Sustainability Report 2016-2017



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About Our Report

We would like to present Yünsa's sustainability report that reflects our economic, environmental and social performance for the period 2016-2017. The aim of this report is to give our key stakeholders the opportunity to assess the steps we take to measure, monitor and improve the way we manage the impacts resulting from our activities.

Our goal is to render our sustainability reports one of the major communication tools to examine the priorities of our stakeholders with regard to sustainability and to share our best practices towards solutions to issues today and in the future.



The scope

Unless otherwise stated, the data in this report covers Yünsa's activities from January 1, 2016 to December 31, 2017. We explain how we defined our report content and topic boundaries in the Strategy and Governance section of this report. (GRI 102-50)

The principles

This report has been prepared in accordance with the GRI Standards: Core option. In the process of identifying our strategic sustainability topics, we took into consideration GRI's principles of materiality, stakeholder inclusiveness, sustainability context and completeness. (GRI 102-54)

Next report

We plan to publish our next report, which will cover our sustainability performance of 2018, in the second half of 2019.



Messages To Our Stakeholders

As Yünsa; one of world's top five high segment woollen fabric exporters, we are happy to proudly present you our 2016-2017 sustainability report. Since our establishment, we manage economic, social and environmental impacts of our activities on the basis of Sabancı Group's ethical and social responsibility principles. With this report, we present you our projects we undertake to manage our sustainability impacts along with our targets and future plans.



Today, besides our annual 4,500 tons of worsted yarn manufacturing capacity, we have fabric weaving capacity of 12.5 million meters. We export more than 50 countries worldwide. In Turkey, we perform 70% of industry export volume and supply approximately 5% of global fabric market.

At Yünsa, while we create value for the national economy through direct investments, employment, and developing talents for industry, we also operate in line with clean production focus, and an environment-friendly, sustainable business model. Along with our 1,000 employees, we continue our production operations perpetually for 44 years. Besides all the international standards that we comply with, we adopt sustainability in all our business processes through our projects based on efficient use of natural resources.

We embrace efficient and clean production as the most crucial step of sustainability and invest in TPM and R&D projects for sustainable solutions that create value. During the reporting period, we focused mainly on eliminating inefficiencies in production and increased our production performance by deploying TPM practices throughout the company. We sustain growth by favouring our R&D and innovation approach. You will find some of our environment friendly product practices in our report.

Economic Performance

This year's strategy works revealed economic performance, supplies and raw material management as our material economic sustainability topics. We have to supply our main raw material from abroad since it's domestically not available. We pay attention to purchase our major purchasing items; fibre, yarn, dye and chemicals from sustainable sources. We care for animal welfare and work on terminating the use of hazardous chemicals. Besides recycled polyester, we use our process originated waste after recycling, as alternative materials in our production line. We work on developing environment friendly products in which we use recycled materials.

Social Performance

The results of strategy survey and assessment revealed occupational health and safety, employment, training, diversity and equal opportunities as material topics for our company and internal stakeholders. Ensuring health and safety of employees is the major goal of all departments at Yünsa. We hold regular performance reviews to retain talent and extend their tenure; support their personal and professional development through training programs. We provided our employees with 29.5 hours/person training on average in 2017. Women employees compose 38% of all staff in our company. Providing diversity and equal opportunities for women is one of our our employment priorities.

Environmental Performance

In our strategy works, we prioritized energy, emission and water as our material environmental topics. We continued energy and water saving projects during the reporting period. We disposed all our waste in compliance with legislation. We accomplished to reduce energy and water consumption per unit product and emission and waste intensity. We saved TRY 1 million 379 thousand while reducing emissions through energy efficiency. In 2017, by receiving grade B both in CDP Turkey Climate Change and CDP Turkey Water Program categories, we confirmed our leading role in textile industry once again.

As Yünsa, we will continue to utilize innovative technologies, create value for all our stakeholders starting with our employees and clients and develop environment friendly products in our sustainability journey. Sharing your ideas, suggestions and questions regarding the information presented in this report will help us create more value for you.

Sincerely,

Nuri Düzgören



Corporate Profile

Yünsa, founded in 1973, is the largest integrated woollen fabric manufacturer in Europe and is also one of the five top high-segment woollen fabric manufacturers in the world.

Yünsa stands out within the woollen fabric industry in Turkey and Europe with its sales and marketing organization, flexibility it offers in production, cost structure, vision and experience.

Producing and using its own yarn, Yünsa has an annual worsted yarn manufacturing capacity of 4,500 tons along with a fabric weaving capacity of 12.5 million meters.



Turkish Textile Employers' Association

Name of Certificate

ISO 9001:2008 Quality

ISO 14001:2004 Environment

OHSAS 18001:2007 Occupational Health and Safe

ISO 27001:2013 Data Security

ISO 50001:2011 Energy

	Valid at	Since
	Factory+HQ	1998
	Factory+HQ	2004
ty	Factory+HQ	2016
	Factory+HQ	2016
	Factory	2013



Yünsa Facts and Figures







Products and markets

Exporting to 52 countries worldwide, our company is the fabric supplier for leading global brands; has its own sales offices in the UK, and Germany; design offices in Biella, Italy and Çerkezköy, Turkey in addition to its agencies in 15 countries and more than 400 clients.

The leading markets of Yünsa are the EU countries, North America and Far East. Our product range includes suit and uniform fabrics for women's and men's wear.

Besides 100% woollen fabrics, we also manufacture polyester, viscose, nylon, spandex fiber, cashmere and silk blended fabrics. Since the beginning of 2015, we took our place in apparel industry with the fabrics we manufactured by producing the models our clients requested from us. (GRI 102-2, GRI 102-6) AUSTRALIA • AUSTRIA • CANADA • DENMARK • EAST EUROPE • FINLAND • FRANCE • GERMANY • HOLLAND • INDIA • IRELAND • ISRAEL • ITALY • JAPAN • MALLEY • MEXICO • NORWAY • POLAND • PORTUGAL • RUSSIA & NEARBY GEOGRAPHY • SINGAPUR • SOUTH KOREA • SPAIN • SWEDEN



• THAILAND

• UK • USA

Supply chain

We create quite an economy with our foreign and domestic suppliers. Our domestic suppliers constitute 87% of all our suppliers in quantity and 23% of our purchasing amount, which is TRY 31.3 million. Spare parts, packaging, various administrative equipment is purchased from domestic suppliers.

Wool fiber, which is 100% imported raw material composes 62% of our supplier expenditures. Fiber (polyester, nylon, spandex fiber and others), yarns, dyes and chemicals are second in line in our import list.

We evaluate all our suppliers within supplier evaluation scope regularly using a digital platform; the Supplier Evaluation System.

In 2017, we terminated contracts with three suppliers, one of which was foreign, due to non-conformity to order terms and quality issues. We began doing business with 15 foreign and 111 domestic suppliers during the reporting period. (GRI 102-9, 102-10)









Awards and achievements

We continue to succeed in supporting sustainability by the standards we apply and the projects we develop for efficient use of resources at Yünsa.



Weaving Facility Efficiency Increase as a Result of Slashing Process Optimization

Project was born from our goal to increase efficiency at the weaving facilities. Efficiency of weaving facilities is directly proportional to the increase in the number of looms a single weaver is responsible of. The method for this efficiency increase is not by adding more workload on the weaver but decreasing the warp breakages that result in extra workload. Efficiency is proportional to the durability of warp yarn in weaving process, too. Therefore, the slashing process initiated to make warp yarn stronger has a great impact on our product quality.

What did we do?

The project was implemented in 2016 from June to August. First of all, we developed a chemical that would ease the process. After completing the actions to increase the slashing capacity in weaving preparation area, we changed the layout of weaving facility parallel to the improvement of warp breakages. We rendered the looms to be easily managed by the weavers.

Our water consumption decreased due to the changed chemical.

What is slashing?

Slashing is a chemical process in which the warp yarn is coated with a chemical to eliminate pilling during weaving and to enhance weaving performance. The aim is to decrease warp breakages and thus to eliminate short stops and quality problems.

Results and Gains

By means of efficiency increase, we could produce more with the same workforce. Number of looms per weaver has increased by 16%. Slashing transition speed has increased by 60%. Therefore, Overall Equipment Effectiveness based losses decreased by 63%. We achieved more than TRY 1.5 million annual saving through improvements in seven different items.

Employee motivation increased due to efficiency increase.





Industrialization of Bio-Based Textile Fabrics for Clothing Applications

The project initiated with the idea to develop a new alternative raw material to polyester. In exchange for polyester, we aimed at developing 100% biodegradable fabric with the same features as the existing fabrics by using the biodegradable polylactic acid (PLA) fiber and blending it with wool during production while keeping the existing quality of our fabrics.

What did we do?

The durability of PLA fiber that we use in yarn and fabric forms is lower with respect to polyester. We tried to resolve issues during fabric production such as breakages, tearing, etc. We conducted life cycle assessment for PES / woollen fabric production. We also planned to conduct life cycle assessment for PLA / woollen fabric production by collecting data.

The new products supports our sustainability policies since they are produced by utilising renewable natural resources.

The fabrics that include polylactic acid decompose in nature guickly and leave no waste in nature whereas ones that include polyester take years to decompose in nature.

Herbal resources are more often used in the production of PLA, the abbreviation for polylactic acid. It is developed by polymerisation of lactic acid, which is acquired by fermenting glucose in corn starch and sugar cane.

