

MAY THE GOODNESS OF MILK BE WITH YOU



Milk is not only the most essential, balanced and nutritious food for sustaining a healthy lifestyle but also one of the most nutrient-dense foods.

Milk naturally contains a wide variety of nutrients necessary for the growth and development of the human body and in maintaining its health. As Sütas, we are committed to spreading the inherent goodness and abundance of milk to its fullest by turning this valuable source of nutrition into packaged dairy products without compromising its natural properties and hygiene. *Continued on page: 8*



We are pleased to present our second sustainability report, prepared in line with the GRI Sustainability Reporting Guidelines, which are considered as the international reporting standards.



sutassurdurulebilirlik.com



TO CARE ABOUT THE FUTURE SO NATURAL



2017 SUSTAINABILITY REPORT

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REDUCTION IN GREENHOUSE EMISSIONS EQUIVALENT TO 13 MILLION TREES

We believe that natural resources such as soil, water and air are the gifts of nature thus we operate based on the principle of "returning what we get from the nature back to nature" and develop our energy and environmental policy accordingly.

Within the scope of our energy and environmental policy, we have identified the use of renewable, alternative energy sources and satisfying our heating and power requirements from our own wastes as our priority to combat climate change.

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80 MILLION DOLLAR INVESTMENT IN OUR TIRE INTEGRATED FACILITIES

Under the light of our shared values which we have created, we are striving to enhance economic and social welfare with our stakeholders within our value chain by making investments throughout Turkey.

Milk is a food product produced entirely by using natural resources and creates a high economic value. The dairy farming sector within the agriculture industry generates steady monthly income and is an investment that offers a high level of financial flexibility as it can easily be converted into cash. In addition to milk production, this investment also plays a critical role in preventing the emigration of people engaged in agricultural activities to urban areas and strengthens the local economy by both enabling an increase in wealth and accumulation of capital. *Continued on page: 9*

NATURAL TASTE FROM FARM TO TABLE

In line with our mission of spreading the goodness and abundance of milk and through our integrated business model "From Farm to Table", we manage and supervise the entire process from grass, on which the cows are fed, to the dairy products that reach the tables.

Our dairy production strategy, which we have developed by remaining faithful to our brand's key commitment of offering "natural taste", enables us to both protect the intrinsic composition as well as the natural properties of milk.

We do not use any components or additives that may spoil the natural properties of milk. Our production processes consists of some of the simplest and most basic processes available while we maintain high standards of hygiene. We design and produce natural and healthy products through our expertise and painstakingly applied precautionary principles. *Continued on page: 7*

SUSTAINABILITY IS THE ESSENCE OF OUR BUSINESS

The mission of Sütas is based on the objective of "Managing and improving the dairy value chain, from farm to table, as well as the resources entrusted to us in the most efficient manner possible". Based on this understanding, we believe that natural resources such as soil, water and air are the gifts of nature, thus we operate according to the principle of "returning what we get from nature back to nature". We manage and supervise the entire process, from the grass, on which the cows are fed, all the way to the dairy products that reach the tables, with our integrated business model "From Farm to Table" to guarantee the natural properties, quality and taste of our products. As part of this business model, we have established feed plants that provide animal feed to dairy farmers, dairy cattle farms built in line with animal health and welfare principles, dairy cattle breeding centers aimed at supplying healthy and productive breeding cattle to dairy farmers as well as applied training centers for dairy farmers, students and entrepreneurs.

This model, which we continuously improve, is intended to allow our company to achieve social, economic and environmental sustainability at all stages of the supply chain by minimizing both our environmental impact and enabling efficient utilization of resources in all our company operations. Sustainability -with its economic, environmental, social and corporate management aspects- lies at the core of our business and is a fundamental part of our model.



TRAINING FOR 18,736 DAIRY FARMERS

One of our key priorities in social investment is to contribute to the development of our industry and support training activities aimed to overcome skilled labor shortage within the industry. Thus, we offer a variety of training opportunities to dairy farmers, students and entrepreneurs.



Singing protocols both with Uludağ University and Aksaray University led to the establishment of Dairy Farming Training Centers to be set up respectively in Karacabey in collaboration with Uludağ University in 1998 and later in Aksaray in collaboration with Aksaray University in 2010. At these centers we offer free-of-charge dairy farming training programs to dairy farmers and share with them the necessary information, expertise and experience in order for them to produce high quality milk and achieve increased productivity. *Continued on page: 14*

ORGANOMINERAL FERTILIZER WORKSHOP

We held the Organomineral Fertilizer Workshop intended to draw attention to agricultural sustainability and to raise awareness in society on how to improve soil quality.

In 2017, we began studying the use of organomineral fertilizers in agricultural fields and potential areas of application in cooperation with the TEMA Foundation and shared the papers presented during the workshop with the general public by compiling them in a book.

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ABOUT SÜTAŞ

In 1975, we established our first facility in the Karacabey district of Bursa, with a daily milk processing capacity of 5 tons. Today, we operate in 3 integrated facilities located in Karacabey, Aksaray and Tire with a daily milk processing capacity of 3,600 tons.

In line with our mission of spreading the goodness and abundance of milk, we manage and supervise the entire process, from grass on which the cows are fed, to the dairy products that reach the tables, through our integrated business model "From Farm to Table". As part of our integrated business model, which guarantees the natural properties and quality of our products, we establish feed plants that provide animal feed to dairy farmers, dairy cattle farms built in line with animal health and welfare principles, dairy cattle breeding centers aimed at supplying healthy and productive breeding cattle to dairy farmers, applied training centers for dairy farmers, students and entrepreneurs as well as recycling facilities and power plants.

Our continuously improved business model allows our company to achieve social, economic and environmental sustainability at all stages of the supply chain by minimizing environmental impact and

enabling efficient utilization of resources in all company operations.

As Süttaş Group, we operate in Turkey through three companies that are included in the scope of this report: SÜTAŞ A.Ş. engaged in the production, sales and distribution of milk and dairy products; TARFAŞ A.Ş. engaged in plant-based and compound feed production, dairy farming, agricultural trade and training operations, and ENFAŞ A.Ş. engaged in waste management, the production of organic and organomineral fertilizers and in the conversion of organic waste to generate biogas and electricity.

The Balkan Dairy companies that we established with the aim to introduce Anatolian dairy products and natural tastes of Süttaş first to the Balkans and then to European markets, continue to represent us in international markets as the "Euro Dairy – Macedonia, Romania and Germany" within our new organizational structure, introduced in 2017.

As Süttaş Group, we focus exclusively on milk and dairy business and aim to become "excellent" in dairy products. We follow the "Mastery – Expertise" approach, which combines the expertise and mastery of the Turkish and Anatolian culture in dairy products with our expertise regarding the use of today's technologies. The continuous monitoring and assessment of consumer preferences, the production of natural and delicious dairy products that meet the requirements and

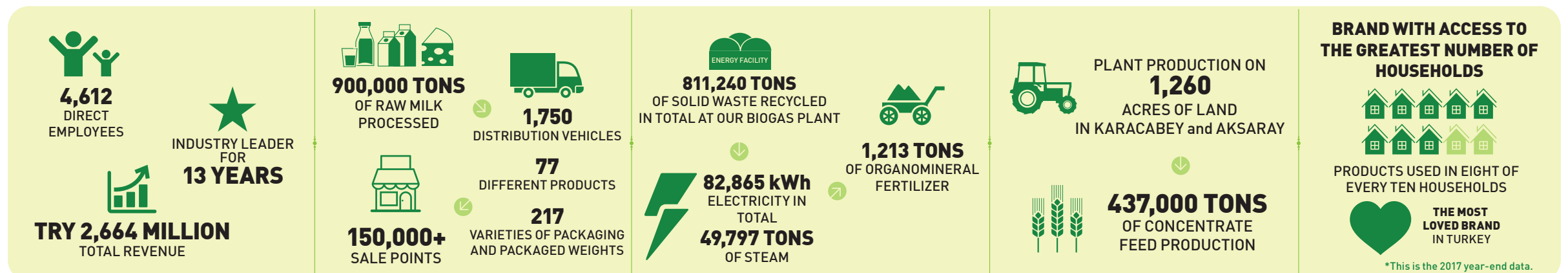
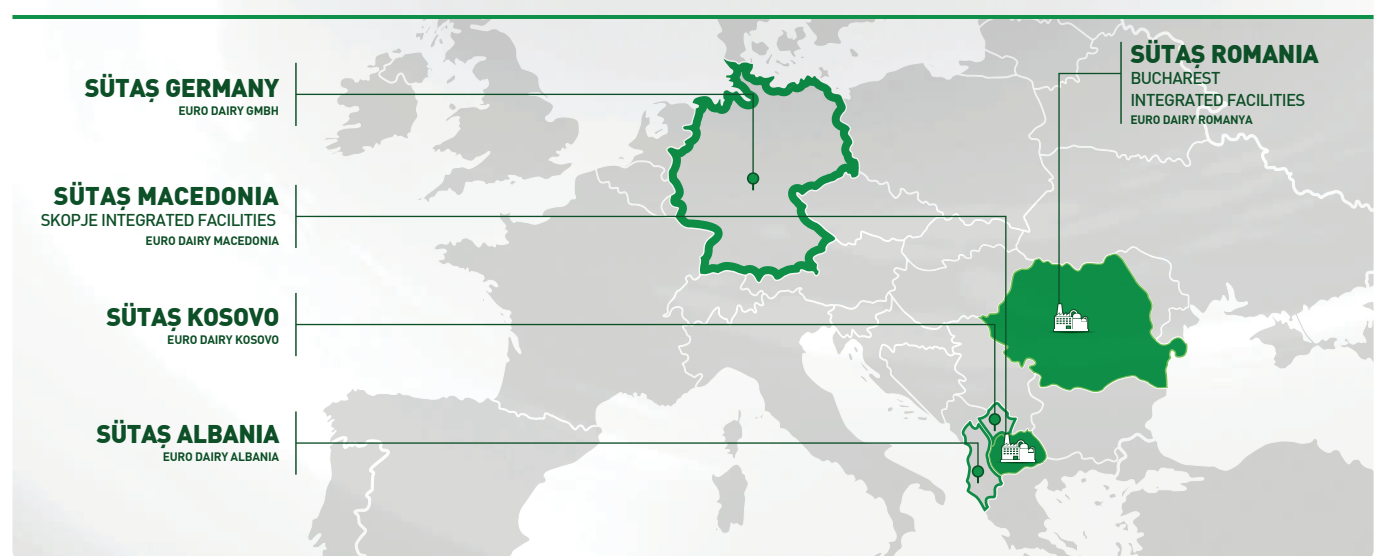
expectations of the consumers based on the data gathered from such monitoring activities and the delivery of these products in a healthy and fresh manner to millions of tables require mastery and expertise. Expertise in milk is also the competence to produce new dairy products that satisfy the evolving taste preferences of younger generations and suit to contemporary lifestyle. Based on this understanding, we have been continuously introducing novelties in the dairy products industry ever since the day our company was established.

For a successful future, our values and priorities, processes and procedures, the powers and responsibilities of the management team, the rights of all our stakeholders including our employees are regulated through our Corporate Governance Principles, and these principles constitute an integral part of our business conduct.

In line with our mission of spreading the goodness and abundance of milk, we continue to support the economic development of our country with our dairy farmers, suppliers and customers through the investments we make throughout our country.



TO CARE ABOUT THE FUTURE



MILESTONES ON THE JOURNEY TO SUSTAINABILITY

1975

- Our company was founded.

1998

- We signed the Partnership in Education Protocol with Uludağ University.
- We established our first Applied Training Center in Karacabey.

2000

- We started offering free training to dairy farmers with the protocol signed with the Ministry of Agriculture.

2002

- We became the first organization in Turkey to obtain the 13001 HACCP Food Safety Management System Certificate.

2005

- Our first dairy cattle breeding farm began its operations.

2007

- We obtained the ISO 22000 Food Safety Management System Certificate.

2009

- We established the Aksaray Integrated Facilities.



Our first logo



Aksaray Integrated Facilities.

IT'S SO NATURAL TO THINK ABOUT WELLNESS OF FUTURE GENERATIONS



Esteemed Stakeholders and Dear Friends of Sütaş,

As our world faces threats such as global warming, rapid depletion of natural resources, pollution, food security and famine, it is high time that each of us, including governments, companies, non-governmental organizations and individuals, should act to "leave a habitable planet for posterity".

Fortunately, during recent years, we have witnessed important developments worldwide, to which Turkey actively contributed in terms of sustainability. Action plans put in place by global giants as well as many national and international companies, all give us hope that we will see progress in the short, medium and long term. 22 countries, including Turkey, presented their Voluntary National Reviews demonstrating the progress towards the 2030 Sustainable Development Goals at the 2016 UN High-level Political Forum on Sustainable Development. The United Nations reiterates its goals of "end hunger, achieve food security and improved nutrition, promote sustainable agriculture, ensure

healthy lives and promote a sustainable future for all at all ages" at the annual Sustainable Development Conferences. The importance of acting together was emphasized during the 2016 and 2017 G20 Summits. These goals represent the basic steps in achieving a better and sustainable future for each of us.

We are extremely pleased to see that our approach to sustainability overlaps perfectly with the national and international efforts in terms of sustainability. Based on our mission of "spreading the goodness and abundance of milk", we feel responsible for protecting natural resources, we operate in line with our social responsibilities and aim to achieve economic development. Thanks to our integrated business model "From Farm to Table", we can foresee the risks along the milk value chain and create solutions accordingly.

We shared our first Sustainability Report with you in 2015, in which we set certain difficult-to-achieve goals for 2020 on social, economic, environmental and corporate levels.

In this year's report, by taking one step further, we did not only update our goals for 2020, but also checked them for their

consistency with the 17 Global Sustainable Development Goals, which form the baseline for sustainable development and were adopted by the United Nations in 2015.

As per our goals for 2020, our employees at every level have redefined all business processes under their control by reviewing them from the perspective of sustainability. Thus, we have put exemplary and leading practices in place at every step that we take in all decision making and production processes, including the use of water and electricity, satisfaction of our employees, improvement of our stakeholders, practices aimed at increasing productivity and reducing the impact of our footprint. These goals will naturally serve as a guide for us in the years to come.

I am honored to share the progress that we have made on sustainability in the last two years.

The Tire integrated facilities, that we established by investing 80 million USD and equipped with environment-friendly technologies, began their operations in 2016. We also take pride in the fact that these facilities utilize natural resources more efficiently, offer high energy efficiency and use production equipment built by Turkish engineers and that the dairy plant runs on renewable energy. In the same year, in

Aksaray, we established the largest agricultural biogas power plant in Turkey in line with our "Zero Waste" goal.

Thanks to these investments that we made in 2016, we achieved progress on many goals, including reducing greenhouse gas emissions, recycling the wastes and generating all the power that we need -including for office use and logistics- from biogas plants. In 2017, our biogas facilities met 89% of the energy demand of our production facilities and 66% of our overall group energy demand, which led to a greenhouse gas emission reduction equivalent to the amount of CO2 absorbed by 6 million trees..

We increased the efficiency of our logistics operations and reduced their environmental impact by making further improvements in all of our logistics operations in 2016 and 2017.

Despite the increase in our business volume, we saved 12,4 million kilometers.

Consumers expect more from us every day. They would like to have clear and transparent product labelling. They do not only prefer brands that meet their requirements but also those that invest in personal and social values. We shape our products, organizational structure, business conduct, and communication approach in line

with these expectations.

In 2016, we established the first R&D center in the industry in Karacabey to support innovative product development and practices. More than 40 experts in the center work to create new products and processes, develop new production techniques, improve existing production techniques and increase the productivity of our entire operation with a focus on dairy production.

We generate electricity and thermal energy, and also make organic fertilizers by processing the manure from our farms and the organic waste from our plants. In 2017, we began producing organomineral fertilizers, in addition to organic fertilizers, to contribute to the sustainability of agricultural production capability of our agricultural lands.

We always acknowledge the importance of partnerships in achieving the sustainability goals. In 2017, we began studying the use of organomineral fertilizers in agricultural fields and potential areas of application in cooperation with the TEMA Foundation. As the first step of this process, we held a workshop to demonstrate the views of academics on organomineral fertilizers and compile the studies done in this subject area. We shared the papers presented during the

workshop with the general public by collecting them in a book.

Through our training programs targeting milk producers, launched in 1996 under public-industry-university partnerships to contribute to the development of dairy husbandry, the number of trained dairy producers reached 18.736, helping us to come even closer to our 2020 target in this respect.

While our training programs, along with feed and fertilizer production, help dairy farmers to produce high quality milk, we also made significant progress towards our goal of increasing the productivity of farms.

We strive to spread the goodness and abundance of milk and will continue to do so by maintaining our strong corporation structure in order to achieve our goal of creating a prosperous society with happy individuals and a healthy environment.

I would like to thank all our stakeholders, our employees in particular, who share their love of milk, our values and goals and who say "it's so natural to care about the future" as we do.

Kind regards,

Muharrem YILMAZ
Chairman of the Board



Our Mission

To offer natural and delicious dairy products that enhance the quality of life and improve the health and happiness of people by managing and improving the milk value chain from farms to tables and to utilize the resources entrusted to us in the most efficient manner possible with the passion of spreading the goodness and abundance of milk.

Our Vision

To be the most loved brand, the most trusted corporation and the leading company in the dairy industry.

Our Values

Respect

We respect people, society and nature.

Responsibility

We always act in an accountable, fair and transparent manner, and live up to our responsibilities.

Excellence

We continuously improve ourselves and seek excellence to become the masters of our business.

Passion

We are passionate about the goodness and abundance of milk and committed to dairy business.

2010

- We established the Aksaray Training Center.



2012

- We made our first foreign investment in Macedonia.
- We obtained the ISO 50001 Energy Management System Certificate.
- We published the Impact Analysis Report for Aksaray Integrated Facilities.



