



SUSTAINABILITY REPORT

2018

AYGAZ

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ABOUT THE REPORT

In the 2018 Aygaz Sustainability Report, we disclosed environmental, social and corporate governance performance of Aygaz A.Ş. (Aygaz).

The report, which covers the period between 1 January and 31 December 2018, also includes 2019 activities and future plans. This report has been prepared in accordance with the GRI Standards: Core option.

The content of the report were guided by material issues determined last year through the extensive materiality analysis. This year, we also included to the report the feedback from our stakeholders that we received through face-to-face and online interviews regarding our report and our activities.

You can contact us with all your questions, opinions and suggestions via aygazsurdurulebilirlik@aygaz.com.tr.

MESSAGE OF THE GENERAL MANAGER



Dear Stakeholders,

As expected, 2018 was a year of fluctuations in global economy as well as political, economic and social uncertainties. Despite all challenges, we left a successful year behind by focusing on our long-term and sustainable growth target.

We continue our investments and growth journey with our faith in the market of LPG, an easily treatable and transportable energy resource. We have become the top company among 97 other licensed companies in LPG sector in terms of both turnover and market share and maintained our leading position in the sector with a share of 26.4% as of the end of 2018 according to the LPG Market Sector Report of EMRA (Energy Market Regulatory Authority). We reached a sales volume of 2 million tons with the domestic retail, as well as wholesales and exportation figures and achieved a consolidated turnover of TRY 9.6 billion with an increase of 13% compared to the previous year.

According to the Top 500 Largest Industrial Companies of 2018 ranking of Istanbul Chamber of Commerce (ISO), we continue contributing to the economy of our country as the 18th largest industrial company in Turkey, while creating a shared value for all our stakeholders through our sustainability works. With our successful performance, we were included in the Borsa Istanbul (BIST) Sustainability Index where only

companies traded in the BIST and having high corporate sustainability performances are traded. Furthermore, we increased our Corporate Governance Score from 9.36 to 9.40 as part of the transparent and accountable management approach. Offering our products to the consumers at more than 2,400 cylinder gas dealers and 1,700 autogas stations throughout Turkey, we have continued to be a popular brand in the sector. Thanks to our approach with a particular focus on customer satisfaction, we have been selected as the Brand with Highest Customer Commitment Level for the third time in a row in cylinder gas and autogas segments as a result of *Customer's Voice in Turkey Survey*.

We have the goal to take our pioneering and innovative positions in the sector further and benefit from the new technologies in the most efficient way possible during our digitalization journey. We have taken a significant step towards this goal and established the first R&D Center in the sector with an investment of TRY 2.5 million. At the center, we will carry out different innovation projects ranging from researching alternative and clean energy sources to increasing efficiency. We attach utmost importance to the integration of innovative approach throughout the company. With our new product, service and business model projects carried out as part of

the innovation culture and in house entrepreneurship within the company, we were presented an award by International Data Corporation (IDC) in the category of Innovative Women. Moreover, the Aykargo project we carried out together with Koçtaş was awarded in the Most Successful Koç People's Award Ceremony in the category of Cooperation Developers.

We continued to invest in our employees with a particular focus on talent management. We activated new digital performance and talent management processes through HR Master platform which was implemented to carry Human Resources processes to integrated and new generation digital platforms. We were presented an award in Crystal Helmet Awards in the category of Public and Private Sector for our activities to popularize health and safety culture.

I would like to thank all our customers, dealers, employees, suppliers and stakeholders for their support in our sustainability journey and their trust, which enables us to carry on with bigger achievements.

Gökhan Tezel
General Manager

ABOUT AYGAZ





-
- **Aygaz in Figures**
 - **Vision, Mission and Strategic Priorities**
 - **Shareholding Structure**
 - **Subsidiaries and Affiliates**
 - **Sustainability Material Issues**
 - **Highlights of 2018**
-

ABOUT AYGAZ



We are an integrated LPG company, conducting LPG supply, stocking, filling and LPG device production and sales operations and we have the leading position in the sector with 26% market share.

We are an integrated LPG company, conducting LPG supply, stocking, filling and LPG device production and sales operations, active in LPG sector since 1961. As Koç Group's most established company operating in energy sector, we have the leading position with our 26% market share with our widespread dealer network, fast services and quality products. As the first and only company open to public in LPG sector, we ranked 18th among the largest industrial organizations in Turkey according to the Top 500 Big Industrial Companies of 2018 of Istanbul Chamber of Commerce (ISO). We work with the vision of becoming the leading company, which offers energy solutions, particularly LPG and natural gas, in Turkey and other potential markets. We continue our activities in our plants at international standards including five marine terminals equipped with the latest technologies, six filling facilities, nine distribution centers, and one plant that produce pressured containers and accessories. We sell our products in domestic and foreign markets. We have the largest LPG storage capacity in Turkey with a total of 178,000 m³. In addition, we manage the biggest LPG marine

logistics operation in Turkey with our tanker companies.

We serve in 81 provinces with 1,718 autogas stations and 2,406 cylinder gas dealers. We enter more than 60,000 households every day by offering most preferred LPG products and we supply autogas to 200,000 vehicles per day via the stations of Aygaz and its brands. We reached a sales volume of nearly 2 million tons in 2018, including 1.1 million tons of cylinder gas, bulk gas and autogas.

We announced two investments abroad in 2019. We opened an office in London in order to create value in the supply chain as the biggest LPG importer in Europe. We will support our import, export and transit operations through our London office by increasing the trading volume we have with third parties in foreign markets. Another investment was to open up to Asian market, which has the largest share in domestic LPG consumption in the world and the fastest growth trend. We established a company of 50/50 partnership with United Enterprises in Bangladesh, one of the leading companies in the country for LPG supply, filling and distribution.

Aygaz in Figures

The 18th largest company in Turkey
according to ISO 500 List

The biggest LPG storage capacity in Turkey with
178,000 m³

TL 3.4 million
market value

9.40
Corporate Governance Score

315,000 tons
cylinder gas sales

2,406
cylinder gas dealers

1,718
autogas stations

907,000 tons
wholesales and foreign sales

2 million tons
total LPG sales

730,000 tons
autogas sales

28.800 m³
total LPG carrying capacity with Beykoz, Beylerbeyi and Kuzguncuk ships

17%
The rate of activities of marine and ship transportation we conduct with our own fleet

39 hours
training per employee

8.5 million units
Pürsu branded carboy water sales

Vision, Mission and Strategic Priorities

VISION

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

MISSION

To offer the best products and services in all fields of operation and particularly in LPG by prioritizing high quality and safety standards with work principles that align with corporate values of the Koç Group and always respecting the community and the environment

STRATEGIC PRIORITIES

Sustain its market leadership in LPG by:

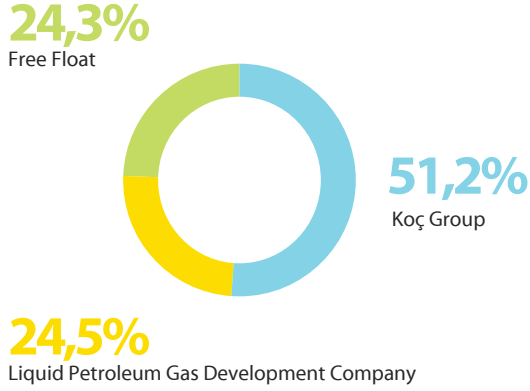
- Investing in the future with the responsibility of being the industry's highly reputable, reliable and consumer-oriented brand,
- Prioritizing high safety standards and product quality,
- Developing innovative products and services with solutions that place innovation and digitalization at the core.

Ensure sustainable growth to move its current position forward by:

- Following and seizing opportunities for mergers, acquisitions and investments at home and abroad,
- Improving efficiency in all processes from sourcing to selling LPG,
- Aiming to create value for all stakeholders.

ABOUT AYGAZ

Shareholding Structure



Subsidiaries and Affiliates

Aygaz Doğal Gaz	100%
Anadolu Hisarı Tankercilik	100%
AKPA	100%
ADG Enerji Yatırımları	100%
ENTEK	50%
Opet Aygaz Gayrimenkul	50%
Enerji Yatırımları (EYAŞ)	20%

Detailed information about our subsidiaries and affiliates is provided in the 2018 Aygaz Annual Report.

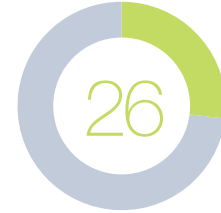
Financial and Operational Performance

2018 was a successful year in terms of operational and financial performance. Also this year, like the years before, we maintained **our leadership position in LPG market**, where 93 companies operate according to the data of EMRA (Energy Market Regulatory Authority). As of the end of December, our company's **total market share was 26%**, its share in cylinder gas segment was 42% and its share in autogas segment was 22%.

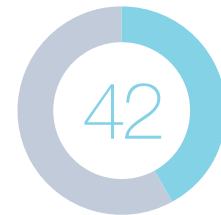
Aygaz's combined domestic sales of cylinder gas, bulkgas and autogas amounted to 1,092,000 tons. Wholesale, export and transit sales included, this figure reached 2 million tons. As of 2018 year-end, we recorded **TL 9.6 billion in consolidated turnover**.

Market Share (%)

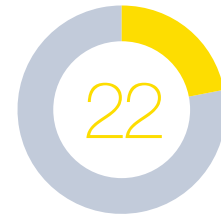
LPG
Market Share



Cylinder Gas
Market Share

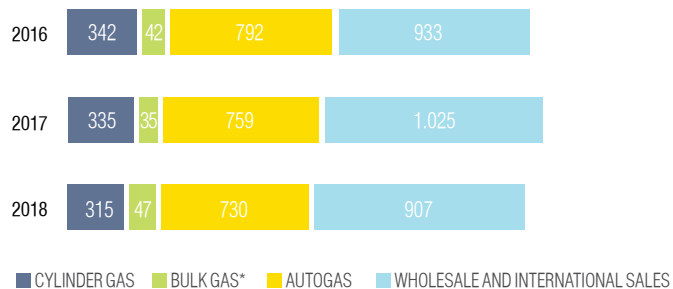


Autogas
Market Share



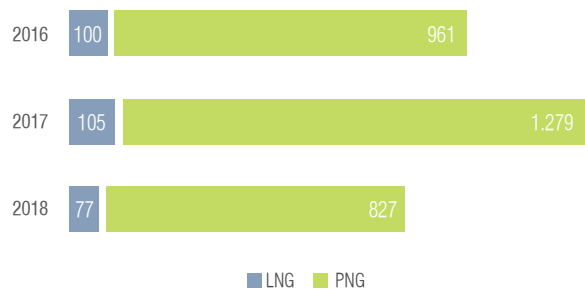
OTHER AYGAZ

LPG Sales Volume by Segments (000 TONS)

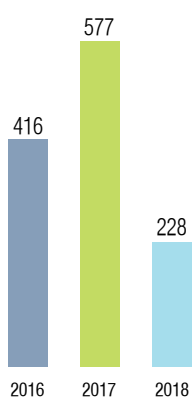


*Petrochemical Sales included

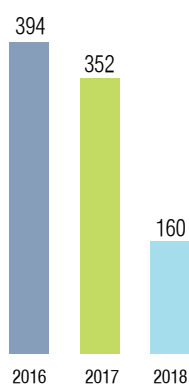
Natural Gas Sales Volume (mcm)



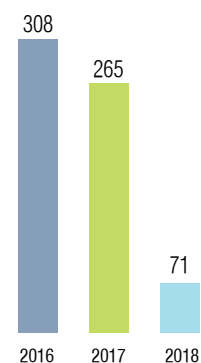
Net Profit (TL M)



EBITDA (TL M)



Operating Profit (TL M)



Summary Financial Indicator

(TL M)

	2018	2017	2016	2018-2017 Change
Sales revenues	9,554	8,469	6,749	13%
Gross profit	634	741	787	-14%
Operating profit	71	265	308	-73%
Pre-tax profit	250	621	469	-60%
Net profit	228	577	416	-60%
EBITDA	160	352	394	-55%
Gross profit margin	7%	9%	12%	-2
Operating profit margin	1%	3%	5%	-2
Net profit margin	2%	7%	6%	-5
EBITDA margin	2%	4%	6%	-2
Current assets	1,618	1,588	1,277	2%
Fixed assets	3,396	3,379	2,954	0.5%
Total assets	5,013	4,966	4,231	0.9%
Short term liabilities	1,484	1,279	924	16%
Long term liabilities	1,027	764	566	34%
Shareholders' equity	2,502	2,923	2,742	-14%
Total equity and liabilities	5,013	4,966	4,231	0.9%
Return on equity (ROE)	9%	20%	15%	-11
Net debt/equity ratio	30%	13%	2%	17
Current ratio	1.09	1.24	1.38	-0.15

ABOUT AYGAZ

SUSTAINABILITY MATERIAL ISSUES

We manage sustainability in the context of strategic areas that we have identified. To respond to global trends that are of particular concern in our sector such as information security, big data, climate change, demographic change, increasing energy demand and increasing importance of sustainable energy resources enable us to prepare our company for the future. With this purpose, we identified material issues through

an analysis in accordance with international standards.

We received internal and external stakeholders' opinions last year via the analysis we conducted in conformance to AccountAbility AA1000SE (Stakeholder Engagement) Standard. We conducted an external trend analysis by reviewing the trends that affect our sector and global agenda, by taking into account international principles and standards, particularly Sustainable Development Goals. We combined




the results of stakeholder analysis and external trend analysis. On the other hand, we evaluated Aygaz's strategic priorities in combination with the opinions of company's senior management.