We expect that the new product will attract a lot of attention and increase market share both in domestic and international markets since it will be the first time that 100% biodegradable PLA / woollen core-spun yarns and fabrics to be used instead of polyester will be developed.





Strategy and Governance

Since the day Yünsa was established, we execute all our activities with the awareness of our social and environmental responsibilities and in compliance with laws and our ethical values. While determining our sustainability strategy, we took into consideration the views of our employees in addition to those of executives from all our departments and thus, we created our materiality map with a holistic approach.



Corporate governance

68% of our employees who responded to the sustainability assessment survey think that... Yünsa manages all its business processes in line with corporate governance principles, being transparent, fair, accountable and responsible.

At Yünsa, we perform all operations in conformity with the Corporate Governance Principles published by the Capital Markets Board which are transparency, fairness, responsibility and accountability.

Our Board of Directors consists of six members in total where two of them are independant members. Only the Chairman of the Board and the Deputy Chairman hold executive functions. Audit, Early Risk Identification and Corporate Governance Committees function under the Board of Directors.

Details on the committees, their aims and functions are given in our 2017 Annual Report, pages 43-45.

Yünsa 2017 Annual Report

https://www.yunsa.com/files/document/378-2017.pdf





Responsibility on Social Impacts Responsibility on Environmental Impacts

All social topics

Occupational health and safety All environmental topics

(GRI 102-18)



Business ethics

Compliance management

At Yünsa we naturalize Sabancı Business Ethics (SA-Etik) principles that aim to create and sustain a fair work environment. Besides being a protector of employees, SA-Etik is a guideline as well as a set of rules, regulations and procedures that are indicative to all our decisions and actions. SA-Etik has four major topics including legal responsibilities, integrity, confidentiality and conflict of interest.

New hires of white-collar employees complete SA-Etik briefing training via e-learning and blue collars complete it via orientation program within the first month of their entries. All employees undersign that they have read and understood ethic rules.

Any stakeholder willing to share and complain can reach Ethics Compliance Officer, **etik@sabanci.com** or phone number **212-385 85 85.**

(GRI 102-17)

Legal responsibilities subtopic under SA-Ethics Rules frames our compliance management principles. We execute all our domestic and international activities and procedures within the framework of local and international laws. Timely monitoring of current developments and changes in procedures is a hard process that needs accuracy and attention, and is managed through Sabanci Holding Risk and Compliance Portal (GRC Management).

Our aim is 100% compliance to all legislation we are liable to. In the reporting period, we went through the transition phase of Personal Privacy Act and we intend to have completed our integration by the end of 2018.

At Yünsa, we had no cases of noncompliance and/or administrative and monetary penalties regarding environmental act. Besides, no cases from non-compliance resolution mechanisms occurred.

Transition to Sabancı Holding Risk and Compliance Portal (GRC Management)

In order to monitor current developments in regulations and take timely actions when necessary, Risk and Compliance Portal is established to serve all group companies under Sabancı Holding leadership.

Six of our managers who are responsible for determining the actions along with the Yünsa Compliance Officer began to use the system. We plan to complete our work in the first half of 2018, which we began in 2017. Impact probability, which regulation would have how much impact on the company, can be monitored through the portal.



Results and Gains

Economic:

Potential fines due to non-compliance to regulations will be eliminated.

Social:

All regulations relevant to Yünsa will be monitored digitally and top management will be informed regularly by compliance status report.

Environmental:

Potential issues in non-compliance to environmental laws will be eliminated.

Corporate:

A system, which will enable our 100% compliance target, will be established.



Sustainability management

Since the first day, besides creating economic value for our shareholders. we see sustainability as an opportunity to create value for all our key stakeholders by overseeing our social and environmental responsibilities.

We manage all material issues by taking into consideration the expectations of key stakeholders and beyond relevant legal responsibilities. We believe that our corporate values will light the way for our employees in our sustainability journey and in reaching our goals.

Our values and sustainability priorities

Our corporate values support our vision to grow through making a positive change. The priority topics that shape our sustainability strategy match perfectly with our corporate values.

Mission: Being a leading organization, which creates value, and which is preferred for its pioneer and competitive approach in different areas of textile.

Vision: Growing by making a difference in textile products and services and being a global power.



OUR SUSTAINABILITY

Communication with our stakeholders

53% of our employees who responded to the sustainability assessment survey think that...

Yünsa's communication platforms to find out about the ideas/suggestions or expectations of key stakeholders (excl. employees) are adequate. the second and the second states

Our stakeholders are people and organizations that are influenced by our activities, and at the same time, who possibly have impacts on our company in achieving our business targets. Since the day our company was established, we meet with all our stakeholders in various platforms in parallel with our interaction frequency targets and inform them regarding our activities and business results.

Within the framework of our sustainability reporting works, we reviewed all our stakeholders and grouped them with regards to our material topics through a strategy work we organized with the participation of our top management who represent all our departments at Yünsa. As a result, we made a list of the key stakeholders to engage with regarding sustainability management.

From 2018 on, we plan to organize stakeholder engagement activities starting with our first two key stakeholders, priory with our employees and customers in the coming vears. (GRI 102-42)

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SUSTAINABILITY COMMUNICATION WITH OUR EMPLOYEES

We conducted a sustainability assessment survey to raise awareness of our employees on sustainability and our company's impacts. 175 people representing 84% of office employees participated the materiality and performance evaluation survey, which was open to all our staff. We shared our employees' priorities and their views on Yünsa's sustainability performance in the relevant sections of our report.

The communication platforms with our employees and the rest of our key stakeholders, together with their content and communication frequency, are presented in the Communication Platforms with Our Stakeholders table. (GRI 102-43, GRI 102-44)



Our key stakeholders



COMMUNICATION PLATFORMS WITH OUR KEY STAKEHOLDERS

STAKEHOLDER	PLATFORM	COMMUNICATION CONTENT	COMMUNICATION FREQUENCY
	Sustainability Assessment Survey	Prioritisation and performance assessment	Once a year
	Yunsada.com (internal social platform)	News, announcements, greetings, special days, social posts	Daily
Employees	CEO Meetings	Company financial status, targets and practices	Bimonthly
	Employee activities	Dinners and events	Bimonthly
	Social clubs	Sailing, cycling, football, table tennis, traveling	Weekly
	YES parties	Birthday celebrations	Monthly
	Sustainability Feedback Survey	Prioritisation and performance feedback	Once a year
	Meetings, audits	Sustainability performance	A few times a year
Clients	Customer Satisfaction Survey	Satisfaction level	Once a year
	E-bulletin	Company news	Monthly
	Overseas exhibitions	Sales and one-to-one interviews	15-20 times a year
Suppliers	Supplier scorecards	Supplier performance evaluation	Once a year
Shareholders/ Investors	Annual Reports	Company financial status, targets and practices	Several times a year
Shareholders/ Investors KAP (Public Disclosure Platform) disclosures		Company financial status, important changes	Several times a year
Public, Regulatory Bodies and Local Administrations Visits, one-to-one meetings		Social and environmental regulations, legal permissions, private partnerships, incentives	When necessary





YÜNSA MATERIALITY MATRIX

Material sustainability topics

We selected our sustainability priorities through a sustainability strategy survey conducted with the participation of our directors, department managers and the sustainability team of Yünsa.

With a review meeting with our general manager, the sustainability strategy leader of our company, we finalized our key stakeholders and material topics. Taking into consideration the employee engagement survey results, we prepared our materiality matrix. We grouped all the sustainability topics we analyzed into three.

The upper right-hand part of the matrix displays the first group of topics that are of high importance for both our customers and Yünsa and influence our company's

performance directly and significantly. These topics constitute the main headings of the relevant sections of our report, and the relevant data on our company's performance are extensively covered in the report.

The main objective of creating such a matrix was to clearly identify issues important for both our company and our key stakeholders, and to develop our plans and set our targets around these topics.

In the coming reporting period, we aim to exchange ideas with a higher number of stakeholders to further develop the topics we will focus on and our relevant targets.



Significance of Impacts for Yünsa (Reputation, Regulatory, Financial, Operational)

Topic boundaries and limitations on reporting

All topics that we include in our materiality matrix are valid for all activities in Cerkezköy. In addition, our suppliers and subcontractors have impacts regarding these topics.

In our supply chain, the topics that we monitor are: calculations for emission monitoring (employee transportation vehicles) and health and safety of our subcontractors working in our factory. We do not actively manage our impacts for the rest of the topics.

(GRI 102-46) (GRI 103-1)

(GRI 102-47)



We contribute to UN Sustainable Development goals!

At Yünsa, as we determine our material sustainability topics we also took into consideration the Sustainable Development Goals (SDGs) launched by UN in 2015. As we aligned our best practices with SDGs we saw that our material topics are directly related to 7 of the SDG's. Additionally, we directly serve our corporate goals aligned with 50% of our material issues and the 6 SDGs through the R&D and Innovation works that we see as solution tool rather than impact area.

