

# STEEL IS SUSTAINABLE



**Erdemir**Group

SUSTAINABILITY REPORT 2015

FUTURE MADE OF STEEL | **50**  
YEARS

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## INTRODUCTION

### ABOUT THIS REPORT

#### Scope of the Report

This is the second sustainability report published by the Erdemir Group. The sustainability performance criteria covered by this report apply to the 2015 indicators of the Group's flagship company Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (Erdemir) and its second biggest company, İskenderun Demir ve Çelik A.Ş. (İsdemir) while the financial data are indicative of the consolidated performance of the Erdemir Group as a whole.

While this report provides an assessment of the economic, environmental and social dimensions of the two companies' operations, which are considered from their stakeholder, corporate governance, iron & steel industry, human resources and social aspects, information is also provided about the Erdemir Group's approaches, policies and objectives where this is deemed to be necessary to give the reader an idea of the Group's perspective.

Besides providing detailed, transparent, current and consistent information about Erdemir's and İsdemir's performance, this report also aims to reveal both companies' efforts to incorporate sustainability into every aspect of their operations. It is also intended to serve as a record of their corporate performance in that direction.

#### Reporting Period

Unless otherwise indicated, this report covers the period 1 January – 31 December 2015. The information presented in this report is also intended to serve as a basis for comparison in any sustainability reports that Erdemir and İsdemir may in future publish.

A sustainability report covering the 2014 sustainability performance of Erdemir Group Company Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (Erdemir) was published in 2015.

#### Reporting Cycle

In principal the Erdemir Group publishes reports on an annual basis. While this particular report has been prepared so as to comply with Global Reporting Initiative and similar internationally-recognized standards, it has not been independently reviewed or audited in any way.

It is the intention of the Erdemir Group to gradually include information about the sustainability performance of other Group companies in future reports.

## CORPORATE PROFILE<sup>1</sup>

Having commenced operations in 1965, the Erdemir Group today is the pioneering leader of Turkey's steel industry and its only integrated producer of flat steel products.

For half a century Erdemir Group have grown and developed together with Turkey by creating increasingly more enduring value for the country's industry and economy. Backed by fifty years of knowledge and experience and with steadily-expanding production capacity and a constantly-diversifying range of high-quality products, the deep-rooted Erdemir brand continues to advance confidently through an uninterrupted process of growth.

A subsidiary of OYAK, the Erdemir Group consists of 7<sup>2</sup> companies operating in the fields of;

- flat steel and long steel production,
- steel service center services,
- mining,
- engineering and project management.

The capital structure of the Erdemir, where 47.63% of the shares are open to the public, allows the Erdemir to share its financial gains with a large and broad shareholder base. Erdemir shares (EREGL), which are one of the blue-chip stocks since the establishment of the Borsa İstanbul (the former İstanbul Stock Exchange) in 1986, are listed on the BIST 30 index. Erdemir shares are listed on the BIST Corporate Governance Index and BIST Sustainability Index as well. On the other hand, İsdemir shares have been trading on the Pre-trading Platform (the former Free Trading Platform) since March 28, 2016 under the "ISDMR" ticker.

As a consequence of its principle of being a good corporate citizen, the Erdemir Group creates social value through projects that it undertakes both in localities where its companies have operations and throughout Turkey as a whole.

### Continuous growth and development through a focus on sustainable success

Believing that the most important element of its sustainable success is its human resources and regarding every employee as a champion upholding the Erdemir banner, the Erdemir Group gives importance to the recruitment and development of a workforce distinguished by its skills, knowledge, and experience.

As of the end of 2015, the Erdemir Group, one of Turkey's largest employers, provided employment to 12,659 people. The Group also single handedly accounts for approximately 35% of the employment in the iron and steel industry.

The Group offers value added to a wide array of sectors, such as automotive, machinery manufacturing, durable household appliances, construction industry, thanks to its foresight capability, management approach, innovative technology and analytical thinking.

Constantly improving its product portfolio and diversifying in line with the needs of the Turkish industry, the Erdemir Group offers its products to national markets as well as to clients in 42 countries from North America, Europe and Asia.

The Erdemir Group maintains its investments despite the difficult conditions in the global steel industry, volatility in the domestic markets and mounting competition, and presses forward with its growth and development, together with Turkey.

## Erdemir shares are listed on the BIST Corporate Governance Index and BIST Sustainability Index.

<sup>1</sup> For detailed information please see page 4-5 of the Erdemir Group 2015 Annual Report.  
[https://www.erdemirgrubu.com.tr/Sites/1/upload/files/ERDEMIR\\_2015\\_AR-1886.pdf](https://www.erdemirgrubu.com.tr/Sites/1/upload/files/ERDEMIR_2015_AR-1886.pdf)

<sup>2</sup> For detailed information about Erdemir Group companies please see page 16-17 of the Erdemir Group 2015 Annual Report.  
[https://www.erdemirgrubu.com.tr/Sites/1/upload/files/ERDEMIR\\_2015\\_AR-1886.pdf](https://www.erdemirgrubu.com.tr/Sites/1/upload/files/ERDEMIR_2015_AR-1886.pdf)

<b>MAIN SUSTAINABILITY INDICATORS</b>					
<b>Economic</b>	Net Sales Revenue  TL 11,915 million (US\$ 4,382 million)	Net Profit  TL1,126 million (US\$ 414 million)	Total Assets  TL18,634 million (US\$ 6,409 million)		
<b>Environmental</b>	Erdemir and İsdemir environmental investment expenditures in 2015: > US\$ 13 million		Environmental Performance Index  Erdemir 87.2% İsdemir 88.6%	Solid Waste Recovery Rate  Erdemir 72.1% İsdemir 57.2%	Rate of Recirculated Water Use  Erdemir 91.6% İsdemir 95.5%
	In the twelve months to end-2015;  Erdemir saved a total of 143,310,146 kWh of energy  İsdemir saved a total of 131,668,934 kWh of energy	CO <sub>2</sub> Reduction  The total annual greenhouse gas reduction in Erdemir 78,319 tons CO <sub>2</sub>  The reductions in annual greenhouse gas reduction at İsdemir 81,634 tons CO <sub>2</sub>	Large-Scale Companies Sustainable Production category in the 2nd Efficiency Project Awards – 2 <sup>nd</sup> prize	Reducing Energy Intensity in Metal Industry Sector – 1 <sup>st</sup> prize	The Green Era Award
<b>Social</b>	Total employment (people)  Erdemir 6,327 İsdemir 5,262	Training per person (hours)  Erdemir 41.4 İsdemir 57.32	OHS training per person (hours)  Erdemir 17.24 İsdemir 15.23	The 3rd Steel Sculpture Competition with the “Steel and Life”	

Please see page 6 of the 2015 Annual Report for Erdemir Group’s Key Financial Indicators.  
[https://www.erdemirgrubu.com.tr/Sites/1/upload/files/ERDEMİR\\_2015\\_AR-1886.pdf](https://www.erdemirgrubu.com.tr/Sites/1/upload/files/ERDEMİR_2015_AR-1886.pdf)

## CHAIRMAN'S MESSAGE

Esteemed stakeholders,

Celebrating its 50th year of operations in 2015, the Erdemir Group progressed in line with Turkey's growth, as it has since its establishment.

Holding onto the title of being Turkey's only integrated producer of flat steel products, the Erdemir Group has achieved the stature of a global player in its industry by virtue of half a century of steady change and development. Ever since it commenced operations in 1965, the Erdemir Group has been creating added value for Turkey's economy and industry, not only through its production capacity, extensive product line, and exports but also by virtue of the number of jobs it provides, its solid financial structure, and the taxes it pays.

As the leader of the Turkish steel industry, Erdemir Group continues to advance towards its 2020 vision of being a world class company on the back of its experience, know-how, trusted brand and its seven companies.

The Erdemir Group achieved significant successes in 2015 in terms of production and sales figures while also continuing to undertake investments in added-value products and in production-process innovation. With production of 8.9 million tons of crude steel, including 7.4 million tons of flat steel products, the Erdemir Group was single-handedly produced 28% of all the crude steel in Turkey last year.