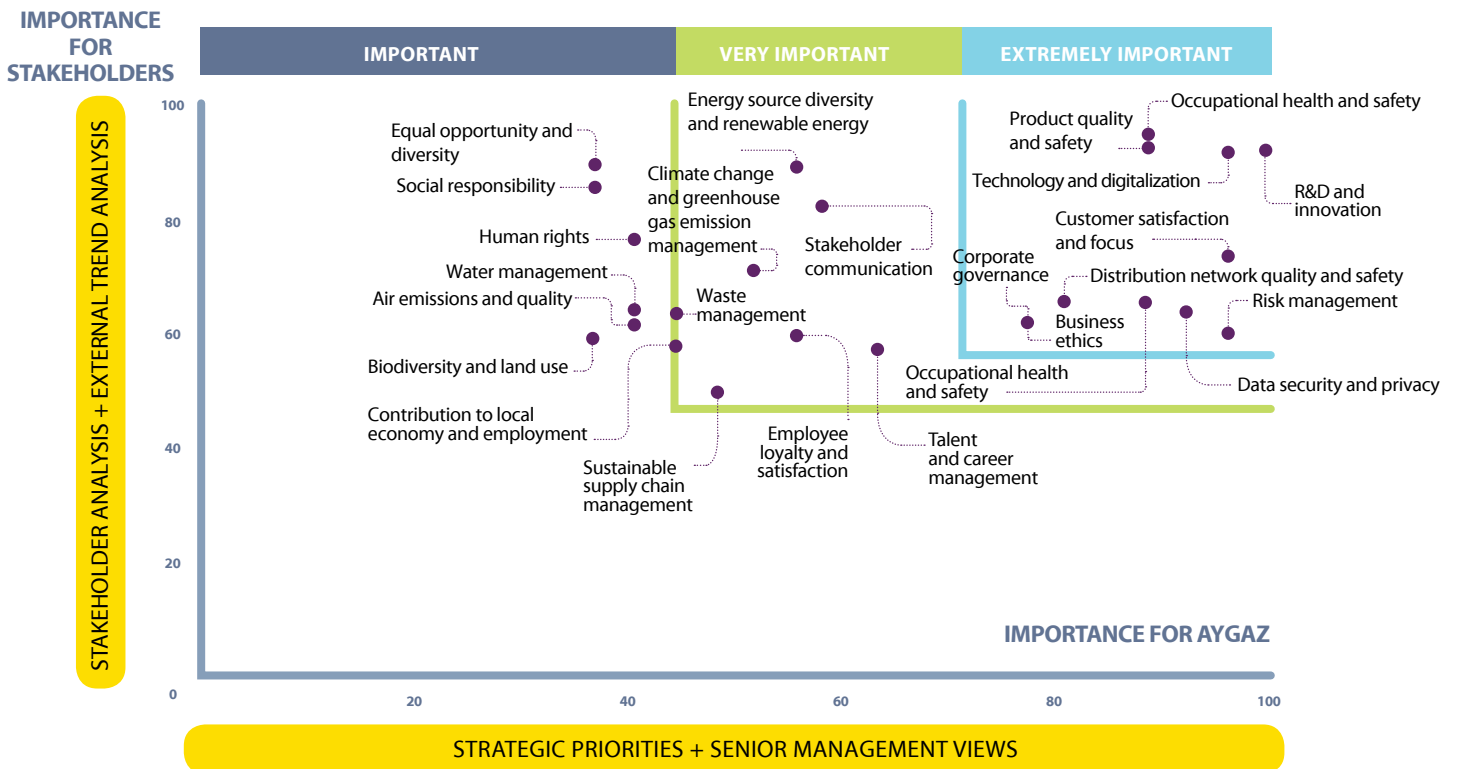
We identified most material issues that would create value for both Aygaz and stakeholders through analysis. We contribute in Sustainable Development Goals as well in these strategic areas.



Extremely Important Material Issues	Its Relation to Sustainable Development Goal
R&D and Innovation	
<p>We place great importance on R&D and innovation and make investments in this area to produce products and services that create value for all stakeholders and to be able to manage better changing customer demands in the rapidly changing market conditions with increasing competition.</p>	
Technology and Digitalization	
<p>We adapt technological innovations to our business processes in order to increase the quality of our products and services and to raise the level of customer satisfaction by meeting their expectations.</p>	
Customer Satisfaction and Confidentiality	
<p>We closely follow the expectations and needs of the customers with the purpose of creating the highest level of customer satisfaction, which is at the core of our business culture. Therefore, we enable all kinds of feedback from customers to reach our company via various communication channels. We assure the security of customer data in all activities through privacy agreements we make with the third parties.</p>	
Data Security and Privacy	
<p>Customer data privacy, a global trend that increasingly gains prominence. We assure the security of customer data in all activities within the framework of our privacy agreements we make with third parties</p>	
Risk Management	
<p>We identify and prioritize potential risks in order to enable the continuity of our operations and to make the trust we gained in the eyes of stakeholders long lasting, and we develop solutions to eliminate these risks.</p>	
Health and Safety	
<p>As part of health and safety (H&S), we take measures that go beyond the legal requirements with the goal of Zero Accident. We create working conditions that eliminate the risks inherent in our sector.</p>	
Operational Excellence and Safety	
<p>We manage all our operations with an integrated approach, including the whole value chain from supplying LPG to distributing our products to consumers and collecting them. Operational excellence and safety are among our material issues at all the stages of this chain.</p>	

ABOUT AYGAZ

Extremely Important Material Issues	Its Relation to Sustainable Development Goal
Product Quality and Safety	
We provide product quality and safety at international standards through our integrated management approach in all processes, from production stage of the product to its reaching to the customer.	  
Quality and Safety in Distribution Network	
We reach our customers in different parts of Turkey through our dealers within our wide distribution network and we conduct LPG supply and distribution activities with the biggest road transportation LPG fleet in the country. We work to offer the best standards without compromising quality and safety in our distribution operations.	 
Corporate Governance	
Our corporate governance approach with principles of equality, transparency, accountability and responsibility enables us to reach our long term corporate goals, thus we create sustainable value for all of our stakeholders.	
Business Ethics	
We put business ethics in the core of our corporate culture, and we aim to maintain our reputation without compromising from integrity and trust concepts and to create value for all of our stakeholders, particularly our shareholders.	



HIGHLIGHTS OF 2018

- We are listed in **Borsa Istanbul (BIST) Sustainability Index** with our sustainability performance.
- Our **A Corporate Governance Rating Score**, which was 9.36 in 2017, was **upgraded to 9.40**.
- SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. has determined the (National) **longterm credit rating score** of our company as (TR) **AAA**, (National), and the **short-term credit rating score** as (TR) **A1+** and its **outlook as stable**.
- Aygaz General Manager **Gökhan Tezel** was **elected to the Board of Directors of the World LPG Association (WLPGA)**.
- As a first among the LPG distribution companies in Turkey, **Aygaz R&D Center** was **established**.
- We were named **the Brand with Highest Customer Loyalty** in the cylinder gas and autogas segments in the Turkish Customer's Voice Survey **for the third consecutive year**.
- Our **Aykargo** project was **awarded in the category of Cooperation Developers** in the Most Successful Koç People's Award Ceremony.
- We won **first prize in the Mineral Fuels Exports category** and **fourth prize in the "Highest Increase in Exports" category** at the Stars of Export Awards presented by the Istanbul Chemicals and Chemical Products Exporters' Association.
- At the Standardization Summit themed "Guide International Standards", organized by the Turkish Standards Institute and the Union of Chambers and Commodity Exchanges (TOBB), we **won the award for Contribution to Standardization and Participation**.
- We were **awarded by International Data Corporation (IDC) in the "Innovative Women" category** for our new product, service and business model projects implemented to promote innovation culture within the organization and encourage internal entrepreneurship.
- We were **awarded in the Public and Private Sector category** at Crystal Helmet Awards, organized by Istanbul Metropolitan Municipality to promote health and safety culture.
- **Performance and talent management processes were initiated** on the HR Master platform, which was launched to move HR processes to integrated, next generation digital platforms.
- **We renewed the offices at our headquarters** to increase communication within the company and to create a modern, spacious and productive working environment. We also built in open spaces for work and break time.
- As part of Firefly Learning Unit's Education Program, we **supported Turkish Education Volunteers Foundation** to have approximately 1,000 students be provided coding lessons.
- **We updated and renewed keyiflibahce.com** using latest technologies which was launched in 2011 as our first e-commerce site and which offers products such as barbecues and heaters for outdoor activities.

CORPORATE GOVERNANCE AND BUSINESS ETHICS





-
- **Anti-Bribery and Corruption**
 - **Risk Management and Internal Control**
 - > *Risk Management Committee*
 - > *Internal Auditing and Internal Control*
 - **Sustainability Governance**
-

CORPORATE GOVERNANCE AND BUSINESS ETHICS



We conduct all our operations and activities according to our ethical principles, which we place at the core of our corporate culture, and consider transparency as our responsibility to our stakeholders.

Our corporate governance approach is based on fairness, transparency, accountability and responsibility. We create sustainable value for all stakeholders through this approach, which includes our ethical principles and values. We position corporate governance as the key factor in reaching our corporate goals. The importance we attach to corporate governance principles and our commitment to perpetuate this as a dynamic process manifest itself in our Corporate Governance Rating Score and involvement in Borsa Istanbul Corporate Governance Index. All our departments adopt our company's corporate governance approach and base their activities on this approach. Corporate Governance Rating determines the reliability of our work as part of corporate governance. We raised our Corporate Governance Score from 9.36 in 2017 to 9.40 this year.

Our ethical principles, which are at the core of our corporate culture, play a significant role in our way of doing business. In all our activities, from our own processes to supply chain, we stay committed to Aygaz A.Ş. Code

of Ethics and Business Conduct and Implementation Principles that we have issued based on Koç Group's Code of Ethics and Business Conduct and we require all our stakeholders to comply with. The implementation of ethical codes is conducted by senior Ethical Conduct Board, which consists of General Manager, relevant Senior Management, Human Resources Manager and Legal Counsel.

We consider transparency as our responsibility to our stakeholders. We disclose all information fully and accurately, except the ones considered as confidential business information. Business ethics as one of our extremely important material issues plays a key role in maintaining our relationship of trust with our stakeholders and our reputation. We refer to international organizations' principles in managing issues of human rights, fighting corruption and bribery, fair competition and internal auditing, and we base our activities on human rights and business principles in line with the United Nations Global Compact, signed by Koç Group we are affiliated with.

We raised our Corporate Governance Score to 9.40 in 2018.

We attach great importance for all the ethical principles to be adopted throughout the company. We incorporate our corporate governance principles based on ethical principles into a booklet and distribute it to all our employees including newly recruited people. We provided training on ethical conducts during the process of recruitment and orientation. The Procedure for Liabilities and Practice Regarding Work Life provides information about the path that should be followed in case of nonconformity to ethical rules. Notifications about all kinds of illegalities, which threaten the benefit of both Aygaz and society in general and violates business ethics, could be sent to our company in confidentiality via Koç Holding's central system.

[You can access detailed information about corporate governance and business ethics on 2018 Aygaz Annual Report and on Corporate Governance Reports on our website's Investor Relations page.](#)

[Aygaz A.Ş. Code of Ethics and Business Conduct and Implementation Principles can be found on our website.](#)

ANTI-BRIBERY AND CORRUPTION

As one of the main pillars of our business ethics, fighting bribery and corruption has a critical role in smooth operation of our activities as well as in our reputation. We are against any type of bribery and corruption in order to comply with the principles of The United Nations Global Compact signed by Koç Holding. We expect all our

stakeholders to adopt this approach, not only our employees but also all our business partners, particularly our dealers and suppliers. Reports regarding bribery and corruption are conveyed via Koç Holding's control system, which was described in Corporate Governance and Business Ethics Section. In 2018, we did not receive any notification regarding bribery and corruption.

RISK MANAGEMENT AND INTERNAL CONTROL

Our objective with corporate risk management is to identify potential risks and opportunities ahead of time, and to reach business goals by systematically developing strategies and actions.

We aim to maximize the value we create for our shareholders and other stakeholders by managing corporate risks in line with the company's strategies and goals. Accordingly, we identify and analyze internal and external risks; we define risk management strategies are defined considering updated processes and action plans, identify concurrent opportunities with these systematic policies.

We apply risk management that considers balanced growth and return and is in accordance with international standards and practices, as well as policies approved and strategic targets set by the Board of Directors, which takes into account feedback from departments and the Risk Management Committee in particular. Given the financial,

operational and legal risks encountered due to the nature of the industry we operate in, we manage risks -within the framework, of corporate risk management- with a systematic and proactive approach integrated with risk assessments spread across the company and constantly updated with the processes. Making this practice a part of corporate culture and implementing it throughout the entire company is essential in terms of business operations. With effective risk monitoring, we ensure that these risks are prioritized according to their probabilities and possible impacts, and managed accurately.

We inform The Board of Directors through internal reports, which are prepared by the management and presented to the Risk Management Committee periodically. Operational, legal and strategic risks are evaluated by related units, and the decisions made by the executive management are monitored by the Board of Directors through this committee. The Board of Directors also receives information about corporate risk management activities carried out within the scope of strategic planning and management processes through the executive management and the Risk Management Committee. For protection against any losses that may arise due to operational or other risks, various insurances are in place including the coverages for subsidiaries. All transferable risks are delegated to third parties with insurance policies. Operational risks are monitored by the relevant departments of the company and reported to senior management at regular intervals.