Macedonian advertising work

2013

- We made an investment in Romania by acquiring a dairy plant.
- We began generating electricity from biogas.
- We obtained the ISO 14001 Environmental Management System Certificate.



2014

- We joined the Turquality Program.
- We started the Lean Management project.
- We drew up our Code of Ethics and published our ethics website.
- We obtained the FSSC 22000 Food Safety Management System Certificate.

TURQUALITY

2015

- We received the "Non-Public Company with the Highest Corporate Governance Rating Score Award" for the first time from TKYD.
- We obtained the OHSAS 18001 Occupational Health and Safety Management System Certificate.



Corporate Governance Award Ceremony

2016

- We published our first sustainability report.
- In Aksaray, we established the largest agricultural biogas plant in Turkey.
- Our new integrated facilities in Izmir-Tire began its operations.
- We established the first R&D center in our industry.



R&D Center

2017

- We began producing organomineral fertilizers.



OUR APPROACH TO SUSTAINABILITY

In today's rapidly evolving business world, companies are expected to act with an awareness of their social, environmental and financial responsibilities towards their stakeholders, and to shape their business models according to transparency and accountability principles.

As Süttaş Group, we built our sustainability approach on three key strategic purposes in line with our corporate mission and corporate governance principles:

- Contribute to the development of healthy individuals and generations,

- Lead social projects that can support and improve our local stakeholders,

- Give what we have got from the nature back to the nature by minimizing our environmental impact.

We draw upon a strong sustainability management to achieve these purposes. We believe that effective dialogue with stakeholders and robust corporate governance processes are key to success in this approach.

We shaped our approach to sustainability and set our sustainability goals based on the 17 Sustainable Development Goals (SDGs) that are included in the United Nations' 2030 Agenda and matched them with our own goals.

The Sustainability Committee is responsible for developing the sustainability strategy of Süttaş Group, setting the goals, monitoring and supervising the implementation, approving and checking the report and communication plan and all related processes, and escalating important issues related to sustainability to the agenda of the

Board of Directors. The Sustainability Committee consists of the members of the Board of Directors. The Sustainability Coordination Committee ensures the communication between the Sustainability Committee and the Working Groups, coordinates the working groups and the studies on sustainability and prepares and implements communication plans.

The Sustainability Committee meets every two months, at the least. The Sustainability Coordination Committee, however, holds regular meetings on weekly basis and submits its monthly work report to the Sustainability Committee.

ABOUT THE REPORT

We are pleased to present to you our second sustainability report that we prepared according to the globally accepted GRI Sustainability Reporting Standards.

As Süttaş Group, we intend to present our environmental, social, economic and ethical practices, our goals for 2020 and our performance transparently through the sustainability reports, the first of which was published in 2016.

GRI Standards

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. Under the Materiality Disclosure Review Service provided by GRI, we received confirmation that the General Disclosures between 102-40 and 102-49 were correctly included in this report and the GRI Context Index table.

Scope of the Report

The content of this report focuses on those areas that are deemed important and high-priority by Süttaş and our stakeholders. To do so, first we have covered the sustainability issues that are included in the GRI Standards and GRI G4 Food Sector Disclosures published in 2016. We created the content of this report by identifying the areas that are important and have a high priority by also considering our corporate priorities, industrial priorities, global trends and the information and expectations of the consumers/general public, our employees and public institutions that we define as our key stakeholders.

Unless otherwise stated, the information in the report covers the two fiscal years, from 1 January 2016 to 31 December 2017. We also included data from 2015 as much as possible to be able to compare our performance over time.

Boundaries of the Report

The terms "Süttaş Group", "our company" and "we/us" used in this report refer to the 3 different companies of the Süttaş Group, operating in Turkey. Therefore, unless otherwise specified, the reported data contains the consolidated data of SÜTAŞ Süt Ürünleri A.Ş. (SÜTAŞ), TARFAŞ Tarımsal Faaliyetler Üretim Sanayi ve Tic. A.Ş. (TARFAŞ) and ENFAŞ Enerji Elektrik Üretim A.Ş. (ENFAŞ).

OUR SUSTAINABILITY PRIORITIES

When preparing this report which contains data from 2016 and 2017, we used the "Our Materiality Matrix" that we developed during the previous reporting period.

We had carried out a comprehensive stakeholder analysis and prioritization study while preparing the 2016 sustainability report. During this study, we followed the international standards AccountAbility AA1000SE Stakeholder Engagement Standard and GRI G4 Guidelines.

We assessed all internal and external stakeholders in our stakeholder map in terms of their areas of interest, their impact on Süttaş, their expectations and demands from Süttaş and their potential to create shared value. We identified those with high potential as key stakeholders. Then, in the field analysis process, we worked with selected groups of key stakeholders using various methods (focus group meetings, in-depth interviews, digital/printed surveys).

We reached out to 950 people through the surveys that we prepared as part of the stakeholder engagement process. During the work carried out as part of sustainability reporting, we identified the high-priority topics that the key stakeholders considered important, and assessed the corporate relationship established with these stakeholders as well as the communication methods that we used.

We re-evaluated this matrix based on our current corporate priorities, local and global trends, current high-priority matters related to our industry and the feedback from our stakeholders and made a few changes compared to the previous matrix. "Transparency" and "Communication" were the high-priority topics stated by our

stakeholders and we removed them from this year's matrix as we included them in the methods. In addition, since "Organic Fertilizer" gained more importance among others and became a high-priority for our company, we positioned it in the middle of the matrix.

Items located at the outermost quadrant of the matrix are high-priority topics that were identified by consolidating the priorities of both our stakeholders and Süttaş. The report focuses on these topics. In addition, these topics are always included in our high-priority list for performance management, measurement and continuous improvement.

PROMINENT EXPECTATIONS OF STAKEHOLDERS

Environment, food safety and animal welfare and health are the leading areas that our stakeholders expect our focus.

The results of the surveys that we conducted in 2015 showed that stakeholders have significantly high expectations from Süttaş, thanks to our natural products, R&D investments and exemplary practices in various fields such as environment, waste and energy.

- Our stakeholders think that we can be more effective especially in environmental issues in the context of sustainability.

- They recommend us to focus mainly on Food safety and animal welfare and health.

- Other areas that are important to most of our stakeholders include dairy farmer/supplier training, training of conscious farmers and a happy, safe and productive work life.

- Other areas that are given high priority by our stakeholders, in particular consumers, include sustainable consumption, recycling, healthy nutrition and provision of correct information.

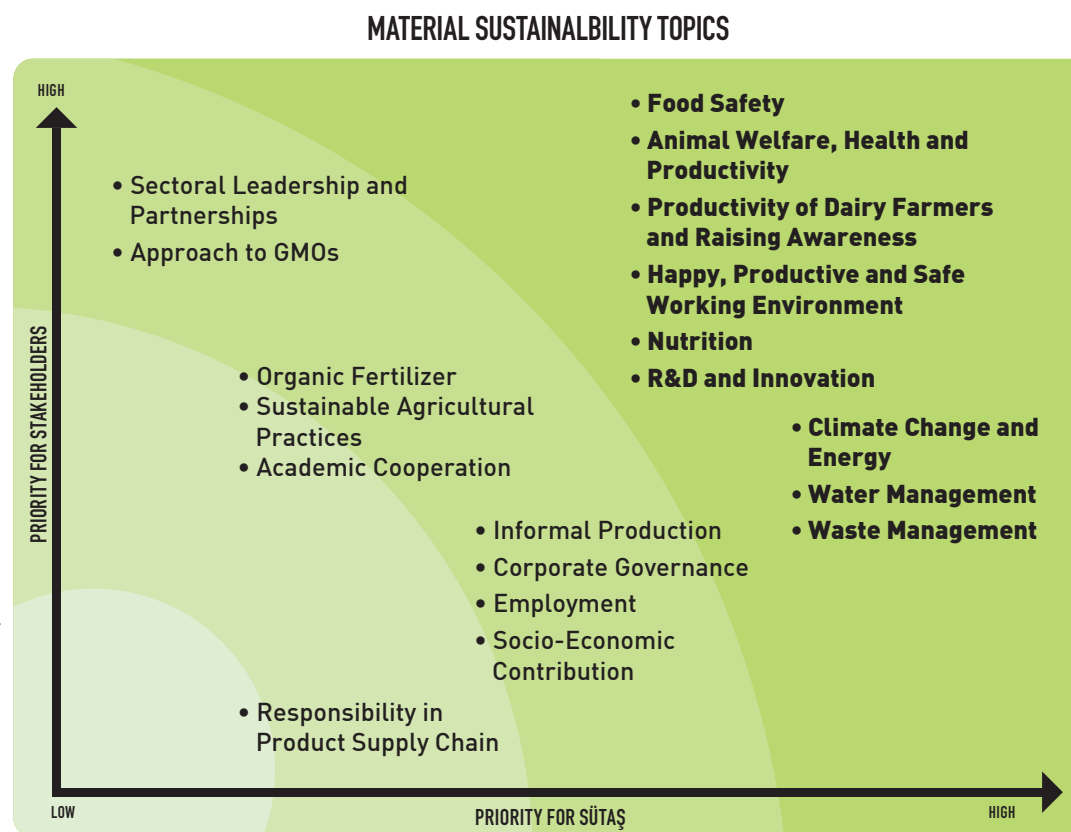
In 2016 and 2017, we carried out various activities in line with the expectations of our stakeholders, which are covered in detail in the report. For example, in 2016, we implemented the "Duyarlı Ol" (DO) project to raise awareness among our employees about sustainable consumption with the cooperation of the Business Council for Sustainable Development (BCSD). Through this project, we aimed to increase the awareness of employees on sustainable consumption by sharing tips on

sustainable consumption as well as special recommendations on how to save electricity, paper, waste and water.

We gradually improved ourselves to become more efficient in waste management, which was one of the areas that our stakeholders in the public sector drew our attention to. This improvement is reflected in our investments in the area of generating renewable energy.

Our stakeholders in the public sector also expect us to increase productivity in production processes and spread our good practices in sustainable husbandry and sustainable agriculture.

TO CARE ABOUT THE FUTURE



DIALOGUE WITH OUR STAKEHOLDERS

We are in contact with all of our stakeholders, from employees to customers, dairy farmers, distributors, non-public organizations and universities.

We define our stakeholders as the individuals and organizations that influence or are influenced by our corporate strategy and performance as well as our decisions and operations.

We summarized the dialogue platforms that we use with our stakeholder groups below. We communicate with our stakeholders through these platforms on a regular basis. For example, whereas Süttaş Hotline is a communication platform which allows us to communicate with any of our stakeholders on a daily basis, the annual reports that we regularly publish allow us to communicate with them on a yearly basis. We aim to improve

our processes and products and achieve our sustainability goals by receiving feedback from our stakeholders through all communication platforms.

Our first Sustainability Report that we published in 2016 and the website containing the information provided in this report are included among the important platforms through which we inform all of our stakeholders about our sustainability practices and performance.

VIEWS OF STAKEHOLDERS

Konca ÇALKIVİK,

GENERAL SECRETARY OF BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT



Süttaş is a member of the board of directors of our association which was founded in 2004 and also chairs the working group "Sustainable Agriculture and Access to Food".

Under the leadership of Süttaş, this group has been working to spread the "Principles of Sustainable Agriculture" throughout the country, to develop applicable measurement and management tools, to share and spread good practices and to ensure that the "Principles of Sustainable Agriculture" are incorporated in the Turkish Food Codex.

Apart from participating in our "Duyarlı Ol!" project and our "Türkiye Materials Marketplace" platform, Süttaş plays an active role in our efforts in energy efficiency.

EMPLOYEES

Employee Satisfaction Surveys, one-on-one interviews, Performance Management System, suggestion system, Intranet, Süttaşkı Magazine, Süttaş Code of Ethics website, e-mail, employee meetings, bulletins, announcements, corporate TVs, annual reports, trainings, seminars

SUPPLIERS

One-on-one interviews, trainings, Süttaş Hotline, annual reports and relevant policies and documents.

CUSTOMERS

One-on-one interviews, Süttaş Hotline, surveys, website, special occasion communications

MEDIA

One-on-one interviews, press conferences, announcements, bulletins, press releases, website, social media

DAIRY FARMERS

One-on-one interviews, trainings, Training Research, Süttaş Hotline, relations with cooperatives, regular audits, special occasion communications and information through messages

PUBLIC INSTITUTIONS

One-on-one interviews, memberships and board - memberships, meetings and workshops, annual reports, seminars, press conferences, conferences

CONSUMERS/GENERAL PUBLIC

Consumer surveys, brand tracking surveys, focus group meetings, Süttaş Hotline, news, announcements, advertising campaigns, printed and social media, website

NON-GOVERMENTAL ORGANIZATIONS

Memberships and board memberships, meetings and workshops, annual reports, exhibitions, seminars and conferences, website, news, announcements

DISTRIBUTORS

One-on-one interviews, Süttaş Hotline, surveys, website, special occasion communications, events and meetings, trainings

OPINION LEADERS

One-on-one interviews, informative materials, congresses, conferences

FINANCIAL INSTITUTIONS

One-on-one interviews, annual reports, website, special case statements

UNIVERSITIES

Vocational training and consulting within the framework of the Cooperation in Education Protocol, internship and scholarship programs, website, career days, conferences



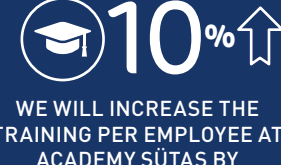
WE WILL MAINTAIN AND STRENGTHEN OUR TRANSPARENT, FAIR, HONEST AND ACCOUNTABLE CORPORATE STRUCTURE.



WE WILL INCREASE OUR CORPORATE GOVERNANCE RATING SCORE.



WE WILL INCREASE EMPLOYEE LOYALTY TO 85%



WE WILL INCREASE THE TRAINING PER EMPLOYEE AT ACADEMY SÜTAŞ BY 10% EVERY YEAR.



WE WILL REDUCE OUR ACCIDENT AT WORK RATE EVERY YEAR TOWARDS AN ULTIMATE GOAL OF ZERO.

OUR CORPORATE GOVERNANCE APPROACH

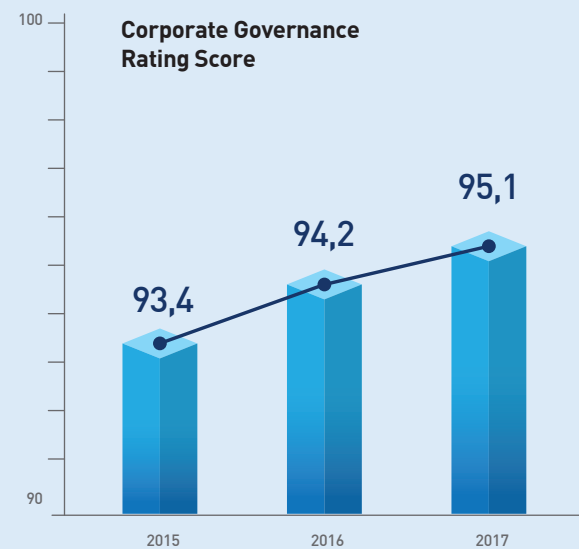
We continuously improve our corporate structure in line with the universally recognized corporate governance principles of "fairness, transparency, accountability and responsibility".

Our values and priorities, processes and procedures, the powers and responsibilities of the management team, the rights of all our stakeholders including our employees are regulated through our Corporate Governance Principles. In 2015, we established the Corporate Governance Committee, consisting of three members

and chaired by an Independent member of the Board of Directors to ensure the development, adoption and implementation of the Corporate Governance Principles across the company.

As a result of continuous improvement, we increased our Corporate Governance Rating Score from 94.2 in 2016 to 95.1 in 2017.

The Ethics Committee, Audit and Risk Committee, Corporate Governance Committee and Sustainability Committee exist and report to the Board of Directors.



Audit and Risk Management

The "Audit and Risk Committee", established by the Company's Board of Directors is responsible for setting up the systems required for the accounting, internal audit and financial planning units of the company, and the works conducted for ensuring the continuity of the operation, the compliance and adequacy of the systems and the identification of intra-company powers and responsibilities two out of three members of the Audit and Risk Committee are Independent Board Members. The committee is chaired by an Independent Board Member.

The Audit Department regularly reviews the company's risk management and internal control systems according to the annual audit plan prepared based on the risks and directly reports the results of the review to the Audit and Risk Committee in order to:

- Ensure the accuracy and reliability of the financial and operational information
- Ensure the efficiency and effectiveness of the company operations
- Protect the company's assets
- Ensure compliance with the laws, regulations and agreements

The company's audit function determines the operational health of the internal control systems and offers recommendations on improving existing systems and establishment of new systems where necessary.

Risks to the Industry

According to the United Nations Food and Agriculture Organization (FAO), issues such as loss of agricultural fields, soil

degradation due to climate change, the changes in the climate conditions necessary for plant cultivation are among the important issues that affect the dairy industry. Climate change causes also many social problems such as immigration from rural areas to cities, lack of local development, agricultural unemployment and unplanned urbanization. When we add poor practices in livestock farming to the equation, we perceive this as a serious risk to our industry.

Whether the agriculture and food systems will meet the needs of the rapidly increasing world population is the key question for the future of food and agriculture.

We believe that local development and local investments are important in avoiding these risks and continue our activities in this area. We also arrange training activities to increase the awareness of our farmers about these subjects.

On the other hand, informal production is one of the most important problems of the dairy industry in Turkey. According to the data from TÜİK (Turkish Statistical Institute), 44% of the milk produced in Turkey goes to the dairy industry. A portion of the remaining milk is directly consumed in households, while a significant part of it is subject to informal production and loose milk selling. Milk and dairy products quality and hygiene conditions of which are unknown, pose risks to public health and reduce the effect of food safety audits carried out by public authorities.

Informal production and sales cause tax losses for the government, as well as unfair competition for the industrial businesses that carry out their production in a formal manner.