UN 2030 Sustainable Development Goals That We Address With Yünsa's R&D and Innovation Studies		Material Topics
3 GOOD HEALTH AND WELL-BEING	SDG 3: Good Health and Well-Being	Occupational Health and Safety
8 DECENT WORK AND ECONOMIC GROWTH	SDG 8: Decent Work and Economic Growth	Economic Performance Materials Occupational Health and Safety Effluents and Waste
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	SDG 9: Industry, Innovation and Infrastructure	Materials Occupational Health and Safety Energy and Emissions
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	SDG 12: Responsible Consumption and Production	Materials Occupational Health and Safety Energy and Emissions Effluents and Waste
13 climate	SDG 13: Climate Action	Materials Energy and Emissions Effluents and Waste
17 PARTNERSHIPS FOR THE GOALS	SDG 17: Partnerships For The Goals	All Topics

UN 2030 Sustainable Development Goals 3 GOOD HEALTH AND WELL-BEING SDG 3: Good Health and -4/~ Well-Being 4 QUALITY EDUCATION SDG 4: Quality Education 5 GENDER EQUALITY Į SDG 5: Gender Equality 6 CLEAN WATER AND SANITATION SDG 6: Clean Water and Ų Sanitation 8 DECENT WORK AND ECONOMIC GROWTH SDG 8: Decent Work and M Economic Growth 12 RESPONSIBLE CONSUMPTION AND PRODUCTI SDG 12: Responsible CO Consumption and Production 13 CLIMATE ACTION

SDG 13: Climate Action

Ray

(GRI 102-12)

Yünsa's Relevant Material Topics	Departments Working for The Corporate Goals
Materials Occupational Health and Safety Employment Effluents and Waste	OHSE R&D
Training and Development	Human Resources
Diversity and Equal Opportunity	Human Resources
Water	OHSE
Economic Performance Materials Occupational Health and Safety Employment Training and Development Energy Water Effluents and Waste	OHSE Human Resources R&D Finance and all the rest
Economic Performance Materials Energy Emissions Water Effluents and Waste	Purchasing OHSE, R&D All departments participating TPM activities
Economic Performance Materials Energy Emissions	OHSE R&D



R&D and Innovation

At Yünsa, R&D department is a strategic unit since it is the foremost vital tool in developing sustainable solutions and fabrics. Our R&D investments and work we carry out within this scope directly impacts company sustainability.

Targets of Yünsa R&D and Technical Management are; develop innovative products that are environmental and human friendly with long economic life; obtain patents for these products and

increase number of project applications that have national/international support. We cooperated with many institutions including universities in projects that started, continued and completed during the reporting period.

We included R&D projects that we completed or began to get results during the reporting period under the relevant topics of this report.





Cooperations with Universities **R&D** Expenditures (Capex and Opex included)

New Products Sales Revenue

Publication, article, memorandum: 12 **Postgraduate Thesis:** 4 Phd Thesis: 1

TRY 5,965,956

TRY 74,451,654

Publication. article. memorandum: 9 **Postgraduate Thesis:** 1 Project: AB Horizon 2020 Framework Programme 7 partnership protocols under University-Industry Partnership (KUSI) framework

2017

40

3

3

TRY 5,275,936

TRY 104,317,928



Development of Nature and Human Health Friendly Natural Dyed Fabric

We manage the project with eight team members led by our R&D Center to eliminate the negative impacts of synthetic dyes on environment and health and continue our works on transition to using natural dyes. The reasons to initiate this project are client requests towards natural products and our willingness to meet these requests.

Under the project scope, we intend to dye our products by utilizing natural raw materials such as wastes from hazelnut factories and chestnut producers, various fruit skins and herbs such as mint and oregano that are abundant in Turkey. We developed color scales, recipes and application processes of natural pigments. We examined performance features such as fastness, resistance, abrasion, and touch of fabrics produced in industrial scale.

We achieved significant improvements in our work on obtaining the requested color by blending natural pigments extracted from various plants in specific amounts. We continue to work on developing the colors and identifying positive and negative effects of the fiber.

Targeted Results and Gains

Reconcile: We expect a positive impact on our market share when we serve natural dyed suit fabrics in the market. We intend to use plants that are resources of natural pigments in industry to create higher value than using them as fodder, fuel or fertilizer instead.

Social: We intend to use environment friendly, organic dyes instead of inorganic ones that have negative impacts on environment and human health.

By gaining new raw materials to industry, new business areas will be created.

Environmental: We aim to transform waste of fruit skin and various plants into natural dye.

Corporate: We will seize the opportunity to develop a new and interesting product in the market.





Acquiring Self-Cleaning Attribute to Woollen and Wool Blend Fabrics under Light

Since 2012, we manage the project with six team members led by our R&D Center in cooperation with Pamukkale University Textile Engineering Department to add woollen and wool blend fabrics the attribute of removing organic dirt by photocatalytic reaction. We received consultancy from Pamukkale University on topics such as chemical synthesis and method development. By wiping the organic dirt with a moist cloth from the fabrics we produced in the project and leaving the fabrics under direct sunlight for 3-4 hours, we observed that 70% of the spots faded.



Targeted Results and Gains

Boonomic: Due to gaining self-cleaning attribution to the corporate wear, we expect to receive a lot of attention both domestically and abroad for this attribute and increase Yünsa's market share.

Social: We project that the dry cleaning and washing costs of clients who use this product will decrease.

Environmental: We expect cleaning frequency to decrease, environmental pollution to decrease and product lifetime to increase due to less detergent and solvent usage. Also energy used for washing and water consumption will decrease due to lower cleaning frequency.



Whe Stain (Unexposed to Sunlight)

Cherry Juice Stain

Wine Stain

ROJE

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Coffee Stain (Unexposed to sunlight) Tea Stanh (Unexposed to Sulich+L Tea Stain Coffee Stain YUNSA 39

Acquiring Low Temperature Dyeing and Machine Wash Attributes to Woollen Fabrics by Utilizing Environment Friendly Ozone Technology in **Industrial Production Scale**

In the recent years, customers prefer their woollen clothes to be washed in washing machine and even tumble dried. We presumed that having ozone technology used in production of woollen fabrics would gain these attributes. We initiated a project of 10 team members in Dying-Finishing Department under our R&D Center leadership partnering with Namık Kemal University Corlu Engineering Faculty Textile Engineering Department.

With support of TÜBİTAK TEYDEB (Technology and Innovation Support Programs Directorate), we aimed to produce low water consuming and easy washing fabrics by using ozone technology. Also, we targeted to reduce dyeing temperature without losing dyeing efficiency by means of fiber flake disintegration.

We will make a difference in textile products and services with the multicolor and weathered effect fabrics that we plan to produce using the ozone technology which is an environmental approach.

Targeted Results and Gains

Economic: We forecast around TRY 50,000-60,000 saving which accounts to 16% energy saving during dyeing process. Social: We will accomplish to meet customer expectations by developing a more environmentally friendly product.

Environmental: We support saving in natural resources by reducing the water and energy used both in production and in usage of these products.

Corporate: We began to make plans at Yünsa to integrate ozone technology into work culture by means of this project. Our willingness and perseverance to work on this issue have increased considering the necessity to produce environmentally friendly products, which are highly demanded by our customers. This has opened the way to other projects utilizing ozone technology.





and Economic Performance by Developing Clean Production Techniques and Strategies in Woollen Textile Industry

We initiated a project to apply clean production approach in processes, develop practices to save resources, integrate energy monitoring system, identify facts that cause inefficiency, and therefore reduce production costs.

Under the project scope, all inputs-outputs for the last three years were analyzed and 243 clean production suggestions under 175 major topics were offered. Suggestions were scored by all units and the suggestions with highest scores were grouped under 35 major topics and feasibility analyses were prepared. Project deliveries were presented in a meeting to all relevant engineers and managers from each unit.



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Increasing Technical, Environmental

Targeted Results and Gains

Economic: By reducing natural resource and material usage, we will be able to make economic savings.

Social: The project is the first authentic work undertaken in woollen textile industry in this detail and scope. The clean production methodology of decision making based on multiple measures that was used in clean production analysisassessment will be applied in woollen textile industry in actual scale for the first time.

Environmental: We identified potential savings as; 26-58% in water, 12-32% in electrical energy, 9-29% in steam energy, 22-46% in thermal energy, 25-40% in pigment, 25-35% in auxiliary chemical consumption. Also, we projected that waste water amount will decrease by 25-60%, emission amount will decrease by 22-46% and solid waste amount will decrease by 20-60%.



Total productive maintenance

Total Productive Maintenance (TPM) is basically a system that we implement since 2012 to reach zero-accident target, to preserve quality problems and to identify root causes of recurring failures and to develop permanent solutions and eliminate them. TPM, which involves a management approach that serves all our targets under sustainability management, is the starting point of all our efficiency works overseen during the reporting period. We present some of these projects in the relevant sections of our report. At Yünsa, within the framework of Total Product Maintenance (TPM) works, we award the owners of the projects with economic, social and or environmental results and gains, every year at an internal award ceremony.

Targeted Gains of TPM Projects

Economic

- To prevent labor and machine loss
- To reduce costs based on increase in machine efficiency

Social

- To improve our employees' knowledge, skills and competencies in monitoring, analyzing and taking timely action about their responsibilities
- To increase efficiency and productivity
- To create positive working environment with zero- accident and zero quality defect targets

Environmental

• To increase perception of employees on energy efficiency, waste management and environmental protection.





Economic Performance

At Yünsa, we continue production for the last 44 years with our responsibility approach towards people and environment, which also supports our financial goals. We believe that sustainable growth can be achieved by sharing the economic value we create not only with our shareholders but with our customers, employees and suppliers as well.