CORPORATE GOVERNANCE AND BUSINESS ETHICS

We monitor regulatory changes by all related units, and in particular through the Legal Department, while we provide necessary information, training and compliance activities to avoid legal risks.

RISK MANAGEMENT COMMITTEE

Risk Management Committee has been established with the aim of ensuring compliance with Article 378 of the Turkish Commercial Code No. 6102 and Corporate Governance Communiqué of the Capital Markets Board (CMB) as well as effective functioning of the Board committees, and carries out activities for early detection and effective management of risks that may jeopardize the company's existence, development and continuity, taking necessary measures against these risks and managing risks. The committee is chaired by independent Board Member Şadan Kaptanoğlu Dikici, appointed by the Board of Directors' resolution dated 26 March 2018, and the other member of the committee

is Board Member Dr. Bülent Bulgurlu. The committee, which convened seven times in 2018, assesses the risk management process at Aygaz and the principles and data of risk reporting, evaluates the periodical reports prepared within this scope, and offers recommendations regarding the necessary measures to be taken against the issues that do not comply with the limits defined in the risk management process. The reports and committee assessments are presented to the Board of Directors.

INTERNAL AUDITING AND INTERNAL CONTROL

An Internal Control System is in place to provide sufficient assurance regarding the efficiency of operations and the financial reporting system's compliance with related regulations. Internal Control System refers to all controls such as standard definitions included in financial transactions, reports and workflows, job descriptions, authorization/approval system, policies and written processes.

The Internal Control System is regularly assessed and audited by the Internal Audit Department, which performs its duties under the supervision of the General Manager. The mission of the Internal Audit Department is to present risk-based recommendations and predictions with objective assurance, thereby protecting and enhancing corporate value.

The Internal Audit Department conducts effective and regular internal controls to ensure the integrity, consistency, reliability, timeliness and security of the information provided by the accounting and financial reporting system. In 2018, the Company's terminals, plants and distribution facilities throughout Turkey underwent routine and/or necessary financial and operational inspections.

The department also analyzes processes, reviews the results of the audit activities conducted for issues considered risky, addresses the complaints and other issues



With an efficient and strong sustainability management, we were listed voluntarily for the first time in Borsa Istanbul (BIST) Sustainability Index in which companies with high sustainability performances are listed.



communicated to the company through various channels, and reports its findings to the executive management. The department follows through the action plans related to the reported issues and how they are resolved.

SUSTAINABILITY MANAGEMENT

Sustainability management enables us to manage our financial assets efficiently as well as our non-financial assets. We consider sustainability as an important tool in strengthening our relation of trust we have established with our stakeholders and in protecting our company's reputation. Our sustainability approach, which includes environmental, social and corporate governance areas, enables us to develop a strong corporate structure.


With an efficient and strong sustainability management, we were listed for the first time voluntarily in Borsa Istanbul (BIST) Sustainability Index in which companies with high sustainability performances are listed.

We develop and active and comprehensive management approach with all departments taking responsibility, particularly the top management, to ensure that

sustainability is embraced throughout our company.

Integrated Management Systems Policy, which is established by the management in line with the sustainability strategy and targets, reflects the key principles of our company's sustainability management. Moreover, in sustainability management, active committees play an important role such as Audit Committee which plays an active role regarding company's corporate management matters, Risk Management Committee, Executive Board, and Corporate Governance Committee. Moreover, the Sustainability Working Group which consists of Corporate Communications Department, Finance Department, Quality System, HSE-S and Industry Relations Department and Human Resources Department is responsible for following up on sustainability. The sustainability issues are reported to the General Manager by the Working Group and General Manager may report to Board of Directors when necessary. Sustainability strategy and goals are determined following the evaluation of Board of Directors in parallel with the business processes.

[You can access Integrated Management Systems Policy on Aygaz's website.](#)



"Aygaz conducts its operations with a high sense of responsibility and a strong vision of leadership. With its integrated management approach established regarding its social and economic responsibilities, Aygaz reveals the value given to its employees and stakeholders, particularly the society; and proves its leading position not only in terms of its economic performance, but also with its social and environmental awareness. The integrated management approach adopted and implemented through quality, environment, health and safety, customer satisfaction, information safety standards, the company manages the processes holistically and creates added value."

Gülin Özlükiz, Quality Systems and HSE Manager, Aygaz

**FROM HOME
TO ROADS:
RESPONSIBLE
PRODUCTS**





-
- **Innovation Culture**
 - **R&D Center**
 - > *Technology and Digitalization*
 - **Product Quality and Safety**
 - > *New and Innovative Products and Applications*
 - **Customer Focus and Satisfaction**
 - > *Communication with Customers*
 - > *Information Security*
-

FROM HOME TO ROADS: RESPONSIBLE PRODUCTS



As the leading company in the Turkish LPG sector, we offer our customers safe and best quality products, and focus on customer satisfaction in our services.

We are part of many people's lives with our rich product range and wide dealer network in every city of Turkey. We analyze rapidly changing customer expectations with our customer-oriented approach, we oversee information security, and we continuously diversify and develop our products and services with the opportunities that are enabled by new technological developments and digitalization. Our R&D and employee-oriented innovation culture plays a big role in doing that.

As the leading company of the sector in our country, which is one of the most important LPG markets in Europe, we always prioritize providing the highest quality in our products and services. Products safety is also an essential part of our quality approach. We aim to increase customer satisfaction and loyalty with our quality and safety approach in

products and services as well as in our distribution network.

In this context, we reach many customers in different areas of Turkey with our dealers who are part of our extensive distribution network and we aim to offer the highest quality and safety in our distribution operations. We are actively evaluating the business lines that will benefit from our dealer network.

INNOVATION CULTURE

Our leading position in the sector gives us the responsibility to offer our customers better products and services and to mitigate our potential negative impacts which may arise due to our activities. For that, we include digitalization and the latest technological progress in our processes and we develop ourselves

with the transformational impact of R&D and innovation.

The foundation of our innovation culture lies with the creativity and ideas of our employees. We believe that project ideas that create value for all our stakeholders and Aygaz would only emerge with the active participation of our employees. Therefore, we conduct Innovation Management Process in order to make our employees' ideas concrete and transform them into projects.

Innovation Management Process enables us to manage the whole process systematically, from the collection of ideas to implementation of the projects. We identified important innovation areas for the future as increasing services, digitalization, big data, artificial intelligence, enlarging the market and sharing economy. A total of 813 project ideas were developed through entrepreneurship at the Aythink Idea Collecting Platform which has been working since 2016. These ideas were transformed into business models by the project teams who learned about Simple New Venture method. We tested and analyzed the new projects with our customers. Thus, 16 of 28 innovation projects that were brought to the final stage in the last two years received investment support to transition to the pilot stage.

In addition to the Aythink Platform, we organize Design Thinking Workshops in order to develop new projects and to determine shared benefit together with our stakeholders. In the workshop, which is organized with the participation of dealers, customers, university students and company employees, 364 business model ideas were reviewed, and new business models were designed.

As a part of our innovation culture, we created Aklınla Bin Yaşa Project (Good Thinking) with our employees in order to provide solution for one problem every month. We encourage our employees to think innovatively. Furthermore, we deepen collective working and innovation culture with the new generation co-working space Arı Kovanı (Beehive) where employees could work any time they want to work together and develop new ideas to share each other. It increases the communication between different units.

We conduct a survey every two years to observe how much the employees internalized innovation culture. Thus, we aim to manage efficiently employee engagement in regard to innovate and to enable continuity of this culture.

We make innovation not only with internal resources but also through external ventures. We contribute in the implementation of various projects through the collaborations we establish. Thanks to our memberships in the networks of angel investors, we evaluate different cooperation and investment opportunities with the start-ups in the innovation ecosystem.

A total of 813 project ideas were developed through intrapreneurship at the Aythink Idea Collecting Platform which was initiated in 2016.



FROM HOME TO ROADS: RESPONSIBLE PRODUCTS



In 2018, we opened our R&D Center with an investment of TL 2.5 million. Aygaz R&D Center operates on 237 square meters of offices and 535 square meters of laboratories and test lines at our Gebze Plant where 18 expert researchers work.

R&D CENTER

We opened our R&D Center with an investment of TL 2.5 million as a first in the sector to extend LPG usage areas and to make these efficient in 2018. As a result of our intense works, our application to the Ministry of Industry and Technology for an R&D Center was approved in October 2018 and our R&D Center was officially established.

18 expert researchers work in our R&D Center, which operates in our Gebze Plant with 237 square meters of offices and 535 square meters of laboratories and test lines. We established Engine and Fuel Technologies Laboratory,

Chemicals Laboratory, Automation and Design Laboratory, Embedded System Laboratory, Manufacturing Laboratory, and Prototype and Test Lines in the R&D Center. In the Center, various projects will be conducted to develop new products that are fueled by LPG, to increase LPG products quality, to enable digitalization with smart products, to increase efficiency with automation systems, and to research about alternative and clean energy resources.

We believe that our R&D Center will lead us with many new projects that would differentiate us in the sector and that would develop our position in the European and world markets.

Thanks to our innovation culture that is shaped by the contribution of our employees, our R&D Center that would be the driving force of continuous innovations would enable us to increase our financial performance while also enabling us to develop ourselves in fields such as customer satisfaction, increasing environmental performance, and social benefit. It will be possible in the future to monitor environmental and social impacts of the works that are conducted in this field with criteria that could be brought to R&D processes in sustainability issues.

R&D Center will continue to work in context of industry-university cooperation and will work in collaboration with universities and scientific organizations such as TÜBİTAK ((The Scientific and Technological Research Council of Turkey), Koç University, Middle East Technical University, Istanbul Technical University, Yıldız Technical University, and Istanbul University.

TECHNOLOGY AND DIGITALIZATION

Technology and digitalization bring with them important risks and opportunities for LPG sector as it is for many other sectors. We consider technology and digitalization as tools to respond to customer expectations in the fastest way possible, and we implement digital transformation in all our processes while also developing new products and services in this axis. We focus on areas of production, order, distribution, and customer feedback.

We are able to monitor products and orders in a fast way independently

from time and location in terms of operations thanks to digital applications. This enables us to strengthen the communication with our customers as well.

We attach great importance to engagement and two-way communication in our digitalization processes. We renewed our website last year in line with the feedback we received from our stakeholders. In a similar way, we updated the Aygaz Express (AES) application, which is the main channel where online orders are collected. Thanks to an application that is integrated with smart phones, our customers are able to reach our services anytime and anywhere. As of 2018, Aygaz mobile application reached 75,415 members with 119,102 downloads.

We updated aygaz.com.tr website for the online orders of cylinder gas, Pürsu and other products. We provide services that meet customer's needs through a website that enables comparison of various products as well as following up after ordering. This year, aygaz.com.tr was visited by nearly 1 million 150,000 people and it has 5,602 member customers. We also offer our customers barbecues, grass cutting machines and open-air heaters from our LPG-based products through keyiflibahce.com website.

We provide trainings in subjects such as mobility, design-oriented thinking, data analysis and assessment, artificial intelligence and machine learning in order to enable all our employees to adopt digital transformation and also to enable digital transformation itself within the company.



"We decided to speed up our works at the R&D Center in order to maintain our leading position in the sector. We identified our activity areas as new product development, alternative fuel and clean energy, and machine and process development with the purpose of enabling Aygaz's sustainable development and its role as leading company in new markets in light of the new technological developments in the world."

Ali Kızılkaya
Assistant General Manager
(Technical Affairs and Investments), Aygaz

"The continuous researches in technologies that provide solutions in current problems and in potential business areas as well as development of new projects in these areas enable Aygaz to provide leading solutions which are ahead of the sector at the points where the company contacts its customers while also increasing its brand value."

Gökhan Öcal
R&D Director, Aygaz

FROM HOME TO ROADS: RESPONSIBLE PRODUCTS

PRODUCT QUALITY AND SAFETY

It is our priority to continuously increase the quality of products we offer to our customers. We also place great importance on the safety of the whole process, from production to distribution, from usage of customers to after usage.

We conduct our works as part of Corporate Total Quality Management and Aygaz Integrated Management Systems Policy in coordination of Product Quality Management. All Aygaz employees are responsible of conducting their activities related to environment, health and safety, customer complaints, energy and information security, particularly in quality processes, in conformity to this policy and the related regulations.

[You can access Aygaz Integrated Management Systems Policy on the Aygaz in Industry page in Aygaz's website.](#)

We obtained many prestigious international recognition as a result of our efforts in the fields of product quality and safety.

- We have the status of Authorized Responsible, which is given to the companies with regular and continuous safety and security standards that also have their own recording system, fulfil customs liabilities, and control their own mechanisms.
- We have CE and PI branding certificates, which enable free circulation in European Union. We also have Customer-Friendly Brand

certificate given by Turkish Standards Institute, which is valid in Turkey. Thus, we produce all our products in certified plants in conformity to international product safety and quality standards.

There are seven Aygaz Analysis Laboratories and three Tüpraş Laboratories working under the coordination of Product Quality Department to test the quality of our products. We are able to see the results of analysis conducted on the same products through Monthly Comparison Program, which we conduct together with Middle East Technical University's (METU) Petroleum Research Center (PAL) and we continuously improve ourselves by learning from possible differences. We also have the opportunity to compare the performance of our laboratories across the country through METU PAL. According to the results in this field, we perform at a high level

above the average of the country. In line with LPG Sampling Plan, we test products which are selected randomly in supply stage across the country. In addition, we also analyze randomly sampled products taken from filling stations. Moreover, we conduct various tests on cylinder gas products at different stages in their life cycles. We put a label of safety on the cylinders, which have successfully passed the safety tests after the final checks. We also control random samples taken from our storage tanks in our plants. Products are shipped following the final approval of Product Quality Department. Products are checked once more before going out for distribution and these control reports are disclosed to customers regularly.