### Steel in a sustainable world

Threats confronting our world and its inhabitants such as population growth, climate change, resource depletion, fossil fuel dependency, and the extinction of species have been making the concept of sustainability more important than ever in recent years.

As well as the United Nations, numerous non-governmental organizations and initiatives have been drawing attention to such threats at environment and climate conferences, summits, and panels and also through demonstrations and even protests, as they call upon governments to take urgent action to deal with such issues.

One of the most important of these gatherings was the 2015 United Nations Climate Change Conference (COP 21) that took place in Paris with the participation of 195 world leaders in December of that year. This conference, which culminated with the signing of an historic agreement to restrict global warming to "well below 2° C", represented a new and important step in efforts to combat climate change. This step, which we hope will also accelerate the world's, and developed economies' in particular, transition to a low-carbon economy, is a major milestone in the building of a sustainable future.

The increased attention being given to sustainability also leads to steadily greater acceptance of the approaches of the circular economy, which eschews the "Supply, Produce, Dispose" approach of the linear economy and which gives importance instead to recycling, to economizing, to minimizing natural resource use, and to recovering and reusing waste.

Steel, which is an indispensable element of modern life, is also an especially potent force in the low-carbon economy and circular economy models. Besides being used in every aspect of our lives, steel is 100% recyclable. That recyclability, which makes steel a less natural resource and a less energy-intensive material, will be important as long as humanity exists. Steel is a peerless commodity with no practical alternatives in everything from renewable energy to green and intelligent buildings, and from low-carbon transportation and fuel-efficient clean-energy vehicles to recycling plants.

Having originally embarked upon our sustainability journey with a concern for legal compliance and energy, water, and carbon management, we adopted long term financial strength and productivity focused technological innovation as the essential principles of sustainability.

In a world in which population growth will increase the need for steel and in keeping with its own 2020 Vision, the Erdemir Group will conduct its operations and deploy its environmental, social, and financial capital so they work within a framework of a sustainable business model, while also maximizing the satisfactory fulfillment of

society's expectations and fostering a culture of innovation. Innovation is one of the prerequisites for the successful fulfillment of our vision of "Being a world-class company". While working to improve technology and to manufacture added-value products, we have also aimed to erase our environmental footprint.

#### **Our sustainability strategy**

- Create a sustainable value-creation chain which is focused on productivity and the customer at every stage from procurements to after-sales services, and which includes R&D processes
- Protect the environment and use natural resources efficiently
- Support continuous social progress capable of addressing the needs of all stakeholders
- Ensure occupational health and safety in the conduct of all operations
- Innovation.

#### **For a sustainable society and a sustainable environment...**

We conduct our operations without harming the environment.

Steel is one of the basic inputs of the circular economy and the Erdemir Group is Turkey's biggest steelmaker. As the leader of the Turkish steel industry, our Group conscientiously strives to ensure that the concept of sustainability, a cornerstone of its corporate culture, is an intrinsic and pervasive element of its organizational structure and to foster an awareness of sustainability in every Group company and among employees.

As well as taking financial structure and strength into account, the Erdemir Group Sustainability Strategy also gives consideration to environmental and social wellbeing: the Group regards the performance in all of these different but complementary areas as its essential corporate focal point.

As the basis of creating an overall sustainable value chain, we strive to reach the goals of a focus on productivity and the customer in all value chain processes including procurement, sales and after sales services, and R&D.

Protecting the environment, tackling climate change and using natural resources efficiently are the three other important tenets of the Erdemir Group Sustainability Strategy.

Besides carrying out projects with the involvement of our employees to respond to stakeholders' needs and to support ongoing social progress, we aim to ensure that occupational health and safety is achieved and sustained throughout our entire Group.

At the macroeconomic level, the Erdemir Group Sustainability Strategy envisages a steady increase in the Group's contributions to social development and employment.

Focusing on sustainability in all of its decision-making processes, our Group took an important step in 2015 by assigning an Erdemir Group Chief Sustainability Officer who will be responsible for the integration of sustainability into all business processes. This office will be undertaking critical duties both in realizing the new business practices and in achieving the aims that are set out in the Erdemir Group Sustainability Strategy.

In sum, as the Erdemir Group we are committed to conducting our operations without causing any harm whatsoever to the environment or nature or to future generations: our only impact will be the enduringly beneficial value of Erdemir Steel.

#### **Erdemir and the BIST sustainability and corporate governance indexes**

Believing in the importance of achieving sustainability and creating enduring value in all of its companies, the Erdemir Group's flagship company, Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (Erdemir) has been included in the Borsa İstanbul Sustainability Index. To be listed in this index, which includes publicly traded companies with high corporate sustainability performances take place, is a great honor for Erdemir and all its stakeholders. Our goal now is to be a role model in the Sustainability Index by improving our sustainability efforts and capacity going forward.

Having distinguished itself by virtue of a successful corporate governance structure, the Erdemir Group ensures that the same principles of transparency, fairness, responsibility, and accountability are adhered to in all Group

companies. Ranked by BIST as a “Group I” company, Erdemir’s shares qualified for inclusion in the BIST Corporate Governance Index in recognition of the high corporate governance rating which the company received.

**Just as it is today, sustainability will be our guide in the future as well...**

We are ready for the future with our environmental practices in which we represent our country at the United Nations and with the national and international awards we have received, our sustainable society sustainable environment approach and strategies that we have developed, our social-value-adding projects ranging from biodiversity to energy and water management and from supply-chain management to stakeholder relations.

Acting within the overall framework outlined by its sustainability strategy, the Erdemir Group’s priorities are to protect the environment, create social value and of course play an active role in Turkey’s transition to a low-carbon economy. We are determined to broaden our efforts to deal with such matters in many different directions and to exploit the leverage made possible by our scale to expand the effective domain of our 2020 Vision. Considered together, our suppliers, customers and employees constitute a group whose social impact is impressively extensive. In view of this, and the responsibilities it entails, we therefore plan to further strengthen our efforts by engaging with our stakeholders.

With this in mind then and believing that we are capable of achieving even greater things by working with all of our employees and other stakeholders who have made sustainability a philosophy of life, I therefore offer my thanks to everyone who has made and will continue to make this possible.

Very truly yours,

**Ali Pandır**

Chairman of the Board



## THE ERDEMİR GROUP'S 2020 VISION

### The Erdemir Group is advancing sure-footedly in line with its 2020 Vision.

In line with the “Being A World-Class Company” principle of its 2020 Vision, the Erdemir Group develops its strategies and engages in its systematic efforts which take all of its stakeholders and their expectations into account.