Economic performance

68% of our employees who responded to the sustainability assessment survey think that... Yünsa creates significant economic value for its key stakeholders.

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MANAGEMENT APPROACH

Policy:	Our Vision
Responsible Managers and Departments:	Board of Directors, General Manager, Finance
Measuring and Monitoring Mechanisms:	Evaluations at the meetings held at the Holding monthly and with the Board quarterly.
Target:	Ebitda 2016: 12.2% and TRY 45.8 million 2017: 15.96% and TRY 47.1 million
Performance Results:	Ebitda 2016: -5.76% and TRY -14.2 million 2017: 15.79% and TRY 47 million

At Yünsa, the largest integrated woollen fabric producer under one roof both in Turkey and in Europe, revenues in 2017 increased by 20% to TRY 297.6 million from previous year's TRY 247 million. 19% increase in export revenues played an important role in making TRY 14.8 million net profit in 2017 whereas 2016 had ended with loss.

We were very busy in 2016 with restructuring works. We increased effectiveness of sales team through CRM practices. We targeted profit focused sales activities. We restructured business processes as a result of efficiency analyses.

2016-2017 INVESTMENTS



We increased our economic performance by means of our differentiation strategies while focusing on efficiency in production and competitiveness in cost by practicing the most convenient organization structure.

We continued to provide value to our stakeholders in 2017 both with the economy we created and investments we made. We utilised TRY 19 million government subsidies in 2016-2017 through incentive programs.

6% Health and Safety Investments

7% Modernisation Investments

10% Natural Resource Conservation



Investments of 2016-2017

Besides new machinery and modernization investments, we invested over TRY 21 million in 18 essential projects in the scope of efficiency and occupational health. We present some of these projects in the relevant sections of this report.

Investment Amount	Name of Investment	Objective
TRY 367,000	Variable-Speed Efficient Compressor Investment Project	To meet compressed air need economically To reduce 0.17 kw/m ³ value to 0.10 kw/m ³
Results	Economic: We saved TRY 222,000 annually. Social: Technical knowledge and awareness of employees increased. Environmental: CO ₂ emission decreased due to less energy consumption.	
Investment Amount	Name of Investment Objective	

TRY 26,530	Air Handling Pumps Energy Efficiency Project	To increase efficiency of pumps To decrease energy consumption fro 179 kWh to 125 kWh	
Results	Econ We began to save T Soc Employee awareness on the esse investment	omic: TRY 21,000 annually. cial: ence of energy scale while making t increased.	
	Environmental:		



Investment Amount	Name of Investment
TRY 193,000	Bobbin Dye Pumps Energy Sav Project
Results	We achieved TRY 128, Technical knowledge an CO2 emission decrea
Investment	Name of Investment
TRY 193,000	New Packaging Machinery Invest
Results	We saved TRY 105,1 termination of r We did not receive any custome machine. Work ergonomy complai We saved time, mone

	Objective	
ving	To reduce electrical energy consumption during dyeing process (365.5 kWh)	
Economic: ,000 worth of energy savings annually. Social: and awareness of employees increased. Environmental: ased due to less energy consumption.		
	Objective	
tment	To eliminate inventory returns resulting from packaging machine and terminate manual packaging	

Economic:

150 due to elimination of returns and machine breakages and stops.

Social:

er complaints after the installment of packaging aints ended after termination of manual packaging.

Environmental:

ey and increased workforce efficiency.



Materials management

72% of our employees who responded to the sustainability assessment survey think that... Yünsa's practices to use recycled raw materials and efforts to recover process waste in the production are adequate.

MANAGEMENT APPROACH

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Policy:	Supply Chain Policy
Manager:	Supply Chain Director
Our Team:	12 People
Management System:	ISO 27001 Data Security Management System
Measuring and Monitoring Mechanisms:	Internal and external audits Annual performance evaluation Supplier performance evaluation
Target:	Maximum 14% material loss (fiber, yarn, fabric included)
Base Year / Target Year	2016 - 2020
Performance Results:	2016: 17.14% 2017: 14.68%

Besides fiber and yarn, dyes and chemicals are the leading inputs of production. Selection process of these materials and their efficient use are vital to sustainable and clean production.

Our goals in production are; producing same quality products with less input by efficient use of raw and other materials, reusing materials and using them in ways to minimize their environmental impacts.

Our goal in purchasing is to provide materials in requested quality, time, quantity and conditions because these criteria directly influence business efficiency and fabric quality. The most difficult part of purchasing is to supply wool, which is the major input to our production, in long lead times.

PURCHASING SHARES OF MATERIALS



ANDARD HRS-RCS Papanys

Global Recycled Standard (GRS) and Recycled Claim Standard (RCS)

Global Recycled Standard (GRS) and Recycled Claim Standard (RCS) that we received the certifications of in 2017 for the first time are product standards created to trace and confirm the recycled ingredients in the product throughout supply chain.

Recycled materials in products with GRS certification should be at least 20%.

Fiber and Yarn

Our raw material cost that consists of fiber and yarn makes up 74% of all material purchasing. In 2017, we purchased recycled polyester as a trial. We intend to have similar raw materials to have bigger shares in production in the following years. We contribute to circular economy by increasing and diversifying recycled raw material ingredient.

At Yünsa we priorly purchase raw materials, which are produced by guaranteed animal welfare. We worked with suppliers at Uruguay and Argentina during 2016-2017 period and imported 270 thousand kilograms of "nonmulesed" wool annually. We aim to increase this amount in the coming years.

("Mulesing": It is a cutting process of wool and skin around the tail of the sheeps to avoid flystrike.)

This ratio for RCS is 5%. We use recycled polyester (r-Pet) and process driven wool waste that we recycle in our factory as recycled materials. In 2017, we recycled and utilized 1,777 kilograms of waste wool as raw material. (GRI 102-12)





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Design, Development and Production of High Value-Added Woolen Fabrics Using Recycled Fibers (r-PET)

We blend woolen fiber, which is our main raw material at Yünsa, with other fibers to eliminate disadvantages such as felting, low abrasion resilience and high cost. Polyester fiber (PES) is the most preferred fiber as it is used to preserve elasticity attributing most important value to wool and to resolve low resilience issues.

Under this project scope, we investigated the possibility of using r-PET (recycled from PET bottle), which is a more environment friendly fiber than polyester, a synthetic petroleumderived fiber used in the wool industry. We aimed the design, development and production of high value-added woolen fabrics. We made the preparations and defined the project requirements in cooperation with our varn production facility and R&D Center.

With the future R&D work, we are aiming to find a use for an environmentally problematic raw material in a different area and, develop low cost and high value-added products for Yünsa. With this project, as we increase our competitive strength on a global scale, we will also contribute to the national economy.

Targeted Results and Gains

Economic: We are expecting an increase in the sales of fabrics made using r-PET fibers in line with our customers' sustainability targets.

Social: With this project, the use area for r-PET fibers will be expanded by Yünsa. In that regard, there may appear a new market for r-PET fiber producers, and the employment will rise in r-PET production.

Yünsa will be able to reflect its awareness in developing environment friendly products on all product groups.

Environmental: With the use of r-PET, which requires much less energy to be produced than the standard PES, we will offer our clients a new environment-friendly woolen fabric. The PET bottles, which cause an important environmental pollution for their longdegradation periods in the nature will be recycled and used as a raw material.

Corporate: Fabrics made with r-PET fibers will bring prestige and increase the profile of both Yünsa and our country in the global woolen fabric sector. If this project succeeds, Yünsa will reinforce its environment-friendly manufacturer profile. (GRI 301-2)



Dyes and Chemicals

Dyes and chemicals are among the inputs we use most intensively in production. Our expenditure for these materials takes up 7.6% of our total material purchases. While the efficient and correct use of dyes and chemicals in particular is important for their impact on cost, the selection of correct materials for environment and human health is the most important aspect for Yünsa.

We cooperate closely with our suppliers and have the chemicals we use in our production processes checked before we purchase them, and we make sure that the manufactured restricted chemicals are only used in compliance with the allowed limit values.



Oeko-Tex[®] 100 Standard

Oeko-Tex[®] 100 is a worldwide standard test and certification system that covers raw materials, semi and finished goods during all process stages of textile products.



At Yünsa where we aim to provide healthy products to our customers, we renew Oeko-Tex[®] 100 certificate every year as the standard dictates since 2006. (GRI 102-12)



Yünsa Chemical Management System

Detox My Fashion campaign initiated by Greenpeace brought up to discussion of the reduction of the chemical groups that could harm human health in textile industry.

In order to reduce and terminate by 2020 the use of restricted hazardous chemicals, which have harmful impacts on human health during production and usage stages of fabrics and which can be indicated in wastewater. international brands including some of our clients collectively signed a program.

As per our client H&M's request under the scope of The Zero Discharge of Hazardous Chemicals Programme (ZDHC), which directly covers Yünsa's operations as a fabric manufacturer, we conduct wastewater compliance controls, tests and trainings for chemicals included in the Manufactured Restricted Substance List (MRSL) and choose our chemicals from the Positive List. We make sure that they are only used within allowed limits, thereby reducing the chemical load in the discharged water. We take one sample a year from our waste water for ZDHC Gateway Module and register the chemicals we use.

Similarly, as per The List and Clear to Wear program by our client Inditex, we use Class A chemicals, which are tracked by a special sticker from the moment they enter in our factory.

