to a digital platform to instantly and continually monitor the employees' openness to rotation and mobility opportunities, which are supported by Koç Holding's career management vision. This platform allows Aygaz employees to determine and express their short- or long-term aspirations.

At the annual Strategic Human Resources Planning Meetings, held with certain methodologies and senior management's inputs, succession plans are defined for the company's executive potential pool and all management positions in line with the future goals and strategies of Aygaz. The objectives of this planning process include:

- To review existing and planned organizational structures in line with the company strategy;
- To identify talents and matching them with organizational needs, ensuring seamless transition in possible management changes;
- To identify talent development needs and to determine strategies;
- To identify potential employees and critical positions;

- To review succession plans;
- To prepare career plans and development plans.

At the end of this process, special training and development opportunities are offered to employees identified as potential executives to ensure that they are well-prepared for the next position.

Continuous training and development

For Aygaz, people are one of the key factors on the path to globalization, change, and innovation. Therefore, building an inclusive culture that promotes development is a top priority of its Human Resources strategy. In building the future, Aygaz adopts the same approach and aims to develop talent that keeps up with innovations and thinks strategically, and is visionary and open to development in these areas. Aygaz places continuous training and development at the core of the human resources system, aiming to expand employees' vision and to support their

technical skills, knowledge, competencies, and personal development. With the help of the competency assessment system, employees can plan their development based on feedback received from their superiors and peers, identify their development needs through manager-employee interviews conducted as part of the performance process as well as human resources planning meetings, and define a short- and long-term training and development plan.

In addition to technical training, Aygaz also provides employees with training programs for personal development. One of the priority training topics is improving the foreign language skills of employees. Accordingly, all employees who wish to improve themselves are offered online, classroom, and one-to-one English language education. As part of these activities, English Ninjas, a platform where employees from all around the world can practice speaking with native English instructors in video and audio calls on

mobile or web, was launched in 2019 and continued in 2020. So far, 83 employees have benefited from this platform.

The "Safe Driving" training, which is part of the Aygaz Road Safety Project, targets zero accidents and aims to ensure that the driver anticipates the dangers and risks ahead in traffic in advance and stays away from potential accidents while gaining defensive driving skills. In 2020, 227 employees who actively drive took this training.

Taking its cue from Koç Group's management and leadership competencies, Aygaz implemented Aygaz LEAD, which contains various modular training programs to improve the leadership skills of managers in 2016. Aygaz LEAD is a comprehensive, modular program –prepared in line with today's needs and strategies – that focuses on many current topics, such as leadership skills, feedback, situational leadership, innovation, coaching, and digitalization.



The program offers the opportunity to practice with simulations and includes individual activities that participants can follow after training. All managers can attend the Aygaz LEAD training programs. Furthermore, many managers attend Koç Holding's classroom trainings on popular topics including PDP, AMP, MAP, LSI, and LEAD. Employees and managers are also encouraged to take the HBX, Udacity, MIT, and Code Academy digital transformation programs that develop digital skills online as well as Koç University Executive MBA, Modular and Technical MBA programs.

Training programs under the AYLEARN umbrella

With communications related to AYLEARN, the umbrella structure that offers thousands of video training content from technology and personal development to wellness, family, and hobbies, starting this year, the employees continued to learn and develop at home on the Koç Academy online video training platform. Important information, useful suggestions, and tips that may be necessary for the changing daily routine were added to Koç Academy every week by Koç Holding, and the contents were communicated to all Aygaz employees through the Human Resources department.

Employees also completed the legally required Personal Data Protection and Information Security training on the Koç Academy LMS system. During the Aygaz Webinar Days, many training companies informed the employees about their training programs on leadership, personal development, and technical topics. Webinars on various topics such as the Emotions That Manage Us, Remote Working, Psychology, Health, and Personal Development were organized for all employees. Training contents of nationally and internationally recognized experts and organizations available at the TISK and MESS Academy, a digital learning resource we provide to our employees were also offered. Aygaz

employees accessed and took trainings on these platforms on topics ranging from personal development to hobbies, leadership, and technical subjects as well as required trainings. According to the 2020 training report, the average training time per person was 23.4 person*hours with the investments made toward developing the employees.

Meeting point of learners

The mentoring programs, launched in 2016 in line with Koç Group principles to develop the employee potential at Aygaz, convey the corporate culture, and create a more effective human resource both in theory and practice, were reorganized in 2020 under the "Meeting Point for Learners – MentHall" umbrella structure. MentHall has evolved to become more agile in terms of adapting to changing conditions, more powerful in terms of communication, more digital in terms of using technology, and more comprehensive with information that employees from all ages and departments will benefit from. MentHall uses tools such as the pairing survey to ensure that the mentor-mentee pairings fully meet the expectations and the career inventory to help the employee recognize his/her needs for mentoring purposes. Once the application and pairing processes were completed, all the paired mentors and mentees in the mentoring and reverse mentoring programs were delivered online trainings by some of Turkey's leading mentoring training firms. The program was provided on a digital platform where interviews could be conducted and monitored online. Common experiences were shared with the participants and Human Resources during supervision meetings. With these new practices in place, the participation rate of the previous years doubled, with 62 employees participating in the mentoring program and 16 employees in the reverse mentoring program. The mentorship period was completed with a satisfaction rate of 4.8 out of 5 according to the survey conducted at the end of the program.