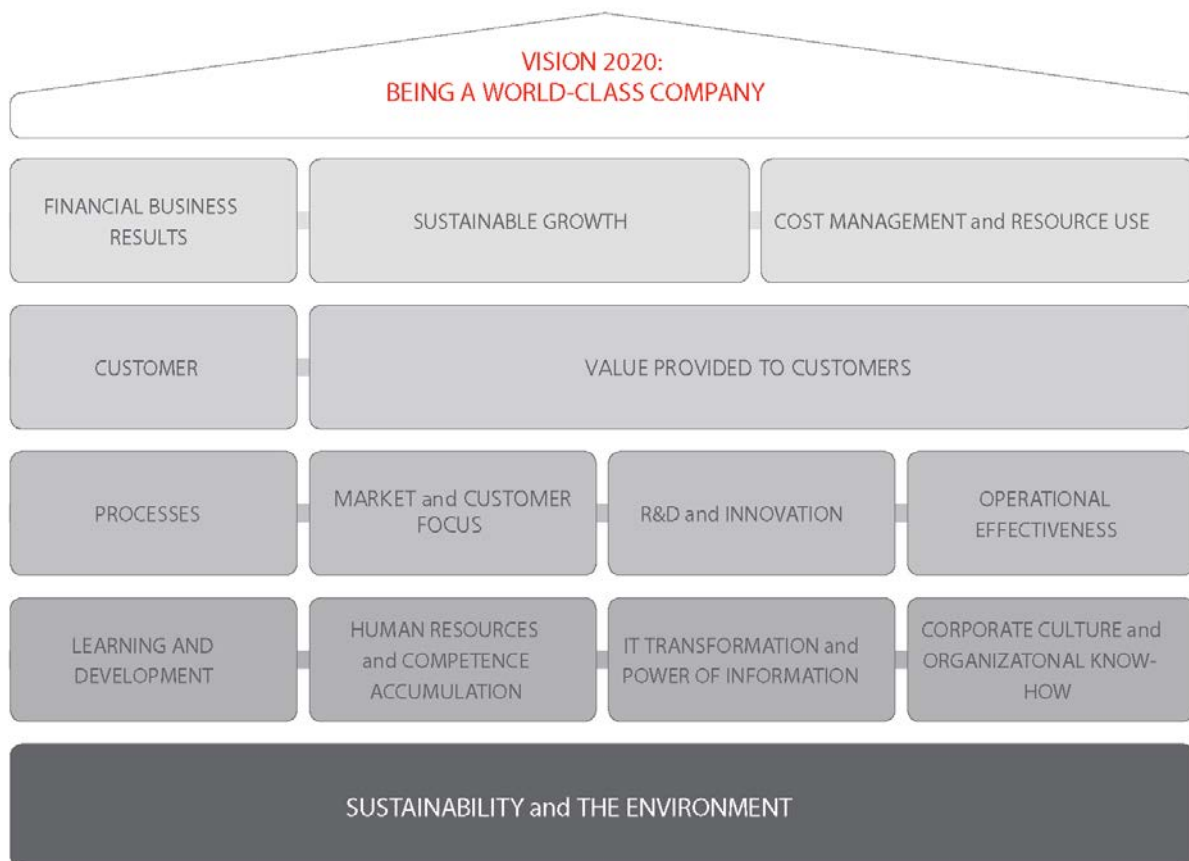
For the Erdemir Group, being a world-class company means being a company which is distinguished not only by its international sales, production capacity, profitability, and similar criteria but—and especially—by business practices that make it an outstanding example for others in its industry.

Having actuated a strategic planning process for its future, the Group develops that process year after year and, by internalizing their expectations, ensures that all of its stakeholders have a part in the process.

Central to the Erdemir Group’s strategic planning approach is the identification of a game plan that clarifies the Group’s future ambitions and incorporates its strategic priorities and focus areas.

That game plan is a quantifiable and manageable plan that precisely links strategies and operations with one another.

This plan also sets out what must be done at the organizational level in order to achieve the Group’s vision and to close the gap between what must be done and what can be done. At the same time, this vision is also made a part of individual performance by translating the critical success factors of operational plans into individual-level key performance indicators.



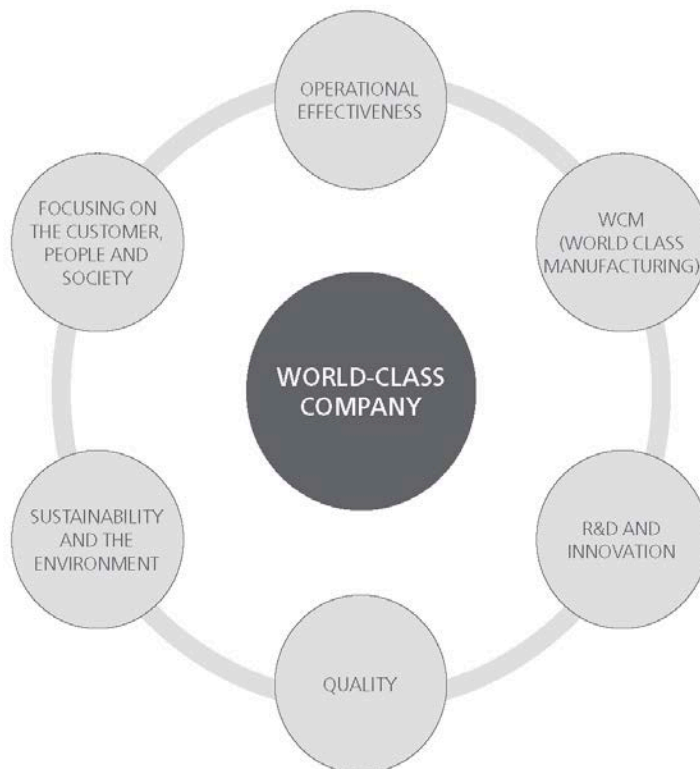
## WHAT BEING A WORLD-CLASS COMPANY MEANS

- When formulating strategies, the Erdemir Group gives consideration to more than just financial results.
- The Erdemir Group identifies what it wants to achieve in terms of financial performance, customers, processes, learning and development and it concentrates on addressing the expectations of all stakeholders ranging from shareholders to society at large.
- The Erdemir Group recognizes what its priorities need to be in order to be a world-class company and it focuses its attentions accordingly.
- In keeping with its 2020 Vision, the Erdemir Group emphasizes the concepts of Operational Excellence, R&D, Innovation, World-Class Manufacturing, Investing in People, and Respect for Society. And the Group gives weight to sustainability and environment issues during the process of strategy formulation.
- By detailing its strategies at the sustainability and environment levels, the Erdemir Group increasingly enhances its reputation among stakeholders while advancing confidently into the future.
- As it seeks to be a world-class company, the Erdemir Group never sacrifices its principle of completely fulfilling either its social responsibilities or its duties towards the community and the environment.

When identifying its strategies in light of dynamic, constantly-changing market conditions, the Erdemir Group also explores alternative scenarios capable of giving it a competitive edge.

Individuals in the company who have responsibilities in existing processes are included in the determination of strategies. This helps gain acceptance for the strategies and overall game plan within the Group.

Such critical attributes of the Erdemir Group as effective leadership, organizational flexibility and nimbleness are also vital to game plan realization.



## THE ERDEMİR GROUP'S SUSTAINABILITY STRATEGY

### **OYAK sustainability approach: A set of values shared by Erdemir and İsdemir**

Erdemir's, İsdemir's and every other member of the Erdemir Group's approach to sustainability is rooted in the OYAK precept that; "The conditions under which people respect social, economic and environmental needs of present and future generations and where people and the nature coexist in harmony can only be created by adopting the sustainability approach in every phase of people's activities.

Like all members of the OYAK Group, the Erdemir Group also undertakes its activities with an awareness that their shared common natural capital consists of:

- Quality of life,
- Prosperity,
- Economic competitiveness,
- Employment and ecosystem continuity.

**The Erdemir Group's Sustainability Strategy** therefore takes not only financial structure and strength into account but also environmental and social facts as well: its performance in all three of these different but complementary areas is what it regards as its essential corporate focal point.

**The Erdemir Group Sustainability Strategy** serves as a guide in all of the Group's business and decision-making processes.

**The Erdemir Group Sustainability Strategy** is informed by the following principles:

- Create a sustainable value-creation chain which is productivity- and customer-focused at every stage from procurements to after-sales services and which includes R&D and other processes.
- Protect the environment and use natural resources efficiently.
- Support uninterrupted social progress capable of addressing the needs of all stakeholders.
- Ensure occupational health and safety in the conduct of all operations.
- Foster a culture that encourages and rewards innovation.
- For a sustainable society and a sustainable environment.
- Conducting our operations without harming the environment.

### **Protecting the environment and using natural resources efficiently**

Steel, an indispensable component of modern life and a vital element of human progress, is also an essential component of the low-carbon economy. Steel, a 100% recyclable material, reduces the need for raw materials and requires less energy to produce, it will be playing an even greater role in human life in the future at least as well as today.

Critically important as ever, steel is an influential and indispensable part of the efforts of technology and other sectors to create a sustainable future in everything from renewable energy to green and intelligent buildings and from low-carbon transportation and fuel-efficient clean-energy vehicles to recycling plants.

Population growth, resource depletion, global warming, climate change and similar issues in today's rapidly-changing and developing world have, however belatedly, led to an awareness and appreciation of the importance of sustainability.