In 2018, no inconsistencies regarding the health and safety impacts of our products were found as part of legal and internal company guidelines.



NEW AND INNOVATIVE PRODUCTS AND APPLICATIONS

As a natural consequence of Aygaz's innovation culture and R&D infrastructure, we develop innovative products and applications and we protect our leading products and services included in our intellectual rights portfolio. Thus, we have an increasing amount of brands and patents which have been registered in the country and abroad or which are in the application stage. As of the end of 2018, our patent number reached to 48.

Our aim with innovative products is to create benefit for all our stakeholders. Thus, we touch the lives of our customers in various fields, particularly with our clean energy supply, drinking water and cargo applications.

In line with the inspiration we get from our customers, our innovation culture, our R&D investments and the global trends in the sector, we consider continuously offering new and innovative products and applications as our responsibility. Thus, we introduced many innovations in 2018 and achieved progress in our current applications.

Aykargo: Aykargo emerged as an idea in Aythink platform as a concrete application of internal entrepreneurship (intrapreneurship) as a part of our innovation culture. The extensive customer network of Aygaz enabled us to transform this into a business model that could resolve problems of customers who receive distribution and delivery services especially in e-trade sector. Starting as a pilot project with three dealers and in four districts, Aykargo

provides services in 39 districts of Istanbul today and is expected to expand to other provinces. With Aykargo, we have been awarded with the Best In house Venture Project Award in 2019 as part of Corporate & Startup day organized with the cooperation of Özyeğin University, Entrepreneur Organizations Platform, Bizz Consulting, Turkish Union of Chambers and Commodity Exchange (TOBB) and Capital Magazine.

Greenodor: One of the researches carried out at the R&D Center is the Greenodor project, which is a first in the world. LPG, which is a colorless and odorless gas, is normally odorized with sulfur components to be perceived in case of leakage. We aim to minimize the use of sulfur in odorizing LPG through a patented project that happens to be a first in the world. With a significant part of the work completed, the center has already registered the trademark in ten countries and is now turning the fuel of the future into an important tool in the fight against climate change by eliminating the use of sulfur as an odorant in autogas and cylinder gas with the Greenodor project.

At the end of 2017, in pilot regions, we distributed LPG containing Greenodor. After three-month field tests 180 tonnes of autogas containing Greenodor were delivered to approximately 20,000 customers.

In 2018, Greenodor was used in the cylinder gas in Yarımca Filling Plant and 35,500 cylinders were filled in the test process. Following the tests and pilot projects, it was concluded that Greenodor is a suitable product in terms of customer experience.



FROM HOME TO ROADS: RESPONSIBLE PRODUCTS



We manage customer notifications and complaints in international standards with the certificate of ISO 10002 Customer Complaints Management.

Automation Project in Weighing Machines We conducted the works for automation in all weighing machines in our plants in 2017 and 2018. Thus, we will enable automation for all weighing machines in 2019. Weighing machines are able to self-calibrate with the integration of artificial intelligence. Thus, our processes become more efficient.

Heater Leasing Model: In line with our customer-oriented approach, we designed a Heater Leasing Model according to the insights of our customers. Hence, we started to lease our outdoor heater model called Palmiye (Palm Tree) daily. Rental module was also added to Keyifli Bahçe website.

Chatbot: We transformed chatbot design idea into a project which emerged as an idea in design-oriented thinking workshop in 2017 and in which online order will be enabled via Facebook Messenger application. As of today, online product order is made possible via chatbot over Aygaz Tüpgaz Facebook page from across Turkey. Furthermore, we plan to enable orders via WhatsApp Business in the near future.

CUSTOMER FOCUS AND SATISFACTION

Our customer network across Turkey is continuously extending due to the diversity of our products and services.

As of 2018, we are providing services to 7.5 million cylinder gas customers, 4.7 million autogas vehicles and 8,000 bulk gas customers. ,

We monitor customer satisfaction via customer satisfaction surveys, which we conduct regularly for different products segments.

As part of 2018 Cylinder Gas Customer Satisfaction Survey, we interviewed 5.173 domestic cylinder gas consumers in 51 cities. The results of the survey indicated that cylinder gas segment's customer satisfaction across the country was at the level of 78, with 1 point of increase. Aygaz Tüpgaz remained at the same level with the previous year as 85 points, which is above the sector average. In autogas customer satisfaction survey, we interviewed 3.734 people in 25 cities. Aygaz Autogas maintained its leadership with 89 points, which is three points above the sectoral commitment index. Aygaz maintains its leadership since 2003 in cylinder gas and autogas sectors. In addition, we continued our success in the field by coming first three consecutive times in both cylinder gas and autogas segments in Turkey's Customer's Voice customer commitment survey conducted by KalDer.

COMMUNICATION WITH CUSTOMERS

We meet the expectations of our customers by including their feedback in our processes and we aim to ensure high level of customer satisfaction. We use customer feedback in product development and new product design processes. We use telephone, e-mail, corporate website, social media accounts and mobile applications to receive

customer feedback. Through ticket assigning system in the hotline that works 24/7, we are able to resolve issues in a short time and to respond to the claimant much faster. Moreover, our callback system in which our customers are called back by the support center also provides customer satisfaction. We offer easy access to customers by initiating application via WhatsApp.

We monitor all opinions and complaints that are forwarded to us through all communication channels rigorously. As part of efficient management of complaints, we integrate international standards in our processes in addition to our internal policies. ISO 10002 Customer Complaints Management certificate includes all our products. In 2018, we received 23,000 complaints through all our channels. In May 2019, we transitioned to 2018 version of ISO 10002 standards.

We continue to provide training to our employees in both cylinder gas and autogas segments based on the fact that our employees who are in direct contact with the consumers play an important role in customer satisfaction. We provided various training to dealer employees and customers in terms of cylinder gas through Aygaz Training Truck. Considering autogas, we provided training to dealer employees with Aygaz Training Truck. Thus, we organized 169 training with the participation of 1,593 people in 30 cities in 2018.

INFORMATION SECURITY

Customers use our products and services via digital platforms in an increasing rate. Furthermore, the number of digital platforms we use

to communicate with our customers is also increasing. Digitalization as a global trend brings cyber-attack threats and the digital risks. Thus, data and information privacy and security is an emerging issue. Therefore, we place great importance on confidentiality and protection of customer information. We integrated the internationally recognized ISO 27001 Information Security Management System into our processes in addition to our internal Information Security Policy in order to provide security for all information. Regular audits are conducted as part of this certificate at our Head Office, Gebze Plant, Ambarlı, Aliağa, Dörtyol, Samsun and Yarımca Terminals.

[You can reach Aygaz Information Security Policy on the Aygaz in Industry page on Aygaz's website.](#)

We secure customer information as part of confidentiality agreements with employees and third parties. We prevent unauthorized access to all information in Koç System's servers. We only allow limited access to the authorized employees. On the other hand, dealers only have limited access to the information. Through our Dealer Protocol agreement which is renewed every five years, we provide legal protection for dealer information. In 2018, we did not receive any complaints regarding customer information confidentiality, violation and losses of customer data.

SUSTAINABLE OPERATIONS





- **Supply Chain Management**
- **Quality and Safety in Distribution Network**
> Logistics



Prioritizing operational excellence and safety, we monitor quality, ethical principles and social and environmental conditions across our value chain.

Our operations at Aygaz cover a broad process from LPG supply to collecting products after their use. Our responsibility as the leading company in Turkey and increasing importance of LPG market in Europe increases the importance of our value chain, which we manage in an integrated way by prioritizing operational excellence and safety. Our products are easily accessible by everybody with our extensive dealer and logistics networks across Turkey and we aim to reach high level of quality and safety in our distribution operations.

SUPPLY CHAIN MANAGEMENT

First stage in our value chain is supplying LPG, other services and goods. As the only integrated LPG company in Turkey, safety is one of our material issues within the supply chain. Our Supplier Portal

enables transparent, fast and accurate purchasing processes. We work together with 473 suppliers and supply all services and products other than LPG locally. The project of Centralizing Supply Processes increases efficiency in the supply chain.

We select our suppliers according to many criteria in terms of human rights, working conditions, health and safety, anti-corruption, environment and we monitor quality, ethical principles and social and environmental conditions across our value chain. In addition, we are committed to meet the criteria of The United Nations Global Compact. We do not supply from suppliers who do not meet these criteria. We conducted audits on 37% of 179 suppliers in 2018. We provided 1,489 hours*person training to our suppliers in various areas such as Safe Driving Training.

QUALITY AND SAFETY IN DISTRIBUTION NETWORK

We use the most advanced technological infrastructure in LPG distribution and the production of LPG cylinders, tanks, valves and hoods. In developing our products, which have an important place in the lives of our customers, we place importance on being user-friendly in various areas from safety to ergonomics, from efficiency to aesthetics. In our material issues related to sustainability, we aim to be a prestigious company in the sector that has achieved high customer confidence and satisfaction, has international product and distribution safety standards, and offers innovative solutions through innovation and digitalization.

Dealers: Our dealers play an important role in our success and high customer satisfaction levels across Turkey. We offer services through more than 2,400 cylinder gas dealers and more than 1,700 autogas stations across Turkey with our Aygaz and Mogaz brands. We require all our dealers to provide services at the highest standards and to comply fully with quality and safety requirements. Dealer training and systematic relations with them enable us to reach the targeted quality and customer satisfaction levels.

We conduct two-way communication with mutual respect through our Dealer Communication Line, dealer portal, campaigns, regional dealer meetings, and dealer visits. We assess complaints and suggestions we receive through one-on-one events with the dealers, visits and dealer portal. Dealers are able to submit all their feedback related to any application and new products and

Cylinder Tracking: The cylinder tracking system using QR code scanning launched in 2015 was fully implemented in all plants and facilities in 2017. The system enabled us to track our products in all the processes from production to distribution and to recollection from the user. We enabled a transparent monitoring of our products with the project, which enables efficiency in terms of quality and logistics management. Thus, we are able to control our cylinders more effectively within their life cycles. In this period, we labelled 15.7 million cylinders with QR codes and we recorded more than 82 million cylinders movements within the cylinders gas sector. Therefore, we laid the foundations for big data in this field. The intellectual rights of this application belong to us and we lead the sector in terms of transparency and efficiency by starting to give licenses to other players in the sector in the near future.

services through the portal. These suggestions and complaints that are collected are used to increase customer satisfaction levels as well as products and services. We also award successful practices. We monitor satisfaction and commitment levels of dealers through dealer satisfaction surveys conducted via Koç Holding.

Thanks to Cylinder Tracking we initiated in 2015 and generalized across Turkey in 2017, we are able to track the cylinder movements within the cycle of plant-dealer-customer via QR code application.

LOGISTICS

Safe transportation of LPG is very important since it is an explosive and flammable material and operational excellence and safety is among our highest priority material issues in this context. As the company conducting the largest LPG logistics operations in Turkey, we meet the best standards in land and marine transportations of LPG from its supply to distribution, without compromising quality and safety. Capacities of vehicles, distribution routes and numbers are optimized through digital systems and data analytics by taking into account the distribution and volume of our sales. We have the largest LPG road fleet in Turkey with nearly 200 autogas tankers. We use Station Inventory Management and Routing while supplying LPG to more than

1,700 autogas stations. We enable efficiency by accurately creating order demands and managing distribution network with optimal routes and we reduce fuel consumption.

We operate in compliance with European Norms, the European Agreement concerning the International Carriage of Dangerous Goods by Road (AD) and Turkish Standards, and we take all security measures accordingly. In order to provide fleet safety, we track our road transport fleet with 24/7 Vehicle Tracking System and monitor speeds. We provide safe and economic driving training to our drivers.

Along with road transportations, we also conduct marine transportations. We have three fully equipped and fully pressurized ships in our fleet with a total load capacity of 28,800 m3 with a fleet age of 12. The fleet conducted 17% of marine supply and transportation activities this year.

As in all stages of our operations, we place great importance on high quality and safety standards in our storage areas as well. We have the biggest LPG storage capacity in Turkey with five sea terminals in international standards, equipped with highest technologies with a capacity of 178,400 m3. Furthermore, we have six filling stations, nine distribution center, and one production facility that produce pressure containers and accessories.

EMPLOYEES





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- **Equal Opportunity and Diversity**
 - **Talent and Career Management**
 - **Training**
 - **Entrepreneurship**
 - **Employee Satisfaction and Loyalty**
 - **Occupational Health and Safety**
-

EMPLOYEES



We provide equal opportunities for our competent employees with high motivation to develop their talents, and support diversity.

Our competent human resources with high motivation play an important role in the success we gained in the sector as the only integrated LPG company in Turkey. We offer an engaging and transparent working environment in which our employees are able to develop their talents and work in a happy and safe manner because they constitute our most valuable capital. We focus on increasing employee satisfaction; we identify and implement necessary factors for a happy and safe work place.

Our principles in human resources policies are;

- Equal opportunity for everybody
- Recruiting and assigning right person for the right job
- Equal pay for equal work
- Merit depending on success
- Timely recognition and appreciation

- Continuity and efficiency in work success
- Effective internal communication
- Social sensitivity

We provide equal opportunities for all our employees and support diversity. We integrate creativity in our works by developing our entrepreneurial muscles within the company and we increase competency levels of our employees.