Human Resources in figures (2020)

~1,304
employees

14%
female

86%
male

Average age

39

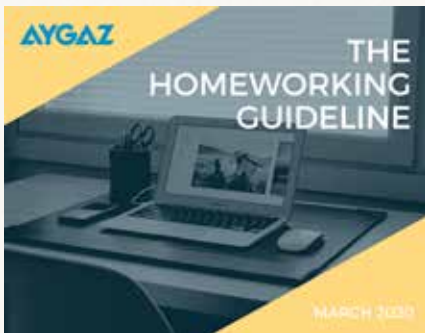
Average tenure

9.5

Average training time

23
person*hours

The mentoring programs at Aygaz, launched to create a more effective human resource both in theory and practice, were reorganized in 2020 under the “Meeting Point for Learners – MentHall” umbrella structure.



Aygaz Group competencies

The Aygaz Competency Model, which defines the skill sets that the employees at all levels within the Aygaz Group should have to ensure the sustainability of the company's success in the industry and actualization of its vision, was redefined in 2020 as a part of the transformation process. This model, which draws from the Aygaz strategy, vision, and values, has been prepared as a guide to move forward into the future with firm steps.

The competencies and behaviors defined with the Aygaz Competency Model will be the cornerstone of all human resource management processes, from recruitment and performance management to Human Resources Planning and career development.

The Aygaz Competency Guide, created to learn and internalize the competencies, will make the employees stronger in achieving goals in a dynamic business setting. The objective of the guide is for each employee to focus on their development by identifying their strengths and development opportunities.

At Aygaz Group, the new competencies are grouped into three categories: Basic Competencies include Trust, Pushing the Boundaries, Collaboration, Agility, and Courage. Functional Competencies include Innovation, Perfectionism, and Commercial Focus while Leadership Competencies include Inspiring and Managing Talent.

Cooperation and solidarity culture

The objective of the annual communication plan at Aygaz is to build an internal communication culture that embraces employee expectations and new generation needs and that creates an effective employee experience. In the annual employee loyalty survey, the communication plans are reviewed, renewed, and kept up-to-date based on feedback received from the employees. The activities carried out within this scope include townhalls, region and plant visits, service award ceremonies, sports festivals, picnics, “BizBize” talks, and health month events. The goal of the “Out of Office” events, organized with a focus on non-work-related hobbies, is to strengthen communication and encourage cooperation between employees from different functions and levels and senior executives. All the events are updated and enhanced in line with the future of professional life and online options are created.

Code of ethics and social responsibility

Aygaz has always been an exemplary company with its integrity, reputation, reliability, ethical conduct and its culture of compliance with laws and regulation throughout its over half a century long history.

In performing their duties, employees of Aygaz, a Koç Group company, are obligated to comply with the “Koç Group Goals and Principles”. Committed to

The New Competencies at Aygaz Group

- > **Basic Competencies:** Trust, Pushing the Boundaries, Collaboration, Agility, Courage
- > **Functional Competencies:** Innovation, Perfectionism, Commercial Focus
- > **Leadership Competencies:** Inspiring, Managing Talent

Human Resources Management Principles

- › Prioritizing employee motivation and company loyalty
- › Offering individual approach and solutions in HR practices
- › Developing flexible HR systems with solutions that can rapidly adapt to changing business conditions
- › Training and development planning to provide employees with personal, professional, leadership and foreign language improvement possibilities
- › Preparing and monitoring succession plans systematically as part of organizational improvement, and providing development opportunities
- › Planning workforce
- › Providing fair compensation and rewards
- › Informing individuals with feedback on their job performance through target-based performance system
- › Hiring and appointing the right people for the right positions
- › Honoring employees committed to success with open recognition, and respecting their personal rights when offering criticism
- › Planning and promoting social and cultural activities
- › Providing timely information and introducing processes

In addition to union representatives in the workplace designated in accordance with the Collective Labor Agreement, Terminal Directors, Regional Directors, Plant Managers and/or Financial Affairs Managers working in all the regions are also responsible for facilitating communication and coordination between employees and the Human Resources Department. No discrimination complaints were filed by the employees.

the company's and Koç Group's ethical principles, Aygaz:

- Respects individuals' respectability, privacy and employee rights.
- Respects and does not discriminate people's differences such as race, ethnicity, faith, gender, social class, nationality, age and physical disability.
- Provides all employees with equal opportunity in personal development and career regardless of their origin and faith as part of its employee commitments.
- Enforces mechanisms of work discipline procedures in cases of human rights violations.
- Respects the traditions, culture and history of each and every community in which it operates.
- Respects the union rights of its employees.