The concept of sustainability has helped change the long-standing and widespread "Supply, Produce, Dispose" approach of the linear economy. Especially in developed economies, that attitude is increasingly giving way to the approaches of the circular economy, which gives importance to recycling, to economizing, to minimizing natural resource use and to recovering and reusing waste.

The circular economy is a system in which products and production processes are redesigned so that waste is minimized and anything that goes unused in one way is used in some other way: it is a system in other words which ensures that a producer's products are conserved (rather than discarded) at every stage and later reused. The introduction of circular economic thinking increases the reuse of waste in production processes and has begun to significantly reduce the need for natural resources.

This is why the productive use, reuse and recycling ability of resources likewise in the steel industry have become an essential component of sustainable development. Although particular attention is given to such factors as the impact of steel throughout its life-cycle, the exploitation of steel production by-products, recovery and water and energy management are issues to which particular attention is given in sustainable steel production, the fact that these things are amenable to constant improvement gives the steel industry an important role to play in any sustainable future.

By giving many different sectors the advantage of the features of steel that make it a sustainable product its durability, its long life and its easy and 100% recoverability Erdemir supports efforts to make sustainability a part of every aspect of people's everyday lives. In the conduct of its manufacturing operations, Erdemir takes into account not just quality and economic issues but also social and environmental factors as well. While providing long-term, clean and long lasting benefits through social and environmental improvements, Erdemir also seeks to support regional and global development and to ensure production continuity accordingly through its product sustainability approach and its products and technologies.

As a member of the World Steel Association, Erdemir works closely with that body's Product Sustainability Committee in its ongoing efforts to develop a common platform for and a long-term approach to sustainability in the steel industry.

In 2014, the Chief Sustainable Officer was launched to operate in coordination with Environmental Managers of Erdemir Group and related departments and to be affiliated to the Chairman of the Board of Directors. The Chief Sustainable Officer reports environmental and climate change issues like environmental performance and CO<sub>2</sub> emissions directly to the Chairman of the Board of Directors.

#### **Corporate citizenship attitudes informed by sustainability awareness**

Because its attributes support the models of the green and the circular economies, steel plays an important role in both.

The Erdemir Group fulfils the sustainability responsibilities incumbent upon it in its capacity as the largest and undisputed leader of steel production in Turkey and carries out its operations accordingly.

The Erdemir Group abides by the "creating more value with less resources" strategy of its parent and majority shareholder OYAK.

#### **The importance of technology, R&D and innovation to sustainability**

When identifying its objectives and strategies, the Erdemir Group believes that the new economic order makes it necessary to constantly improve technology. In other words, sustainability means that we must be in constant pursuit of ever newer and more innovative technologies that make a difference because their development is the key to the achievement of sustainable success.

In a world in which population growth is going to increase the need for steel and in keeping with its own 2020 Vision, the Erdemir Group will conduct its operations and position its environmental, social and financial capital in such a way as to make them work within the framework of a sustainable business model, maximize the satisfactory fulfillment of society's expectations and foster a culture of innovation.

In line with everything outlined above therefore, the Erdemir Group's primary sustainability objectives consist of:

- Minimizing the environmental footprint and reducing the environmental impact of steel production,
- Life cycle assessment analysis of our products and using the results of such assessments as input for design processes,
- Carbon-management.

## CORPORATE GOVERNANCE IN THE ERDEMİR GROUP

**The Erdemir Group is a corporate citizen who is mindful of full compliance with the requirements of laws and regulations and who conducts its operations throughout its production and trade cycles in a manner that is honest, competitive and transparent. Erdemir and İsdemir both regard it as a fundamental goal to possess, develop and maintain a strong corporate governance structure.**

Recognizing that corporate governance is one of the cornerstones of sustainability, great importance and priority is given to it in all Erdemir Group companies.

A corporate governance model that is informed by the principles of honesty, respect, ethical behavior and compliance with laws and regulations is also what underlies Erdemir's and İsdemir's management structure.

Adhering to transparent, fair, responsible and accountable management practices and complying fully with regulatory requirements pertaining to management structure, policies and processes are the principles to which Erdemir and İsdemir must always adhere.

Erdemir's shares are quoted on BIST, the İstanbul Stock Exchange, under the symbol EREGL. Erdemir has accepted and abides by the Corporate Governance Principles published by the Capital Markets Board in Turkey. Because of this, the company's annual report includes a separate section in which the degree to which its own corporate governance principles conform to CMB principles is described. This section is also accessible to stakeholders under a separate heading on the Erdemir corporate website.

[https://www.erdemirgrubu.com.tr/Sites/1/upload/files/ERDEMİR\\_2015\\_AR-1886.pdf](https://www.erdemirgrubu.com.tr/Sites/1/upload/files/ERDEMİR_2015_AR-1886.pdf)

[https://www.erdemirgrubu.com.tr/Sites/1/upload/files/Erdemir\\_Uyum\\_Raporu\\_ENG\\_R2-1876.pdf](https://www.erdemirgrubu.com.tr/Sites/1/upload/files/Erdemir_Uyum_Raporu_ENG_R2-1876.pdf)

İsdemir's shares have also been quoted on the BIST Pre-Market Trading Platform since March 28, 2016.

### Structure of Erdemir's and İsdemir's boards and senior management

Both Erdemir and İsdemir are joint-stock companies. Their boards of directors consist of nine members, three of whom are independent directors. Board members are elected from among candidates who have been identified on the basis of their superior knowledge and experience. While the same person serves as the chair of both Erdemir and İsdemir, the two companies' general managers are different individuals.

Detailed information about board members is provided on the companies' websites.

<https://www.erdemir.com.tr/corporate/management/board-of-directors/>

<https://www.isdemir.com.tr/corporate/management/board-of-directors/>

### Erdemir Committees

Three committees have been formed at Erdemir to ensure the proper fulfillment of the board of directors' duties and responsibilities: an Audit Committee, an Early Detection of Risk Committee and a Corporate Governance Committee.

Matters pertaining to the frequency of these committees' meetings, their activities and operations and the procedures they must follow in the conduct of their activities and operations are set forth in written regulations which are accessible to stakeholders on the company's' corporate websites. All committees operate independently of one another. Their decisions are reported to the Board of Directors, which has ultimate responsibility for any action that is taken.

Erdemir's board committees are structured so as to be in compliance with the requirements of the Corporate Governance Principles Communiques. For this reason, all the members of the Audit Committee are independent directors and, since the heads of the other two committees must also be independent directors, committee members necessarily serve on more than one committee.

The CVs of committee-members and details of the committees', committees' working principles and duties are published both in annual reports and on the corporate website.

For detailed information please see page 76-87 of the Erdemir Group 2015 Annual Report.

[https://www.erdemirgrubu.com.tr/Sites/1/upload/files/ERDEMİR\\_2015\\_AR-1886.pdf](https://www.erdemirgrubu.com.tr/Sites/1/upload/files/ERDEMİR_2015_AR-1886.pdf)

<https://www.erdemirgrubu.com.tr/homepage#/investor-relations/corporate-governance/committees/>

### **Erdemir Group Code of Ethics and Anti-Corruption Policy**

In line with its vision of being a world-class company, in 2014 the Erdemir Group updated and formally adopted Erdemir Group Code of Ethics and Business Conduct, a document that sets forth the ethical standards, guidelines and expectations which the Group's business relationships and activities are required to satisfy. Erdemir Code of Ethics and Business Conduct applies to "Ereğli Demir Çelik Fabrikaları T.A.Ş and its subsidiaries" (Erdemir Group), related third parties and employees.

Erdemir Group Code of Ethics and Business Conduct sets out responsibilities under four main headings: Integrity, Avoiding Conflict of Interest, Protection of Trade Secrets and Confidentiality and Our Responsibilities. The document also provides detailed coverage of issues pertaining to receiving and giving gifts as well as attendance to activities sponsored by third parties. It also sets out strict rules concerning such rules' implementation.

Work beginning in 2015 to develop a comprehensive Erdemir Group Anti-Corruption Policy was completed as of midyear 2016. This policy document is now accessible to all stakeholders on Erdemir Group companies' websites. As a consequence of Erdemir Group policy, regardless of being in public or private sector, accepting or giving any cash/ non-cash benefit that may be in the scope of corruption is forbidden.