Aygaz family consists of 1,115 people in total, 53% of which are office workers and 47% are field workers. 22% of our employees are included to the Collective Labor Agreement.

15% of our employees consist of women and 85% consists of men. Moreover, 17% of senior and mid-level management are of women.

EQUAL OPPORTUNITY AND DIVERSITY

We believe that differences enrich our business culture and we stand against all kind of discrimination. We implement equal opportunity principles in all processes of performance management, compensation, education and development of our employees.

We are signatories of United Nations Women's Empowerment Principles since 2016. Our goal is to empower women in social and economic life as well as business life. We are committed to developing applications that are sensitive to gender equality especially in LPG and energy sector. We started our works to support gender equality by raising awareness in our employees. We create difference in the private sector with our Policy54t of Domestic Violence at the Workplace. We provided training for our managers to raise awareness about domestic violence in cooperation with Mor Çatı Foundation. Emergency Line is still actively working which was created with the purpose of preventing domestic violence within the workplace. We did not receive any notifications in 2018 via the Line.

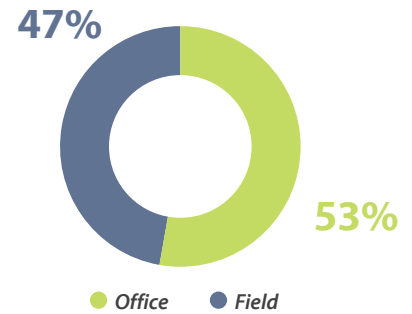
Equality at Work Committee, which we established on the purpose of supporting gender equality project Ülkem için (For my Country) and constitutes of Human Resources Manager and executives from senior management, continues its activities. Hence, our employees started to contribute to the project voluntarily. We attach great importance on the awareness of our employees in the subject of gender equality since they provide services for thousands of households every day. We raise awareness by including the subject in training.

TALENT AND CAREER MANAGEMENT

Human resources play a critical role for our company to reach future plans considering the strategic priorities. We increase the competencies of our employees by offering opportunities of education and development and therefore lead the way of innovative products and services development. In talent management, both personal demands of our employees and corporate needs of our company play a determining role. First of all, we evaluate the performances of our employees fairly to identify personal development areas and potentials. We assess performances of all our office staff except temporary and special status employees. We measure competencies of the employees, and we plan their personal and professional developments by taking into account the evaluations of their managers as well as feedback of their fellow team members. Performance assessment results are also determining factors in compensations of employees. We use an international work assessment system that measures the contribution of all works in reaching the corporate goals and that enables a ranking according to work scales for compensation. Our current compensation system is based on competitive compensation policy determined in line with our company's market position, competition power and ability to pay.

We use 360 Degrees Competency Assessment method that is being used by Koç Group's companies for years in many processes such as creating corporate culture, selecting and recruiting, performance management system, development planning, identification of potential people and career planning. Each office worker, who completed their six months in Aygaz, is assessed by their executives

Employees per category



COMPETENCIES OF AYGAZ GROUP

Improving capabilities of oneself and colleagues



Creativity and entrepreneurship



Result oriented approach



Improving collaborations



Teamwork



Roadmapping



Customer oriented approach



Managing and adapting to differences



Communication



EMPLOYEES

Consult an Expert Mentorship Program enables exchange of information, skills and experiences between employees who have completed three years in Aygaz and mid-level and senior managers who are more experienced.

and other employees and their peers and they also make assessments for themselves. We conduct assessments through nine main competencies that we have identified.

Our aim with the competency assessment system is less about grading behaviors of our employees and more about identifying their strengths and weaknesses, interpreting the results together with them and creating an action plan according to these factors. The system enables us to identify strengths of the employees, ensures increasing these and benefits employees in their career journey by doing so.

We announce all vacancies within the Koç Group through our internal announcement system. By doing so, we give access to our employees to all job postings not only in Aygaz, but also in other Koç Group companies.

We continued with moving Human Resources (HR) processes to integrated and next generation digital platforms (SuccessFactors) as part of Koç Group's digitalization goals. Hence, we introduced many innovations both for our office workers and field

workers. So, we cooperated with Microsoft Turkey and provide training in the facilities with the purpose of increasing the use of e-mails among field workers from computers or mobile devices. We sent information texts from "Aygaz HR" address in certain times in order to establish continuous and effective communication and we organized surprise contests that could be participated in only through e-mail in order to encourage the usage among field workers. We started to send payrolls of the employees by e-mails during the digitalization process with the purpose of emphasizing environmentally-friendly aspect of Aygaz and we achieved paper savings by doing so.

We moved Performance and Talent Management modules to the cloud system and enabled tracking for goal cards through mobile application. In the program which can also be used through mobile application, many processes were integrated to the digital platform which were previously managed on Microsoft Office-based files such as next generation performance management, personal career preferences, career planning and backing up. So, we focused on creating a



"To attract and retain competent and high-quality human resources is only possible through an effective and systematic talent management. We make it possible thanks to our investments in the employer brand as Aygaz. Through our approach to employee experience, our planning processes of human resources and the opportunities we provide in education and development, we aim to improve the experiences of our employees and to create a creative working environment in which continuous learning and development is supported and which includes employees with high commitment levels."

Burak Paçacı
Human Resources Manager, Aygaz



simpler and more interactive employee experience. We aim to integrate other processes such as selection and recruitment and education in the system which has many functions for efficiency, and which offers cloud-based HR solutions in the next years.

Consult an Expert Mentorship Program:

Consult an Expert Mentorship Program which is active since 2016 enables exchange of information, skills and experiences between employees who have completed three years in Aygaz and mid-level and senior managers who are more experienced. Our goal is to benefit from mentorship relation and convey corporate culture more effectively while also improving employee experience.

Learn from the Young Experts

Mentorship Program: We initiated Learn from the Young Experts Mentorship program in 2018 with the vision of enabling young people with less experience who have just been recruited in Aygaz Group to convey information about changing information technologies, changing mind-sets, new generation's expectations and new business concepts to older or more experienced

executives and by doing so to contribute in the creative thinking process.

Rewarding is also an important part of talent management and employee development. We reward achievements of our employees in order to encourage their development. As part of Award and Suggestion System, we present Outstanding Achievement Award, Service Award, Most Successful Koç People Award, Innovation Awards, the Stars of Aygaz Award and Invention Award. Along with this, we additionally reward employees who create added-value with high creativity and devotion in relation to the company's strategy and material issues, achieve successful results and develop projects in order to prevent important losses.

We have implemented the recognition and appreciation process, which was renewed as of 2018 under the title of The Stars of Aygaz for all our staff working both in the office and e field. With the new system, we enable recognition of employees who create difference as part of open communication and equality principles. In addition, we focus on moral appreciation and emphasize competency and success. Suggested



"Aythink provides all employees the opportunity to share their ideas freely and enables them to develop and transform their ideas into products. As a worker of Aykargo project and as an intrapreneur who carried an idea to the stage of incorporation through Aythink platform, I constantly guide all my fellow workers to bring their ideas to the Aythink platform. It is very important for Aygaz to strongly develop its main business branches and make these sustainable as well as getting prepared for the future by establishing collaborations with start-ups and creating new business models within the company."

Semih Dilsiz
Innovation Project Manager, Aygaz

"Renovation of the workspace as well as the addition of a new social area such as the cafeteria was all exciting motivations. A better communication environment was enabled along with working in a more spacious and bright space organized as an open office. Cafeteria enabled more joyful and productive meetings. It will create a big difference to create social spaces which enables the interaction between especially senior management and the young generation working in the company."

Burcu Şener Sözer
Legal Counsel, Aygaz

EMPLOYEES



"Our fellow workers have put their best efforts in our new office space which reflects the dynamic and energetic aspect of our company coming from past to the present, and which conforms to the requirements of today's working conditions. We came to this stage with consensus from the very beginning. We now have a much more spacious working environment after this renovation. I think and observe that interaction and exchanges of feelings and thought have all increased between departments as well as between people with the removal of the folding screens between the desks."

Ali Kızılkaya, Assistant General Manager (Technical Issues and Investments), Aygaz

nominees are assessed in categories of Employees are nominated in seven different star categories: Stars Focusing on People, Stars Encouraging Development, Transforming Stars, Value Adding Stars, Result Getting Stars, Collaborating Stars and Stars focusing on Customers. We award the finalists among the nominees at the end of the committee meetings of relevant functions.

TRAINING

We support expertise of our employees by integrating personal and corporate needs, and we focus on developing competencies in line with the digitalization of work processes. We allocate resources for education and development of all employees at every level. We provide training in leadership and digitalization as part of Koç Holding's LEAD and Aygaz's LEAD and we contribute in the development of employees who have the potential of leadership through You Are the Leader program and A New Leader Association Leadership program.

AygazLEAD, initiated in 2016 with training consisted of two modules for the first level managers of Aygaz Group, continues with the participation of mid-level managers with a focus

on current trends such as leadership skills, feedback, situational leadership, innovation, coaching and digital world trends in line with today's needs and strategies. We conducted the first module of five-module training in November 2018.

We organized Rhythm at Work Workshop in order to develop effective communication and teamwork skills of our field team at Facility/Terminal and Gebze Plant. Supporting the employees in better knowing themselves and their own competencies, in better understanding each other, in complementing each other's lacks and in crisis management of emergencies, the training emphasizes how the world of rhythm corresponds to the factors of the work environment.

We provide the training titled 7 Habits of Effective People which deals with personal leadership and leadership with other people for all our office employees who are not at an executive level. During the training, we inform the methods to be more effective in private and social life and go through the 7 habits to achieve effectiveness.

Our employees participate in Koç University's Executive MBA and

Technical MBA programs every year. We conduct the Program for Development in the Field for field managers with the purpose of gaining sales experts that create difference and more effectively managing dealers.

We increased qualifications of current internal auditors as well as the number of current auditors by providing training as part of integrated management systems in 2018. During the activities we carried out according to internal audit sampling model as part of integrated management systems, we took a sample of a third of the locations with similar operations and we conducted audits on 47 departments with a total of 34 internal auditors.

Along with the conventional class courses, we also provide leader development programs, online training, reading materials, outdoor training and rotations with KoçAkademi. We organize orientation programs including introductions to Koç Group and Aygaz Group with the purpose of familiarizing newly recruited employees with the corporate culture. Orientation program also includes training in subjects of health and safety and environment. In 2018, we provided an average of 39 hours of training per employee.

ENTREPRENEURSHIP

There are many employees in Aygaz, who have the potential for many creative ideas and entrepreneurship. Entrepreneurship spirit plays a great role in becoming a company, which cultivates innovation. We use Aythink platform in order to reveal this spirit.

[You can access detailed information regarding Aythink from the section of From Home to Roads: Responsible Products](#)

EMPLOYEE SATISFACTION AND LOYALTY

Our biggest aim is to ensure our employees to add value to the job they are doing in satisfied manner. We regularly measure employee satisfaction and loyalty in detail every year since 1996 and assess working conditions of our office and field workers individually.

In 2018, employee satisfaction and loyalty were measured as 74% for our office workers and as 64% for our field workers.

We offer fringe benefits packages with various options to our employees. We offer Koç Retirement and Support



"Aygaz's appreciation of innovation vision and entrepreneurship has taught us many things; we achieved results beyond our expectations. When Aygaz is positioned not as a seller of cylinder gas but as a logistics company, we saw that it could provide excellent services and it could even carry detergents or books when needed. We believe that a small project may be the spark needed for a big idea. We attach great importance on all the ideas received by our idea collection platform Aythink. We try to attract young people, people who are open to change, can change themselves and are willing to think outside the box to our platform."

Rıdvan Uçar, Assistant General Manager (Marketing and Innovation), Aygaz



EMPLOYEES



Fund membership, social benefits, private health insurance, training, awards, privileges program KoçAilem membership, meal card/cafeteria services, workplace health services, transportation, personal accident insurance and flexible fringe benefits program. In addition to general fringe benefits, we also offer other fringe benefits that differ depending on the duty and the content of the job.

We organize events such as work results sharing meetings, Between Us interviews, cultural tours, sports festivals, end of the year meetings and celebrations and social activity groups. We believe in the important role of work events organized with

the participation of employees in the commitment of employees.

We organized a tour to Bozcaada and Safranbolu as part of We Discover Together activity, which was organized for the first time in order to increase the feeling of togetherness among Aygaz employees and to conduct communication activities in different environments.

One of the important projects we completed in 2018 was the renewal project of Aygaz Head Office building which was based on ergonomics within the company. Thus, Aygaz employees now have a more dynamic, spacious and modern working environment. The most important innovation in this

area was the cafeteria which enables employees socializing with each other. Employees are able to use the area for meetings and personal works.

We develop our work by hearing the opinions of our employees. We have different channels to collect all kind of feedback. The most effective channel among these is Koç Holding's central system. Thanks to this system, our employees are able to submit their opinions via <https://kocsnow.koc.com.tr/denetim> by keeping their information confidential. Accordingly, Human Resources department organizes interviews with different departments and takes remedial actions.

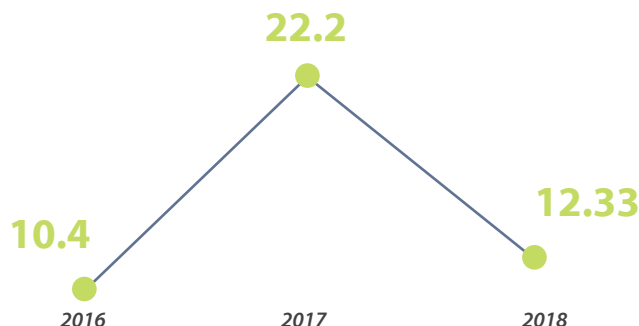


"It is a very significant opportunity given to the employees for giving life to their ideas, for appreciating them and for transforming these by making use of company's assets just like a start-up. Employees who participate in the innovation works present their ideas directly to Aygaz Senior Management and they get the opportunity to see their contribution in this big structure in a much better way by implementing their own ideas. Works of entrepreneurship also creates a big opportunity for career developments of employees. Thanks to this program, employees learn how any business idea can be implemented from scratch. They also get the opportunity to develop themselves in different areas other than their own jobs."