Aiming to ensure that ethical values are extended to all employees with the same effectiveness and passed onto the next generations, Aygaz published

its "Code of Ethics and Implementation Principles" in written form in 2010. The Board of Directors, upon the proposal of the Corporate Governance Committee, determined Aygaz A.Ş. Code of Ethics and Implementation Principles Policy in 2018, taking into consideration the practices within the organization and Koç Group Code of Ethics and Implementation Principles. This policy has been made available on the corporate website for investors.

An Ethics Committee has been established to better evaluate any violations and ensure alignment of practices. The Ethics Committee is composed of the General Manager, Senior Executives, Human Resources Manager and Legal Counsel.

The "Code of Ethics and Implementation Principles" were published as a booklet and sent to all permanent staff, who were then requested to read it and sign the Document of Declaration and Undertaking

on the last page to be included in their respective personnel files. Newly recruited personnel are also informed of these principles and declare and undertake that they would adhere to the Code.

Aygaz has announced its environmental policy principles in the Annual Report and corporate website. The social responsibility projects in which the company engages as well as the efforts undertaken in this field are further explained in the relevant sections of the Annual Report.

Agile approach to next-generation work trends

At Aygaz, human resources practices that enable the employees to build a healthy work-life balance are prioritized. Aiming to adapt the way it does business to the future quickly, Aygaz offers its employees flexible working and remote working opportunities with its ability to capture next-generation work trends.

Quality, Environment, Occupational Health and Safety

At Aygaz, all activities related to the environment, occupational health and safety, customer satisfaction, energy, and information security are managed with a holistic approach.



Aygaz manages all business processes with sustainability awareness, and the efficient use of natural resources and protection of the environment and stakeholders are strategic priorities for the company. Aygaz highly values the importance of product and service quality and customer satisfaction and carries out its operations with a focus on sustainability and environmental sensitivity.

As part of the efforts to ensure this balance, management systems have been integrated as a priority. The extensive work on occupational health and safety, and the value attached to environmentally sensitive business processes, innovation, intellectual property rights, product, service and system

quality, and the management systems all contribute to further strengthening the leading position of Aygaz in the industry.

Integration of management disciplines

Aygaz continues to work on improving and expanding the scope of its Total Quality Management approach, which was adopted in early 1990s. Integrated Management Systems are applied to ensure that all systems involving quality, environment, occupational health and safety, customer satisfaction, energy, and information security are managed in an integrated manner under one umbrella. The Integrated Management Systems Policy was revised in 2018 to respond to the latest needs. All Aygaz employees

are obligated to implement and apply the integrated Management Systems Policy. The handbook, created to provide information and guidance, is kept up to date and the Integrated Management Systems Policy is accessible to all at www.aygaz.com.tr. In 2019, the trainings of internal auditors were updated according to the revisions in the Integrated Management Systems. In 2020, internal audits were performed online due to the pandemic restrictions while the field inspections in 74 business units were conducted by 41 internal auditors.

Compliance with management systems, related to quality, environment, occupational health and safety, energy,

and customer satisfaction has been verified through internal and external audits, conducted as part of the periodic ADR inspections and in line with the Customer Friendly Organization and Customer Friendly Brand approach, and necessary improvements have been made. In addition to the improvement efforts, support has been extended to Koç Group companies by offering benchmarks to improve their management systems. System continuity has been assured through internal and external ISO 27001 Information Security Management System inspections.

The effectiveness of the Management Systems, applications, alignment with strategic targets and adequacy were evaluated in meetings and awareness raising activities were carried out. For the World Quality Day in 2020, a video was created, asking the employees and managers the question, "What comes to your mind when we say quality at Aygaz?" to raise awareness. The video was posted to all social media channels of Aygaz. Regarding the Process Management System, process development activities were carried out with all departments to simplify the processes and review the practices.

Aygaz follows customer expectations and needs closely to ensure ultimate customer satisfaction. Accordingly, the customers can communicate their feedback via various channels.

Aygaz Customer Complaints Management Pledge can be found on the corporate website.

Occupational health and safety practices

Aygaz operates at 12 locations, including the Head Office, the Gebze Plant, and other facilities, all holding ISO 45001 Occupational Health and Safety Management System Certification. The company has also taken active part in the activities of Koç Holding Occupational Health and Safety Coordination Board and led projects for continuous development. The training programs provided to the employees of Aygaz and subcontractors working at the filling and production plants to raise awareness on occupational health and safety, fire and emergency, and to build a stronger foundation for this corporate culture amounted to 8,258 person*hours in 2020. Some of these trainings were supported with drills.

Trainings on Environment and Waste Management

844

person*hours



Employees ¹	2018	2019	2020
Number of incidents with death	0	0	0
Number of occupational disease	0	0	0
Accident frequency rate (IR)	12.33	19.38	14.51
Lost day rate (LDR)	0.27	0.40	0.14
Total OHS training (hours)	8,842	10,877	8,258
OHS training per employee	7.93	9.59	7.68

¹ Total accident frequency rate (IR): Number of work injuries x 1,000,000 / Total person*hour

Lost day rate (LDR): Lost day due to work-related injuries X 1,000 / Total person*hour

GreenOdor

LPG is a colorless and odorless gas that is typically odorized with sulfur components around the world. This process, which enables detection of leaks, causes the release of sulfur oxides after burning. Aygaz launched a project for a sulfur-free odorant as a first in the world with the support of TÜBİTAK TEYDEB and Istanbul University's Technocity. The R&D, pilot, field, and commercial use phases of the project were completed and the product was patented. The goal is to strengthen Aygaz's reputation and prevent 40 tons of sulfur emissions per year by launching the internationally registered GreenOdor product.