Active Association Membership

We are members of a variety of industrial associations and unions in different industries including dairy production, food, energy and agriculture industries. The Union of Dairy, Beef, Food Industrialists and Producers of Turkey (SETBİR), whose executive board chairman is a Sütas executive, is an important union. In addition, as part of our efforts aimed at promoting sustainability in our industry, a Sütas executive chairs the working group "Sustainable Agriculture and Access to Food" at the Business Council for Sustainable Development Association (BCSD) Turkey since 2015.



Lean Management

We perceive lean management as a strategic approach for a sustainable business conduct.

We initiated the "Lean Management Project" in 2014 to manage the value chain in an efficient and safe way, and to obtain the most efficient output with the least amount of resources.

In 2016 and 2017, we carried out a variety of activities to expand Lean Management to the production processes. In 2016, 833 people attended the Lean Manufacturing training that we provided with our internal trainers.

We started Lean Management practices at Tire Integrated Facilities in 2017. At Aksaray and Karacabey Integrated Facilities, in addition to the ongoing Kaizen practices, we started the pilot implementation of autonomous maintenance in ayran packaging areas.

We set up performance indicators and actions under the scope of SQCDMN (Safety, Quality, Cost, Delivery, Motivation and Nature) themes at Aksaray, Karacabey and Tire

Plants. We initiated field management practices by monitoring them through line, department and plant panel meetings.

As a result of these efforts, the number of employees participating in Lean Management practices increased from 323 in 2015 to 710 in 2017 and the number of improvement actions taken increased from 183 to 1,111. Thanks to the lean management practices, we achieved improvements worth TRY 8,012,097 in 2017.

LEAN MANAGEMENT SYSTEM	2015	2016	2017
Machine time savings (hour/year)	10.265	11.505	11.370
Workforce savings (person/hour/year)	209.000	201.027	140.784



Our 2014-2015 Sustainability Report was Selected as the "Best Report in the World".

In 2016, Sütas Sustainability Report which we published for the first time was selected as the "Best Report in the World" in its category and won the Platinum Award, the top prize, at the LACP Vision Awards by surpassing global brands from around the world.



We Received the "Honor Award" in European Business Awards.

At the 2016-2017 "European Business Awards" contest rewarding the best in entrepreneurship, innovation and sustainability areas, we received the "Ruban d'Honneur" as one of the "Top 10 Companies" in Europe in the "Environmental and Corporate Sustainability" category.



We Won the Top Prize at IPRA with Our Environmental Sustainability Practices.

In 2017, we won the top prize in the "Environment" category at the annual IPRA Golden Globe Awards thanks to our environmental sustainability practices and communication efforts.



We Won the Corporate Governance Award for the Third Time.

At the "8th Corporate Governance Awards" organized by the Corporate Governance Association of Turkey, we won the "Non-Public Company with the Highest Corporate Governance Rating Score Award" again just as in the previous year.



We Became the "Low Carbon Hero".

We were selected the "Low Carbon Hero" at the "Low Carbon Awards" organized by the Sustainable Production and Consumption Association as part of the Istanbul Carbon Summit.



We Became the "Most Admired Company in Turkey" in Our Industry.

We were selected the number one company in the "Milk and Dairy Products" category in the 2016 "The Most Admired Companies in Turkey" survey with the participation of 1,584 managers from more than 500 companies representing the business world.



We Received the "Special Jury Award" at ISO Energy Efficiency Awards.

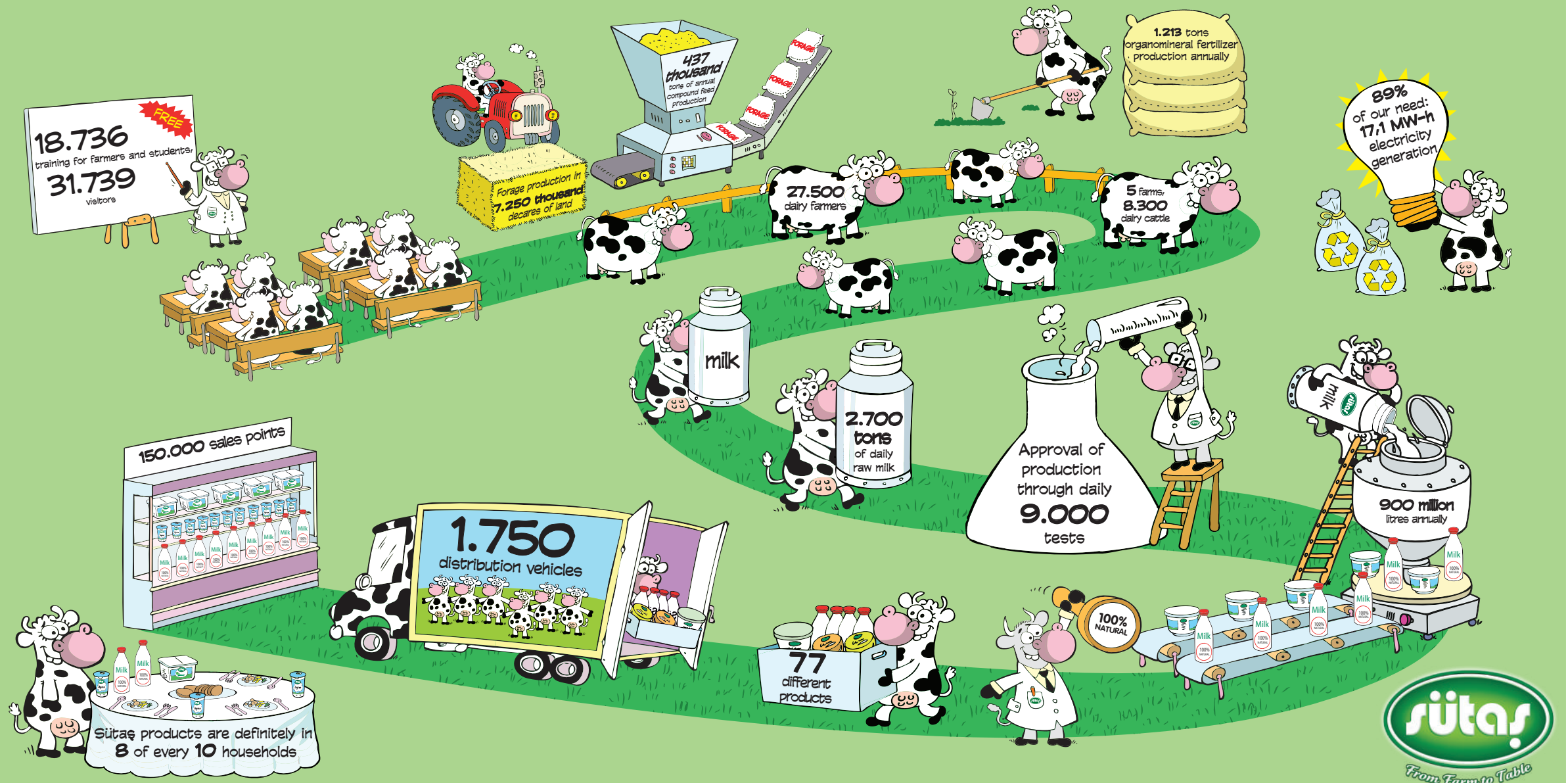
In 2017, we received the "ISO SME Energy Efficiency Implementation Project Special Jury Award" at the "Energy Efficiency Awards" organized by the Istanbul Chamber of Industry (ISO) with our project "Energy Production from Organic Waste and Reduction of Greenhouse Gas Emissions".



We Received the "Ethical Company Award".

We were granted the "ETİKA 2016 Turkish Ethics Award" at the "ETİKA 2016 Most Ethical Companies in Turkey" contest organized by the Ethical Values Center Association (EDMER).

Our “From Farm To Table” Integrated Business Model



PLANT PRODUCTION

Producing high-quality plants for use as fodder is key to improve the quality of milk and the productivity in a sustainable way. This is the first step of our value chain.

We ensure that our seeds and fertilizers are being used in both our lands and in the lands of subcontracted farmers so as to get animal feed of the same quality and the same standards. In addition, we continuously supervise the production areas and offer training in the field

about a variety of subjects including sustainable agriculture practices.

By the end of 2017, we planted fodder crops on 7,250 decares of land in total, including 4,000 decares of land that we own. We carried out cereal silage production with 37, and corn silage production with 52 subcontracted farmers. We used the fodder obtained through plant production to meet the fodder requirements of our dairy cattle farms and milk suppliers.

Our Sustainable Plant Production Practices

We use the "Principles of Sustainable Agriculture" prepared by the Sustainable Agriculture and Access to Food Working Group of the Business Council for Sustainable Development as the guidelines for our agricultural operations. In order to spread these principles, we carry out activities aimed to ensure that dairy farmers and the farmers who grow plants for animal feed production follow the principles of sustainable agriculture, and we offer guidance to the farmers by giving training at the training centers.

We aim to preserve the soil structure, improve productivity and quality, and protect the groundwater resources and the environment. For this, we analyze every year, the soil of the land where crops are grown for animal feed and check the soil for heavy metals or any other contamination, except for nutritional elements. Based on the results of the analysis, we determine the macro-micro nutritional elements required for the plant to grow, as well as the type and amount of fertilizers to be used and the method and timing of fertilization.

We avoid turning over the soil by using a plough to preserve the physical, chemical and biological structure of the soil and prevent erosion. We also ensure that crop residues are buried under the soil after harvest. We use 100% organic and organomineral fertilizers produced from the waste of

biogas facilities and recommend the subcontracted farmers to use these types of fertilizers.

We practice crop rotation, knowing that growing the same crop in the same place for many years in a row disproportionately depletes the soil of certain nutrients and causes the build-up of pathogens.

We determine irrigation periods by using equipment such as tensiometers and use drip irrigation systems. This way we minimize the water consumption for growing crops.

We avoid using plant protection products and where necessary, only use products prescribed by the authorities and permitted in the legislation.

We apply agricultural pesticides and fertilizers in a way which prevents them from coming into contact with the water resources and soil to minimize their harmful effects on the environment. We provide personal protective equipment to all employees who work with agricultural chemicals and ensure that they undergo regular health checks.

We store the waste generated at the farms in separate areas in accordance with the legislation. We ensure that recyclable waste is collected and sent to recycling facilities by approved firms and non-recyclable waste is destroyed at licensed hazardous waste management facilities.

CONCENTRATED FEED PRODUCTION

At our three feed plants located in Karacabey, Aksaray and Tire, we produce high-quality, natural dairy cow feed rich in nutrients to meet the requirements of our dairy farmers and farms. As our field teams create specific prescriptions and formulations by working with the dairy farmers, we produce custom-made products for each farm in order to maintain the good health and productivity of our cows. In 2017, we produced 437,000 tons of natural and high-quality concentrated feed.

We are the only feed manufacturer that produces standard ration cattle feed and declares the nutritional facts on the product packaging. We perform all the necessary analyses for concentrated feed production.

In 2016 and 2017, we received only 1 quality-related customer complaint per one million units of products.

DAIRY FARMING

We have a dairy herd of 8,300 cows, 94% of which are high yielding Holsteins and we extensively use corporate management systems and information technologies for herd management. We manage our dairy farming operations through five Dairy Cattle Breeding Farms (DSSC) in total (3 in Karacabey and 2 in Aksaray), the Breeding Heifer Selection and Certification Center (DSB) (which consists of three separate farms focused on selection, insemination and breeding) and two training farms.

We meet the requirements of our dairy farmers by offering them dairy cows that are certified free of any disease, have been accordingly vaccinated for protection against all risks and have a high milk yield after the dairy cows complete the 12-month quarantine, monitoring and raising period at the Dairy Cattle Breeding Farms and Breeding Heifer Selection and Certification Center. With a healthy herd, we help dairy farmers to protect their investment, and support them to produce high-quality raw milk with a higher yield.

We recognize that the health and welfare of dairy cows have a direct impact on milk production, milk quality, food safety and the sustainability of the dairy industry, thus, we define animal welfare as one of our high-priority issues.

Our stakeholders find this issue very important as well. We manage the basic welfare needs of our farm animals within the framework of the internationally recognized "Five Freedoms" adopted by the World Organization for Animal Health (OIE).

The "Five Freedoms" of Animal Welfare

1. Freedom from hunger, malnutrition and thirst
2. Freedom from physical and thermal discomfort
3. Freedom from pain, injury and disease
4. Freedom from fear and distress
5. Freedom to express normal patterns of behavior

We believe that our success in dairy farming operations is based on our good animal care practices. In the light of our animal welfare policy, we have drawn up the "Animal Welfare" and "Good Dairy Farming Practices" handbooks based on the applicable guidelines and regulations of the UN Food and Agriculture Organization (FAO), International Dairy Federation (IDF), World Organization for Animal Health (OIE) and the European Council in order to ensure animal welfare at our farms and during transportation operations, and we use these handbooks as a reference guide in all of our animal husbandry practices.

Our animal care and protection practices are under the following four main titles:

Animal Welfare

We accommodate the animals in our dairy farms in different paddocks according to the age groups and their physical conditions, and provide them with sufficiently large areas where they can freely roam.

We continuously provide fresh air with ventilation fans in semi-open free-stall barns and use an automatic cooling system to prevent declines in milk yield due to heat stress.

The manure on the ground is removed by automated systems. We do not engage in practices such as branding, tail docking and tooth clipping which may be painful for our animals.

Before transport, we check whether the animals are healthy enough for transportation and ensure that they are transported in vehicles certified for animal transportation.

During long journeys, we provide animals with feed and water and allow them to rest.

Thanks to our practices focused on animal welfare, we increased the daily milk production per animal from 27 liters per day in 2015 to 34 liters per day in 2017. Thus, we achieved an increase of 26% in milk production within two years.

Animal Health

We created a separate updated disease management plan for each of our farms with a bio-safety procedure that is intended to minimize the risk of disease transmission. We continuously monitor the health of our animals under the supervision of experienced staff specialized in their respective fields.

All of our farms have "Disease-Free" certificates issued by the Ministry of Agriculture and Forestry, indicating that the animals in the business are free of bovine tuberculosis and brucellosis, and that all related protective measures have been taken. Our farms also have "European Union Certified Dairy Farm" certificates proving that our production operations meet European Union standards.

We carry out the medical examinations of our cows and administer treatment in the treatment bay. Our herd undergo screening every other month for infectious diseases and we take all necessary measures to prevent infection and the spread of diseases.

We follow a vaccination schedule that we develop by considering the risks present in our country and in the regions where we operate.

With preventive healthcare, we minimize the amount of veterinary drugs used. We pay utmost attention to the use of antibiotics, antimicrobial resistance and drug residues during treatment and destroy the milk produced during the treatment and washout period to prevent risks to public health.

Animal Nutrition

We feed the animals on our farms in a manner which supports their health and welfare and meets their specific needs based on their age, weight and behavioral and physiological needs. When feeding the animals, we use the natural and healthy feed that we directly produce.

We give fresh feed to the animals after each milking, three times a day. We ensure that the cows can reach fresh feed throughout the entire day by sweeping the feed at certain intervals. We provide our animals with a sufficient amount of high-quality water and analyze the water that they consume.

Animal Breeding

We practice breeding to improve the milk yield of the next generation of dairy cows and use the semen from appropriately selected animals. As we are aware of the fact that the reproductive performance of a herd is important for the sustainability of the farm, we make sure that each cow calves with at least a 420-day interval between births and that heifers become pregnant at 13-14 months of age so that they become dairy cows at 22-23 months of age.



RAW MILK SUPPLY

In order to guarantee the quality of the dairy products we offer consumers, we expect and require the dairy farmers that supply raw milk to us conforming the provisions of the Law no. 5996 on Veterinary Services, Plant Health, Food and Feed as well as the quality, hygiene, animal health and welfare guidelines set out in the FSSC 22000 Food Safety Management System Standard, which we meticulously follow at our own farms.

Our Milk Quality Improvement Teams, consisting of 25 people in total, conduct regular audits at the farms from which we receive milk as well as the milk collection centers and take samples to analyze the milk.

They review the Good Agricultural Practices (GAP), Food Safety, animal health and welfare and environmental impact issues during the audits and oversee the compliance to the

We received 900 thousand tons of milk from 27,500 dairy farmers. The amount of payments we made to our dairy farmers in 2017 reached 1.2 billion TRY in total.

conditions and criteria set out in the Food Law and our Quality Management System.

Once we begin to work with a dairy farmer, we conduct regular checks. In the event that any deficiencies have been detected or any problems related to the quality and hygiene of the milk have arisen, we prepare action plans and closely monitor the developments.

We continuously work for our dairy farmers to reach the raw milk quality standards that we approve through 14 different tests before accepting the milk at our facilities. We inform our dairy farmers about important developments in the field of husbandry, especially about hygiene and quality issues, via weekly text messages.

During audits and visits, our teams provide dairy farmers with information about hygiene, animal feeding, disease control,

animal welfare, management of manure in farms and the importance of organomineral fertilizers in increasing the soil's organic elements, and share with them the experience that we have obtained as part of the operations at our own farms. In 2017, we carried out approximately 4,000 audits and visits at the milk collection points.

Dairy Farmer Support Program

Dairy cows are the most important capital of dairy farmers. Feeding is essential for the animals to maintain their health and produce milk at a certain level of quality and yield. In 2017, we began to help our dairy farmers to solve their problems related to animal feeding by establishing our Dairy Farmer Support Officers' team.

Our Dairy Farmer Support Officers take action upon the request of our dairy farmers or

upon an identified feeding problem in the field by our Milk Quality Improvement Teams. Our teams provide feeding management support to the dairy farmers by working on ration solutions and creating feeding schedules per dairy farmer and develop quality processes to improve milk yield and animal welfare in relation to feeding. The teams monitor the implementation of their suggested feeding schedules and solutions in the field and provide technical support and consulting services to the dairy farmers during the implementation phase.