We are using substitute chemicals instead of formaldehyde, arylamine, fluorocarbon and other chemicals that contain heavy metals. We are continuing to reduce the use of chemicals with restricted use permit in line with our target to phase them out completely off the manufacturing process by the end of 2020. We support the building of the approved chemicals list that is being prepared by the bodies supporting the ZDHC program.

Our chemical management team ensures that the chemicals are tracked on a lot basis in line with our traceability and transparency principles. We carry out necessary work to fulfill the requirements of best chemical management practices (BCMP) including tracking and uptading Safety Data Sheet (SDS) and other documentation listed in the regulation when required; ensuring the proper useage and storage of chemicals and implementing best practices.

The Challenges

Meeting the restricted chemicals' product performance with substitute chemicals, discrepancies between lists released by different bodies, and the lack of a standard that complies with all the regulations related to that.

Results and Gains

Economic:

We are increasing our competitiveness by meeting customer expectations with the rise of awareness in the use of chemicals across textile industry, and compliance to the regulations.

Social:

We prevent possible damages to the employees and the consumers by the elimination of the use of chemicals that are hazardous to human and environmental health.

The Zero Discharge of Hazardous Chemicals (ZDHC) Programme

ZDHC is a collaboration of brands, value chain affiliates and associates committed to eliminating hazardous chemicals from the textile and footwear value chain. These organisations are committed to advancing towards zero discharge of hazardous chemicals in the value chain to improve the environment and people's well-being, understanding that achieving zero will require time, technology, and innovation. The first step towards the prevention of





Environmental:

We reduce the possible damages caused to the environment by the reduction of hazardous chemical content in the waste water.

Future Plans:

We are aiming to improve our current chemicals inventory, increase best chemical management practices, terminate the consumption of restricted chemicals, and improve the traceability and manageability of the chemicals within the ERP system by 2020.

wastewater contamination is for facilities to avoid the use of restricted chemical substances by using chemical formulations that conform to the ZDHC MRSL (Manufactured Restricted Substance List). Facilities should then ensure wastewater is treated prior to discharge in a way that either removes the chemical physically or by chemical reaction or biological degradation.

(GRI 102-12)





Social Performance

At Yünsa our leading social sustainability impacts cover health and safety of all our employees and their professional development. We run our operations with the goal of zero accidents, provide equal development and career opportunities for all and see diversity in human resources as part of our corporate culture.



Occupational health and safety

84% of our employees who responded to the sustainability assessment survey think that... Yünsa takes necessary measures sufficient to oversee and secure health and safety of its employees.

MANAGEMENT APPROACH

Policy:	Occupational Health and Safety
Manager:	Occupational Safety and Environment Leader
Our Team:	4 people
Management System:	OHSAS 18001
Measuring and Monitoring Mechanisms:	Internal audits SHE pillar committee of TPM system External audits: quarterly
Resources:	TRY 3,000,000 / Year
Target:	Zero accident
Performance Results:	Number of Recordable Cases 2016: 30 2017: 20

OHS TRAININGS



At Yünsa, health and safety of our employees comes first among our company's strategic sustainability priorities. The core goal of all the people and departments in charge of occupational safety is to attain zero occupational accident and disease.

Trainings

In order to raise awareness of our employees and to deploy consciousness to protect themselves, colleagues and visitors, we give trainings every year on more than 20 topics that range from basic first aid to principles on working with chemicals. We provided more than 9,000 hours of training to our employees during the reporting period.



Risky Jobs

14.50% of our employees work in departments and units that involve high accident or disease risks such as chemical finishing, dyeing, and strayghan.

Employee Representation

We have Health, Safety and Environment, SHE Pillar and Chemicals Committees and 100% of our workforce is represented in these committees. 7.5% of the collective bargaining agreement we signed with the labour union covers OHS topics.

(GRI 403-1)

Spindle Base Equipment

The yarn winding that accumulates in the spindle end of the ring machines have to be cleaned up regularly. This task was being performed by the operator using a knife six times a day. This knife could cause cuts in hands and fingers of the operators who use it resulting with work accidents.

R. &

Due to nine work accidents in the last five years resulting from spindle end knife, we designed a much safer equipment to clean yarn windings. We selected an appropriate material that can both help clean windings and not corrode spindles. We produced and installed the equipment on the machine.



Results and Gains Economic:

The duration of cleaning process of spindle end decreased. We plan to make TRY 165,000 savings annually by installing the cleaning equipment on 56 ring machines.

Social

Accidents in this machine is zeroed and employee motivation is increased.





Occupational Health and Safety Practices

Zeroing Accidents in Tops Preparation Stage

We aimed zero accidents in tops preparation stage where 8% of all accidents occurred during 2013-2016.

During December 2016-January 2017, we decreased the number of acciedents considerably by risk assessments, single point trainings, protective personal equipment changes and hanging up warning signs we carried out in Warping and Weaving facilities.

Eliminating Ergonomic Problems by Arranging Width of Warp Beams Outside the Machinery

In the last quarter of 2017, we targeted reducing ergonomic problems along with our ergonomic risk analysis score from 158 to 110 by designing platform for warp beams in Warping and Weaving facilities, and by making single point trainings. With these practices that affect our 200 employees directly, we intend to reduce accidents, injuries, exhaustion, absenteeism and lost time and maximize efficiency, quality, comfort and productivity.



Employment

71% of our employees who responded to the sustainability assessment survey think that... At Yünsa, the communication channels for employees to share their ideas and opinions with the management are adequate. a server a s

MANAGEMENT APPROACH

Policy:	Yünsa Sustainable Work Life Principles
Manager:	Human Resources Manager
Our Team:	29 people
Measuring and Monitoring Mechanisms:	Employee Satisfaction and Engagement Survey (biennially) Department and industry based comparison works Ethics Committee works Suggestion System
Target:	Keep turnover rate under 7%
Performance Results:	2016 Turnover Rate: 3.8% 2017 Turnover Rate: 4.7%

AVERAGE LENGTH **OF TENURE**



At Yünsa our priorities are to protect our employees' health and safety, to enhance their personal and occupational development and to provide them with an equitable work environment where all their rights are fully assured.

83% of our employees attended to employee satisfaction and engagement survey that we make biennially.

Union Rights

Our constitution includes blue-collar union rights and we do not have any facilities or suppliers where this risk is present in their countries. 100% (863 people) of our blue-collar employees are under the scope of collective bargaining agreement. (GRI 102-41)

Additional Benefits

Additional benefits are the same for parttime and full-time employees at Yünsa. We provide health services, health insurances and retirement plan for all our white-collar employees. (GRI 401-2)



Maternity Leave

During 2016-2017 period, 33 female and 96 male employees used their maternity leave rights. 70% of female and 98% of male employees have returned to work and 17 female and 74 male employees provided services for at least another 12 months. (GRI 401-3)

Local Employment

We employ 40% of our executive level managers at Çerkezköy factory from local community.

Performance Evaluation

All Yünsa 18.7% of our employees are subject to regular performance and career development evaluations and 35% of these are comprised of women employees. (GRI 404-3)

YÜNSA SUSTAINABLE WORK LIFE PRINCIPLES

We sustain our ethical values. We ensure mutual trust. We embrace our responsibilities. We appreciate success. We respect diversity and variety. We consider ideas and expectations. We favour work - life balance. We conduct policies and practices beyond legal necessities.

Not Without You

Our internal communication brand "Not Without You" was originated from a brainstorming meeting we conducted with employees selected randomly from different departments in 2014, at a period when we had accelerated our communication work at Yünsa.

"Not Without You" brand represents the strength of all departments acting together with mutual faith from executive level to production, sales to occupational safety in order to fulfil our responsibilities and business targets. We introduced our "Not Without You" brand with the **we are present if you are, we move forward together** motto in Çerkezköy and İstanbul. Our new internal communication brand and the approach beneath it that summarizes Yünsa's authentic, lean, world leadership goal, our team spirit and perseverance were quickly adopted by employees and fortified the unity and solidarity among them. We believe that this approach will lead our successes in the future as well.

We Reward Contributions of Our Employees at Yünsa

At Yünsa, we reward our employees for their successful projects, practices and suggestions on a regular basis.

Under the scope of TPM activities, employees contribute to the improvement system by writing down the issues they notice along with their suggestions on error cards and posting these cards in the designated area. Then the parties concerned take action by using the information on these cards to eliminate the reported issues. If an employee also suggested an opinion to fix the non-conformity they reported, those "suggestions" are also separately tracked. Employees win points for contributing to the organizational development with their error cards and suggestions to fix the noncomformity. These points are collected within the system and loaded onto their personal reward cards in electronic format every month.

We also have an individual suggestion system for the sections that are not covered under TPM scope. The employees type in the issues they spot along with their suggestions how to fix them in electronic format, which are then evaluated by TPM committees, and rewarded if found to be applicable. 90% of our employees participate in this suggestion scheme, which is operated by the Training Department.





In addition to the above, we give Star Projects*, Pre-Post Kaizen Stars, OHS and Environment Stars, and Star Employee Awards in our annual Yünsa internal award ceremony.

* Star Projects

- The Highest Contribution Project
- The Best Continuity and Standardisation Project
- The Highest Customer Value Project
- The Best Process Improvement Project
- The Best Use of Resources Project
- The Best Methodology Application
- The Training Project That Built The Best Employee
- The Most Creative Project
- The Best Investment/Modernisation Project
- The Best Team Work



Diversity and equal opportunity

82% of our employees who responded to the sustainability assessment survey think that... Yünsa's promotes employee diversity and provides equal opportunities regardless of gender.