Furthermore, 25 person*hours of online training was provided to raise awareness about emergency response and near-miss situations. On August 17, a list of precautions was published for awareness about What to do Before, During, and After an Earthquake.

In addition to ensuring business continuity, protecting the health of the employees, dealers and transporters remained a priority during the pandemic. Starting from the early days, required documents were prepared, decisions of the ministry and the governor's office were followed, quarantine and isolation measures were implemented, field inspections were carried out and as a result the number of cases was kept at a minimum. Along with these actions, basic precautions that can be taken not only at the workplace but also in social life were communicated to the employees to raise awareness and to share with their families. Pandemic-related

information documents and posters were used to highlight measures such as hygiene, wearing face masks, social distancing, nutrition, safety shopping, and what to do on special days like the holidays.

Turkish Standards Institute inspectors reviewed the COVID-19 practices and measures at the Gebze Plant, Yarımca Terminal Directorate, and the company's affiliate in the water business, Bal Kaynak Su İnegöl Plant, and inspected the facilities on site. As a result, these sites were granted COVID-19 Safe Production Certificates. Furthermore, the Gebze Plant, Aliğa and Ambarlı Terminals, and the Head Office were inspected by TÜV SÜD for compliance with COVID-19 measures, and these locations were found to be effective.

As part of the digitalization process, Occupational Health and Safety Information Management System (OHSIS) software WorkSafe was procured and implemented to monitor and report occupational health and safety practices. Integration of WorkSafe with SAP was completed in 2020 and migration of the Basic OHS training program to the system started.

Environmentally sensitive business processes

Aygaz manages all business processes with sustainability awareness and focuses on the efficient use of natural resources

Waste (tons)	2018	2019	2020
Recycled/Recovered (R-coded methods) hazardous waste (tons)	495	588.00	420.12
Recycled/Recovered (R-coded methods) non-hazardous waste (tons)	9,123.00	7,165.00	5,716.67
Disposed of (D-coded methods) hazardous waste (tons)	48	10	30
Disposed of (R-coded methods) non-hazardous waste (tons)	0	0.02	0
Hazardous waste sent to regular storage/landfill (tons)	0	0	0.12
Non-hazardous waste sent to regular storage/landfill (tons)	0	0	0

and protecting the environment as a strategic priority. Aygaz aims to contribute positively to urban air quality with its environmentally sensitive product portfolio. Aygaz operates at 12 locations, including the Head Office, Gebze Plant, and other facilities and is the holder of ISO 14001: 2015 Environmental Management System Certificate. Environment and energy management is executed with a holistic approach in compliance with applicable legislation and international standards, in line with Koç Group targets and principles, and in accordance with the Integrated Management Systems Policy and Aygaz Climate Change Strategy frameworks.

Aygaz regards climate change as a major risk with serious environmental and socioeconomic impact and therefore focuses on sustainability in product and service development processes. In the projects carried out for this purpose, the company proceeds in coordination with all related parties. The Climate Change Strategy, created to contribute to the global efforts to mitigate the impact of climate change, can be found on the corporate website.

Year on year, the electricity consumption decreased by 2.5% at the Terminal Directorates and Filling plants and 17% at the Gebze Plant, respectively, amounting to 15.6 million kW in total. With sourcing agreements signed for Aygaz facilities, the tariff categories were changed from business to energy, resulting in a cost reduction of TL 1.4 million.

Yarımca Terminal and Gebze Plant underwent 10 inspections in total, including energy documentation audits, and internal, external and field inspections. Furthermore, 170 person*hours of energy awareness training was delivered. In 2020, the impact of the energy efficiency projects implemented across Aygaz was 25 K kW in electricity savings and 321 K kWh in natural gas while the total impact on an annual basis amounted to 64 K kW in electricity savings and 430 K kWh in

Aygaz manages all business processes with sustainability awareness and focuses on the efficient use of natural resources and protecting the environment as a strategic priority.

Energy Consumption (GJ)	2020
Coal consumption	0
Natural gas consumption	51,426.4
Diesel consumption	75,211.7
LPG, CNG, LNG consumption	20,481.6
Butane, propane, ethane consumption	2,231.3

Greenhouse Gas Emissions (tons CO ₂)	2018	2019	2020
Scope 1	4,429	4,064	4,081
Scope 2	8,705	8,263	7,185
Total	13,134	12,327	11,986
Greenhouse gas intensity (kg CO ₂ /ton generated) ²	6.7	6.58	6.88

² The generated quantity is not the LPG tonnage that Aygaz sells directly to the end user, but the tonnage handled, or that affects the electricity consumption.