We offer a wide variety of training opportunities to dairy farmers and entrepreneurs in order to contribute to the development of the industry. For more information about this subject, please refer to the "Our Contribution to the Development of Dairy Farming" section.

SUSTAINABLE AGRICULTURE FOR A SUSTAINABLE FUTURE

Duygu YILMAZ

Chairman of the Sustainability Committee

The population of the world is expected to exceed 9 billion by 2050 and it is predicted that food production will need to be increased by 70% compared to 2010 in order to feed such a large population. Agriculture, which accounts for one fourth of greenhouse emissions that lead to global climate change, and uses 70% percent of fresh water resources, is one of the industries affected the most by climate change and demographic developments.

Agriculture in 2050 will have to be carried out only on limited lands, 75% of which is already degraded, with less water and fewer energy resources and it will be subject to the adverse effects of climate change. Increasing production to a certain level does not seem possible without making significant changes in agriculture and food systems. This means we have to switch to a sustainable agriculture and food industry.

At Sütaş, our single most important raw material is milk... We need cattle for milk and we also need to produce fodder plants and feeding stuff to feed the cattle.

Therefore, our sustainability activities depend on the sustainability of animal- and plant-based production. This is why sustainability is at the core of our way of doing business.

We believe that sustainable dairy farming operations are a way to guarantee healthy and adequate nutrition for the next generations and support the management of soil, water and natural resources in a sustainable manner. Based on that understanding, we focus on a wide variety of areas, such as production of animal feed, efficient utilization and preservation of natural resources such as water, ensuring high standards of animal welfare, reducing greenhouse gas emissions and waste from dairy farming operations, and increasing the yield and profitability of production operations to improve the conditions under which dairy farmers operate.

We believe that sustainable plant production is essential for continuing the production of feed plants and feed materials without causing an adverse impact on the environment and natural resources. Therefore, we take care to ensure that plants are grown in healthy soil, organic and organomineral fertilizers are used to improve the soil structure, and that agricultural practices are carried out without harming the soil and causing erosion. Since we are aware of the fact that pesticide residues on or in plants may be ingested by animals and

contaminate milk, we pay attention to using only permitted pesticides when necessary and adjust the harvesting time accordingly. We pay attention to performing irrigation at the right time and use drip irrigation systems in order to achieve efficient utilization of limited water resources. We also take measures to ensure that machinery and equipment are operated in an energy-efficient way to reduce the greenhouse emissions caused by agricultural operations.

We believe that sustainable agricultural practices should not be limited to our internal efforts or be only from an environmental perspective. Therefore, as an integral part of our business processes, we share the experience and know-how that we obtain at our own farms with the farmers who work with us in order to contribute to their environmental, social and economic sustainability. As we see all the natural resources that we use as a gift of nature that is entrusted to us, we work intensively to achieve our goals in sustainable husbandry and agricultural practices as well, just as we do in every step of the value chain, and will continue to do so.

PRODUCTION OF DAIRY PRODUCTS



By remaining faithful to our brand's key promise of "natural taste", we have developed our production strategy for milk and dairy products in a manner which protects the intrinsic composition and natural properties of milk. We do not use any components or additives that may spoil the natural properties of milk. Our production processes consist of some of the simplest and most basic processes possible, and we maintain high standards of hygiene. We design and produce natural and healthy products by utilizing our expertise and painstakingly applying preventive practices.

All the ingredients that we use to taste our products are derived from natural sources. We use only beet sugar and sugar from natural fruits in our sweet

products. We prepare our product ingredients in complete compliance with the conditions set forth in Law no. 5996 on Food, Turkish Food Codex Horizontal and Vertical Legislation and produce products exceeding the standards set out in the legislation. We design our product recipes and production processes to be as simple as possible to achieve natural products and preserve their natural properties.

We process the milk that arrives at our facilities and passes quality tests in the most hygienic way with the state-of-the-art technologies and expertise to offer 77 different products in 5 categories with 217 SKUs and packaging varieties. We believe in the goodness and abundance of milk and utilize every drop of milk which is nature's gift to us.

FOOD SAFETY AND QUALITY

In order to guarantee the quality of the dairy products that we offer to consumers, we require all the dairy farmers that supply raw milk to us to conform to the provisions of the Law no. 5996 on Veterinary Services, Plant Health, Food and Feed as well as the quality, hygiene, animal health and welfare guidelines set out in the FSSC 22000 Food Safety Management System Standard. Our Milk Quality Improvement Teams conduct regular audits at the farms from which we receive milk as well as at the milk collection centers.

We review Good Agricultural Practices (GAP), Food Safety, animal health and welfare and environmental impact issues during the audits and oversee the compliance to the conditions and criteria set out in the Food Law and our Quality Management System.

The milk is checked at the farms and milk collection centers before it is accepted at our production facilities. These checks include temperature, pH, inhibitor and antibiotic tests in particular. Milk is transported to Sütaş plants by trucks with four separate tanks each of which takes four and a half tons of milk and each tank is separately analyzed upon arrival at the plant. During the analysis, the content of fat, protein, total dry matter, pH value, total count of organisms, somatic cells and antibiotics are analyzed.



Furthermore, samples taken from each tank are fermented with starter cultures and then checked for antibiotics or chemical residues. This step must be meticulously handled as it is not possible to ferment milk to produce yogurt, ayran or cheese if there is any residue.

We offer safe food to our customers and consumers through the implementation of a sustainable, preventive and traceable food safety management in all stages of the supply chain process in full compliance with existing local food safety legislation, HACCP methodology, Good Manufacturing, Good Hygiene and Good Laboratory Practices

When preparing our products, in addition to our direct inspections, we also test our commitment to release safe products to the markets through audits conducted by the Ministry of Agriculture and Forestry, Ministry of Health, and Turkish Standards Institution (TSE) as well as checks carried out by our customers.

VIEWS OF STAKEHOLDERS Tunay SAĞLIK, CONSUMER

Dear Sütaş Family, I started to consume your products with the pan yogurt that I came across by chance. Over the years, I have grown addiction to your products as I tried them. In recent years, I felt uneasy as a result of people telling us to avoid certain products. Now I spend more time in the supermarkets and read the labels on products thoroughly. I pay attention to buying products free from preservatives or additives, and share the information with my wife and friends. However, I do not have to spend any extra time in the supermarkets when buying Sütaş products that I have been consuming for more than 20 years.

I would like to thank you for producing delicious and safe products. By the way, my wife reminded me, we could not see it among the recipes on your website, but your dil cheese goes well with Höşmerim dessert.

GOING DIGITAL AT OUR FARMS

We track many performance indicators that affect the productivity of our farms. We use digital technology solutions on a daily basis to record the data associated with our animals. We put an electronic ear tag on our cows the moment they are born, a transponder or a pedometer when they reach puberty for record keeping such as the distance walked during a day, lying time and lying bouts, and feeding time.

The data collected via transponders and pedometers are automatically transferred into database. Milk meters are fitted to the milking system to measure the amount and electrical conductivity of the

We secure the natural properties of our farms with the technology of the Internet of Things.

milk produced by cows at each milking. In addition, cows are weighted after each milking on livestock scales at the exit of the milking area to monitor the changes in the body condition score, and the data obtained is regularly monitored.

We manage the herd through the report generated from the data gathered in the system. This system enables early diagnosis and treatment of diseases by issuing alerts for the animals that could be potentially sick. Thanks to this system



that detects animals which have been losing weight, we are able to apply special diet to these animals to improve their condition.

MANAGEMENT OF MATERIAL AND SERVICE SUPPLIERS

We select our suppliers in a systematic and fair manner. We expect them to conduct their operations according to the Law no. 5996 on Food, the Labor Law, Occupational Health and Safety Law, Environment Law as well as any other legislation applicable to their area of operations in addition to Sütaş's Quality Management System criteria and sustainability criteria and deliver high-quality materials and services on a timely basis.

We establish long-lasting relationships based on trust and cooperation with our suppliers. Confidentiality is important for us and we do not disclose the information that we obtain to unauthorized persons or other companies.

We encourage our suppliers to obtain the ISO 14001 Environmental Management System Certificate and prefer to work with suppliers holding such certificate when we make a selection from a pool of suppliers under identical commercial conditions.

We evaluate our suppliers by dividing them into risk groups in terms of food safety. As part of our procurement process, we conduct supplier audits within the framework of the Quality Audit Plan.

Since 2017, we have been conducting our Supplier Audits according to AIB International's Consolidated Standards for Inspection of Prerequisite and Food Safety Programs, which is recognized as a high-level reference source in the area of food safety.

When creating the audit plan for 2018, based on the suppliers' corrective action scores, we intended to focus on those suppliers with a low evaluation score that we could possibly improve their score through cooperation even if their share in the total procurement spending was low.

Our Suppliers:

87%

are implementing an International Quality Management System

51%

are implementing one of the three Food Safety Management Systems* recognized by GFSI

38%

are implementing the Occupational Health and Safety Management System

41%

are implementing the Environmental Management System

*These systems include the following: FSSC 22000 (Food Safety System Certification www.fssc22000.com), BRC (British Retail Consortium www.brc.org.uk) and IFS (International Featured Standards www.ifs-certification.com)

Audits on the Suppliers of Materials that Come into Contact with Food over the Years	2016	2017
Number of suppliers	111	125
Ratio of Audits on Suppliers that Make Up 80% of the Total Procurement Spending	%100	%100





MAY THE GOODNESS OF MILK BE WITH YOU



The population of the world is expected to grow to 9.7 billion by 2050, which will increase the food demand by 50%. Currently, 790 million people around the world do not have access to sufficient food, and suffer from malnutrition.

Milk and dairy products play an important role in meeting the increasing need for food and combating inadequate nutrition.

The United Nations Food and Agriculture Organization (FAO) defines "sustainable nutrition" as nutrition with a low environmental impact that contributes to food safety and a healthy life for the next generations. "Sustainable nutrition" does neither harm bio-diversity nor the ecosystem and means affordable, accessible, adequate and healthy nutrition. Therefore, FAO classifies milk as a "special" food due to its high nutritional value and its role in human diet.

Milk, in addition to being the first food that people consume at birth, is a natural, well-balanced and affordable food containing protein, carbohydrates and various vitamins which are all the essential nutrients that we as human beings need. Moreover, dairy products are rich in calcium, potassium, phosphorus, protein, vitamins A and B12, riboflavin and niacin.

However, no food alone can supply all of the necessary nutrients that the human body needs. Eating a well-balanced and varied diet is essential for healthy nutrition. People who eat a balanced diet and meet 10% of their daily needed calorie intake from dairy products can meet 50% of their daily calcium requirement, 30% of their daily phosphorus

requirement, 30% of their daily vitamin A requirement, 25% of their daily B12 and riboflavin requirement, 20% of their daily protein requirement, 15% of their daily potassium and zinc needs and 10% of their daily magnesium requirement.

Diets that contain a sufficient amount of milk or dairy products (200-250 ml milk) can meet 25-33% of the daily protein requirement. (FAO)

As Süttaş, we are committed to spreading the inherent goodness and abundance of milk by turning this nutritional source into packaged dairy products without compromising on its natural properties and hygiene and bringing them to the tables of our consumers.

We develop new products aimed at those consumers with different nutritional needs, health problems or dietary habits.

We also develop light, skimmed, semi-skimmed, low-sodium, etc. variants of our existing products. We continue to apply this practice, which we initially used by offering the first light white cheese to our consumers in the year 2000, in different product groups. 75% of our entire product portfolio includes low-sodium and/or low-fat, low-calorie and light variants which we offer to our

consumers with special nutritional needs.

We offer solutions for infants and children who need special products. For example, we offer follow-on milk specially developed to enable balanced nutrition and healthy growth of infants older than 1 year of age. We also offer Babymix,

which is a rich nutritional supplement that makes it easier for babies to switch to solid formula after breast milk/follow-on formula, as well as Büyümix, which is specially developed to ensure that the nutrients necessary for the healthy growth of children are utilized by the body.

Yovita and lactose-free milk are also included among the products which we have specially developed for the consumers who have digestive system problems or suffer from lactose intolerance. We increase the nutritional values of certain nutrients inherent in milk in order to respond to the different needs of our customers. The products in this category include Büyümix, which is enriched in vitamin D, calcium and protein, plain yogurt containing 25-28% more protein than the protein values set in the legislation, and strained yogurt which contains

36% more protein. These products make up 25.3% of the entire product portfolio.

We support healthy nutrition by lowering the sugar and sodium content in our products.

Apart from healthy nutrition and physical activity, prevention of non-contagious diseases, which are the key threats to public health (diabetes, obesity, cardiac disease, etc.), is also important. The World Health Organization recommends daily sugar intake to be reduced to less than 10% of the overall daily energy intake and the daily salt intake to less than 5 grams.

In 2015, we reduced the percentage of salt content in our 23 cheese products to less than the percentage values set in the legislation, as part of the "Turkish Healthy Nutrition and Active Life Program" and "the Reduction of Excessive Salt Consumption program in Turkey", organized by the Ministry of Health.

Thanks to these efforts, we reduced the amount of salt per product in 2017 by 27% compared to 2015. Furthermore, we reviewed the ingredients of our products containing additional sugar in line with the circular on food to be sold in school canteens issued by the Ministry of National Education in 2016 in accordance with the decision of the School Health Science Board. Although it is not legally required, we have used the specified percentage values in all our fruit-flavored milk, chocolate milk and fruit-flavored yogurt products that we have been marketing since 2017.

Through these efforts, we reduced the amount of sugar per product in 2017 by 13.1% compared to 2015.

INNOVATION

By embracing the milk culture inherited from the history of Anatolian lands dating back thousands of years, we strive to continuously improve our expertise with the guidance of science and technology. Therefore, we believe we are responsible for bringing natural tastes into the future and ensuring that the next generations also grow with natural tastes just like us.

As Süttaş, our goal is to become the leader and pioneer in the industry by offering the most innovative and competitive products with the highest quality to our customers. For this purpose, improving the technologies and adopting Industry 4.0 and digital transformation practices are of great importance to us. Much of the software, machine and production equipment that is used in our facilities is designed by our own engineers and made in Turkey.

In 2016, we established the first R&D center approved by the Ministry of Industry and Technology in dairy industry in Turkey.

With its team of 42 people, the center develops new products and processes, but also develops new production techniques and improves the existing ones, and engages in activities to increase productivity across our business. Our R&D center obtained 7 utility models and 10 patents in 2016 and 13 utility models, 8 patents and 1 design registration in 2017.

Our R&D center completed 59 projects in 2017 and has 55 ongoing projects.

Apart from product development efforts, the center also engages in the research & development and the implementation of projects such as designing robots for their use in production lines, developing automation systems, and the production of organomineral fertilizers. Our center completed 59 projects in 2017 and has 55 ongoing projects.

Our product development process is aimed at responding to current nutritional and health requirements as well as the expectations of our consumers. We monitor global consumer trends and try to utilize the feedback concerning our products and services that customers and consumers communicate to us through our hotline.

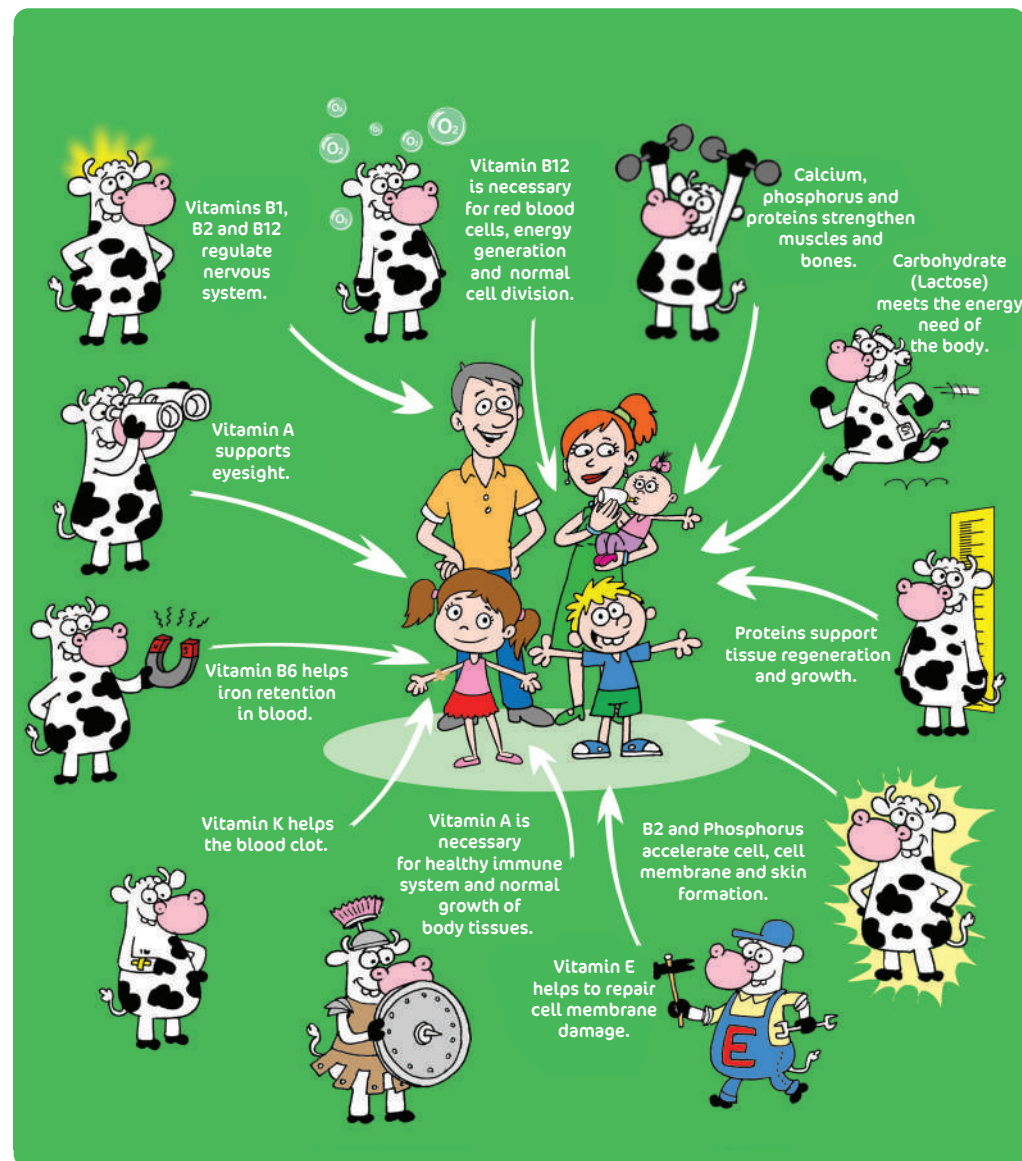
We enable internal innovation by consulting with all employees within our Group to draw upon their ideas and experience during our development and productivity operations related to production processes, techniques and technologies.