Erdemir Group employees are provided with training so as to effectively enhance their awareness of and ability to deal with issues involving ethical rules and anti-corruption practices. Such training is provided with the support of human resources units and it consists of both meetings and e-learning tools. During 2015, Erdemir Group white-collar employees in İstanbul, Kdz. Ereğli and İskenderun were provided with a total of 35 hours of training on the aspects of Erdemir Code of Ethics and Business Conduct by the Head of Internal Audit. Overall participation rates in these meetings were 72% and 83% at the management and employee levels respectively. Among white-collar personnel, the participation rate in ethical guidelines and working principles e-learning courses was 97.5%. Each year Erdemir Group employees are required to sign a statement acknowledging the Group's Code of Ethics and Business Conduct and promising to comply with them. Conflict statements are examined jointly by Human Resources and Internal Audit units and action is taken as is deemed to be necessary.

[https://www.erdemirgrubu.com.tr/Sites/1/upload/files/Code\\_of\\_Ethics\\_Business\\_Conduct-360.pdf](https://www.erdemirgrubu.com.tr/Sites/1/upload/files/Code_of_Ethics_Business_Conduct-360.pdf)

[https://www.erdemirgrubu.com.tr/Sites/1/upload/files/Erdemir\\_Group\\_Anti\\_Corruption\\_Policy-1890.pdf](https://www.erdemirgrubu.com.tr/Sites/1/upload/files/Erdemir_Group_Anti_Corruption_Policy-1890.pdf)

### **The Erdemir Group is a corporate member of the Ethics and Reputation Society of Turkey.**

In 2016 the Erdemir Group became a corporate member of the Ethics and Reputation Society of Turkey as part of the Group's ongoing efforts to ensure the sustainability of its Code of Ethics and Anti-Corruption Policy. In 2016 Erdemir Group representatives attended a seminar on "Combatting Corruption in the Private Sector" organized by TI (Transparency International) - Turkey, the Turkish Chapter of Transparency International. Participation in such organizations and events contributes both to ethics awareness and to business results.

All Erdemir Group employees have a duty and a responsibility to comply with the Group's code of ethics and anti-corruption policies as does any stakeholder to which those policies apply. In order to ensure full compliance, a variety of Group-wise mechanisms have been installed to prevent or to identify policy infractions. Written and verbal communication channels (e-mail, post, ethics hotline) have been set up through which every stakeholder may report suspected violations and obtain explicit information about rules. All communication through these channels is subject to the Group's confidentiality principles and practices.

The Erdemir Group Ethics Committee has the highest authority to ensure compliance with the code of ethics and anticorruption policy throughout the Group and to resolve incompliances. Ethics Committee consists of the Chairman and the Managing Director, top managers of Group Human Resources and Group Legal Departments. Head of Internal Audit acts as the secretary of the Ethics Committee. The Erdemir Group Ethics Committee's

operations, decision-making processes, the action which it may take, its relations with Group companies' discipline committees and its reporting activities are all spelled out in detail in an Erdemir Group Disciplinary Practices Procedure.

In 2015, all notifications submitted through the Group's whistle blowing channels were assessed diligently, and the issues resolved by the Ethics Committee.

### **Internal Audit System**

The Erdemir Group Internal Audit Department conducts its risk-based auditing activities in order to provide the Board of Directors with objective and independent assurances as to whether or not the risk management, internal control and governance processes network designed and implemented by management is adequate and effective. During the conduct of audits, any potential fraud risks which are intrinsic to a particular unit or process are considered in detail and appropriate action is taken to strengthen the internal control environment. Fraud risks were assessed during audits of fourteen business processes at five Group companies which had been included in the 2015 audit program and no fraud issues were detected.

The Internal Audit Department is also responsible for examining and investigating issues related to violations of the Erdemir Group Code of Ethics and Business Conduct and of the Erdemir Group Anti-Corruption Policy. The Internal Audit Department provides the Audit Committee, whose members are independent directors, with information about its activities, and results on a regular basis.

### **Policies and Regulations Adopted by the Erdemir Group**

The Erdemir Group has formulated and published policies and regulations to which designated units must conform when dealing with a host of issues ranging from legal compliance to environmental concerns and customer satisfaction. The most important of these are listed below.

- Public Disclosure Policy
- Compensation Policy
- Donations and Contribution Policy
- Staff Compensation Policy
- Dividend Distribution Policy
- Audit Committee Regulation
- Early Detection of Risk Committee Regulation
- Corporate Governance Committee Regulation

For information please see:

<https://www.erdemirgrubu.com.tr/homepage#/investor-relations/corporate-governance/policies-and-regulations/>

The Erdemir Group has also published comprehensive policies concerning management systems, human resources and occupational health and safety with which it abides in the conduct of its operations.

### **Corporate Governance Rating**

Erdemir has committed itself to complying with the set of corporate governance principles published by the Capital Markets Board and to making arrangements so as to ensure its continued compliance with those principles when circumstances require.

Erdemir was independently audited for the first time in 2015 to determine its compliance within the Corporate Governance Principles.

According to the corporate governance principles compliance rating report issued by Kobirate International Credit Rating and Corporate Governance Services, the Erdemir Group achieved an overall score of 8.83/10 under the four main headings. To have received such a high rating in the first report issued on the basis of its very first audit is evidence that Erdemir is a transparent, fair, responsible and accountable company.

Because it is ranked by BIST as a "Group I" company, Erdemir's shares qualify for inclusion in the BIST

Corporate Governance Index.

For the report please see:

[https://www.erdemirgrubu.com.tr/Sites/1/upload/files/erdemir\\_cgc\\_rating\\_report\\_29072015-715.pdf](https://www.erdemirgrubu.com.tr/Sites/1/upload/files/erdemir_cgc_rating_report_29072015-715.pdf)

### **Erdemir Group-Supported Initiatives and Industrial Associations**

The Erdemir Group believes that the multilateral collaborations and initiatives undertaken in the business world are important to resolving current problems and to identifying potential future problems and taking measures needed to resolve them and also to increasing public awareness of issues, such as climate change, which threaten the future of humanity. For this reason the Erdemir Group focuses on creating opportunities to engage with organizations in its own and other sectors in order to deal with common strategic issues and to develop solutions to problems.

In line with this approach, the Group enters into and maintains good relations with organizations such as associations, institutions and professional/industrial chambers at both the national and international levels.

### **Major initiatives, associations and chambers which Erdemir Group takes part in or supports**

- International Chamber of Commerce Turkish National Committee
- World Steel Association (worldsteel)
- The European Steel Association (EUROFER)
- Turkish Steel Exporters' Association
- Turkish Marine Environment Protection Association (TURMEPA)
- İstanbul Chamber of Industry
- Ankara Chamber of Industry
- World Energy Council Turkish National Committee (WEC-TNC)
- Turkish Investor Relations Association
- Turkish Quality Association
- Corporate Governance Association of Turkey
- People Management Association of Turkey
- Turkish Ethics and Reputation Society

The Erdemir Group is also Vice President of TOBB (The Union of Chambers and Commodity Exchanges of Turkey) Climate Change and Environment Committee and a member of the Greenhouse Gas Mitigation Working Group set up by the Republic of Turkey Ministry of Environment and Urbanization.



## STAKEHOLDERS AND STAKEHOLDER RELATIONS

Erdemir and İsdemir maintains strong relations with its employees, potential employees, customers, shareholders and suppliers as well as with investors, analysts, media concerns, the public, non-governmental organizations and government agencies. It engages with such stakeholders unambiguously and effectively through a variety of communication channels in order to discover stakeholders' expectations and opinions, which it then uses as input for its strategies.