Air emissions (kg/hour) ³	2018	2019	2020
No _x	1.72	3.67	0.76
So _x	0.07	1.25	0.05
Volatile Organic Compounds (VOC)	8.3	25.8	19.911

³ The total quantity found as a result of the emission measurements in 2020 in accordance with applicable regulations.

Water Withdrawal (m ³)	2018	2019	2020
Groundwater	0	0	0
Surface Water	42,395	40,146	27,736
Municipal Water	35,957	32,304	41,362
Rain Water and Other Sources	24,383	18,781	18,866
Total	102,735	91,231	87,964

Environmental Trainings	2018	2019	2020
Participants (Employees)	477	811	844

Supplier Training Hours	2018	2019	2020
Ethics	138	112	145
Environmental	138	1,037	1,100
Social	1,489	1,210	950

natural gas. Annually, energy savings of 39 TEP (1.633 GJ) and 108 tons of CO₂ reduction were achieved.

Aygaz aims to reduce its carbon emissions by using renewable energy more. As part of the Arinna Project to generate electricity through rooftop solar panels, the first solar energy system was installed on the roof of the Gebze Plant Administration Building. With this power generation equipment, which has a total capacity of 75 kW and combines three different solar panel technologies (polycrystalline, monocrystalline and thin-film) each with a capacity of 25 kW, Aygaz aims to find the most ideal solution by comparing different panel technologies while generating electricity. In 2020, this project generated 330 GJ of solar energy at the Gebze Plant.

Aygaz monitors its impact across the value chain as part of waste management. The company reduces and recycles its waste at the source or disposes of waste safely when recycling is not possible. The Zero Waste Management System was implemented in accordance with the Zero Waste Regulation, and the Zero Waste Certificate has been obtained for the Dörtöyl Facility in 2020.

In water management, Aygaz aims to reuse as much water as possible by consuming it in the most efficient way. The company has reduced its total water consumption by 14% through the projects implemented over the last three years.

Aygaz achieved this level of reduction first at the Gebze Plant in 2019 thanks to the waste heat recovery project, which made it possible to decommission the cooling tower, thus saving 13,000 tons of water. In 2020, the combined total amount of recycled, recovered, and reused water increased by 2% year on year, reaching 18,156 m³.

Aygaz enters into partnerships and also supports various projects to protect biodiversity. Aygaz has supported a number of projects conducted by the Mediterranean Conservation Society since 2015. These include contributing to the protection of species such as the Mediterranean Monkfish (*Monachus monachus*) and Sandbar Shark (*Carcharhinus plumbeus*) as part of the Gökova Bay Marine Protection Areas Monitoring and Protection project. The project has expanded over time, and the areas that were protected by banning fishing were transformed into the Marine Rangers Project, marking a significant achievement.

Regarding environmentally-sensitive business processes, 844 person*hours of environment and waste management training was delivered at the terminal directorates and filling facilities as required by legislation. As part of the communication activities to raise environmental awareness, the in-house Environment Newsletter, published since 2017, continued to reach the readers in 2020.

Turkey's first sustainability report

In 2002, Aygaz became the first company in Turkey to publish a sustainability report and has continued to share its sustainability performance with stakeholders regularly ever since. Starting in 2008, the report is updated every other year in line with the Global Reporting Initiative (GRI) principles. Aygaz fulfils all of its obligations with respect to the working conditions, human rights and transparent corporate governance within the framework of the Global Compact, signed by Koç Holding, and strives to minimize the environmental impact of its production, services, and products. Aygaz carries out the activities in this regard by implementing policies integrated into its management philosophy. This is also included in the Koç Group Sustainability Report. Aygaz continues with annual reporting in line with the BIST Sustainability Index, in which the company has been included in 2020 as in previous years.

Sustainable operations

Aygaz prioritizes operational excellence and safety in business processes while working to ensure quality, ethical principles, and environmental and social compliance across the value chain. These operations span a broad scope from LPG sourcing to delivering the products to the end-user and re-collecting them.

Supplier selection is based on several criteria, including human rights, working conditions, occupational health and safety, anti-corruption practices, and environment. In this process, quality, ethical principles, and environmental and social compliance are considered across the value chain. Koç Holding is a signatory of United Nations Global Compact (UNGC), and as a Koç Group company, Aygaz does not procure goods or services from suppliers that do not meet the UNGC criteria.

Aygaz continues with annual reporting in line with the BIST Sustainability Index, in which the company has been included in 2020 as in previous years.