Through Lean Management practices and the Süttaş Suggestion System, we encourage our employees to share their suggestions and ideas to improve working environment and business processes. We encourage internal innovation, improve business processes and create a participatory management style.

OUR FIRSTS

1977	Packaged ayran
	Packaged yogurt with garlic
2000	Light white cheese
	Packaged cream-on-top yogurt
2001	Packaged cacık: Kolay Cacık
	Light kashar cheese
2003	Tubed children's yogurt: Hüptrik
	Light ayran
2005	Light yogurt with fruit
2006	Baby yogurt: Babymix
2009	UF White Cheese "Süzme"
	Packaged haydari
	UF White Cheese "Süzme" Goat
2015	Peppered spreadable processed cheese in a jar
2016	Practical cheese cubes Süzme Küp Küp
2017	Cream cheese and bagel: Kremsimit

TO CARE ABOUT THE FUTURE



UF White Cheese Süzme® Our Brand Which Redefines White Cheese

Süttaş invented the nutritious Ultra-Filtrated White Cheese "Süzme" in 2009, which has since then become an essential product at our tables. UF white cheese "Süzme" caters to consumers of all ages and profiles and has become one of Turkey's most favorite cheese within 5 years.

Since its launch this product has redefined the cheese category with its unique structure, which allows it to be both sliced and spread on bread.

The ultra-filtration technique is used for producing "Süzme",



which is a registered trademark of Süttaş. With this special production technique, the milk serum proteins called whey proteins and make up approximately 20% of the total protein in milk, remain in the milk. These proteins are essential for a healthy immune system. They help repair muscles damaged after an intense workout and create new body tissues. "Süzme" contains 25% more serum proteins than other

types of fresh white cheese, and the production technique makes it possible to keep the percentage of salt at an appropriate level. "Süzme" can be produced with 70% less energy and labor cost and with 80% less fat and protein loss compared to other types of white cheese. In short, its production technology makes Süzme an environment-friendly product, while its high nutritional values beneficial your health.

PROVISION OF ACCURATE INFORMATION TO CUSTOMERS AND CONSUMERS AND ETHICAL MARKETING

We do our part for our consumers to make healthy decisions. On the labels of our products, we present information regarding the qualities and the production of food, which is important for a healthy diet and food safety, in line with the Labelling Legislation.

We do our part for our consumers to make healthy decisions. On the labels of our products, we present information on the qualities and the production of the food, which is important for a healthy diet and food safety, in line with the Labelling Legislation.

The information included on the labels on our product packaging contains more than the statutory information that is required by the legislation. We ensure that both our consumers and customers get more

detailed and clear information by also stating the nutrition facts about those products for which nutrition facts are not required to be disclosed as per the legislation.

Milk and dairy products are naturally rich in calcium. Therefore, we include information on our product packaging to inform customers regarding how much of their daily calcium intake needs are met by consuming 100 g, 100 ml, one serving or one package of our specific product. In 2017, 59% of our entire product portfolio had this information on their product packaging.

All food products must have the expiry date printed on their packaging. Unlike other manufacturers, we as Süttaş also specify the production date of products on our packaging, which indeed enables our customers to get more information about the freshness and durability of our

products that have a short shelf life. In 2017, we declared both the expiry date and the production date on products which make up 57% of our entire product portfolio.

Consumer hotline

is responsible for handling consumer and customer feedback. The Hotline effectively evaluates and responds to any feedback within 24 hours in a manner which ensures "stakeholder satisfaction", and manages the improvements associated with the feedback by documenting corrective actions.

Feedback may be provided via e-mail, 444 4 SUT (788) hotline, Süttaş website (suggestions/warnings section at our website), fax, mail and/or other websites (www.sikayetvar.com, Facebook, Twitter, Instagram, etc.).

Feedback Received in 2017



23,519 FEEDBACK RECEIVED

1.41 PPM

Ratio of product complaints to the total amount of sales

97%

97% of the feedback concerning product complaints received via the Hotline was replied to within 24 hours.

0.73 PPM

Ratio of service complaints to the total amount of sales

99%

99% of the feedback concerning service complaints received via the Hotline was replied to within 24 hours.



WE WILL INCREASE AND IMPROVE THE ABUNDANCE OF MILK BY WORKING MORE EFFICIENTLY.



WE WILL ENSURE OUR DAIRY FARMERS WORK MORE EFFICIENTLY.



WE WILL INCREASE OUR EMPLOYMENT EFFICIENCY.



WE WILL INCREASE OUR ASSET TURNOVER RATIO.



WE WILL INCREASE THE CAPACITY UTILIZATION OF OUR BUSINESSES.



WE WILL INCREASE THE EFFICIENCY OF OUR DISTRIBUTION

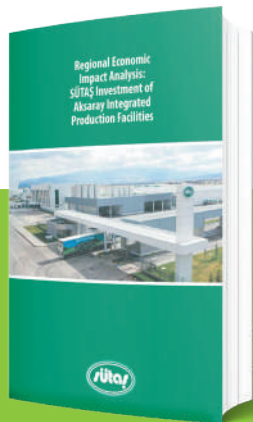
OUR CONTRIBUTION TO THE ECONOMY AND SOCIETY

Milk, which offers the essential nutrients that we need for nutrition, is a food that creates high economic value. The dairy farming sector in the agriculture industry also provides a steady monthly income and is an investment that offers a high level of financial flexibility as it can be easily converted into cash. In addition to milk production, this investment also plays a critical role in limiting the migration of people engaged in agricultural activities to urban areas and strengthening the local economy by enabling an increase in wealth and accumulation of capital.

With our "From Farm to Table" integrated business model, we create value, provide income and employment to hundreds of thousands of people from different parts of society such as people employed in our animal feed, milk production and processing and energy facilities, producers of feed plants and raw materials, dairy farmers, material suppliers, and people involved in the transportation and distribution of our raw materials and products.

We distribute our products to 150,481 sale points throughout Turkey through our 29 regional directorates, 90 dealers and a sales team consisting of 3,945 people (1,437 of which are our own employees, 819 of which are employed by the distributors and 1,689 of which consist of sales agents).

The 2012 "Economic Impact Analysis of Sütaş Aksaray Integrated Facilities" report showed that our investment had increased the per capita income in the region by TRY 1,400 in 2011 and that it would account for 20% of Aksaray's GDP between 2015-2020.



As part of our commitment to creating shared value, we strive to improve economic and social welfare with our stakeholders in the value chain by making investments throughout the country.

We contribute to the local economy by choosing local suppliers. In 2017, as much as 98.5% of our procurement was from local suppliers. Through this way we ensured that a large part of the TRY 2.6 billion payment that we made to all suppliers in total remained within the local economy.

We help tens of thousands of dairy farmers, one of our most important suppliers, to be a part of the social security system by providing them with a steady monthly income. In addition, with systematic training and information, we encourage the dairy farmers to improve themselves, increase the amount and quality of the milk and their income.

OUR ECONOMIC PERFORMANCE

We are aware that our biggest contribution to social welfare is the economic value that we create by increasing our investments and production.

Our contribution to the stakeholders also gradually increases in proportion to our investments, revenues and profitability which increase year by year. In addition to direct employment, we also offer indirect employment and income to thousands of producers, distributors and transportation companies through our "From Farm to Table" integrated business model.

Our total net revenue increased by 27%, from TRY 2,102 million in 2016 to TRY 2,664 million in 2017. Net income for the period

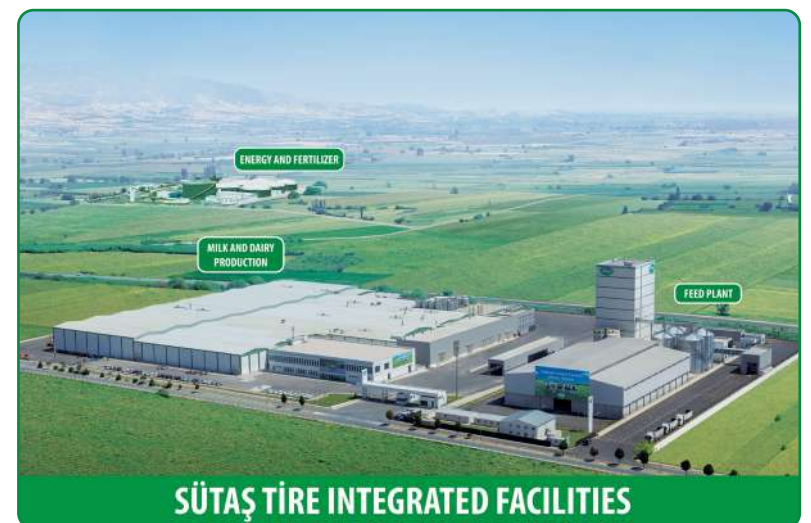
also increased by 26% from TRY 95 million in the same year to TRY 120 million in 2017.

We maintained our 51st position in the Istanbul Chamber of Industry (ISO) Turkey's Top 500 Industrial Enterprises list and we have been in the top 100 since 2005. We have increased the asset turnover ratio, which we believe is an important indicator of the efficiency of a business, by 2.06% in 2017.

Since our establishment, we have made investments worth USD 780 million. We have made investments worth USD 86.7 million in 2016 and USD 32.5 million in 2017. As part of both our environmental awareness and efficiency-oriented efforts, we spent TRY 10 million for our R&D activities in 2017.



This is the 2017 year-end data.



OUR TIRE INTEGRATED FACILITIES BEGAN ITS OPERATIONS

With Tire Integrated Facilities, which we built with the latest and environment-friendly technologies, we aim to achieve a high level of energy efficiency as well as efficient utilization of natural resources.

As Sütaş Group, our priority is growth through investment. Whatever we earn from milk, we invest back in milk. In line with this strategy, we opened the Tire Integrated Facilities at the end of 2016.

Sütaş Tire Integrated Facilities, established in the Tire district of Izmir province with an investment of USD 80 million, include a dairy plant, a feed plant, a recycling and power plant as well as an organic and organomineral fertilizer plant.

We contribute to the socio-economic transformation of the Tire region through both our production operations and the employment opportunities that we create in the region. We offer a steady income of TRY 420 million per year to 8,000 families who produce milk. We collect 1,000 tons of milk per day, which requires plant production worth TRY 125 million per year on 100,000 decares of land. We use a fleet of 150 vehicles in total for milk collection, product shipment, feed raw materials supply and distribution operations.

At Tire Integrated Facilities, built with latest and environment-friendly technologies, we used highly efficient heating and cooling systems, electric motors and LED illumination systems with the aim of achieving high energy efficiency and efficient utilization of natural resources.

70% of the steam and 117% of the energy demand of the dairy plant is met through renewable energy sources. The production equipment has been developed by our own engineers and local partners.



Sütaş Süt ve Süt Ürünleri Tesisi

Sütaş Yem Tesisi

Sütaş Enerji Tesisi



DIRECT EMPLOYMENT TO
850
PEOPLE



DAILY MILK PROCESSING CAPACITY OF
1,000 TONS



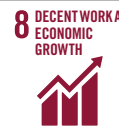
DAILY FEED PRODUCING CAPACITY OF
650 TONS



AT THE RECYCLING AND POWER PLANTS GENERATING ELECTRICITY FROM WASTE DAILY WASTE PROCESSING CAPACITY OF **600 TONS, 4.2 MWh ELECTRICITY** PER HOUR, **4 MWh STEAM** AND HOT WATER PRODUCTION



YEARLY CAPACITY TO PRODUCE **30,000 TONS** OF ORGANIC AND ORGANOMINERAL FERTILIZERS FROM THE WASTE PROCESSED IN THE POWER PLANTS



WE WILL GIVE BACK THE NATURAL RESOURCES THAT WE USE IN THEIR ORIGINAL CONDITION.



10 MILLION TREES

WE WILL CLEAN THE AIR THROUGH GREENHOUSE GAS REDUCTION THAT WE ACHIEVE BY PRODUCING 100% OF OUR ENERGY DEMAND FROM MANURE AND WASTE. IN 2017, WE MET 89% OF THE ENERGY DEMAND OF OUR PRODUCTION FACILITIES AND 66% OF THE ENERGY DEMAND OF THE ENTIRE GROUP BY PRODUCING ELECTRICITY, A REDUCTION EQUIVALENT TO 6 MILLION TREES.



40% ↑

WE WILL INCREASE OUR ENERGY EFFICIENCY.



100%

WE WILL RECYCLE 100% OF OUR SOLID WASTE.



20% ↓

WE WILL REDUCE THE AMOUNT OF MATERIALS USED IN OUR PRODUCT PACKAGING.

6 THOUSAND TONS OF ORGANOMINERAL FERTILIZERS

WE WILL INCREASE THE FERTILITY OF THE SOIL IN OUR COUNTRY BY USING THE FERTILIZERS DERIVED FROM THE OUTPUTS OF OUR ENERGY FACILITIES.



40% ↑

WE WILL INCREASE THE EFFICIENCY OF OUR LOGISTICS OPERATIONS.



25% ↓

WE WILL REDUCE THE AMOUNT OF WATER THAT WE USE PER EACH LITER OF MILK THAT WE PROCESS BY 25%.

OUR ENVIRONMENT STRATEGY

We perceive resources such as the soil, water and air as borrowed from the nature; we conduct our business with the principle of "returning what we have got from the nature to the nature" and develop our energy and environmental policies accordingly.

The dairy industry has a great impact on climate change due to greenhouse emissions from animal waste. Moreover, due to the high volume of water required by animal feed production, the protection of water resources and the prevention of the loss of agricultural lands are areas of great concern for dairy industry.

Within the scope of our energy and environmental policy, we identified the use of renewable, alternative energy sources and satisfying our thermal and electricity needs from our own wastes as our priorities to combat climate change. Our other commitments stated in our policy are to reduce and recycle waste, to develop all new products and design operational processes with minimum environmental impact, and to build awareness in our employees and suppliers on energy utilization and its impacts as well as on the protection of the environment. We successfully implemented ISO 14001 Environmental Management System and ISO 50001 Energy Management System at our dairy plants to manage our environmental impact. We

monitor our environmental performance in full compliance with the requirements of these management systems and we continuously improve the systems.

The most important performance indicator in combating climate change is reducing energy consumption and carbon emissions. We measure our performance based on these two criteria and aim to be certified with ISO 14064 by 2020.

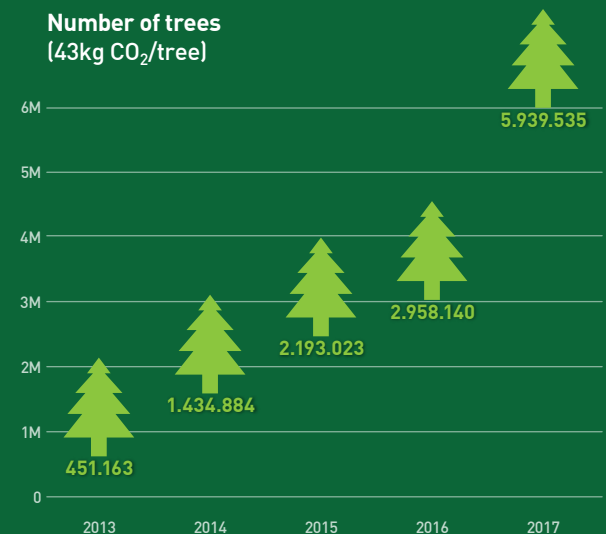
We organize training on a variety of subjects such as protection of the environment and natural resources, waste management, energy management and energy efficiency to ensure that the employees embrace our environment strategy and approach.

In 2017, we provided 619 hours of training in total. It is important for us that all dairy farmers are aware of the environmental impact of the operations at the farms and know how to reduce these effects, the conditions under which the waste generated at the farms can be used as fertilizer, and draw upon this information during their operations. For this purpose, "Environment and Fertilizer Management Training" is given by our environment experts during the training program at our dairy farming training centers.

A total of 1,061 people received Environment and Fertilizer Management Training at our training centers located in Aksaray and Karacabey in 2017.

TOTAL GREENHOUSE GAS EMISSION REDUCTION EQUIVALENT TO THE AMOUNT ABSORBED BY 13 MILLION TREES

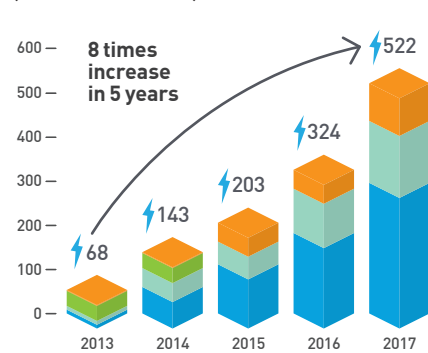
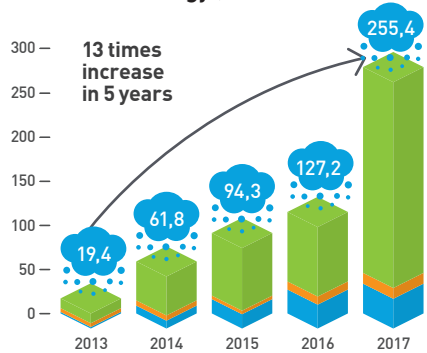
Note: Calculated based on the assumption that 1 tree absorbs 43 kg CO₂/year.