Stakeholder Groups	Communication Channels and Stakeholder Participation
<b>Employees</b>	<p>Erdemir and İsdemir make use of many different communication channels in order to discover their employees' expectations, to address their communication needs in line with such expectations, to establish an open dialogue between company and employees, to share knowledge and best practices and to encourage.</p> <ul style="list-style-type: none"> <li>• The opinions, suggestions and feedback which employees submit through such channels as organizational health assessments, face-to-face Performance Management System meetings, suggestion systems, ethics committees, corporate culture programs and corporate reputation surveys are considered from the standpoints of the Group's efficiency, development and future, by this way created an important database within the Group.</li> <li>• Employees are informed about developments taking place throughout the Group through the Employees' Steel Portal, Erdemir Group TV, Çelikten Gelecek newspaper, the in-house announcements, Management Information meetings and social media platforms.</li> <li>• Personnel-oriented events such as company anniversaries and New Year's receptions are used to foster inter-employee communication and to contribute to general motivation and morale.</li> <li>• The company's brand perception is continuously followed through Corporate Reputation Surveys.</li> </ul>
<b>Potential Employees</b>	<p>Seeking to recruit and employ world-class human resources and to attract talented newcomers, both Erdemir and İsdemir:</p> <ul style="list-style-type: none"> <li>• Take part in universities' career days and other events in order both to solicit students' opinions and to effectively promote the Erdemir Group.</li> <li>• Use social and other media channels and web platforms to provide timely information about the Group.</li> <li>• Accept job queries and applications through their websites.</li> <li>• The company's brand perception is continuously followed through Corporate Reputation Surveys.</li> </ul>
<b>Customers</b>	<p>In their capacity as much-in-demand sources of steel-industry products and services, both Erdemir and İsdemir engage in close communication with their customers through an extensive and specialized industry-based marketing and sales network in order to address the widely diversified needs and expectations which their customers have.</p> <ul style="list-style-type: none"> <li>• Both companies engage with their customers through individual meetings, visits and satisfaction surveys in order to discover customers' wishes and expectations and to improve product and service quality in line with changing market conditions and demands. Customer complaints from Erdemir, İsdemir and Ersem are collected through "Erdemir online" the Erdemir Group portal. Upon receipt, such complaints are examined by the after sales service unit on location, issues which are in need of correction are identified, action is taken as</li> </ul>

	<p>necessary and problems are resolved as expeditiously as possible by the units in cooperation with the quality groups.</p> <ul style="list-style-type: none"> <li>• Customers are provided with whatever information they may require not only by means of product catalogues, technical information visits and plant tours but also through technical training programs related to steel and steel usage which are organized in line with needs. Support is given to local and international clients by participating in the design phase of new projects.</li> <li>• Customer-oriented events such as “Industry Days” are staged; customers are kept informed about developments through corporate websites.</li> </ul>
<p><b>Shareholders, Investors and Analysts</b></p>	<p>Relations with shareholders, institutional investors and analysts are conducted so as to systematically support Group companies’ brand value.</p> <ul style="list-style-type: none"> <li>• Erdemir shares are traded on the “BIST STAR” equity market. Whenever Erdemir receives written or verbal requests for information from its shareholders, it responds to them without delay through its investor relations unit and in accordance with capital market laws and regulations.</li> <li>• Material events are announced as soon as they transpire through the Public Disclosure Platform.</li> <li>• Corporate websites are used to publicly disclose corporate governance compliance reports, annual reports, investor presentations and material events in both the Turkish and English languages.</li> <li>• Shareholders may forward any requests for information or suggestions they may have to the company through its <a href="mailto:investorrelations@erdemir.com.tr">investorrelations@erdemir.com.tr</a> email address.</li> <li>• Matters included in agenda which are shared with shareholders before the General Assembly Meeting, is decided at General Assembly Meeting.</li> <li>• Company representatives take part in roadshows and conduct investor meetings.</li> </ul>
<p><b>Suppliers</b></p>	<p>In their dealings with their suppliers, both Erdemir and İsdemir take a relational development approach that creates value for all the parties involved.</p> <ul style="list-style-type: none"> <li>• For the procurement of all their outsourced products and services, both companies communicate clearly with their suppliers in a variety of ways that include face-to-face meetings.</li> <li>• Company representatives visit suppliers’ premises.</li> <li>• Corporate websites are used to keep suppliers informed about current developments, to publish annual and sustainability reports and to provide information about yearly economic, environmental and social activities.</li> </ul>
<p><b>Media</b></p>	<p>Superior-quality, effective and sustainable communication through broad-based and local media concerns is regarded as essential to ensure that the circumstances of the Erdemir Group and its companies are reflected in the best way possible. A basic principle of all media interaction is that messages must be truthful, transparent, timely, clear and understandable.</p> <ul style="list-style-type: none"> <li>• Newsworthy developments about the Group and its members are disclosed through media press conferences, interviews, press releases and tours of Erdemir plant facilities.</li> <li>• Corporate websites provide access to press releases, annual and sustainability reports and social media platform developments.</li> </ul>

	<ul style="list-style-type: none"> <li>• Questions from the press are responded to verbally and in writing.</li> <li>• Corporate Reputation Surveys are conducted in order to determine media concerns' perceptions about the Group and its members.</li> <li>• The Environmental Impact Assessments (EIA) that are conducted before undertaking new investments are announced through media, whose representatives are invited to take part in EIA hearings.</li> </ul>
<b>Society</b>	<p>The Erdemir Group and its members endeavor to strengthen their corporate reputation in society and to enter into and maintain good relations with local communities in places where it carries out its operations.</p> <ul style="list-style-type: none"> <li>• Socially beneficial activities and projects are undertaken in such areas as education, culture, sport and volunteer work.</li> <li>• Corporate websites and social and other media channels are used to provide timely information.</li> <li>• Corporate reputation surveys are used to monitor perceptions about the Group and its members.</li> <li>• EIA meetings that are conducted before new investments are undertaken are open to the public.</li> </ul>
<b>NGOs</b>	<p>In order to create common platforms, to deal with common strategic issues and to develop solutions to existing problems the Erdemir Group enters into and maintains relations with national-level non-governmental organizations such as coalitions, associations and professional/industrial chambers.</p> <ul style="list-style-type: none"> <li>• Erdemir Group representatives join such organizations, take part in their management and attend their meetings and play active roles in their working groups.</li> <li>• Erdemir Group representatives attend NGOs' presentations and conferences, exchange knowledge and experience with them and take advantage of learning opportunities.</li> <li>• Information about current developments is made available through Erdemir Group corporate websites.</li> <li>• Representatives of NGOs are invited to attend the public EIA meetings that are conducted before new investments are undertaken.</li> <li>• The company's brand perception is continuously followed through Corporate Reputation Surveys.</li> </ul>
<b>Public Agencies and Organizations</b>	<p>The Erdemir Group and its members believe that it is important to maintain good relations with public agencies and organizations in accordance with the requirements of laws and regulations and the rules of ethical conduct.</p> <ul style="list-style-type: none"> <li>• All reporting and disclosures are carried out as mandated by laws and regulations.</li> <li>• Group representatives attend meetings to deal with industry-related problems.</li> <li>• Public agencies' and organizations' requests for information, opinions and recommendations are responded to.</li> <li>• Information about current developments is made available through Erdemir Group corporate websites.</li> <li>• Public agencies and organizations are invited to send representatives to attend the public EIA meetings that are conducted before new investments are undertaken.</li> <li>• The company's brand perception is continuously followed through Corporate Reputation Surveys.</li> </ul>

<b>All Stakeholders</b>	<p>The Group's corporate websites contain forms and email addresses (<a href="mailto:iletisim@erdemir.com.tr">iletisim@erdemir.com.tr</a>, <a href="mailto:grupiletisim@erdemir.com.tr">grupiletisim@erdemir.com.tr</a>, <a href="mailto:info@isdemir.com.tr">info@isdemir.com.tr</a>) which all stakeholders may use to submit requests, suggestions, opinions and complaints about general and specific issues such as Erdemir's and İsdemir's business processes, environmental performance, etc. Requests and feedback received through these channels are directed to the appropriate company units and dealt with.</p> <p>Erdemir Group Code of Ethics and Business Conduct a document that is published on the Group's corporate websites also provides stakeholders with information about how matters that are contrary to Group companies' rules and/or deemed to be unethical may be reported to ethics committees and/or their advisors.</p>
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### **The place and importance of EIA public meetings in stakeholder communication...**

Announcements concerning EIA meetings, which members of local communities are invited to attend, are published sufficiently beforehand in both national and local newspapers. During these meetings, information is provided about environmental matters and new projects and the views and suggestions of members of the public are solicited. If necessary, the feedback about new investments that is obtained from these meetings is incorporated into revised EIA reports, which are then submitted to authorities.