EMPLOYEES BY GENDER

> 68% Male

32% Female

MANAGEMENT APPROACH

Policy:	Ethical Practices Procedure and Equality at Work Platform Principles
Manager:	Human Resources Manager
Our Team:	29 people
Measuring and Monitoring Mechanisms:	Employee Satisfaction and Engagement Survey (biennially) Department and industry based comparison works Ethics Committee works Suggestion System
Target:	Maintain a position above 30%
Performance Results:	2016: 32% 2017: 32%

(GRI 405-1)

At Yünsa, we practice an equal opportunities policy from employment to retirement provided to everyone within the constitutional and legal framework regardless of their language, race, colour, gender, political affiliation, beliefs, religion, creed, age, physical disabilities and such particulars. We support the Equality at Work Platform Principles that we joined in 2013.

We exceed our legal requirement of 30 disabled employees by employing 32 disabled people. We also have one foreign employee.



Our employees on temporary hire have the same rights with our employees on payroll. We generally employ these people to fill in when our female employees take their maternal leave, until they return.

During the hiring, employment and career planning of our female employees, we provide them with a fair work environment as well as facilities such as kindergarten, and private health insurance that cover birth clause for white-collars.

Training and development

58% of our employees who responded to the sustainability assessment survey think that... Yünsa's personal development and training programs provided for its employees are adequate.

MANAGEMENT APPROACH

Policy:	Human Resources Policy	
Manager:	Human Resources Manager	
Our Team:	10 People	
Measuring and Monitoring Mechanisms:	Employee Satisfaction and Engagement Survey (biennially) Suggestion System Training Assessment Results	
Resources:	TRY 200,000 / year	
Target:	2016 and 2017: 30 hours/person Training deployment ratio: 75%	
Performance Results	2016: 28.4 hours/person Training deployment ratio: 64% 2017: 29.5 hours/person Training deployment ratio: 69%	

Career Development 27% Occupational Health and Safety Development and Other

TRAININGS

70%

Yünsa Training and Organisational Development Department offers a variety of trainings each tailored to a particular requirement in order to help our employees develop themselves in skills that will support them in executing their jobs in the most effective way. The trainings offered in leadership, skills, and occupational and personal development in 2017 period increased by 7.5% from the earlier year, reaching to a total of 32,676 hours.

Leadership Development:

Programs aimed at top and middle management in line with the corporate strategies and targets.

Skill Development:

Programs executed toward the development of employees under skill and career management practices scope.

Occupational Development:

Programs executed toward the development of employees from all tiers in occupational topics according to the training necessity analysis.

Personal Development:

Programs executed toward the development of employees from all tiers in various areas according to the training necessity analysis, independent from their current roles within the company. (GRI 404-2)

Technical Training Structure

We targeted a reduction of errors through a method where trainers replied to spontaneous questions with training-specific answers right on the job in selected departments in line with our factory's production priorities. This helped spreading of fast changes into the field gain momentum, which lead to an increase in employee satisfaction as well as contributing positively to the corporate business output.

(GRI 404-1)

Our Training and Organisational Development Practices

Operators' Knowledge and Skill Tracking System

We set up a tracking system in order to determine the operators' current knowledge levels and observe the levels the given trainings take the operators to. Thanks to the system, we were able to map the skill levels all operators needed to possess and identify the training requirements for them. At the end of these trainings, we trained our operators into multiskilled team members.

First Step Into Future Internship Program

We made benchmark studies with various companies' internship programs and prepared our own First Step Internship Program. We provide trainings on project execution to the candidates who are selected following promotion, application and selection processes at school level. Project leaders offer coaching to the students throughout the project execution process. Students graduate from the program after presenting their projects at the completion of the process. We employed one of two students who participated in the program in 2017.





Environmental Performance

At Yünsa, we see the protection of natural resources and the environment we operate as our social responsibility. We believe that, as much as a clean environment is vital to human beings, the protection of the environment can only be done by the hands of human beings as well.

YÜNSA 71

Environmental management

We focus on investing into clean technologies and practices that will constantly increase energy and water efficiency and reduce our emissions and other wastes gradually. We have not received any penalties for any violation of laws and regulations during this reporting period. Our environmental expenditures for the year 2017 increased by 8% to TRY 401,000. (GRI 102-11)

MANAGEMENT APPROACH

Policy:	Environmental Policy	
Department and Managers:	Health, Safety and Environment Department Occupational Safety and Environment Leader Maintenance and Energy Managers	
Management System:	ISO 14001	
Measuring and Monitoring Mechanisms:	ISO 14001 Internal and external audits SHE pillar committee of TPM system External audits: quarterly Customer audits	

ENVIRONMENTAL EXPENDITURES



SAC-Higg FE

Sustainable Apparel Coalition (SAC)

We are using the Higg Index Facility Environment Management (FEM) module developed by The Sustainable Apparel Coalition (SAC), which is a platform established for sustainable manufacturing through which the member brands, retailers and manufacturers in our sector share their best practices transparently. This module is a control system through which the environmental sustainability



performances of the companies are measured and reported, where the environmental, energy, water, waste water, emissions, waste and chemicals management data are entered at least once every year and then inspected for compliance on the field. The system, which also has a social impact module, offers important opportunities for meaningful improvements in our sector.

(GRI 102-12)



Energy management

65% of our employees who responded to the sustainability assessment survey think that.... Yünsa's investments and projects to assure energy efficiency are adequate.

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MANAGEMENT APPROACH

Policy:	Energy Policy
Target:	10% decrease
Base Year / Target Year:	2015 - 2020
Performance Results:	2015: 10.24 kWh/ meter 2016: 9.86 kWh/ meter (-3.8%) 2017: 9.34 kWh/ meter (-9.0%)

(GRI 302-5)

ENERGY CONSUMPTION (kWh/meter)





Textile sector is among the most energy demanding sectors. Natural gas and electricity are the main energy sources that we use at Yünsa. We also use diesel in our forklifts and similar work machinery, as well as in passenger vehicles used by our employees.

Taking proactive measures after energy consumption measurements and evaluation, thereby using less energy per each meter of fabric produced is strategically important for Yünsa. We have managed to reduce our total energy consumption by 5% in 2017 compared to the previous year.

The energy efficiency projects we implemented during 2016-2017 reporting period saved us 30,603 gigajoules of energy, which is worth TRY 1,379,150.





LED Lighting Conversion at Çerkezköy

Following the feasibility reports prepared by our electric-electronic maintenance department, which showed the inefficiency and high-maintenance cost of fluorescent lighting in detail, we started to switch to LED lighting in our offices and the factory area in 2016-2017 period in order to reduce both energy consumption and maintenance costs. We achieved a 90% conversion by the end of 2017 with a TRY 372,000 investment.

Results and Gains

Economic:

The reduction in electricity bills alone started to save us TRY 216,000 a year, on top of the reduced maintenance expenditure.

Social:

LED conversion made a positive impact on the health and motivation of the employees.

Environmental:

We have reduced the natural resource consumption due to high-efficiency luminaires.



Emissions management

68% of our employees who responded to the sustainability assessment survey think that... Yünsa's projects and preventive measures to reduce emissions are adequate.

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MANAGEMENT APPROACH

Target:	Decrease GHG Intensity by 10%
Base Year / Target Year:	2016 - 2020
Performance Results:	Green House Gas Emission Intensity (Kg CO ₂ e/meters produced) 2016: 2.90 Kg CO ₂ e/meters 2017: 2.75 Kg CO ₂ e/meters

GREEN HOUSE GAS EMISSIONS





In our facilities we have got 37 emission sources such as process, ventilation and combustion flue.

It is our priority to make sure that the CO, NOx, SOx, dust and VOC parameters do not exceed the limit values set for human health and comply to the standards set by Industry Sourced Air Pollution Control Directive.



CDP Carbon Disclosure Project

We participated in Carbon Disclosure Project CDP in 2010, after raising our emission management works from compliance efforts up to internationally recognized measurement and monitoring standards. We have achieved points

The 14% reduction we achieved in total emissions in 2017 appeared as a 5% reduction in emission intensity per metre of fabric produced since our total production amount also dropped by 9% in that year. Our total emission in 2017 was 21,976 tons of CO_2e . The energy efficiency projects that help reducing our emissions are explained in their respective sections in our report.

at B level in both of our reports on 2017 CDP Climate Change and CDP Water Programs, where we shared our greenhouse gas and water management projects and their outcomes in 2016.

(GRI 102-12)





Energy Saving through Heat Recovery in Stenter Machines

In this project executed by a team of 10 people led by our R&D Center in cooperation with TÜBİTAK, we looked into the convection drying machinery used in textile factories, which consume excessive amounts of natural gas. We found the stenter machines to be the ones that consume the energy most among the machinery that were in the treatment section.

The drying and fixing processes in the stenter machines are done at 140-180°C temperature. The air that is taken from factory area heated to those temperatures by combustion of natural gas. The 150°C air coming out of the drying process is then released into the atmosphere through the flue of the machine. We aimed to save on the natural gas consumption by reusing the released flue gas in a heat recovery system.

Results and Gains

We started to save about 20% a year in natural gas consumption, which amounted to TRY 65,000 per machine per year.