ENERGY AND CLIMATE CHANGE MANAGEMENT

As part of our way of doing business based on a circular economy and our mission to use the natural resources entrusted to us in the most efficient way possible, we are combating global climate change by producing energy from renewable resources.

Total Renewable Energy Production (Thousands of GJ)

Greenhouse Gas Reduction through Renewable Energy (Thousand Tons of CO₂)

● Wastewater Treatment Facility (Biogas) ● Biogas Cogeneration Facility (Steam Generation) ● Biogas Cogeneration Facility (Hot Water) ● Carbon Capture ● Fossil Fuel Substitution ● Electricity Generation

Electricity Generation: Electricity obtained through production of renewable energy
Fossil fuel substitution: Use of renewable energy in substitution to fossil fuels.
Carbon capture: Capturing the methane of the waste that is otherwise emitted/to be emitted to the atmosphere under natural conditions.

Agriculture and animal husbandry, which account for a large portion of greenhouse gas emissions resulting from human activities, are also included among the industries which will be significantly affected by global climate change (drought and extreme precipitation events). A variety of actions are being taken worldwide and nationwide to limit the rise in temperature due to global warming to a maximum of 1.5°C. As Sütas, we strive to contribute to these goals. We focus on activities aimed at reducing greenhouse gases caused by our operations, producing renewable energy from our waste and increasing energy efficiency.

We process and convert animal manure, which releases methane and nitrogen into the atmosphere under natural conditions, and all other organic waste into renewable energy at our biogas facilities. At our biogas facilities, which utilize cogeneration technology, we generate electricity, hot water and steam by utilizing the waste from our farms as well as all organic waste generated during our production processes.

We supply the electricity generated to the national power grid. We use the hot water and steam at our milk production factories. In addition, we produce

organic and organomineral fertilizers for use in plant production from the by-products derived from the processes at our biogas facilities. This enables us prevent methane gas emissions - a significant source of greenhouse gases - from entering into the atmosphere due to animal manure and minimization of waste in an environment-friendly manner.

By investing a total of USD 42.5 million in our energy operations which began in 2013, we have increased our electricity generation capacity to 17 MWh and our thermal energy capacity to 16 MWt at our 3 integrated facilities. In 2017, we utilized 811,240 tons of solid waste to produce 82,865 MWh of electricity and 55,375 MWh of heat energy (49,797 tons of steam - 16,854 MWh hot water).

In 2016, we opened the Organomineral Fertilizer Production Facility integrated with our Biogas Facilities in Karacabey. We produced 1,213 tons of organomineral fertilizer in 2017.

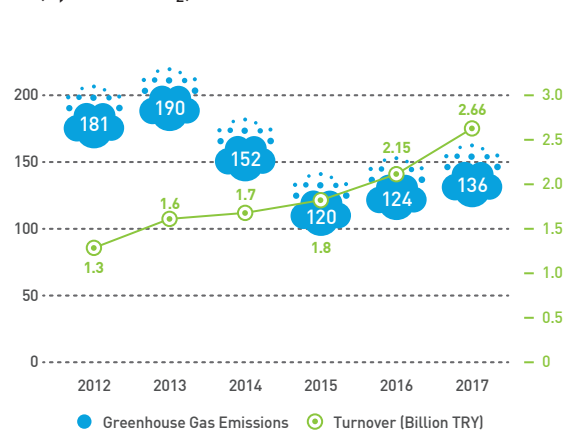
In 2017, we met 66% of the total electricity demand of Sütas Group with the electricity produced at our biogas facilities. This accounts for 89% of the

electricity demand and 20% of the thermal energy demand of our milk factories.

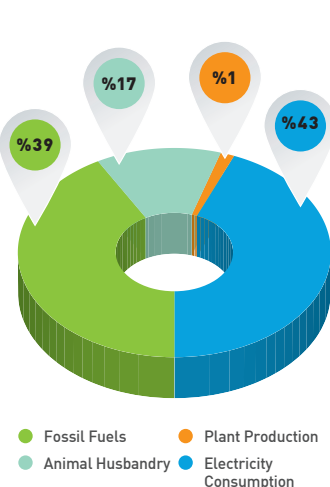
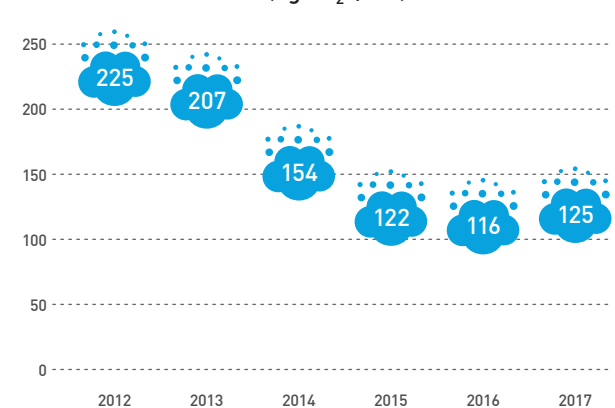
When calculating our greenhouse gas emissions, we consider the direct emissions caused by the Group's production operations and vehicles owned (Scope 1) as well as the indirect emissions associated with the consumption of the electricity purchased (Scope 2). For our 2017 calculation, we used the IPCC5 Methodology, a more current methodology, instead of the one previously used in the report. We also revised the numbers for previous years by re-calculating them according to the new methodology.

While Sütas Group achieved a growth of 47% in 2017 compared to 2015, its greenhouse gas emissions increased by only 13%. While our greenhouse gas emissions due to all operations were 136 thousand tons, we reduced greenhouse gas emissions by 255 thousand tons thanks to our renewable energy investments.

In 2017, our greenhouse gas emissions per ton of raw milk processed increased compared to 2016. This increase was caused by the fact that our Tire Integrated Facilities had not started operating at full capacity.

Greenhouse Gas Emissions (1,000 ton CO₂)

Percentage Distribution of Greenhouse Gas Emissions

Greenhouse Gas Emissions Per Ton of Raw Milk (kg CO₂e/ton)

ENERGY EFFICIENCY ACTIVITIES

As our renewable energy operations rapidly grow, we continue to engage in activities aimed at improving energy efficiency throughout the entire process, from production to distribution, in order to reduce greenhouse gas emissions.

We not only produce renewable energy, but also carry out a variety of projects designed to increase energy efficiency.

We used machinery, equipment and materials with high energy efficiency at the Tire facility which began its operations in 2016. In 2016 and 2017, we carried out four major energy efficiency projects in our Karacabey and Aksaray facilities:

- We replaced inefficient motors with highly efficient electrical motors. (Aksaray-Karacabey facilities)
- We replaced inefficient lighting equipment with highly efficient products. (Aksaray-Karacabey facilities)

• We produced energy from the heat generated during combustion in boilers; energy production from waste heat (use of economizers). (Aksaray-Karacabey facilities)

• We replaced the inefficient ice builder system with a new highly efficient system. (Karacabey facilities)

Thanks to these projects, we saved a total of 6.05 million kWh which is equal to 2.59% of our energy consumption in 2017. This way we increased our energy efficiency by 65.8% compared to 2015 and achieved our initial goal of a 40% increase in efficiency by 2020 in 2017.

In line with the Kyoto Protocol's emission reduction goal, Sütas Aksaray Natural Energy Facility has been certified according to the Gold Standard, which is an internationally recognized certification program. Thanks to the reduction in greenhouse gas emissions, Sütas is able to sell carbon credits from 2017 onwards.

The certification process for our Karacabey and Tire Integrated Facilities according to the Gold Standard program is in progress.

WATER MANAGEMENT

Water Consumption

We focus on efficient utilization of - water in our entire operation.

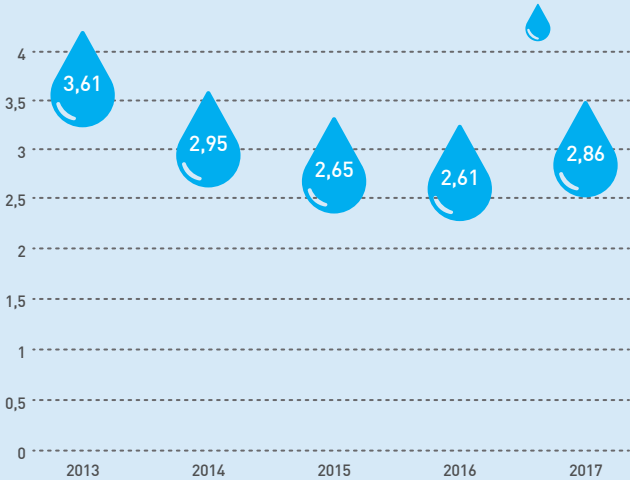
We determine the irrigation periods and the amount of water to be used during irrigation based on the type of plant and humidity of the soil. The drip irrigation method which we began to use in 2015 was extended to all plant production operations in 2017. This helped us reduce water consumption by approximately 25-40% and also increase crop yield by 30%.

Cleaning, washing and sanitation processes are the most water-intensive processes in our plants. Due to water efficiency projects, we can recycle and reuse some of the water used in washing and evaporation processes.

Water is the source of life... However, it is getting more and more difficult to access clean water due to various reasons such as increasing population, consumption and global climate change. Contrary to popular belief, Turkey is among the water-stressed countries.

Our integrated facilities are located in regions with "limited water resources". Therefore, we are both responsible for and prioritize using water in an efficient manner and treating wastewater so that water is returned to nature in the condition in which we initially received it.

Water Consumption Per Ton of Raw Milk (m³/ton)



Water Consumption Per Ton of Raw Milk

Our water consumption per ton of raw milk increased in 2017. This increase was caused by the fact that our Tire Integrated Facilities had not started operating at full capacity.

Note: The data is valid for the entire Sütaş Group.

Amount of Water Withdrawn Per Source (m³)	2015	2016	2017
Surface Water	388.962	27.300	86.300
Groundwater	2.463.795	3.222.700	3.493.369
Total Water	2.852.757	3.250.000	3.579.669

Water Efficiency Practices

We engage in practices aimed at achieving water efficiency in line with our goal of reducing water consumption per ton of raw milk processed in our facilities. Our ongoing R&D projects in this area are:

- **Wastewater recovery:** Recovery of the water exiting the treatment facility and reusing it to irrigate the facility grounds

- **Use of the liquid fermented by-product in agricultural lands:** Sanitation and use of the liquid fermented by-product (400 tons/day) of biogas in agricultural lands

- **New filtered water production facility:** Treatment of the water used in production at a lower cost through physical and chemical methods and getting it ready for use

We continue to carry out projects with the cooperation of TÜBİTAK in the area of water management. With the Lamella Settlement Post-Anaerobic Treatment in Dairy Wastewater Project; we aimed to install a new structure in the pool based on the lamella settlement principle instead of the conventional technology (gravitational) which was

currently in use in anaerobic settlement pools.

The Lamella technology enables the settlement process to occur in a smaller area with a higher efficiency by reducing the linear speed of water through lamella plates positioned in the pool at a certain angle.

As a result of the project, we achieved a 20% increase in the efficiency of the treatment process with the lamella settlement technology compared to the conventional technology.

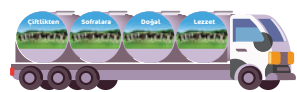
Wastewater Management

We treat the wastewater resulting from our operations. We have made significant investments to increase the efficiency of the treatment process and turn our waste into value. Since 2008, we have been returning all the wastewater from our production processes to the nature after 100% treatment in our "Anaerobic Wastewater Treatment Facilities" using low energy and chemicals.

The sludge and organic materials generated by this treatment are recycled in our energy production facilities and converted into electricity and thermal energy.

	2016	2017
Volume of water recycled and reused (m³)	422.500	465.000
Percentage of water recycled and reused (%)	13	13
Amount of water discharged (m³)	2.231.382	3.062.193

LOGISTICS MANAGEMENT



SAVINGS OF
12.4 MILLION KM
IN LOGISTICS

We transport the milk collected from 1,563 villages across Turkey to our facilities and then distribute the dairy products to points of sale throughout Turkey.

In raw milk logistics, we reduced the distance driven for per ton of raw milk from 28.48 km in 2015 to 22.43 km in 2017 through our Milk Collect project. Thus, we increased the efficiency of raw milk logistics by 21.2% compared to 2015 and achieved a savings of approximately 4.9 million km.

In finished product logistics, which involves transportation of our products to distribution

Efficiency in logistics, which is an important part of our value chain, is very important for us and we make improvements in this area.



8,000 TON
REDUCTION IN
GREENHOUSE GASES

points, we reduced the distance driven for per ton of dairy products from 55.21 km in 2015 to 49.84 km in 2017 with a 9.7% improvement thanks to information technologies. We achieved a savings of 6.3 million km in product logistics, including 3.4 million km in finished product logistics and 2.9 million km in distribution logistics.

Thus, the total distance savings in the entire "from farm to table" logistics operations reached 11.2 million km in 2017.

It is important for us to carry out the transportation of products from suppliers to our facilities in



EQUIVALENT TO THE
AMOUNT ABSORBED BY
186,000 TREES

a sustainable way. With the "Backhaul Transportation" project, we ensure that the vehicles transporting products from our factories to distribution points also pick up and carry the necessary materials to the factories on the way back. This way we achieved a savings of 1.2 million km in 2017.

With these efforts, we have succeeded in reducing the resulting greenhouse gas emissions by approximately 8,000 tons. This is equal to the amount of carbon dioxide absorbed by 186,000 trees in a year.

PACKAGING AND WASTE MANAGEMENT

In 2017, we reduced the amount of waste sent to landfills by 32% compared to 2015.

We are aware of the importance of recycling for the environment and the future. As part of our goal of "Zero waste", we engage in a variety of activities to reduce, sort and convert waste.

Currently 84% of all packaging that we use is made of fully recyclable materials, while 16% is composite packaging made mainly of cardboard. Composite packaging has FSC® certification which shows that it is produced according to responsible forest management practices.

We are carrying out R&D activities to reduce the amount of materials used in our product packaging. As part of our 2020 goal, we have reduced the use of plastic packaging materials by 813 tons by achieving a 15.5% reduction through weight reduction projects for 69 packaging materials between 2016-2017. We carry out the

recycling and recovery of the packaging materials used in our products in the market with the authorized organizations.

We convert the organic waste resulting from our agricultural, animal husbandry and dairy operations into energy and fertilizers at our natural energy production facilities and thus minimize the amount of waste

discharged to the environment.

We utilize our organic waste by converting it to fertilizers and energy. We ensure that all of our recyclable waste is recycled by authorized organizations. As a result of these activities, the amount of waste sent to landfills has been reduced by 32% compared to 2015.

	2015	2016	2017
Percentage of recycled waste	%94	%95	%97
Percentage of waste sent to landfills	%6	%5	%3



WITH THE COOPERATION OF TEMA FOUNDATION

We Held an Organomineral Fertilizer Workshop



Organomineral fertilizers feature a significant superiority because they are a source of organic matter and contain the minerals that plants need. Therefore, widespread use of organomineral fertilizers is important for sustainable agriculture.

Although the total amount of agricultural lands in Turkey decreased by 2.4 million hectares between 2011-2015, the amount of fertilizers used increased by 16% and reached 5.9 million tons in 2007. However, the increase in the efficiency achieved through the use of an increased amount of fertilizers caused deterioration in the physical, chemical and biological properties of the soil and led to a decrease in the level of organic matter in particular. The most effective way of preventing this and fighting against the current situation is to use organomineral fertilizers.

Several studies conducted around the world and in Turkey show that organomineral fertilizers improve the properties of the soil and increase the yield of agricultural products. Widespread use of organomineral fertilizers, which feature a significant superiority

both because they are a source of organic matter and contain the minerals that plants need, is very important for sustainable agriculture.

Based on that understanding and in line with our goal of utilizing natural resources in an efficient manner, we began to convert animal manure and plant wastes into energy at our Organic Fertilizer Production Facility, which began its operations in 2016 in integration with our energy facilities in Karacabey, and use the by-products of this process as organomineral fertilizers. With the investments we made, we reached a production capacity of 6,000 tons of organomineral fertilizers. We produced 1,213 tons of organomineral fertilizers in 2017.

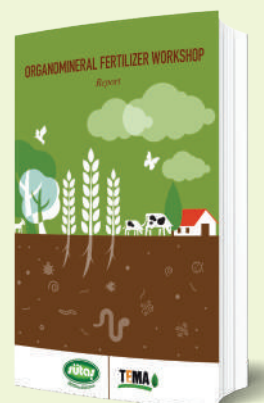
In 2017, we began studying the use of organomineral fertilizers in agricultural fields and

potential areas of application in cooperation with the TEMA Foundation. As the first step, we held a workshop to demonstrate the view of academics on organomineral fertilizers and compile the studies done in this subject area. We shared the papers that were presented during the workshop with the general public by collecting them in a book.

Furthermore, as part of our cooperation with the TEMA Foundation, we will carry out a new project to promote the use of organic and organomineral fertilizers among farmers in order to improve the level of organic matter in the soil in the areas from which Sütaş receives feed materials.

Under the scope of this 3-year project, trials will be conducted to identify the effects of organomineral fertilizers on the properties of the soil and crop

yield and trainings and informative meetings will be provided to raise awareness in farmers about sustainable soil management and plant production.