Integrated Management Systems Policy

Aygaz carries out all activities in its fields of operation and LPG in particular in accordance with the Objectives and Principles of the Koç Group and adopts the following as its main policies:

- > Being a pioneering and innovative company in the industry;
- > Seizing strategic growth opportunities;
- > Prioritizing customer perception, sustainable customer satisfaction and loyalty, and offering applicable solutions with Customer Complaints Management Pledge;
- > Ensuring that work processes are managed efficiently and developed continuously;
- > Carrying out activities to support innovation, digitalization and climate change strategies
- > Maintaining successful level of employee loyalty and satisfaction through regular measurements;
- > Promoting high quality and safety standards, offering the best products and services
- > Working in compliance with regulations and standards;
- > Ensuring and improving optimal stakeholder satisfaction in accordance with corporate governance principles by seeking stakeholders' opinions;
- > Working with respect toward the community and the environment, creating a healthy and safe work environment, and developing preventive approaches against possible occupational diseases and injuries;
- > Reducing potential negative environmental impact resulting from products and operations by conducting lifecycle analyses;
- > Prioritizing energy efficiency in plants, building design and procurement processes
- > Preventing pollution, reducing waste, and ensuring proper disposal of waste by recycling as a priority;
- > Considering possible environmental impact and occupational health and safety risks when making investments;
- > Upholding ethical values;
- > Informing the community regarding its operations.

All employees at Aygaz A.Ş. are responsible for applying and building on the principles of the Integrated Management Systems Policy and providing the necessary resources.

Innovation and Intellectual Rights

Intrapreneurship activities, collaborations with stakeholders, and investment opportunities are an important part of the innovation efforts at Aygaz.

Aygaz stands apart in its sector as an innovative company that supports the creativity and entrepreneurship efforts of its employees in the innovation process. For this purpose, the company promotes and encourages intrapreneurship activities by considering the opinions of the employees to transform every idea that will create value for stakeholders into benefits.

Birth of new ideas

Among the project proposals that the employees submit to the Aythink Idea Collecting Platform and the ideas put forward during Design Thinking workshops, those that align with the Innovation Strategy of Aygaz are developed into business ideas with the “Lean Startup” methodology. Since 2016, 987 ideas have been collected with these methods and six Intrapreneurship Tours have been organized. Of the 34 innovation projects studied during these tours, 21 have received investment to move on to the pilot stage.

Aykargo: Technology-driven distribution company from intrapreneurship

Aygaz recognizes the opportunities in the parcel shipping and delivery sector, which is fast evolving in line with the rapidly growing e-commerce (B2C) and the economy (B2B). In the search for a business model where Aygaz could use its existing dealer network and home delivery experience, Aykargo presented a viable option. Aykargo is a result of the intrapreneurship efforts that the company leverages to create added value for its shareholders and dealers by using its



strong brand, dealer network and facility infrastructure assets as a platform. In 2020, the initiative was incorporated as Aygaz Aykargo Dağıtım Hizmetleri A.Ş. To date, Aykargo has delivered close to 300 thousand packages to 11 corporate customers with high customer satisfaction and flexible working models.

Cooperation and investment opportunities

Drawing from the fact that successful international companies achieve innovation not only with internal resources but also by working in harmony with all stakeholders, Aygaz subscribes to angel investor networks to seize cooperation and investment opportunities with startups in their ecosystems. In 2020, Aygaz became one of the first partners of Plug and Play, the largest innovation and entrepreneurship platform of Silicon Valley, and strengthened its connections with this ecosystem thanks to this relationship.

Intellectual property portfolio management

Protecting and monitoring intellectual property rights as part of business processes is particularly important to Aygaz. The company manages an intellectual property portfolio, which expands by the year with trademarks and patents registered in domestic and international markets or are at the application stage. Since its inception, Aygaz has been allocating resources for trademarks, patents, industrial designs, works, and Internet domain name protection and monitoring. The objective of the intellectual property management process at Aygaz is to support both the in-house creative talents in light of intellectual property strategies and also to protect R&D, marketing and operational activities in all aspects. The patent portfolio of Aygaz is periodically reviewed and commercial valuation of the patents is carried out.

Research & Development

Aygaz R&D Center, founded in 2018 as the first in the industry, focuses on the development of new products, machinery, and processes, and issues of clean energy and alternative fuel.

The goal of Aygaz R&D Center, the first among the LPG distribution companies in Turkey, is to contribute to the sustainable development of Aygaz and to support the company's vision of playing a pioneering role in new markets. "New Product Development," "Alternative Fuels and Clean Energy," and "Machinery and Process Development" are the three focus areas of the Aygaz R&D Center, which launched its first commercial product on to the market in 2019, marking a significant development in the industry.

Aygaz R&D Center, founded in 2018 as the first in the industry, operates with 18 researchers and aims to develop new technologies that will create value for business processes and stakeholders. The R&D Center has a team of experts and houses an Engine and Fuel Technologies Laboratory, a Chemicals Laboratory, an Automation and Design Laboratory, an Embedded Systems Laboratory, a Manufacturing Workshop, and Prototype and Test Lines.

University – industry cooperation is very important to Aygaz R&D Center, which collaborated with seven new universities in 2020. Currently, three projects are run as part of the TÜBİTAK TEYDEB 1501 Industrial R&D Projects Grant Scheme (The Scientific and Technological Research Council of Turkey, TEYDEB -Technology and Innovation Grant Programs Directorate).