Opinions and suggestions that are of concern to the Erdemir Group as a whole are considered at the Group's Environmental Management Process meetings, during which objectives are determined in light of feedback and action plans are formulated accordingly.

A public meeting was conducted in 2015 as part of the process involved in obtaining an EIA report for the Group's newly-planned 6th Steam Boiler and New Turbo Generator investments.

### **For more effective stakeholders communication**

Both Erdemir and İsdemir renovated their corporate websites in 2015 in order to communicate more effectively with their stakeholders and to make it easier for stakeholders to find the information that they are looking for. The websites' streamlined interface also allows users to access information more quickly.

The layout and content of Çelikten Gelecek, an in-house newspaper that plays an important role in internal communication throughout the Erdemir Group, were also redesigned in 2015 to make the publication more readable.

Another important stakeholder communication project that was carried out in 2015 was Erdemir Group TV. Infrastructure work on this innovative communication channel was completed and test broadcasts were initiated at the end of 2015. Accessible to all employs through televisions in Group companies' dining halls, cafeterias, lobbies, and other common areas, from personal computers, and, to families in company-supplied housing in İsdemir through the installed cable network, these TV broadcasts reach an audience of nearly 20 thousand.

### **Supply Chain Management**

Because they procure a wide range of goods and services for the conduct of their operations, both Erdemir and İsdemir give importance to a relational approach that creates value for all the parties involved.

### **Comprehensive checklist for supplier relationships**

As part of its efforts to integrate its sustainability priorities and strategies into its procurement processes, in 2015 the Erdemir Group published a checklist that is to be used for evaluating.

This checklist gives attention to the following supplier-related issues:

- Environment, OHSAS and energy management policies,
- The existence of a Corporate Governance System,
- Emission thresholds,

- Human rights policy and associated practices,
- Transportation of hazardous materials and items,
- Environment and energy efficiency-related activities, permits, liabilities,
- Existence of sustainability strategies and investments associated with them.

This checklist has been designed to encourage suppliers to develop and implement procedures which support the Group's "Sustainable Steel" philosophy.

#### **A Trailblazing Practice: Waste management company auditing Checklist**

A checklist which was introduced for the Auditing of Waste Management Companies in 2015 is another of the Erdemir Group's innovative practices when dealing with its suppliers. This checklist, which takes the form of a supplier scorecard, was designed for use when selecting waste management companies and when conducting on-site inspections of the operations.

The results of this checklist, which is completed during visits to an existing waste-management firm's operations, are analyzed both to identify where waste-management risks exist and to determine ways in which performance can be improved. Another benefit of this checklist is that it encourages suppliers to understand, adopt and adhere to the Group's waste management criteria. In this way the checklist will encourage the spread of sustainable and nature-friendly practices in all areas with which Group companies are involved.

### **THE ERDEMİR GROUP SUSTAINABILITY PRIORITIES**

In order to identify its sustainability priorities and to design its future plans in line with them prior to the preparation of this sustainability report, during 2015 the Erdemir Group undertook an armchair examination and analysis of the following information:

- Feedback pertaining to primary sustainability categories which was received by units that interact with customers, suppliers and other external stakeholders and which they forwarded to Erdemir Group management.
- Wishes, expectations and opinions expressed by employees through various channels.
- Feedback received from NGOs and their representatives.

In the conduct of this prioritization study, particular attention and importance was given to issues which were of especial concern to the Erdemir Group because they touch upon numerous economic, environmental and social aspects of its operations and which are:

- Directly related to the Group's core business activities,
- Deemed to be important by core stakeholder groups,
- Capable of having an impact on stakeholders with whom the Erdemir Group interacts or might interact.

Because some of these issues are matters which are always of fundamental concern to the Erdemir Group, priority will always be given to them. The Erdemir Group believes that the findings of these prioritization studies will serve as important inputs in the future for:

- Improving service processes,
- Identifying strategies to be followed,
- Developing new products and services.

In the period ahead, the Erdemir Group intends to manage these and similar issues by conducting broad-based focus-group meetings and surveys at regular intervals.

## 15 priority issues identified under the prioritization work are as follows:

<b>Economic</b>	<p>Ethical management and full compliance with laws and regulations</p> <p>To strengthen the Group's financial standing</p> <p>Innovation</p> <p>2020 Vision</p>
<b>Environmental</b>	<p>Environmental management and related investments</p> <p>Waste management and disposal</p> <p>Water saving and recycling</p> <p>Compliance with environmental legislation and regulation</p> <p>Efficient use of energy</p> <p>Life Cycle Assessment</p> <p>Climate Change and Energy Management</p> <p>Biodiversity</p>
<b>Social</b>	<p>Continuous development/ improvement of HR</p> <p>OHS practices</p> <p>CSR projects that add value to society</p>

## ECONOMIC PERFORMANCE

### PRODUCTION AND SERVICES

#### **The Erdemir Group single handedly produced 28% of the crude steel manufactured in Turkey.**

Directing its production activities on the axis of efficiency, cost and a production, the Group continued to raise its competitive power to the next level in 2015. In this context, the Erdemir Group broke new records in production and single handedly produced 28% of the crude steel manufactured in Turkey.

On the other hand, the Erdemir Group continued to increase its production in 2015 to meet the rapid increase in demand for flat steel products in Turkey.

The Group's crude steel production amounted to 8,930 thousand tons, an increase of 5%, while finished flat steel product production stood at 7,400 thousand tons, an increase of 6%.

In 2015, the Erdemir Group exhibited a performance which exceeded the world average with a crude steel capacity utilization rate of 100%.

#### **Erdemir: A World-Class Steel Brand**

The Erdemir Group is constantly enhancing its presence in international markets with the use of strategic planning, monitoring and evaluation functions in line with its target of "being a world-class company".

The Erdemir Group is recognized and preferred as a world-class and reliable steel brand in different countries and regions with a portfolio of high quality flat and long steel products.

#### **Erdemir steel, playing a key role in the lives of millions from South America to the Far East, and adding value to their lives.**

Despite the difficult market conditions and volatility in global markets, Erdemir Group, as one of the largest exporters in Turkey, has achieved successful results with its astute approach, planned and systematic way of doing business and its marketing strategies.

The Erdemir Group exported to a wide geographical area extending from South America to the Far East as well as serving its customers in the domestic market. The Group exported flat products to 42 countries and long products to 8 countries.

The Erdemir Group exported a total of 849,000 tons of finished products in 2015 including 688 thousand tons of flat products and 161 thousand tons of long products. The Group's finished product export revenues, amounting to US\$ 403 million, comprised 9% of the total sales.

#### **Erdemir has a strong position in the Turkey's flat steel market.**

The Erdemir Group maintained its strong position in Turkey's flat steel market where competition heated up due to a glut of imports and newly commissioned investments.

In 2015, the Erdemir Group's total flat product sales amounted to 7.2 million tons, an increase of 4% compared to 2014. The Group's domestic flat steel sales volumes grew by 5% to reach 6.5 million tons and total flat steel sales revenue stood at US\$ 3.7 billion in 2015.

In 2015, the Erdemir Group's flat steel sales consisted of;

- hot and plate products (74%),
- cold products (18%),
- galvanized products (5%) and
- steel packaging comprising (3%).

The Erdemir Group shipped 554 thousand tons of coil and 998 thousand tons of billet in the finished long products group during 2015. Exports accounted for 10% of the total 1.6 million tons of long products that were sold by the Group. Erdemir Group continues to increase the share of high value added products in its total sales.