Kadir Aslantaş
Responsible for Innovation and Intellectual Property, Aygaz

All of our 12 business fields including Head Office, Gebze Plant and facilities have ISO 45001 Health and Safety Management System certificate.

Total accident frequency rate (IR)



HEALTH AND SAFETY

LPG sector involves significant health and safety risks. Health and safety (OHS) is extremely important among our material issues that closely relates to our business and the continuity of our activities. The health and safety of our employees is among the extremely important issues of our company. Therefore, we manage OHS at the highest level both for our employees and our business partners. We provide training that raise awareness in OHS to our employees and contractors' employees and we take precautions to prevent any accidents that may damage our employees and our company in order to reach our goal of Zero Accident. Quality System, HSE and Sectoral Relations Manager reports to Deputy General Manager of Technical Issues and Investment who is the highest level official responsible for OHS.

All of our 12 business fields including our Headquarters, Gebze Plant and facilities have ISO 45001 Health and Safety Management System certificate which is accepted as the international standard in OHS. We completed the transition to ISO 45001 Health and Safety standard in 2019 in accordance to other management systems, which we initiated in 2018. We closely monitor and regularly report our performance

in order to enable best management for health and safety risks through OHS Boards located in these fields.

We place great importance on the adoption of OHS within the corporate culture and we work to improve our OHS performance. Hence, we have OHS boards in all our facilities. These boards consisting of employer representatives, health and safety experts, workplace doctors, employees, employee representatives and union representatives in same facilities regularly assess OHS issues every month and prepare improvement plans. Moreover, we organize periodical meetings in which we assess all works and goals regarding OHS with the participation of departments such as Quality System, HSE and Sectoral Relations Manager, Filling Stations, Investments and Facilities, Purchasing, Industrial Relations, Road Logistics and R&D Department.

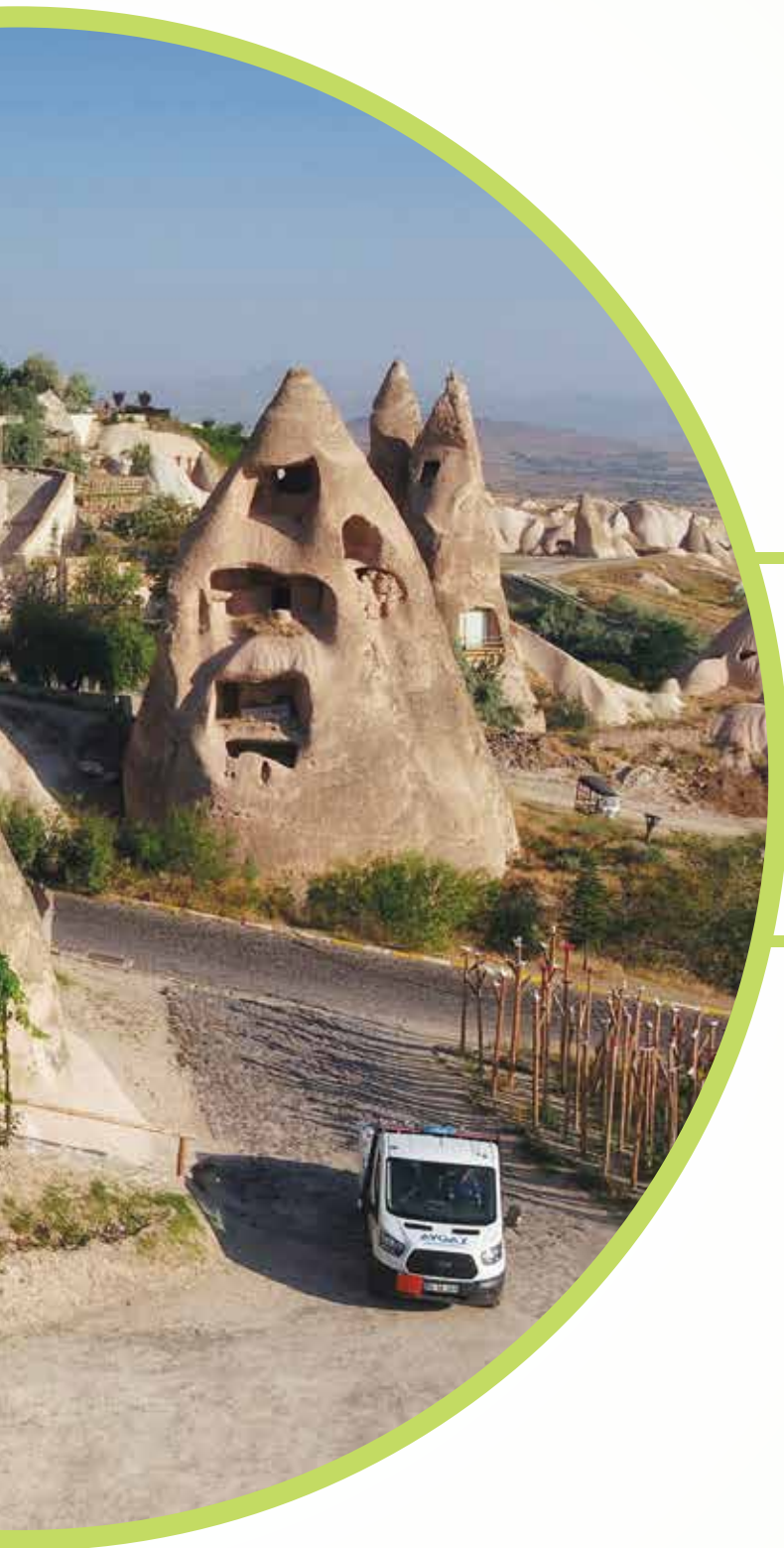
Accident Research and Root Cause Analysis reports are prepared by our relevant teams after all work accidents occurring in our facilities. We review the causes of accident according to these reports and take measures. As part of our preventive works for accidents, we periodically conduct drills for fire, discharge, rescue and chemical spill at our filling facilities and cylinder filling

centers. We do not limit our approach to prevent OHS risks with drills and training. We prepare Work Accident Information Brochures in order to prevent reoccurrence of accidents. We started using OHS Training Booklet, which was used in Gebze Plant in the previous years for our newly recruited employees in our filling facilities as well. Additionally, we conducted an illustration work in order to enable employees to identify potential risks in filling facilities; we identified and assessed the risks together with the participation of our employees.

Thanks to our strong OHS approach which was developed with the purpose of providing a safe working environment at all times and preventing all kind of physical damage that may occur for our company, no occupational disease was reported by employees and contractor workers in 2018 and there was no work fatalities. Accident frequency rate decrease by 45% compared to the previous year. We focused on the preventive role of OHS training on work accidents and we provided approximately 8 hours of training per employee. OHS training per employee increased by 38% compared to the previous year and the rate of OHS training per employee within other training was 21%.

ENVIRONMENTAL RESPONSIBILITY





- **Climate Change and Energy Management**
> *Climate Performance of the Products*
- **Waste and Water Management**
- **Biodiversity**

ENVIRONMENTAL RESPONSIBILITY



We monitor environmental impacts of all our operations and products while complying with relevant regulations and international standards.

Environmental responsibility constitutes one of the main pillars of our sustainability approach. In today's world where environmental challenges such as resource scarcity and climate change are becoming more important, we adopt the principle of identifying and minimizing the environmental impacts of our products and activities. We monitor and improve environmental impacts of all our operations and products while complying with relevant regulations and international standards. In line with the goals and principles of Koç Group, we manage environmental issues according to Integrated Management Systems Policy and Aygaz Climate Change Strategy.

In 12 locations, including Head Office, Gebze Plant and filling facilities, we have ISO 14001 Environmental Management System and in two of our facilities we have ISO 50001 Energy Management System. The integrated management system enables us to adopt an integrated approach

in environmental and energy management.

Environment training is important for complying with management systems and in raising awareness in environmental issues. Environment supervisors provide training at our facilities and conduct monthly field visits and environmental reports. We identify improvement areas in line with these reports and take actions. In 2018, we provided a total of 531 person*hours training on the environment. Thanks to the effective environmental management, no environmental fines have been imposed on us in the last three years.

We do not limit environmental awareness with our employees, and we aim to disseminate this culture to the families and friends of our employees. We aim to raise environmental awareness through awareness programs and events, which extend to the families of employees and through quarterly environmental bulletins that are distributed to employees.

We donated 125 saplings through TEMA Foundation on behalf of each auditor and meeting participator in order to reduce carbon emissions as part of the Meeting for Integrated Management Systems Internal Audits and Review of the Management in 2018. As part of the event organized for Environment Day, we included the children of Aygaz employees, prepared a video with their messages relating to the protection of environment and shared this video via different channels. Furthermore, we organized an interview session with the theme of Future without Seasons/Climate Change with Bünyamin Sürmeli, the Weather Man, in order to attract attention to climate change and raise employee awareness as part of the World Environment Week events.

CLIMATE CHANGE AND ENERGY MANAGEMENT

Climate change is among the most important challenges of our era. Climate change causes extreme weather conditions while changing climate conditions have direct or indirect impacts on many sectors.

We are aware of the impacts of fossil fuels on climate change and we assess the risks and opportunities on our business and plan the necessary actions. We manage our operations in line with our strategy and work towards minimizing energy consumption and greenhouse gas emissions across our value chain and raising awareness of our stakeholders.

[You can access Aygaz Climate Change Strategy on the Sustainability section which is under Social Responsibility section of the website.](#)

We implemented energy monitoring software in Gebze Plant to monitor our energy consumption more efficiently. This system will help us to monitor energy consumption points better and reduce energy consumption. We reduce our emissions and energy consumption through projects, which increase efficiency in our operations.

In 2018, we achieved a total reduction of 330 tons of CO₂ and TL 156,000 savings with 14 efficiency projects. We saved 680 MWh of natural gas and 280 MWh electricity with different projects such as transition to LED illumination, energy-efficient pump replacement, improvement of leakage points etc.

Arinna Solar Energy Systems

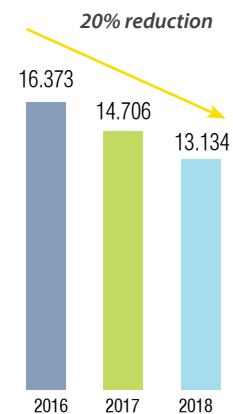
Renewable energy plays an important role in combatting climate change. We aim to reduce our carbon emissions by using renewable energy. We implement Arinna Project which generates electricity through rooftop solar panels and we installed first solar energy system on the roof of Gebze Plant's Administration Building. With the power plant of a total of 75 kW capacity including three different solar panel technologies (polycrystalline, monocrystalline and thin-film) each with a power of 25 kW, we aim to reach to the most ideal solution by comparing different panel technologies in addition to generating electricity. This year, we generated 284 GJ of solar energy in the Gebze Plant.

We made the second pilot installation as part of the project at the Opet/Aygaz station in Pendik. We completed the installation and commissioned the system this year.

We manage 12 locations, including Head Office, Gebze Plant and filling facilities in an integrated way with ISO 14001 Environmental Management System and ISO 50001 Energy Management System



Total Greenhouse Emissions (ton CO₂)

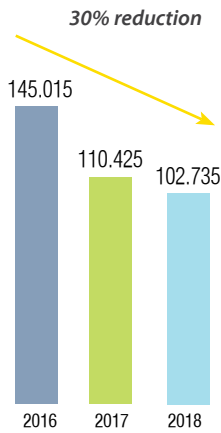


ENVIRONMENTAL RESPONSIBILITY



We reduced our total water consumption by 30% through the projects we conducted in the last three years.

Water Consumption (m³)



CLIMATE PERFORMANCE OF THE PRODUCTS

The most important climate change impacts are generated not only during production but also during the use of the products. Therefore, the performance of the products and reduction of their impacts on climate change are among important issues. Among fossil fuels, LPG which contains less hydrocarbons causes less carbon emissions and generates less solid particle (PM) and nitrogen oxide (NOx) emissions. According to the World's LPG Association, carbon footprint of LPG used for heating purposes is 20% less than oil fuel and 50% than coal. Similarly, autogas usage as vehicle fuel may create 10 to 12% reductions in carbon emissions compared to petroleum.

Usage of LPG, which has a better climate performance among fossil fuels, contributes in the reduction of carbon emissions. Moreover, Aygaz Otogaz, whose formulation is

specially developed, helps consumers to reduce fuel and greenhouse gas emissions. In 2018, consumers who used Aygaz Autogas reduced carbon emissions in the amount of 19,951 tons with their fuel savings.

GreenOdor

LPG, which is a colorless and odorless gas, is normally odorized with sulfur components to be perceived in case of leakage. We launched a project for a sulfurfree odorant as a first in the World with the support of TÜBİTAK TEYDEB and Istanbul University's Technocity. We completed tests as part of the project and obtained the patent for the product. We aim to increase the reputation of Aygaz and prevent 24 tons of sulfur emissions per year by launching the GreenOdor product for which we obtained international registration.