A first in the cylinder gas market: Cylinder Loading Robot

The R&D activities that started in 2019

with the development of a 1/4 scale prototype of the Cylinder Loading Robot continued in 2020 for a large-scale Cylinder Loading Robot. This project aims to automate the cylinder loading process, which is typically performed manually by workers to load the cylinders on to the transportation vehicles. A Cylinder Loading Robot, which was launched at the Ambarlı Terminal, marked a very important first for both Aygaz and the sector, especially in terms of occupational health and safety. Following the Mini Cooktop, custom designed for the Aygaz Mini cylinder

in 2019, an alternative bigger model, the Mini Cooktop Extra product was launched in 2020, continuing the concept of "Portable Cooktop". The R&D work on this product enabled the kitchen stove system to be used in camping cooktops to meet customer expectations. The Mini cylinder carrier and the Maksi cylinder base were two other products, finalized through R&D activities and launched on to the market in 2020. Introduction of new models, camping gear and cylinder accessories increased diversity in the cylinder gas market.



Social Responsibility

Supporting sustainable projects that create lasting value and considering the environmental balance while serving the community are two key factors that lie at the heart of Aygaz's corporate citizenship approach.

Aygaz leads the industry with pioneering works in its fields of operation and also undertakes value adding projects in issues that concern the community and the environment. Supporting several projects in areas such as gender equality, history, culture and the arts, environment, health, sports, and education, many among the UN Sustainable Development Goals, Aygaz invests in the future. Aygaz cares about the development of the regions where it operates and the local communities and contributes to environmental, social and cultural development through social responsibility projects.

CULTURE & ARTS

Aygaz Library: Aygaz Library is a project that Aygaz brought to life with the aim of putting together the cultural and historic heritage of its geography with writing and imparting them onto future generations and has become a wealth of reference in the culture and arts world for arts enthusiasts, scholars and university students. Since its launch in 1996, Aygaz Library has continued to grow with books on various topics. There was no addition to the library in 2020.

The History of Ottoman Diplomacy:

The History of Ottoman Diplomacy Project is one of the many cultural activities of Aygaz. With this project, documents and information curated from the Ottoman archives are published in book form. With eight more books added in 2020, the total number of published works now stands at 86.

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155 Polis	156 Jandarma	112 Acil Çağrı Merkezi
ALO 183 Sosyal Destek Hattı	157 Yabancılar İletişim Merkezi	
0212 656 96 96 0549 656 96 96 Aile İçi Şiddet Acil Yardım Hattı		

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AYGAZ

Excavations in the ancient city of

Sagalassos: Aygaz has supported the excavations at the Sagalassos Ancient City, located at the foothills of the Taurus Mountains, with traces of the first settlement dating back to 4200 BC, since 2005. The archaeological work in the Upper Agora, which Aygaz supported since 2017, has been fully completed. New info board and maps were designed

and placed to prepare the center of the ancient city for a better visit experience. On the hills behind the Antonine Nymphaeum, to the north of the Upper Agora, a trimming and surface cleaning was carried out in the area covered by thick bush where monumental building remains are believed to be and an orthographic plan was formed using aerial images.



IKSV Theatre Festival Sponsorship:

Aygaz has supported the theater since 2004. In 2020, Aygaz continued its support as the co-sponsor of the Istanbul Theater Festival. This year, the 24th edition of the festival featured 14 plays on stage and 11 plays online, attracting an audience of 30,500 people in total.

ENVIRONMENT

“What will the weather be like tomorrow?” Project: This project launched in 2010 by Aygaz in cooperation with the Regional Environmental Center (REC), is ongoing with support from the Ministry of Environment and Forestry. Meanwhile, educational programs are offered at the Rahmi M. Koç Museum since 2012. The Climate Change Awareness Workshop hosted in the museum’s Discovery Globe was attended by 2,629 students from 67 schools in the January – March 2020 period. To date, 99,584 students from 2,399 schools have attended these workshops.

HEALTH

Diabetic Children's Camp: Aygaz has always been closely involved with public health issues and supported the Diabetic Children’s Camp, organized by the Child and Adolescent Diabetics Association since 2004. As one of Turkey’s first health camps dedicated solely to children, the camp aims to teach diabetic children to become self-sufficient while having fun and making new friends. The camp could

not be organized in 2020 due to the pandemic. Aygaz will continue to support the Diabetic Children’s Camp.

SPORTS

Sports Club Sponsorships: Sports is another social field that Aygaz supports. Since 2013, Aygaz with its Mogaz brand has sponsored the Beşiktaş Handball Team. With this sponsorship by a private sector company as a first in the handball discipline, the team has come to be known as Beşiktaş Mogaz. Starting in the 2019 season, the title sponsorship has continued with the Aygaz brand in 2020. Beşiktaş Aygaz Handball Team successfully represents Turkey in the European Handball Federation (EHF) Champions League. With the support extended to other sports disciplines, Aygaz became a sponsor of the Fenerbahçe Sports Club Professional Football A Team. In addition to handball and football, Aygaz began to sponsor Tofaş Basketball Team in the 2019-2020 season.