Social:

Our employees' awareness in reusing of the waste energy increased.

Environmental:

We reduced our energy consumption and flue gas emission by implementing efficient and environmentally responsible technologies.





Water management

54% of our employees who responded to the sustainability assessment survey think that... Yünsa's practices to manage and efficiently use water resources are adequate.

the way and and the

MANAGEMENT APPROACH

Target:	0.06 m ³ /meter
Base Year / Target Year:	2016 - 2020
Performance Results:	2016: 0.10 m ³ /meter 2017: 0.09 m ³ /meter

WATER WITHDRAWAL (m³/year)



The quality and accessibility of water has a critical importance in the continuity of business in our factory where the entire water is supplied from underground water sources (wells). We are working on increasing the water efficiency in our factory and offices and recycling the water for the industrial use.

The portion of the reused water among the entire water consumption in Çerkezköy factory has been 47% in 2016, and 48% in 2017. Our priority target is to define the processes that lead to industrial and domestic wastewater and keep the water consumption and the industry related wastewater amounts at minimum.



We have managed to reduce our total water draft by 21%, and water consumption per metre of fabric produced by 11%. (GRI 303-3)

Since our factory is in an Organized Industrial Zone (OIZ), it is located outside the conservation areas and the living environments of endemic species. The wastewater that came out in 2017 formed 72% of the total amount of water we used. Since we send the entire wastewater to the OIZ's own treatment facility, there are no water resources or natural living environments affected by the wastewater discharge.

Fixing Tanks Waste Water Recovery Project

Our electronic maintenance division executed a wastewater recovery project in the bobbin section of our Cerkezköy factory. The target was to save 27,000 m3 water every year with the factory working 24/7 in three shifts. The project run by a team of five won the Most Environmentally Friendly Project Award in Yünsa internal awards.

8 DECENT WORK AND ECONOMIC GROWTH

6 CLEAN WATER AND SANITATION

Results and Gains

We started to save TRY 27,900 annually.

The awareness and motivation of the employees in the division increased after witnessing a more effective use of water.

Environmental:

The amount of recovered water reached to 14,752 m³ in just 11 months.

Future Plans:

We are aiming to save 6,750 m³ of water annually in 24/7 operation in three shifts by reusing water in boilers.



Reduction of Water **Consumption Per Meter** In Lavanova Washing Machinery

We run a water consumption reduction project in Yünsa Finishing Facility in line with our company's profitability increase strategy through the effective use of natural resources and reduction of input costs.

We focused on the machine that consumed the water most in the finishing process and implemented a series of technical arrangements and updates that provided a switch from manual operation to automatic. We carried out many analyses throughout the project to see the effects of water reduction on the quality of fabric and created awareness across the facilities by providing trainings on the subject.

Run by a team of eight over the period of June-December 2017, the project lifted The Honourable Mention Award among The Most Environmentally Friendly Projects in Yünsa internal awards.

Results and Gains Economic:

We started to save TRY 57,000 annually through water saving.

We started a project that supports our social responsibility of using natural resources more effectively.

Environmental:

We contributed to the effective use of natural resources by reducing the waste water per meter fabric by 3.27 litres.

Future Plans:

We are aiming to spread the project on the other machinery.

Reducing Water Consumption In Bobbin Dyed Yarns

One of the projects we started at Yünsa toward the most effective use of natural resources was carried out by the bobbin dyer operators and boiler air conditioning section staff.

At the beginning of the project, we have calculated the amount of water used in the process excluding the additional water consumption such as softener water and reverse osmosis water and based our planning of the project on these data.

We met the standards in each step by forming QA and QM matrixes. We dug into the details of all problems through root cause analysis and took actions accordingly, such as removing unnecessary washing processes from programs.

Results and Gains

We targeted TRY 28,000 savings annually but saved approximately TRY 33,000.

We used the water resources in our area less.

Our bobbin dye water consumption was reduced from 150 lt/kg to 130 lt/kg.

Future Plans

We target to save a further TRY 112,000 annually through re-dyeing.



Waste management

61% of our employees who responded to the sustainability assessment survey think that... Yünsa's practices to reduce waste and wastewater to dispose them as to protect human and environmental health are adequate.

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Management of the waste from its generation to its disposal without posing a threat to the environment and human health is our main goal in our factory. We dispose 100% of the wastes generated at our plant through recycling, recovery and methods specified by national regulations.

We segregate our waste in two groups according to hazardous and non-hazardous criteria. This waste is temporarily stored in a designated waste storage area in our factory, and then regularly collected by licensed companies. The most difficult part of the waste management for us in our facilities is to minimize the waste occurrence at the source.

Wastes by Disposal Method (tons)	N
Energy Recovery	
Material Recovery	
Recycling	
Other	
Total Waste Disposed	

In the reporting period, we did not have any cases of spills or leakeages. In 2017, we managed to decrease the waste amount per meter production by 17%.

We utilize the waste coming out of the yarn production as raw material after recycling processes, produce fabrics for suits and thereby contribute to the circular economy.

on-hazardous	Hazardous
-	65,280
98,360	22,820
262,620	0
-	11,126
360,980	99,266

(GRI 306-2)



Sample Fabric Dyeing Machinery

Due to the dimensions of the existing sample fabric dyeing machine, four meters of fabric had to be dyed at a time, but only an A4 size of it was being sent to the clients for approval, rendering the rest of the dyed fabric a waste. In order to reduce the amount of waste fabric, and the chemicals, dye, water and energy that were consumed unnecessarily in the process, we made design changes on the existing machine to make it capable of doing one meter runs instead of four.

Targeted to finish in 2018, the project is being carried out by our R&D Center with a 60% subsidies from TÜBİTAK. In the project, we experimented on various fabric samples, evaluated the test results and calculated the saving to be made.

Targeted Results and Gains Economic:

Elimination of 6,480 meters of fabric waste will save TRY 234,000 annually. Reduction in dye and chemical consumption will save TRY 6,285 annually. Reduction in energy (steam) consumption will save TRY 3,000 annually.

Environmental:

There will be a reduction in the amount of chemicals and energy used and consumed besides the reduction in the amount of waste fabric.

Corporate

This is a project that serves our targets in all of our environmental sustainability topics.



Reducing the Cylinder Bottom Waste, Generated From Press, Winding and Dyeing Processes in Bobbin Dyed Yarns

In this project, we aimed to improve the material balance by reducing the yarn waste occurring at the bottom of the dyed bobbin cones following warp shedding and weft insertion. The reasons that triggered this project were the excessive amount of waste that were returned to the bobbin dyeing section, high material balance in the factory, and the bottom cuts related drop in efficiency in warping. We targeted to drop the 0.75% waste rate of 2015 down to zero by maintaining a snap-free run of the whole yarn on the cone during bobbin dyeing.

Results and Gains

Economic:

We targeted a saving of TRY 75,000 annually.

Social:

We improved the employee efficiency by regaining 40 minutes of labour time once lost to cone cleaning.

Environmental / Corporate:

Bottom related scraps reduced by about 50%. We improved the material balance by preventing 2,160 kgs of scrap creation a year.



Oil Leakage Problem in The Preparation 1st Passage Machine and Preventing The Pollution

The shortened lengths and increased frequency in the orders placed by our customers in comparison to the past years result in an increase in variety in production. This work carried out under the scope of our zero-pollution target is one of the projects we started in order to be able to respond to customer requests in the shortest time possible in a market where the competition is increasing fast.

The oil leaks in the extruders were bringing in the necessity of cleaning every month, dual operator scheduling, and causing production and time losses due to the machine downtimes. We increased the cleaning intervals by readjusting the oil weight according to the oil specifications. We switched to mineral oil for preventing pollution.

Results and Gains

Economic: We saved more than TRY 8,000 annually.

Environmental:

Waste generation decreased due to reduction in pollution ratio of machine.

Future Plans:

We aim to find a self cleaning oil type and plan to test it.







Performance Indicators





ECONOMIC PERFORMANCE INDICATORS

Government Subsidies (TRY)
Act 5510 Subsidies
Act 4857 Disabled Subsidies
Act 5746 R&D Subsidies
Inimum Wage Benefits
TSIS Insurance Subsidies (Union Subsidi
Exhibition Subsidies (Union Subsidies)
Act 6111 Women/Youth Employment Sub
urquality Subsidies
Fotal

inancial Indicators (TRY)
levenues
Gross Profit
ales
extile
pparel
Production Indicators
Vorsted Yarn (tons)
abric (km)

	2016	2017
	2010	2011
	2,398,698.74	2,174,834.24
	80,331.22	69,336.78
	770,004.90	1,236,395.52
	1,377,527.76	1,150,235.28
s)	2,868,881.46	2,180,710.16
	1,132,650.00	1,245,650.00
idies	0.00	17,491.88
	1,511,328.00	770,614.00
	10,139,422.08	8,845,267.86
	·	(GRI 201-4)

2016	2017
247,008,760	297,580,363
32,500,829	72,062,131
229,883,655	282,190,212
17,125,105	15,390,151
2,548	2,418
9,042	8,019