[You can access detailed information in the section of New and Innovative Products and Practices of this Report.](#)

WASTE AND WATER MANAGEMENT

Another environmental impact area is water consumption and waste. We monitor our impacts across the value chain as part of waste management; we reduce our wastes at the source, recycle them and dispose them in a safe manner when recycling is not possible. We aim to achieve zero waste to landfills with our Zero Waste Project initiated in 2018 and started the project with awareness raising activities. We reduced waste by removing paper cups and plates while also raising awareness of employees with the purpose of decreasing the consumption of paper, plastic and water.

We track and recycle the products used by our customers. We reclaim returned and expired tanks and the ones, which are not suitable for re-usage are recycled in Eskişehir Distribution Center.

In water consumption, we aim to reuse the highest amount of water by using water as efficient as possible. We reduced our total water consumption by 30% through the projects we conducted in the last three years. We reached this level of reduction first at the Gebze Plant thanks to our waste heat recovery project enabling us to decommission the cooling tower and we achieved 7,500 tons of water saving. This project enabled us to reduce the amount of water consumption in the plant by nearly 18%. In 2018, we reused the water consumed in cylinder washing and hydrostatic test units and we achieved a total of 209,000 m³ water saving.

BIODIVERSITY

Biodiversity has a critical role in the continuity of the ecosystem

services provided by the nature. We assess the impacts and risks created by our operations for biodiversity and we manage these in line with Biodiversity Policy, created with the cooperation of Koç Holding and Nature Conversation Center. We adopt a protective approach regarding ecosystems and all their factors, habitats, ecosystem services and all species.

Within the environmental impact assessments in investment processes and new operation fields, we assess the potential impacts and take necessary precautions in case impacts on biodiversity are identified. We do not operate in the locations identified as natural conservation areas according to regulations and international agreements and in Ramsar Convention's protection areas. No land or water resources are affected by our operations in terms of biodiversity.

In addition to the assessment of negative impacts on biodiversity, we also make collaborations with different organizations to protect biodiversity and support projects. We have been supporting various projects of Mediterranean Conservation Society since 2015. We contributed to the protection of species such as Mediterranean Monkfish (*Monachus monachus*) and Sandbar Shark (*Carcharhinus plumbeus*) with the Gökova Bay Marine Protection Areas Monitoring and Protection project. The project grew over time, the areas that were protected by closing to fishing were transformed into Marine Rangers Project and a significant achievement was made by identifying these areas as international protection areas. The project received Whitley Gold Award in 2017.

Furthermore, we contributed in translation and publication of a Spanish book into Turkish on

Mediterranean Marine Species as part of the support we provided to Mediterranean Conservation Society.

During the first half of 2019, we supported the project of Mediterranean Conservation Society regarding providing early response to stranding cetaceans (dolphins, whales). As part of the project, a systematic Stranding Communication Network is started to be established with the contribution of locals, fishermen, public institutions and NGOs in the Aegean shores. The communication network is of great significance to get immediately notified from stranding incidents, immediately response to the cetacean if it is still alive, initiate a research on the reasons if the stranding cetacean is dead. We aim to contribute to the protection of existing populations of species with the project.



"As an energy distribution company, we included renewable energy investments in our projects that aim to reduce greenhouse gas emissions and we saw that Aygaz could significantly contribute in the sector if further investments are made in the future."

Ertuğ Bozdoğan
Administrative Affairs
Responsible, Aygaz

SOCIAL RESPONSIBILITY





- **For My Country**
- **Culture-Art**
 - > *Archaeological Excavations*
 - > *Aygaz Library*
 - > *History of Ottoman Era Diplomacy*
 - > *Sponsorship for Istanbul Theatre Festival*
- **Environment**
 - > *Road to the Future*
 - > *What Will the Weather Be Like Tomorrow?*
- **Health care**
 - > *Diabetic Children's Camp*
- **Sports**
- **Training**

SOCIAL RESPONSIBILITY



We invest in the future through projects in the fields of gender equality, history, culture and arts, environment, health, sports and education. .

We place great importance on the development of regions and societies we operate in and we contribute in their environmental, social and cultural development through social responsibility projects. We take the needs of the society into account with a corporate citizenship perspective, we conduct leading projects in our country in the fields of gender equality, history, culture and arts, environment, health, sports and education and we invest in the future.

FOR MY COUNTRY

We are actively participating in For My Country (Ülkem İçin) project, which was initiated in 2006 by Koç Group with the purpose of raising awareness of social responsibility among Koç companies, employees, dealers and suppliers. With its theme changing every two years, we have been conducting various works for the project since 2016 with the theme of I Support Gender Equality for My Country.

First of all, we signed Women's Empowerment Principles in 2016 which were created with the partnership of The United Nations Global Compact and UN Gender Equality and Women's Empowerment Department. Thus, we internationally declared our commitment to support women's empowerment in society, business life and economic life.

We published Workplace Domestic Violence Policy with the purpose of raising awareness in the workplace with the purpose of preventing violence against women. According to our surveys, 75% of the women employees are subjected to different forms of violence. With this Policy, we aim to raise awareness about domestic violence among employees, to provide an egalitarian and safe work environment and to support that all employees who are subjected to violence take necessary steps. We cooperate with Federation of Turkish Women Associations (TKDF) and Mor

Çatı Women's Shelter Foundation. We continued to support TKFD End Domestic Violence hotline in 2018 as well. The number of calls to the hotline was 55,000 as of the end of 2018 and the number of calls related to violence was over 30,000.

[You can access Aygaz's Workplace Domestic Violence Policy on the website.](#)

CULTURE-ART ARCHAEOLOGICAL EXCAVATIONS

We enable archaeological excavations in Turkey to progress significantly. We have been supporting the excavation works at the Sagalassos Ancient City since 2005 which is located at the foothills of Taurus Mountains and which goes back to 4,200 BC. As part of the restoration works in 2018, excavations were made on the ground of Agora within an area of 3,500 square meters. All the necessary certifications

were obtained and analyses were conducted in order to protect the area's floorings. Papers were written including the results of the excavations by synthesizing all results obtained since 1990s. The works that focused on Tychaion and Prytaneion monuments in 2018 will continue in the next excavation season.

Another project that has been receiving our support since 2010 is the Excavations of Old Van City, Citadel and Tumulus which are conducted with the cooperation of Ministry of Culture and Tourism, Directorate General of Cultural Assets and Museums and Istanbul University. As part of the ongoing works over a region of 95 hectares, a right footprint belonging to a human was found this year from approximately 2,500 years before on a mudbrick. This footprint is estimated to belong to the era of Late Iron Age/Post Urartu period. Another important discovery from this period was a group of burials in hocker position. Also, 12 glass bracelets found on the arm of the skeleton that is thought to belong to an adult woman who had lived during the Middle Age indicates the development level of the period's glass craft.

AYGAZ LIBRARY

We launched Aygaz Library Project in 1996 with the purpose of protecting the history and cultural richness of our geography and of leaving these for the future generations. We published 15 books including various studies from fields such as culture, arts, history and archaeology. In 2018, we published the book titled Your Excellency's Obedient Servant, which consisted of hand-written letters of people who left their marks in the history. Among the letters that were selected from Koç Holding's Chairman of Board of Directors Ömer M. Koç's collection, there are letters of some of the leading figures in the history such as Grand Vizier Mustafa Reşid Pasha, Abdülhamid Efendi at a young age, Queen Victoria, Lord Kitchener, the author Pierre Loti,

and the Caliph Abdülmecit Efendi. In addition, some other publications included Dersaadet's Photographers, Nemrut: The Mountain of Gods and First Year of the 2nd Constitutional Era. The History of Ottoman Era Diplomacy As part of The History of Ottoman Era Diplomacy project, we bring together information and documents collected from Ottoman archives. The total number of published books now stands at 66.

SPONSORSHIP FOR ISTANBUL THEATRE FESTIVAL

We have been supporting International Istanbul Theatre Festival since 2004 with the purpose of supporting the art of theatre in our country. In 2018, various international plays were played in the festival we were co-sponsors of. In addition, we enabled more young people to be introduced with theatre by being sponsors of the student project as part of the festival.

ENVIRONMENT ROAD TO THE FUTURE

Road to the Future (Geleceğe Yol Al) is a platform established to bring up climate change and fuel preferences and raise people's awareness on the issue. Consisting of an interesting content written with a clear and coherent language, the platform has the goal to present the adverse impacts of today's habits on the environment, our health and sustainable economic growth.

You can reach the website of the project at <http://gelecegeyolal.com>

WHAT WILL THE WEATHER BE LIKE TOMORROW?

We implemented What Will the Weather Be Like Tomorrow (Yarın Hava Nasıl Olacak) project in 2010 with the cooperation of Ministry of Environment and Regional Environment Center (REC) in order to raise awareness for climate change. We are organizing the Climate Change Awareness Workshop in the

Discovery Globe located in Rahmi M. Koç Museum. 13,533 students from 310 schools participated in the training this year and nearly 86,000 students from a total of 1,950 schools participated in these since 2012.

HEALTH DIABETIC CHILDREN'S CAMP

We always care for public health and we support the Diabetic Children's Camp organized by the Child and Adolescent Diabetics Association since 2004. The 26th camp which was organized in DSI Iznik Recreational Facilities this year was attended by 96 children and adolescents from the age group of 9 to 18; and, so far, more than 2,000 people have participated in the camp. In the camp which is one of the Turkey's first health camps dedicated solely to children, the children learn how to live with diabetes. Children and adolescents, while having fun, are provided with swimming, basketball, football, gymnastics and tennis activities as well as artistic activities including handcrafts, dance, music and painting.

SPORTS

Since 2013, we have been the sponsors of Beşiktaş Gymnastics Club's Handball Team with our Mogaz brand in order to support the development of sports in Turkey. Beşiktaş Mogaz Handball Team successfully represents Turkey in European Handball Federation (EHF) Championship League. In addition, we also sponsored Fenerbahçe Sports Club Professional Football A Team.

TRAINING

We have been supporting education of children and youth since 2001 through our cooperation with Educational Volunteers Foundation of Turkey (TEGV). This year, nearly 1,000 students were provided training about coding which is considered as the alphabet of the future as part of Firefly Learning Unit's Training Program.

COMMUNICATION WITH STAKEHOLDERS



Effective communication and cooperation with our stakeholders play an important role in driving our business success and in conducting pioneering activities in our sector.

We work to further the communication channels with our stakeholders, which we have already amplified through the stakeholder analysis - conducted last year. Our

future projects are guided by the opinions of related stakeholders which we regularly contact about our Sustainability Report or various topics including sustainability. We consider an active and transparent Disclosure Policy, and we transparently disclose our performance, future expectations and strategies to our stakeholders accurately, fairly and timely.

[For further details about the principles we consider while sharing information with our stakeholders, please see Disclosure Policy which could be found on Corporate Overview and Governance Section of our website.](#)



“One of the most important measures and indicators of sustainability is stakeholder communication. As the energy company of Koç Group, Aygaz reached to a more competent position in the excellence journey in all units and departments as a result of establishing and successfully implementing quality management systems under the guidance of our association and the training of relevant departments. The importance given to collaborations increases the success of the company.”

Seval Kızılcın
Secretary General, KalDer

“Aygaz, that we collaborate closely, adopts a close and constructive approach in areas which would benefit the sector. They establish a close and moderate dialogue to reach the most suitable solution in cooperation and they adopt a collaborative working culture.”

Cem Önce
Secretary General, Turkish LPG Association

Stakeholder Groups	Communication Methods	Communication Frequency	Issues Raised by Stakeholders
Shareholders, Investors, Analysts	Investor conferences, face-to-face meetings at the Head Office, responding to information requests received by phone or email, teleconferences, analyst meetings, senior management meetings, Investor Relations page on the website, annual report, sustainability report, company presentations, profit announcement, disclosure announcements, material disclosure announcements	Simultaneous response on demands at least every quarter	
Business Partners and Dealers	Dealer Hotline, satisfaction surveys, Aygaz Training Truck and Training Bus, joint projects, audits, dealer portals	Daily	<ul style="list-style-type: none"> • Product quality and safety to be covered more widely in communications • Sharing best practices on customer orientation • Using brand power more • Putting innovation to the center in customer experience • Focusing on competition in the market conditions • Adding new business channels and using opportunities
Employees	Employee satisfaction and loyalty surveys and questionnaires, online idea collection platform, intranet, internal communication events, announcements, committee meetings, trade publications, suggestion systems	Daily	<ul style="list-style-type: none"> • Sustaining the contribution in the development of social projects • Increasing next generation approaches (flexible working hours etc.) in human resources practices • Increasing intrapreneurship activities
Affiliates and Subsidiaries	Meetings, joint projects	On demand	<ul style="list-style-type: none"> • Talent management and career planning • Increasing the knowledge level about R&D and innovation
Public Institutions and Regulatory Authorities	One-on-one meetings, official visits, industry meetings	At least once a month	
Customers	Communication campaigns, advertisements, website, social media, Aygaz Mogaz Hotline, market and customer loyalty surveys, visits	Daily	
Media	Press releases and press conferences, interviews, reputation surveys, website, corporate publications	Weekly	<ul style="list-style-type: none"> • Developing a corporate responsibility project that would reflect the power of Aygaz brand and that could be conducted for years to come
Non-governmental Organizations (NGOs) and Associations	Following sectoral agenda, social responsibility issues, joint projects, sponsorship and donations, reputation surveys, working committees and boards	Weekly	<ul style="list-style-type: none"> • With environmental policy, continuing the works that are sensitive to the problems of the country and managing environmental issues with the quality management in an integrated way • Raising awareness among the end consumers about energy efficiency
Labor Unions	Face to face evaluations, collective bargaining agreement, joint projects, General Assembly, open employer meetings	At least four times in a year	
Suppliers	Supplier portal, audits	Daily	<ul style="list-style-type: none"> • Conducting works to increase employment areas in the operations across the country • Enhancing quality, and health and safety practices
International Organizations and Initiatives	Joint projects, conferences, seminars, corporate memberships	At least once a month	
Universities	Conferences, training, festivals	At least once a month	

COMMUNICATION WITH STAKEHOLDERS

We have membership and cooperation relations with nearly 100 organizations in our stakeholder economy and we work together in joint projects and programs.