COMMUNITY DEVELOPMENT

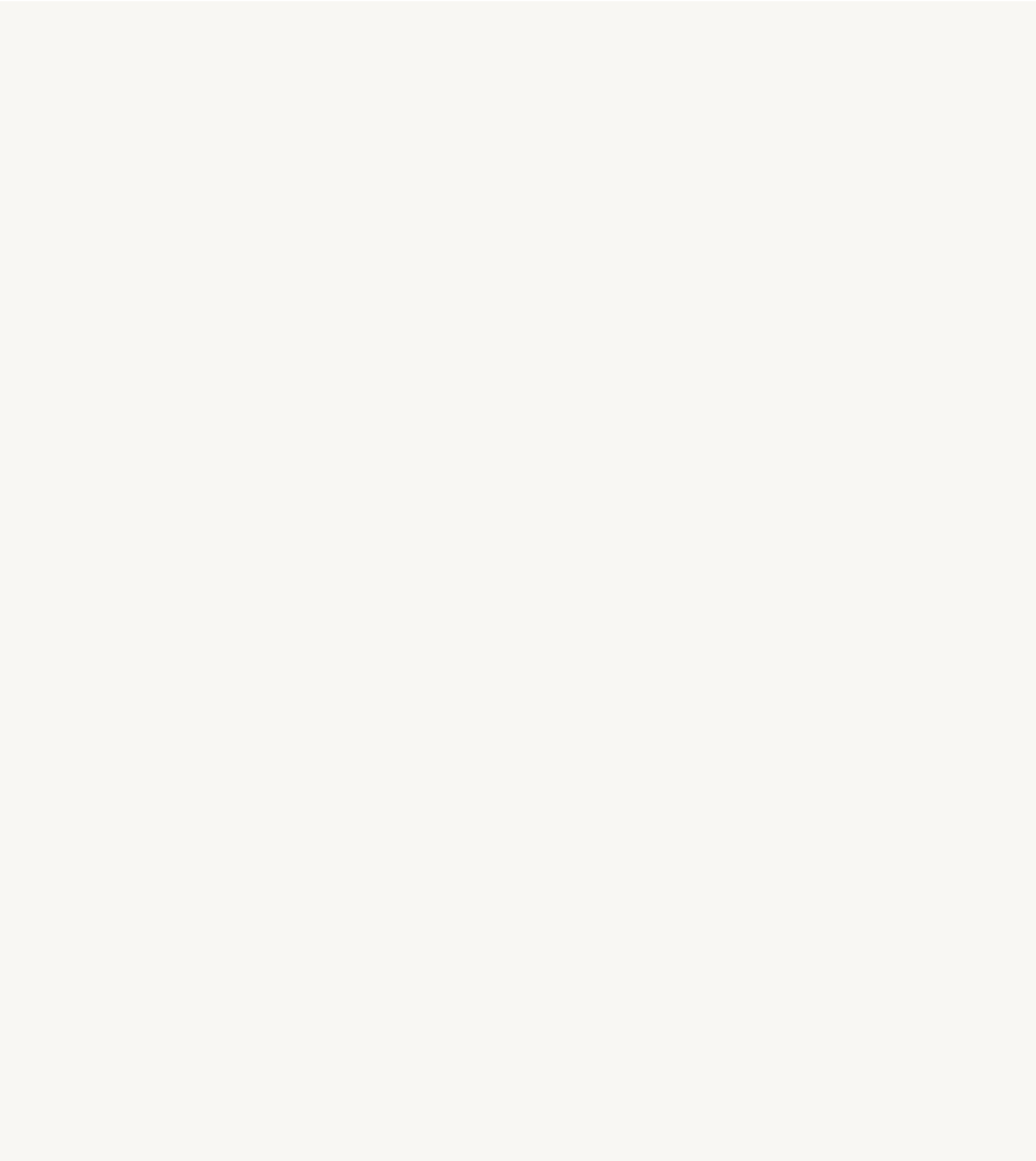
“Don’t Stay Silent Against Violence!” Project: Aygaz, a signatory of the United Nations (UN) Global Compact and Women’s Empowerment Principles since 2016, launched the “Don’t Stay Silent Against Violence!” project in partnership with UN Women to draw attention to domestic violence, which saw a rise during the COVID-19 pandemic, and its social and economic

impact on women. Topics such as how the COVID-19 period reflected on the women’s work and social life, the challenges that women face and the channels where they could seek help were highlighted in content created together with the UN Women Turkey Office. This content was shared with women through the dealer and station network and other communication channels. As part of these efforts, nearly 150,000 flyers and 1,500 stickers were distributed and 18,000 female customers with opt-in for digital communications were informed by email. Ten female customers who contacted the Aygaz Call Center were asked to listen to the voice message about this issue. The Safety Plan was sent to 260 female employees within the company. The communication campaign reached 111,426 views, 965 engagements, and 853 likes on social media.

EDUCATION

Aygaz Firefly Education Unit:

Aygaz has supported the education of children and young people in partnership with the Education Volunteers Foundation of Turkey (TEGV) since 2001. In the 2019-2020 period, Firefly Education Unit reached 6,159 students with an education program, which included courses such as Algo Digital Information, Enjoy Learning Math, Enjoy Learning Science, Read and Play, Drama Workshop, and Enjoy Learning Hygiene.



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