SOCIAL PERFORMANCE INDICATORS

EMPLOYMENT	2016	2017
Men	726	759
Women	341	351
TOTAL	1,067	1,110
By Type of Contract and Gender	2016	2017
Permanent Employees - Women	340	348
Permanent Employees - Men	722	754
Temporary Employees - Women	1	3
Temporary Employees - Men	4	5
TOTAL	1,067	1,110
By Type of Contract and Location	2016	2017
Permanent Employees - Çerkezköy	1,010	1,053
Permanent Employees - İstanbul	52	49
Temporary Employees - Çerkezköy	4	8
Temporary Employees - İstanbul	1	0
TOTAL	1,067	1,110
By Employment Type and Gender	2016	2017
Full-time Employees - Women	341	351
Full-time Employees - Men	726	759
Part-time Employees - Women	0	0
Part-time Employees - Men	0	0
TOTAL	1,067	1,110
		(GRI 102-8)

EMPLOYMENT AND TURNOVER
TOTAL - Hires
TOTAL - Dismissals
By Location
Çerkezköy Factory - Hires
Çerkezköy Factory - Dismissals
İstanbul - Hires
İstanbul - Dismissals
By Gender
Men - Hires
Men - Dismissals
Women - Hires
Women - Dismissals

2016	2017
99	185
532	144
2016	2017
79	162
7.4%	14.6%
486	120
45.5%	10.8%
20	20
1.9%	1.8%
46	24
4.3%	2.2%
2016	2017
69	121
6.47%	10.90%
337	91
31.58%	8.20%
30	61
2.81%	5.50%
195	53
18.3%	4.77%

(GRI 401-1)



OCCUPATIONAL HEALTH AND SAFETY	2016	2017
Injury Frequency Rate	2.49	1.93
Occupational Disease Rate	0	0
Number of Fatalities	0	0
Lost Day Rate (Accident Severity Rate)	23.90	35.40
Absentee Rate (As a result of illness etc.)	2.60%	3.50%

First aid level accidents are not calculated within the accident frequency rate.

Fatal accidents are calculated within the accident frequency rate.

Lost days are calculated based on calendar days.

Lost day count starts the day after the accident.

Accident Frequency Rate: (Number of recordable case / Total working hours) x 200.000 Accident Severity Rate: (Number of lost days / Total working hours) x 200.000

(GRI 403-2)

ENVIRONMENTAL PERFORMANCE INDICATORS

Direct Energy Purchased and Consumed from I
Renewable Energy SourcesNatural Gas (GJ)Fuel Oil (GJ)Total Direct Energy ConsumptionIndirect Energy Purchased and Consumed from
Non-Renewable Energy SourcesElectricity (GJ) (1 kWh= 0.0036 GJ)Total Indirect Energy Consumption

Total Energy Consumption (GJ)

The total amount of fuel oil (8,427 GJ) consumed for business travels (2,454 GJ) and employee transportation (5,973 GJ) in 2017 is not included.

Energy IntensityTotal Energy Consumption (GJ)Total Production Amount (metres)
(Except Contract Manufacturing)Energy Intensity

Total Energy Consumption

Non-	2016	2017
	180,511	154,442
	2,897	437
	183,408	154,879
ı	2016	2017
	121,575	104,225
	121,575	104,225
	304,983	259,104
or business travels (2,454 GJ) (GRI 302-1)		

	2016	2017
	304,983	259,104
	8,605,117	7,774,267
	0.0354	0.0344
GJ) /Tot	al Production (m)	

(GRI 302-1)



Greenhouse Gas Emissions (t CO ₂ e)	2016	2017
Direct Greenhouse Gas (GHG) Emissions (Scope 1) Emissions from natural gas and diesel consumption	10,341	8,664
Indirect Greenhouse Gas (GHG) Emissions (Scope 2) Emissions from electricity consumption	14,799	12,687
Other Greenhouse Gas (GHG) Emissions (Scope 3)	0	625
Total CO ₂ e Emissions	24,926	21,351

- In 2016, diesel data from forklifts, generators, vehicles and service cars were included in Scope 1.
- In 2017, diesel consumption from forklifts and generators were included in Scope 1 and emissions from vehicles and service cars were included in Scope 3.
- Çerkezköy factory consumption is included, İstanbul headquarter consumption is not included.

(GRI 305-1, 305-2, 305-3)

Emissions Factor Basis: IPCC 2006 Guidelines for National Greenhouse Gas Emissions Inventories

Calculation Basis: IPCC 2006 Guidelines for National Greenhouse Gas Emissions Inventories IEA Electricity Grid-Factors, 2007 IEA National Heating Values, 2007

Total Waste by Type	Unit	2016	2017
Hazardous Waste	Tons	112,679	99,226
Non-hazardous Waste	Tons	503,490	360,980
Total Waste	Tons	616,169	406,206

Hazardous Waste	Contaminated packa contaminated absor contain hazardous sub toner, ot
Non-Hazardous Waste	Wooden packag paper packaging,

aging, organic solvents, lab chemical mixes, orbents, filter equipment, organic waste that ubstances, waste fluorescent, waste cartridge, ther hydrolic oils, medical waste

ging, plastics, metals, plastic packaging, wooden pallet, finished textile fiber waste

(GRI 306-2)















GRI 101: FOUNDATION 2016		
GRI 102: GENERAL DISCLOSURES 2016		Location of Disclosure
	Organizational Profile	
102-1	Name of the organization	Page 106
102-2	Activities, brands, products, and services	Page 12
102-3	Location of headquarters	Page 106
102-4	Location of operations	Page 106
102-5	Ownership and legal form	Page 9
102-6	Markets served	Page 12
102-7	Scale of the organization	Page 16
102-8	Information on employees and other workers	Page 92
102-9	Supply chain	Page 14
102-10	Significant changes to the organization and its supply chain	Page 14
102-11	Precautionary principle	Page 72
102-12	External initiatives	Pages 51, 53, 55, 73, 77
102-13	Membership of associations	Page 9
	Strategy	
102-14	Statement from senior decision-maker	Page 7
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	GRI 102: GENERAL DISCLOSURES
	Ethics and Integrity
102-16	Values, principles, standards, and norms
102-17	Mechanisms for advice and concerns ab
	Governance
102-18	Governance structure
	Stakeholder Engagement
102-40	List of stakeholder groups
102-41	Collective bargaining agreements
102-42	Identifying and selecting stakeholders
102-43	Approach to stakeholder engagement
102-44	Key topics and concerns raised
	Reporting Practice
102-45	Entities included in the consolidated final
102-46	Defining report content and topic bounda
102-47	List of material topics
102-48	Restatements of information
102-49	Changes in reporting
102-50	Reporting period
102-51	Date of most recent report
102-52	Reporting cycle
102-53	Contact point for questions regarding the
102-54	Claims of reporting in accordance with th
102-55	GRI Content index
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Location of Disclosure
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This is the first report.
No changes
2016-2017
First report
Annual
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Page 5
Pages 100-105
None



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GRI 200	GRI 201 Economic Performance, 2016	
	103-1 Explanation of the material topics and their boundaries	Pages 30 - 31
	103-2 The management approach and its components	Page 46
	103-3 Evaluation of the management approach	Page 46
	GRI 300 ENVIRONMENTAL STANDARDS SERIES	
	GRI 301 Materials, 2016	
	103-1 Explanation of the material topics and their boundaries	Pages 30 - 31
	103-2 The management approach and its components	Page 50
	103-3 Evaluation of the management approach	Page 50
	GRI 302 Energy, 2016	
	103-1 Explanation of the material topics and their boundaries	Pages 30 - 31
	103-2 The management approach and its components	Page 74
	103-3 Evaluation of the management approach	Page 74
	GRI 303 Water, 2016	
GRI 300	103-1 Explanation of the material topics and their boundaries	Pages 30 - 31
	103-2 The management approach and its components	Page 80
	103-3 Evaluation of the management approach	Page 80
	GRI 305 Emissions, 2016	
	103-1 Explanation of the material topics and their boundaries	Pages 30 - 31
	103-2 The management approach and its components	Page 76
	103-3 Evaluation of the management approach	Page 76
	GRI 306 Effluents and Waste, 2016	
	103-1 Explanation of the material topics and their boundaries	Pages 30 - 31
	103-2 The management approach and its components	Page 84
	103-3 Evaluation of the management approach	Page 84

	GRI 400 SOCIAL STANDARDS SEF
	GRI 401 Employment, 2016
	103-1 Explanation of the material top
	103-2 The management approach ar
	103-3 Evaluation of the management
	GRI 403 Occupational Health and S
	103-1 Explanation of the material top
	103-2 The management approach ar
400	103-3 Evaluation of the management
	GRI 404 Training and Education, 2
	103-1 Explanation of the material top
	103-2 The management approach an
	103-3 Evaluation of the management
	GRI 405 Diversity and Equal Oppor
	103-1 Explanation of the material top
	103-2 The management approach ar
	103-3 Evaluation of the management

GRI

GRI 103 MANAGEMENT APPROACH 2016	Location of Disclosure
GRI 400 SOCIAL STANDARDS SERIES	
GRI 401 Employment, 2016	
103-1 Explanation of the material topics and their boundaries	Pages 30 - 31
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GRI 403 Occupational Health and Safety, 2016	
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103-2 The management approach and its components	Page 58
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GRI 404 Training and Education, 2016	
103-1 Explanation of the material topics and their boundaries	Pages 30 - 31
103-2 The management approach and its components	Page 68
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GRI 405 Diversity and Equal Opportunity, 2016	
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GRI 300	303-1 Water withdrawal by source	Page 80
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(GRI 102-1, 102-3, 102-4, 102-45)

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(GRI 102-53)

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