Corporate Memberships and Cooperation	
Advertisers' Association	Istanbul Mineral and Metals Exporters Association
Aegean Region Chamber of Industry	İskenderun Chamber of Commerce and Industry
Bay Area Chamber of Commerce	İzmir Chamber of Commerce
Bay Area Petroleum Products and Industrialists Association	Kayseri Chamber of Commerce
Business World and Sustainable Development Association (SKD)	Kırıkkale Chamber of Commerce and Industry
Chemicals, Petroleum, Rubber and Plastics Industry Employers' Association (KIPLAS)	Kırıkkale Employment and Vocational Education Board
Clean Sea Foundation - TURMEPA	Kocaeli Chamber of Industry
Corporate Communication Specialists Association	Koç Group Executives Association
Denizli Chamber of Commerce	Lüleburgaz Chamber of Commerce and Industry (LTSO)
Diyarbakır Chamber of Commerce and Industry	Mersin Chamber of Commerce and Industry
Dörtiyol Chamber of Commerce and Industry	Nazilli Chamber of Commerce
Electronic Trade Businesses (ETİD)	Packaged Water Manufacturers Association (SUDER)
Energy Efficiency Foundation	Quality Association of Turkey (KalDer)
Erzurum Chamber of Commerce and Industry	Safranbolu Chamber of Commerce and Industry
Eskişehir Chamber of Commerce	Samsun Chamber of Commerce and Industry
Eskişehir Chamber of Industry	Technology and License Managers Association
Foreign Economic Relations Board (DEİK)	The Turkish Industry and Business Association (TÜSİAD)
Foreign Trade Association of Turkey	The Union of Chambers and Commodity Exchanges of Turkey (TOBB)
Gaziantep Chamber of Commerce	Trabzon Chamber of Commerce and Industry
Gaziantep Chamber of Industry	Turkey Corporate Governance Association (TKYD)
Gebze Organized Industrial Zone	Turkey Liquefied Petroleum Gas Industrialists Association
International Chamber of Commerce (ICC)	Turkey Metal Industrialists Union (MESS)
International DME Association	Turkey People Management Association (PERYÖN)
Isparta Chamber of Commerce and Industry	Turkish Employers Unions Confederation
Istanbul Chamber of Commerce (ITO)	Turkish Investor Relations Association
Istanbul Chamber of Industry (ISO)	World Energy Council Turkish National Committee
Istanbul Culture and Arts Foundation (IKSV)	World LPG Association – WLPGA

ANNEXES

- **Environmental Performance Indicators**
- **Social Performance Indicators**
- **GRI Content Index**

ANNEXES

ENVIRONMENTAL PERFORMANCE INDICATORS

ENERGY CONSUMPTION (GJ)	2016	2017	2018
Direct energy consumption (fossil fuels, vehicle fuels etc.)	94,676	83,621	63,345
Purchased electricity	77,940	73,996	64,387
Solar power	-	-	284
Total energy consumption	172,616	157,618	128,016
Energy saving	6,923	6,541	3,852

GREENHOUSE GAS EMISSIONS (TON CO ₂)	2016	2017	2018
Scope 1	6,221	4,814	4,429
Scope 2	10,152	9,891	8,705
Total	16,373	14,706	13,134
Greenhouse gas intensity (kg CO ₂ / tons production)	7,1	6,5	6,7

AIR EMISSIONS (KG/HOUR)	2016	2017	2018
NOx	1,92	1,94	1,72
SOx	0,2	0	0,07
Volatile Organic Compounds (VOC)	5,38	14,35	8,3

WATER CONSUMPTION (M ³)	2016	2017	2018
Groundwater	61,188	42,511	42,395
Surface water	48,622	35,777	35,957
Rainwater	5,000	5,280	3,600
Other (received through tankers)	30,205	26,857	20,783
Total water consumption	145,015	110,425	102,735
Recycled water	256,143	112,625	208,743
Wastewater	61,992	56,956	48,131

ENVIRONMENTAL INVESTMENTS AND EXPENDITURES (TL)	2016	2017	2018
Investments and expenditures	6,791,469	5,224,181	2,828,470

WASTE (TONS)	2016	2017	2018
Recycled hazardous waste	679	586	495
Recycled non-hazardous waste	12,472	12,317	9,123
Disposed hazardous waste	31	33	48
Disposed non-hazardous waste	223	-	-

SOCIAL PERFORMANCE INDICATORS

EMPLOYEES BY GENDER AND CATEGORY	2016		2017		2018	
	Female	Male	Female	Male	Female	Male
Number of office workers	112	485	118	483	123	469
Number of field workers	19	566	16	578	16	507
Total number of employees	1,182		1,195		1,115	
Total number of employees covered by collective bargaining agreements (unionized)	0	301	0	311	0	242

EMPLOYEES BY THEIR WORKING TYPES	2016		2017		2018	
	part-time	full-time	part-time	full-time	part-time	full-time
Number of employees	43	1,139	118	1,142	86	1,110

EMPLOYEES BY AGE	2016	2017	2018
	>50 years old	45	48
31-49 years old	885	922	909
<30 years old	252	225	145

NUMBER OF EMPLOYEES BY EMPLOYMENT TERM	2016		2017		2018	
	Female	Male	Female	Male	Female	Male
0-5 years of employment	54	484	53	383	52	293
5-10 years of employment	21	191	24	288	23	301
+10 years of employment	55	377	57	390	60	386

MID-LEVEL AND SENIOR MANAGERS PER GENDER	2016		2017		2018	
	Female	Male	Female	Male	Female	Male
Senior managers	1	9	1	9	1	7
Mid-level managers	11	49	14	48	13	60

PARENTAL LEAVE	2016		2017		2018	
	Female	Male	Female	Male	Female	Male
Number of employees on leave	2	0	6	0	6	0
Number of employees returning from leave	0	0	2	0	9	0

ANNEXES

SOCIAL PERFORMANCE INDICATORS

TURNOVER OF EMPLOYEES BY GENDER	2016		2017		2018	
	Female	Male	Female	Male	Female	Male
Number of employees leaving the job	8	308	15	233	16	185
Number of employees recruited	30	300	19	242	18	129

EMPLOYEES SUBJECT TO PERFORMANCE EVALUATION BY CATEGORY	2016	2017	2018
Office workers	567	576	566
Field workers	-	282	279
Total number of employees	567	858	845

TRAINING	2016	2017	2018
Total training (hour)	55,288	45,695	42,920
Training per employee	47	38	39
Total OHS training (hours)	9,034	6,869	8,842
OHS training per employee	7,64	5,75	7,93

OHS PERFORMANCE OF EMPLOYEES'	2016	2017	2018
Number of fatalities	0	0	0
Occupational disease rate (ODR)	0	0	0
Injury frequency rate (IR)	11,86	24,4	12,33
Lost day rate (LDR) ¹	0,2	0,31	0,19

OHS PERFORMANCE OF CONTRACTORS'	2016	2017	2018
Number of fatalities	0	0	0
Occupational disease rate (ODR)	0	0	0
Injury frequency rate (IR)	26,11	42,53	20,31
Lost day rate (LDR)	0,27	0,44	0,24

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

GRI CONTENT INDEX



GRI Standard	Disclosure	References	Omission
GRI 101: FOUNDATION 2016			
GENERAL DISCLOSURE			
GRI 102: General Indicators 2016	Organizational profile		
	102-1	1	
	102-2	6-8	
	102-3	https://www.aygaz.com.tr/en/corporate/head-offices-and-regional-directors	
	102-4	6-8	
	102-5	7, 8	
	102-6	6-8	
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	102-12	56	
	102-13	56	
	Strategy		
	102-14	3	
	102-15	11-12,17-19	
Ethics and integrity			
102-16	7		
102-17	16		

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report. The service was performed in the Turkish version of the report.

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GRI Standard	Disclosure	References	Omission	
GRI 101: FOUNDATION 2016				
GENERAL DISCLOSURE				
GRI 102: General Indicators 2016	102-18	19		
	102-19	19		
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	102-21	10, 19, 54-56		
	102-22	https://www.aygaz.com.tr/uploads/yatirimci-iliskileri/faaliyet-rapor/87084051_1db7_4a4c_876d_78f0994dd08e__afr_eng_5mart_r.pdf		
	Stakeholder engagement			
	102-40	54-56		
	102-41	36		
	102-42	12-14, 54-56		
	102-43	54-56		
	102-44	11-12, 54-56		
	Reporting practice			
	102-45	8,1		
	102-46	11-12		
	102-47	11-12		
	102-48	There is not any change.		
	102-49	11-12		
	102-50	1		
	102-51	Aygaz Sustainability Report 2016-2017		
	102-52	1		
	102-53	1		
	102-54	1		
	102-55	61		
102-56	Report was not subjected to external audit			
GRI 200 ECONOMIC STANDARDS SERIES				
ECONOMIC PERFORMANCE				
GRI 103: Management Approach 2016	103-1	7-9		
	103-2	7-9		
	103-3	7-9		

GRI Standard	Disclosure	References	Omission
GRI 200 ECONOMIC STANDARDS SERIES			
GRI 201: Economic Performance 2016	201-1	7-9	
	201-2	47,48	
	201-3	https://www.aygaz.com.tr/uploads/yatirimci-iliskileri/faaliyet-rapor/87084051_1db7_4a4c_876d_78f0994dd08e__afr_eng_5mart_r.pdf	
INDIRECT ECONOMIC IMPACTS			
GRI 103: Management Approach 2016		22-28	
	103-2	22-28	
	103-3	22-28	
GRI 204: Procurement Practices 2016		22-28	
PROCUREMENT PRACTICES			
GRI 103: Management Approach 2016	103-1	32	
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GRI 204: Procurement Practices 2016	204-1	32	
ANTI-CORRUPTION			
GRI 103: Management Approach 2016	103-1	14-18	
	103-2	14-18	
	103-3	14-18	
GRI 205: Anti-corruption 2016	205-1	14-18	
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	205-3	14-18	
ANTI-COMPETITIVE BEHAVIOR			
GRI 103: Management Approach 2016	103-1	16-17	
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GRI 206: Anti-competitive Behavior 2016	206-1	16-17	
GRI 300 ENVIRONMENTAL STANDARDS SERIES			
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GRI 300 ENVIRONMENTAL STANDARDS SERIES			
GRI 302: Energy 2016	302-1	46-47	
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GRI 103: Management Approach 2016	103-1	48, 49	
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GRI 303: Water 2016	303-1	48, 49	
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GRI 103: Management Approach 2016	103-1	49	
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GRI 304: Biodiversity 2016		49	
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GRI 103: Management Approach 2016		46-47	
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GRI 103: Management Approach 2016	103-1	48, 49	
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GRI Standard	Disclosure	References	Omission
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GRI 306: Effluents and Waste 2016	306-1	48, 49	
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ENVIRONMENTAL COMPLIANCE			
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GRI 307: Environmental Compliance 2016	307-1	46, 47	
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GRI 103: Management Approach 2016	103-1	32	
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GRI 308: Supplier Environmental Assessment 2016	308-1	32	
GRI 400 SOCIAL STANDARDS SERIES			
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GRI 103: Management Approach 2016	103-1	36-39	
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GRI 401: Employment 2016	401-1	59, 60	
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GRI 103: Management Approach 2016	103-1	43	
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GRI 403: Occupational Health and Safety 2016	403-1	43	
	403-2	43, 60	

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GRI Standard	Disclosure	References	Omission
GRI 400 SOCIAL STANDARDS SERIES			
TRAINING AND EDUCATION			
GRI 103: Management Approach 2016	103-1	40, 41	
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GRI 404: Training and Education 2016	404-1	40, 41, 59	
	404-2	40, 41	
	404-3	59	
DIVERSITY AND EQUAL OPPORTUNITY			
GRI 103: Management Approach 2016	103-1	36	
	103-2	36	
	103-3	36	
GRI 405: Diversity and Equal Opportunity 2016	405-1	59, 60	
	405-2	There is no discrimination in the remuneration policy for female and male employees.	
NON-DISCRIMINATION			
GRI 103: Management Approach 2016	103-1	16, 17, 36	
	103-2	36	
	103-3	36	
GRI 406: Non-discrimination 2016	406-1	16, 17	
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
GRI 103: Management Approach 2016	103-1	16, 36	
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GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	59-60	
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GRI 103: Management Approach 2016	103-1	16	
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GRI 408: Child Labor 2016	408-1	16, 36	

GRI Standard	Disclosure	References	Omission
GRI 400 SOCIAL STANDARDS SERIES			
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GRI 103: Management Approach 2016	103-1	16	
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GRI 409: Forced or Compulsory Labor 2016	409-1	16, 36	
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	103-2	32	
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GRI 414: Supplier Social Assessment 2016	414-1	32	
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GRI 103: Management Approach 2016	103-1	29	
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GRI 418: Customer Privacy 2016	418-1	29	

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