Organomineral Fertilizer Workshop Declarations Book



The Organomineral Fertilizers Produced in Our Natural Energy Facilities:

- Restore the physical structure of the soil
- Ensure soil permeability
- Increase water retention ability of the soil
- Hold the chemical nutrients in the soil to improve the effectiveness of use
- Balance the pH of the soil
- Act as a nutrition source for the organisms in the soil
- An ideal source of nutrients for plants due to the high content of plant nutrients

STAKEHOLDER VIEW

Deniz ATAÇ, CHAIRMAN OF THE EXECUTIVE BOARD, TEMA FOUNDATION



It is important that private companies embrace the concept of sustainability not only for economic concerns, but also for environmental and social reasons and place it at the core of their business practices. It is a fact that with each day sustainability becomes increasingly vital for humans to be able to maintain their existence on this planet.

When we look at how the concept of sustainability is viewed and handled, we can see that Sütaş began to pioneer activities aimed at ensuring "food safety" and "promotion of sustainable agriculture", goals which are directly aligned with Sütaş's core business, many years ago and that Sütaş intends to contribute to the welfare of the next generations. The company has been, for many years, successfully continuing its honest efforts in this area with commitment. As part of all of these efforts, the TEMA Foundation and Sütaş decided to work together in the area of "soil health" in 2017. The main purpose of this cooperation is to develop sustainable practices in the area of "sustainable soil management" and ensure widespread use of these practices throughout the country in the mid-term. We are pleased and proud to consolidate our efforts with Sütaş in such a vital area.



BEING A PART OF SÜTAŞ

Being a part of Süttaş means being "a good person, a good citizen and a good milkman." Based on this philosophy, our Human Resources vision is to establish a family that consists of good milkmen who protect Süttaş values, who became experts and masters of their work who are passionate about the mission to spread the goodness and abundance of milk, and make Süttaş a powerful employee brand with respected mission.

At Süttaş, we oversee the compliance of our activities with the Corporate Governance Principles and the code

of ethics. We offer a fair, transparent, safe, peaceful and productive working environment to our employees. We perceive labor practices as an essential element of our sustainability performance and operate with a focus on continuous improvement.

We strive to select our partners, including Süttaş employees, from the regions we operate and thus contribute to employment in these regions. Nearly all Süttaş employees are permanent, full-time employees.



DIRECT EMPLOYMENT

NUMBER OF EMPLOYEES OF SÜTAŞ GROUP

2015	2016	2017
4.440	4.531	4.612

Indirect Employment

Apart from our direct employees, the key groups of people to whom we offer indirect employment include our partners and distributors. We procure services such as catering, cleaning, security, employee shuttle, transportation, construction, etc. from our partners at different locations.



819
PARTNERS



1,689
DISTRIBUTORS

OUR HUMAN RESOURCES PROCESSES

Recruitment and Orientation

We bring new talent into our company by using the tools and techniques that allow us to offer equal opportunities to potential candidates and employ them in the best way suited to their skills. With our Orientation Program "Being a Part of Süttaş", we share our mission, vision, values, code of ethics and business conduct and strive to spread the love of milk and dairy farming.

Employee Compensation and Benefits

Our employee compensation policy has been developed towards increasing the competitiveness of our company in the labor market and to encourage our employees to demonstrate sustainable performance. Fringe benefits that we offer include private health insurance, individual pension system with company contribution depending on the preference of employees, performance bonus, social benefits, employee meals or prepaid meal cards, shuttle services for employees or transportation allowance, gift packages at Eid al-fitr (Ramadan Festival) and Eid al-adha (Sacrifice Festival), monthly food boxes at the plants and seniority recognition awards.

Talent and Performance Management

We believe it is important to implement a business goal and competency-based performance management system to guide our employees towards shared goals, increase efficiency and reward success.

The Annual Performance Management system includes specialist employees and superiors as well as "Operators and Team Leaders" within our plants. In addition, sales personnel are subject to monthly, quarterly and yearly goal evaluation processes.

With the 360 Degree Feedback System, we offer competency-based multifaceted feedback. In 2016, we switched to the 360 Degree Feedback System which enables our employees to receive feedback from various stakeholders, instead of the competency assessment system which allowed only superiors to assess subordinates.

With the 360 Degree Feedback System, our employees can receive multifaceted feedback from their subordinates, superiors, clients and peers.

For the last 3 years, we have been holding Career and Professional Development Committee Meetings for each function to identify the critical human resource who will be the future of our company, plan their development, and create a succession and training plan. In the yearly Career and Professional Development Committee Meetings, the potential of the employees are evaluated to decide an appropriate career path for each of them. The results of the evaluations are used as one of the main inputs of promotion, assignment, compensation, training and development processes.

Equal Opportunity

The principle of equal opportunity is always at the core of our human resources policy and practices. We respect our employees' personal differences including gender, age, ethnicity, nationality, religion and political viewpoint, and we create a participatory working environment where everyone has equal rights. We believe that different points of view add diversity to our organization.

We also follow the principle of equality for the compensation, career opportunities and social benefits offered to our female

and male employees. We plan to increase the number of our female employees in order to help women gain their economic independence and become strong individuals in the society.

Indicators of Diversity

85.2% of our employees are male. As of the end of 2017, 21.4% of the white-collar employees are females, 13.6% of blue-collar employees are females.



230 EMPLOYEES
WERE PROMOTED
IN 2017.

EMPLOYEE DEVELOPMENT AND TRAINING

The fundamental purpose of all programs that we design as part of Academy Süttaşkı is to raise "good people, good citizens and good milkman who are specialized in their field".

Employee training is an essential part of our development. We provide our employees with vocational training to support their personal development, specialization in their jobs/positions and improve their way of conducting business so that they can continue to do their jobs in a highly motivated manner and perform well.

Our Training and Talent Development activities have



been brought together under "Academy Süttaşkı". We offer corporate, vocational, personal and leadership training programs based on division and position. In addition to our employees, their families, distributors, subcontractors, interns and scholars also attend our learning and development activities.

Academy Süttaşkı Portal

With the Academy Süttaşkı Portal, we offer e-learning materials, training videos, reading materials, training documentation and other miscellaneous content which our employees can access anytime, anywhere.

Average hours of training per employee	2015	2016	2017
Blue-collar	14,5	15,6	13,4
White-collar	34,0	33,9	37,8
Average hours of training per employee	17,5	18,4	16,5

Our Training Programs

"Being a Part of Süttaş" Orientation Program

In line with the company's goals and strategies, the objective of the program is to make the employees adopt the corporate culture and values, common goals and the strategic approach. During the program, we schedule Süttaş Our Values Training, Süttaş Code of Ethics Training, mentorship and Dairy Farm Visit.

Occupational Skill and Competence-Based Development Programs

We offer Süttaş Sales School, Süttaş Production School, and Functional Development Programs to improve the occupational skills of our employees. We also support our employees' individual competency development through the Süttaş Specialist Group Program, Competency Trainings and Süttaş Development Seminars.

Leadership Development Programs

We offer Süttaş Management School Program (designed for Executive positions and above) and Team Leader Development Program to improve and support the leadership competencies of Süttaş management.

Other Development Programs

We support our employees who attend graduate school programs by signing cooperation protocols with universities. Our employees can attend graduate programs of Bahçeşehir University and İstanbul Bilgi University at a discount. 21 of our employees made use of this opportunity in 2017.

STAKEHOLDER VIEW Hande ÇULLU, SÜTAŞ HUMAN RESOURCES EXECUTIVE

Süttaş is distinguished from other companies in Turkey with its unique business understanding and way of conducting business, and thus leads other companies with this understanding. The content of the Sustainability Report shows that all the action plans that Süttaş has implemented and intends to implement are exactly aligned with its values, mission and vision. I feel privileged and proud to work for such a natural and self-confident enterprise.

STAKEHOLDER VIEW Özkan ÇAKIR, PRODUCTION SUPPORT AND WAREHOUSE TEAM LEADER

I work for Süttaş which is the most loved, admired and leading enterprise in the dairy industry with the love of milk. Every day we work hard to improve ourselves even more and achieve excellence in our work. The fact that Süttaş invests what it earns from milk back to milk and produces healthy, natural and delicious dairy products by showing respect to people, society and nature are, in my opinion, the key features that distinguish Süttaş from other companies.

EMPLOYEE ENGAGEMENT AND SATISFACTION

When we review the results of the 2016 Employee Loyalty Survey, we see that there is a significant improvement compared to the results of the 2013 survey and that our company is clearly above Turkey's average in most of the criteria.

Our objective is to contribute to the happiness of our employees by improving these positive results even more and become the most loved brand, most trusted enterprise and leading brand in the dairy industry.

We established Sütaş Employee Suggestion System to encourage our employees to share their suggestions and ideas about the work environment and business processes. The suggestions are evaluated and scored according to their applicability feasibility and contribution criteria by suggestion committees consisting of our employees and managers. We implement these suggestions to encourage intra-company innovation, to improve business processes and create a participatory

management process. 922 suggestions were submitted to the Suggestion System in 2017.

Some of the suggestions are grouped under the Lean Management System activities at the production unit and these activities are monitored in a separate category. As part of this process, 1,111 employees participated in Kaizen activities and 710 improvement actions have been taken in 2017. As a result of the Kaizen and Suggestion activities, 617 employees received awards in 2017.

Team members who create a difference with their performance and contributions are recognized with "Thank You for Your Efforts and Bright Idea" awards. 254 employees received these awards in 2017.

In addition, we recognize our employees who complete 5, 10, 15, 20, 25, 30, 35... years of service in the company with "Seniority Recognition Awards". 565 employees received the seniority recognition award in 2017.

Sütaş Suggestion System

Number of suggestions entered in the system

2015

2016

2017

3.589

1186

922

Number of suggestions that can be implemented

1077

356

338

EMPLOYEE LOYALTY

2013

2016

Loyalty increased from 60% in 2013 to 76% in 2016, with an improvement of 27% according to the results of the survey. Unlike the 2013 survey, the 2016 survey included employees in positions below the specialist positions and the response rate of the survey was 88%.

60%

27%
IMPROVEMENT

76%

OUR INTERNAL COMMUNICATION PROGRAMS



All intra- and extra-company events of social activity purposes to increase employee motivation are organized by Group Sütaskı, consisting of voluntary employees.

Group Sütaskı enables employees to take short breaks and enjoy themselves during intensive work schedules by organizing events, hobby clubs and contests, as well as culture trips to allow the families of employees to socialize.



2016
158
23.500

2017
175
28.930

We organized 158 events in 2016 and 175 events in 2017 with a team of 72 people including 50 volunteers from 25 regions, 15 volunteers from our integrated facilities and 7 volunteers from the Company Headquarters. Through these events, we connected with our employees 23,500 times in 2016 and 28,930 times in 2017.

Corporate Events

Suggestion and Kaizen Award Ceremonies, Seniority Recognition Award Ceremonies, and Sütaskı Meetings attended by our employees with their families

Activities for Spreading Corporate Culture

"Our Values Project" which we carry out to ensure that our values are embraced within the company

Special Day Celebrations

Birthday and anniversary celebrations

Our Internal Communication Channels

Sütaskı Magazine, Communication Boards, Group Sütaskı Boards, Questionnaires and Digital Communication Channels (Intranet)

"Life Coaching for You" Program

In 2016, we began to offer the "Life Coaching for You" Program in Karacabey and Tire to allow our factory employees to receive psychological counseling about issues involving family, children, training, work, etc. 171 employees in Karacabey and Tire received life coaching in 2017.

OCCUPATIONAL HEALTH AND SAFETY

Thanks to the measures that we have taken, we have not encountered any occupational disease among Sütaş Group employees or subcontractor employees since 2012.



As Sütaş, we consider people as our most valuable assets in all of our operations, and our highest priority is to protect our employees against all potential accidents and occupational diseases by creating a safe and healthy work environment. We strive to prevent work accidents and occupational diseases before they occur by taking proactive actions and making improvements on a regular basis.

OHS Management

The OHSAS 18001 Occupational Health and Safety Management System standard is implemented at our dairy plants, feed production facilities and dairy farms, and these facilities have been certified according to this standard.

As Sütaş, we strive to achieve our goal of "zero accidents at work" in all of our operations. In order to achieve this goal, we identify risks by conducting risk analyses as part of OHS in all of our work areas and take action to eliminate any identified risks. Before our subcontractors and

business partners begin to carry out any work in our facilities, they are subject to a preliminary risk assessment for the tasks that they will carry out as part of our permit-to-work system.

OHS Risks

The major occupational health and safety risks at our facilities include noise-induced hearing loss, hand/foot injuries and zoonotic diseases for employees working at farms, and dust-induced respiratory tract diseases for employees working in the feed plant.

We focus on the risks and we develop our processes through audits and effective record management, we ensure that our employees adopt and implement the measures through trainings. Moreover, through our "Suggestion System," we encourage our employees to submit suggestions on OHS and award the suggestions that are implemented.

OHS Culture

We organize various activities to spread our OHS culture. These activities include OHS Training, OHS Communication materials, OHS theatre and Sütaş Family Tree practices.

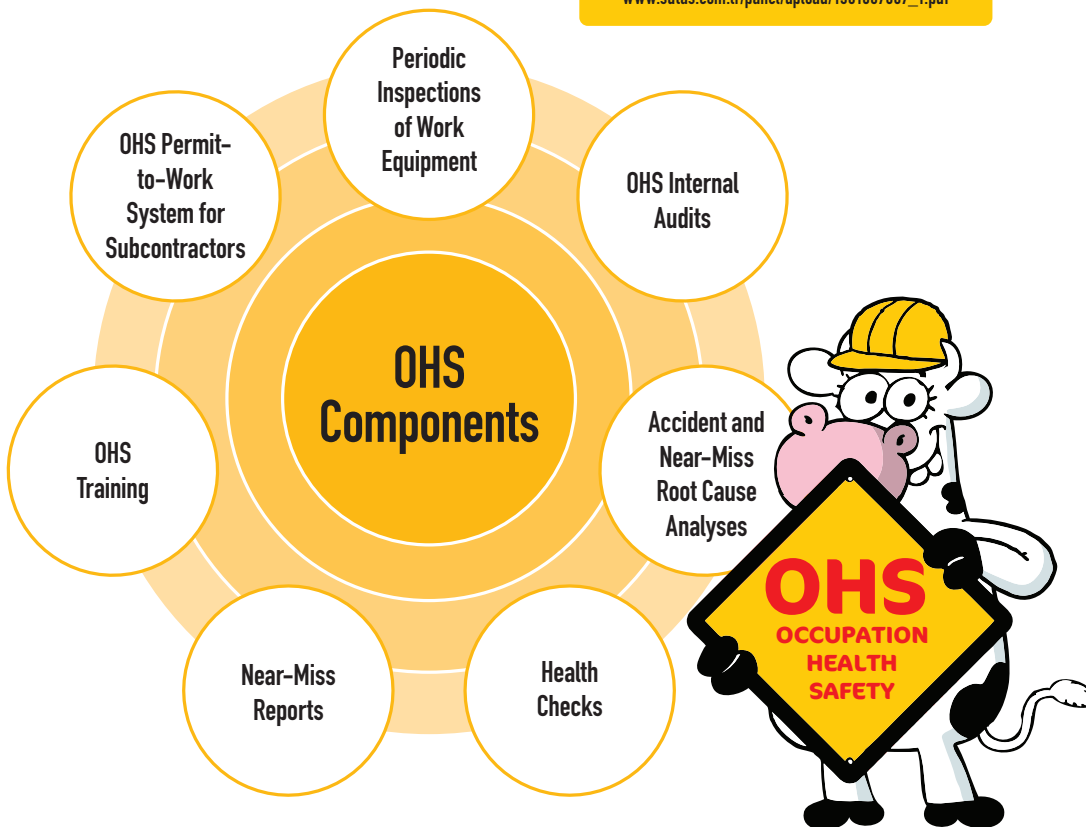
In 2017, we held a total of five OHS theatre sessions at different locations with the participation of approximately 700 employees. We created the Sütaş Family Tree from the photographs of our employees participating in our 23rd April Children's Day Festival with their children and drew up messages related to occupational health and safety from the children to their parents.

OHS Training

In addition to basic OHS training, we provided in-class and online training on safe driving techniques to our employees who drove private vehicles in 2017.

For our H&S policy:

www.sutas.com.tr/panel/upload/1531837887_1.pdf



OUR OHS PERFORMANCE

We report the accident rate and lost workday rate, which are OHS performance indicators, with a detailed breakdown according to age, experience, shift and gender on a monthly basis. We complete "near-miss" forms to report situations which nearly cause an accident, but do not result in an accident. We also review near-miss reports in detail and take the necessary corrective measures.

We electronically record all the work accidents and investigate their root causes under our "Work Accident / Emergency Incident Inquiry Procedure" and take improvement actions to prevent the accidents from occurring again.

In 2017, in addition to our production facilities and Company Headquarters, we began to electronically monitor the OHS performance of regional directorates.

Our accident rate which was 5.71 in 2016 was reduced to 4.44 in 2017.

Despite all our measures, two separate work accidents happened at Tire Integrated Facilities in 2017 in which two employees of our business partners lost their lives. All necessary measures have been taken to prevent similar accidents from occurring again.



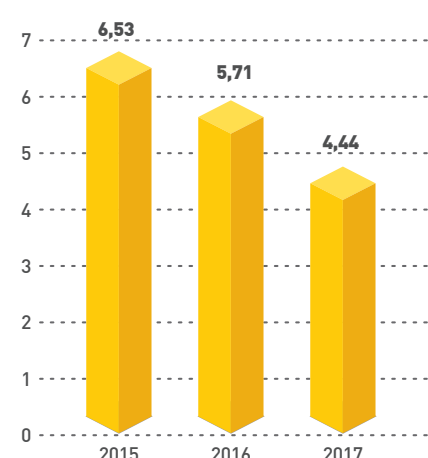
HEALTHY LIFE

We audit the meal menus offered to our employees with the joint effort of our workplace physicians and head cooks. We organize quit-smoking campaigns, deliver trainings and issue messages about the harmful effects of smoking. We intend to make positive contributions to the business and family lives of our employees by organizing seminars on stress management.

We plan to initiate, together with our enhanced health unit, new programs (ergonomics, obesity, etc.) that will promote a healthy life. To promote a sustainable health and safety culture, we will increase our OHS communications.

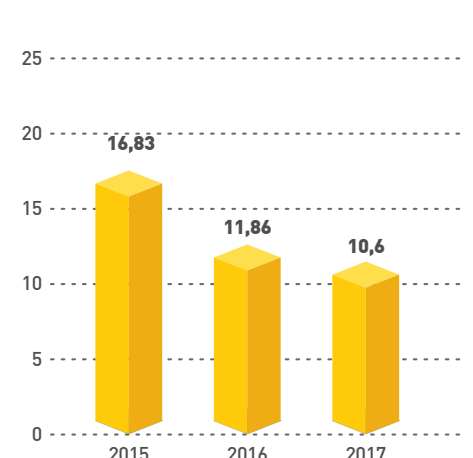
Accident Rate

Indicates the number of accidents per every 100 full-time employees.



Lost Workday Rate

Indicates the number of days lost per every 200,000 hours of work.





WE WILL CONTINUE OUR EFFORTS TO SPREAD THE GOODNESS OF MILK TO EVEN MORE PEOPLE.



290 L/PERSON

WE WILL CONTRIBUTE TO THE EFFORTS AIMED AT INCREASING THE CONSUMPTION OF MILK AND DAIRY PRODUCTS IN TURKEY.



x2

WE WILL DOUBLE THE BUDGET ALLOCATED FOR TRAINING AND COMMUNICATION TO INCREASE AWARENESS ABOUT MILK.



22.000

WE WILL INCREASE THE NUMBER OF DAIRY FARMERS RECEIVING TRAINING FROM US TO 22,000 IN ORDER TO IMPROVE THE QUALITY AND PRODUCTIVITY OF DAIRY FARMING.



170 K ↑
POINTS OF SALE

WE WILL ENSURE THE ACCESSIBILITY OF OUR PRODUCTS TO EVEN MORE PEOPLE.



+3

WE WILL DEVELOP NEW PRODUCTS TO RESPOND TO THE DIFFERENT NEEDS OF OUR CONSUMERS THROUGH INNOVATION.

OUR CONTRIBUTION TO THE DEVELOPMENT OF DAIRY FARMING

One of our key priorities in social investment is to contribute to the development of our industry and support training activities aimed at addressing the skilled labor shortage in the industry. For this purpose, we offer a variety of training opportunities to dairy farmers, students and entrepreneurs.

As of the end of 2017, a total of 18,736 people have attended training programs at our Training Centers and 31,739 people have visited the Centers since the date they started their operations.



We are aware that dairy farmers need to gain financial strength by improving the quality and productivity in production operations so that sustainability can be achieved in dairy farming. With this awareness, we offer, as an integral part of our social responsibilities, dairy farming training programs free of charge to dairy farmers at the Dairy Farming Training Centers which we established in Karacabey in 1998 and in Aksaray in 2010 and share with them the necessary information, expertise and experience so that they can produce milk which

meets high standards and achieve increased productivity. Within the framework of the cooperation protocols that we signed with Uludağ and Aksaray Universities as part of University-Industry cooperation, we also cooperate with them for the training programs offered at our Dairy Farming Training Centers. Thanks to the Protocol that we signed with the Ministry of Agriculture and Forestry in 2000, farmers can receive certificates approved by the Ministry at the end of their

training. Thus, we have created one of the good examples of Public - University - Industry cooperation by incorporating also the public into this cooperation.

By offering training, we do not only contribute to the development of the industry and our country, but also aim to prevent risk of disease due to illegal production and poor production practices, manage potential risks in the supply chain and ensure that customers can consume higher quality milk and dairy products.



We offered internships to 358 high school, vocational high school and university students during the academic years 2015/2016 and 2016/2017.

WE LEAD THE WAY IN RAISING QUALIFIED WORK FORCE FOR THE INDUSTRY

We are aware of the importance of qualified work force for the sustainability and development of our industry. We believe that the University-Industry cooperation is an important means for raising such qualified work force. Therefore, we signed protocols on cooperation in education with Uludağ University in 1998 and

Aksaray University in 2010. As part of these protocols, we offer practical classes, workplace training and internship to students at the respective departments of Vocational High Schools located in Karacabey and Aksaray which educate work force for the milk value chain.

In 2012, our training activities gained an international dimension with the cooperation protocol signed with Danish Kold College. Through this cooperation, we intend to support the exchange of students and teachers to promote the sharing of information and experience.

STAKEHOLDER VIEW

Dilek IRK, DAIRY FARMER



Before I received training, I thought I knew enough. I had many dairy cows with mastitis before the training. Now I know that the way I fed and took care of them was wrong. During the training, I learned that dry-period udder tubes need to be used when drying off cows and how to use the mastitis vaccine and apply disinfectants after milking. Thanks to the training, I learned how to feed the animals and I got rid of the diseases. Now I clean my farm and milking equipment in an informed way.

STAKEHOLDER VIEW

Lalezar BİLEN, DAIRY FARMER



I am very pleased with the training that Süttaş offers. I would like to thank them for giving us this type of training. During the training, I realized that what we thought was right was actually wrong. I learned how to feed calves with milk, how to feed cows after birth, how to disinfect farms and how to separate sick cows.

At our Dairy Farming Training Centers located in Karacabey and Aksaray, we offer practical and theoretical training to the participants on the following topics:

- Investment requirements in dairy farming
- How to grow fodder plants and feed, and management manure
- How to feed animals
- Biosafety in dairy farming, herd health and how to fight against animal diseases
- Birth hygiene and metritis
- Milking systems and raw milk quality criteria
- Farm income-expense accounting, government support for animal husbandry
- Protection of the environment, occupational safety
- How to record and evaluate data

In 2016, we started to organize one-day thematic trainings at the request of dairy farmers and people planning to invest in dairy farming.

So far we have organized training events on subjects such as how to design farms and shelters for dairy farming, how to take care of and feed animals, how to grow fodder plants and make silage, biosafety, herd health, etc. We also publish training materials and books on these subjects.

In 2017, we revised our training program and materials based on up-to-date information and the feedback received from our dairy farmers.

The survey conducted among dairy farmers in order to measure the impact of the training and to offer more effective training indicated that 9 out of every 10 respondents achieved a significant increase in

the amount and quality of the milk they produced and therefore their income had increased as a result of the training.

Our Dairy Farming Training Centers located in Karacabey and Aksaray as well as the training farms within these centers are open to all visitors. People may visit the centers, directly observe the operations, and get information on the subjects on which they need information.

In 2017, we began to send text messages to 15,000 milk suppliers on a weekly basis to provide information on important subjects in the field of animal husbandry, animal diseases in particular.

As part of this practice, we sent 802,374 text messages to our dairy farmers in 2017. Our dairy farmers report that our training practices and informative text messages make positive contributions to their business processes.

Scholarship Programs

The students can also benefit from our tuition, housing and English education scholarships. In 2018, we also begun to offer job guarantees to those students who graduate from these departments.

Süttaş also offers Education Support Scholarships to successful low-income undergraduate students. These scholarships do not require repayment or require the recipients to work for the company.

We offer these scholarships throughout the country to students who meet the scholarship criteria and display exceptional success in education within the quota limitations that are set on a yearly basis.

We offer internships to students to support their development during the summer season.

In 2017, in order to attract the most successful students in Turkey to our industry, we began to offer personal development and career coaching services to increase the awareness of our scholars about preparedness for

professional life and help them set a clear career path. Our scholars who are in the 3rd and 4th year of university receive mentoring support from our 16 managers trained in this area and attend online training activities which could support their development through the Academy Süttaş development portal. We also support the students in their thesis and homework projects. We have contributed to the training of the talent needed by the industry by providing scholarships to approximately 300 students so far.

Scholarships that we offered to students in 2016-2017	Number of scholarships
Financial Support Scholarship for Undergraduate Students	89
Vocational Education Financial Support Scholarship for Vocational High School Students as part of University-Industry Cooperation	39
Housing Scholarship for Vocational High School Students as part of University-Industry Cooperation	16
English Education Scholarship for Vocational High School Students as part of University-Industry Cooperation	48

STAKEHOLDER VIEW

Cihat Kerim GÜNDOĞAN, ULUDAĞ UNIVERSITY, VETERINARY SCHOOL, THIRD-YEAR STUDENT

In my opinion, Süttaş's Education Support Scholarship is the kind of scholarship that every student should have. It helps a lot in meeting financial needs and the recipients are taken great care and receive support for their future endeavours. Fairly significant changes have occurred in my life since I became a part of this program. The event organized for us as part of the "Welcome" program and the fact that board members met with us made us feel appreciated and showed that we had indeed achieved some success. In addition, I realized that scholarship recipients are as well considered members of Süttaş. The program allowed me to fully focus on my goals.

As a student of the Veterinary Faculty, I had questions in my mind about the area that I had to specialize, but during the internship program which also accepted scholarship recipients, I was able to choose my field of work. Süttaş helped me to get my career going. This program helped me to do things that I could otherwise not have done on my own, and it helped me to take decisions.

Internship Programs

It is important for us to support students in their academic education and ensure that they develop their occupational skills, knowledge, attitudes and behaviors, grow in a real-world production and service environment, become familiar

with the industry and get prepared for the business life. For this purpose, we offer internship to Vocational High School students, students at Vocational Schools under the scope of the University - Industry Cooperation Protocol, undergraduate students (3rd and 4th year) and students of graduate programs.

358 high school, vocational high school and university students did an internship at the workplaces (plants, farms, regional directorates and headquarters) of Süttaş Group of companies during the academic years 2015/2016 and 2016/2017.

STAKEHOLDER VIEW

Faruk AYDIN, DAIRY FARMER



Thanks to the good relationships that we established with Süttaş, we have increased our animal population and milk production capacity. We apply the information that we learned from the training. We feed our calves with milk until 60 days of age and then provide them with the right type of calf feed. After the training, we began to use disinfectants and are no longer troubled by udder diseases.

GRI Standard	GRI Disclosure	Page Number / Direct Resource	Ommissions
Corporate Governance			
GRI 103: Management Approach 2016	103-1	5	
	103-2	5	
	103-3	5	
Ethics and Compliance			
GRI 103: Management Approach 2016	103-1	5	
	103-2	5	
	103-3	5	
GRI 205: Anti-Corruption 2016	205-3	There are no cases referred to the Disciplinary Committee for corruption and payment claim at the end of the Ethics Committee review on the notifications sent to Etik Sütas in 2016 and 2017.	
GRI 206: Anti-Competitive Behavior 2016	206-1	5	
Responsibility in Product Supply Chain			
GRI 103: Management Approach 2016	103-1	6-7	
	103-2	6-7	
	103-3	6-7	
GRI 308: Supplier Environmental Assessment 2016	308-2	7	
Sustainable Agricultural Practices			
GRI 103: Management Approach 2016	103-1	6-7	
	103-2	6-7	
	103-3	6-7	
Economic Performance			
GRI 103: Management Approach 2016	103-1	9	
	103-2	9	
	103-3	9	
GRI 201: Economic Performance 2016	201-1	9, 15	
Employment			
GRI 103: Management Approach 2016	103-1	12, 14	
	103-2	12, 14	
	103-3	12, 14	
GRI 401: Employment 2016	401-2	The fringe benefits granted to full-time employees are not provided to temporary or part-time employees.	
Socio-Economic Contribution			
GRI 103: Management Approach 2016	103-1	9, 14	
	103-2	9, 14	
	103-3	9, 14	
Procurement Practices			
GRI 103: Management Approach 2016	103-1	9	
	103-2	9	
	103-3	9	
GRI 204: Procurement Practices 2016	204-1	9	

Emission Factors	CO ₂	CH ₄	N ₂ O	Total kg CO ₂ e
Natural gas	1.9365	0.0048	0.0009	1.9422
Biogas	1.1422	0.0005	0.0006	1.1434
Diesel	2.6248	0.0039	0.0366	2.6652
Fuel	2.2164	0.0034	0.0483	2.2681
Diesel (fixed)	2.6248	0.0099	0.0056	2.6403
Fuel (fixed)	2.2164	0.0080	0.0057	2.2301
Refrigerant gases - R410A	1.923.50			1.923.50
Refrigerant gases - R407C	1.624.21			1.624.21
Refrigerant gases - R134A	1.430.00			1.430.00
Refrigerant gases - R404A	3.942.80			3.942.80
Fire extinguishers - HFC 227ea	3.350.00			3.350.00
Electricity (2014 network)	0.4931	0.0002	0.0012	0.4945
Electricity (2016 network)	0.4898	0.0002	0.0013	0.4913
Electricity (2017 network)	0.5105	0.0002	0.0015	0.5121
Enteric fermentation (Dairy cow)	0.0000	3.584.0000	0.0000	3.584.0000
Enteric fermentation (Other)	0.0000	1.484.0000	0.0000	1.484.0000

Location	Electricity generation (MWh)	Steam generation (MWh)	The amount of waste disposed (ton)
Tire	17.255	10.280	219.754
Aksaray	34.183	23.104	352.483
Karacabey	31.427	18.322	239.003
Total	82.865	51.706	811.240



OUR SUSTAINABILITY GOALS FOR 2020

WE WORK FOR SPREADING THE GOODNESS AND ABUNDANCE OF MILK
BY MAINTAINING AND STRENGTHENING OUR CORPORATE STRUCTURE IN ORDER TO ACHIEVE OUR GOAL OF
CREATING A PROSPEROUS SOCIETY WITH HAPPY AND HEALTHY INDIVIDUALS AND A CLEAN ENVIRONMENT.



290 L/PERSON

WE WILL CONTRIBUTE TO THE EFFORTS AIMED AT INCREASING THE CONSUMPTION OF MILK AND DAIRY PRODUCTS IN TURKEY.

TR 235 L/PERSON
EU 290 L/PERSON
GOAL 290 L/PERSON

22,000

WE WILL INCREASE THE NUMBER OF DAIRY FARMERS RECEIVING TRAINING FROM US TO 22,000 IN ORDER TO IMPROVE THE QUALITY AND PRODUCTIVITY OF DAIRY FARMING.

2015 16.921
2016 17.675
2017 18.736

170 K
POINTS OF SALE

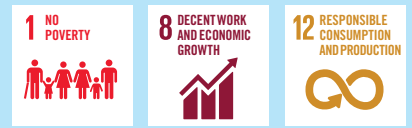
WE WILL ENSURE THE ACCESSIBILITY OF OUR PRODUCTS TO EVEN MORE PEOPLE.

x2

WE WILL DOUBLE THE BUDGET ALLOCATED FOR TRAINING AND COMMUNICATION TO INCREASE AWARENESS ABOUT MILK.

+3

WE WILL DEVELOP NEW PRODUCTS TO RESPOND TO THE DIFFERENT NEEDS OF OUR CONSUMERS THROUGH INNOVATION.



20%

WE WILL ENSURE OUR DAIRY FARMERS WORK MORE EFFICIENTLY.

2015 5.185 L/YEAR
2016 5.490 L/YEAR
2017 5.795 L/YEAR

25%

WE WILL INCREASE OUR EMPLOYMENT EFFICIENCY.

25%

WE WILL INCREASE THE EFFICIENCY OF OUR DISTRIBUTION.

2015 22.9 TON/VEHICLE
2016 24.3 TON/VEHICLE
2017 25.9 TON/VEHICLE

90%

WE WILL INCREASE THE CAPACITY UTILIZATION RATE OF OUR PREMISES / PRODUCTION UNITS

2015 %80
2016 %84
2017 %87

30%

WE WILL INCREASE OUR ASSET TURNOVER RATIO.

2015 1,61
2016 1,44
2017 1,64



40%

WE WILL INCREASE OUR ENERGY EFFICIENCY.

25%

WE WILL REDUCE THE AMOUNT OF WATER WE USE PER EACH LITER OF MILK PROCESSED BY 25%.

2015 2,65 M³/TON
2016 2,65 M³/TON
2017 2,86 M³/TON

100%

WE WILL RECYCLE 100% OF OUR SOLID WASTE.

20%

WE WILL REDUCE THE AMOUNT OF MATERIALS USED IN OUR PRODUCT PACKAGING.

10 MILLION TREES

WE WILL CLEAN THE AIR THROUGH GREENHOUSE GAS REDUCTION THAT WE ACHIEVE BY PRODUCING 100% OF OUR ENERGY DEMAND FROM MANURE AND WASTE.

In 2017, we met 89% of the energy demand of our production facilities and 66% of the energy demand of the entire Group by producing electricity, a reduction equivalent to 6 million trees.

40%

WE WILL INCREASE THE EFFICIENCY OF OUR LOGISTICS OPERATIONS.

2016 - SAVINGS OF 7.8 MILLION KM
2017 - SAVINGS OF 12.4 MILLION KM

6 THOUSAND TONS OF ORGANOMINERAL FERTILIZERS
100 THOUSAND DECARES OF SUSTAINABLE LAND

WE WILL INCREASE THE FERTILITY OF THE SOIL IN OUR COUNTRY BY USING THE FERTILIZERS DERIVED FROM THE OUTPUTS OF OUR ENERGY FACILITIES.

≥ 95

WE WILL INCREASE OUR CORPORATE GOVERNANCE RATING SCORE.

2015 93,4
2016 94,2
2017 95,1

85%

WE WILL INCREASE EMPLOYEE LOYALTY TO 85%.

2013 %60
2016 %76

10%

WE WILL INCREASE THE TRAINING PER EMPLOYEE AT ACADEMY SÜTAS BY 10% EVERY YEAR.

40%

WE WILL REDUCE OUR ACCIDENT AT WORK RATE EVERY YEAR TOWARDS AN ULTIMATE GOAL OF ZERO.

2015 6,53
2016 5,71
2017 4,44