### Highlights of the Erdemir Group's other products and services in 2015:

- **Flat Steel Production:** In 2015, Erdemir produced 2.6 million tons of hot products and 1.8 million tons of cold products, while İsdemir produced 3 million tons of hot products. The Group's total finished flat steel product production stood at 7.4 million tons.
- **Long Steel Production:** In 2015, Erdemir Group produced 1.6 million tons of finished long product including 1.02 million tons of billet and 541 thousand tons of coil.
- **Iron Ore Production:** In 2015, Erdemir Maden produced 1.5 million tons of pellets. Production of the other products (lump ore, fine ore, by products and pellet cake) totaled 874 thousand tons.
- **Steel Service Center Service:** The Erdemir Steel Service Centers realized 960 thousand tons of sales of which 452 thousand tons were crude steel and 508 thousand tons were processed products.
- **Engineering and Project Management Services:** Erdemir Engineering, that manages Erdemir Group's investments, successfully carried out 24 projects in Kdz. Ereğli facilities and 11 projects in İskenderun facilities in 2015.

For a table of the production by year at Erdemir and İsdemir please see page 38 of the Erdemir Group 2015 Annual Report.

[https://www.erdemirgrubu.com.tr/Sites/1/upload/files/ERDEMIR\\_2015\\_AR-1886.pdf](https://www.erdemirgrubu.com.tr/Sites/1/upload/files/ERDEMIR_2015_AR-1886.pdf)

### The Value Created for Customers

Because it is a part of every aspect of people's lives, steel is of the utmost importance to a country's economic growth and development.

Ongoing improvements in efficiency enable the Erdemir Group to increase its output of the flat steel products that are especially important to manufacturing industries without having also to increase its installed capacity. The Group satisfies Turkish industry's flat steel needs in terms both of product diversity and of tonnage.

### Innovative and Green Solutions that Precisely Address Needs

Continued expansion in the product line in recent years has made it possible for the Erdemir Group to further enhance the value which it creates for its customers. By making better-quality, high-tech steel that is lighter, more resilient, and more reliable, the Erdemir Group benefits itself, its customers, and the environment. Working with its customers, the Erdemir Group also creates mutually-advantageous opportunities to reduce import dependency while lowering raw material and manufacturing costs.

This close collaboration between the Erdemir Group and customers means that all parties are involved in decisions concerning the features and requirements of products that are to be manufactured from steel. By developing steel qualities that precisely address needs, the Erdemir Group becomes more than a steelmaker: it becomes an end-to-end solution partner instead.

It is because of the strong contributions made by this approach that the Erdemir Group is steadily increasing its market share in sectors such as automotives and white goods, where technical support and quality expectations are especially high.

The Erdemir Group works closely and synergistically with all automotives-industry original and ancillary manufacturers and it contributes ideas and suggestions towards efforts aimed at reducing vehicle weights and thus their emission values.

In the conduct of such synergistic collaborations during 2015, significant benefits were achieved as a result of examining the materials which the Erdemir Group supplies to automotives makers. Improvements were made in 10% of the Erdemir goods procured by some manufacturers; in another manufacturer's weight-saving efforts, targeted parts were made up to 5% lighter.

The Turkish white goods industry has been growing an average of 11% a year for the last decade and a half and it registered a 6% rate of growth in 2015. In terms of absolute numbers of units manufactured, it ranks second only to China in the world. With an average turnover of USD 10 billion and output of 23 million units a year, this sector ships 75% of its production to 150 countries around the world.



Paralleling the industry's growth, the Erdemir Group's shipments to white goods manufacturers have likewise been increasing. The Group has also been developing varieties of steel that specifically address the sector's needs. As is the case with automotives, the Erdemir Group's efforts to work closely and synergistically with white goods original and ancillary manufacturers has led to successful results as well.

### **Innovation for Sustainable Development**

Innovation and R&D activities represent one of the most important components of the 5-year plan within the scope of the Erdemir Group's 2020 vision.

The Erdemir Group has a R&D center which is a first in Turkish steel sector. The R&D center that was approved by the Republic of Turkey Ministry of Science, Industry and Technology on 26 August 2014 was officially opened on 22 May 2015.

In accordance with the objective of achieving a dynamic structure that allows the production of innovative products and being "Advanced Steel Research Center", Erdemir R&D Center operates in four main departments; including;

- Raw Materials and Iron Production,
- Steel Production and Casting Technologies,
- Hot Rolled Products and Process and
- Cold Rolled Products and Process.

One of the first R&D centers in Turkey's steel industry, Erdemir R&D Center successfully completed its first year of operation. The Erdemir R&D Center conducted intensive work in the fields of infrastructure investments, customer collaborations and recruitment of competent and experienced staff in 2015.

The R&D Incentives and Intellectual Property Rights Department was established within the R&D Directorate in 2015 for the purpose of some organizational changes were implemented for the activities aimed at innovation to become a priority and for developing new projects and transforming them into commercial value.

At Erdemir and İsdemir, the Patent Registration Procedure was set up within the scope of provisions of "Patent Rights Protection Decree Law" No. 551. The purpose of establishing the procedure that defines the steps to be taken in order to protect inventions which are planned to be made, to be put into practice or to be commercialized as a result of R&D activities.

### **Projects carried out in 2015**

One of the 9 projects developed to benefit from the incentives under the TÜBİTAK-TEYDEB projects (the 1501 program) was accepted, while the application and approval processes for the other 7 projects are continuing.

In 2015, 19 new flat product grades were developed as a result of the work carried out jointly by Erdemir R&D and Quality Technology units (14 new grades were developed and five existing grades were revised) and the total number of grades in flat products rose to 430. The number of grades amounted to 261 in long products, for which 11 new grades were produced.

In 2015;

- 2 grades for can and packaging manufacturing,
- 2 grades suitable for heat treatment,
- 7 grades suitable for building and machinery manufacturing,
- 2 grades for white goods sector,
- 4 grades for automotive sector,
- 1 grade for secondary producers and
- 1 grade suitable for pressurized use

were offered for sale.

**Highlights of projects carried out in the R&D Center in 2015...**

- Compression of converter sludge into briquettes and reuse as converter coolant.
- Reuse of high-calorific exhaust gases as sintering fuel.
- Sintering quality and efficiency improvements by identifying the interactions between sinter blend and sintering properties.
- Examination of the effects of the addition of sodium tetra borate on the sintering behavior of semi-soft and non-coking coal to identify more effective coal-blend models.
- Investigating the high-temperature behavior of different sinter and lump ore charge mixtures to reduce liquid crude steel production costs through process optimization.
- Optimization of coke-screening processes at the İsdemir No. 4 blast furnace.
- Recovery and reuse of blast furnace and melt shop sludge.
- Production of active carbon from coke dust.
- Research to increase the amounts of non-coking coal that can be used in blends.
- Removal of organic wastes in the steel industry through the pyrolysis method.

## REDUCING THE ENVIRONMENTAL FOOTPRINT AND MINIMIZING ENVIRONMENTAL IMPACT

### ENVIRONMENTAL MANAGEMENT APPROACH

Respecting the environment; adopting and promoting environmental awareness; using all resources effectively and efficiently; contributing to the awareness and development of our stakeholders by encouraging multidirectional communication, and bequeathing a habitable world to future generations by constantly improving environment management are the integral parts of Erdemir's corporate culture.

With its production process mostly relying on the existence and continuity of natural resources, Erdemir aims at utilizing the resources in the most efficient manner without any loss and maintaining waste recovery at the highest possible level. While enhancing our productivity and increasing our profitability, our approach towards protecting the nature integrates to all our processes. Our most fundamental principle is to "ensure high quality production in a productive, efficient, accident free, environmentally sensitive and resource-smart manner."

Having adopted the principle of constantly improving environmental awareness and performance, the Erdemir Group believes in the importance of natural resources in its production processes.

In order to maximize the benefit derived from natural resources, the Group on the one hand strives to increase efficiency by avoiding any impairment of resources (such as by discharging the least amount of waste into soil, air and water) through the eco-friendly technologies that it prefers while, on the other, it undertakes projects aimed at reusing resources through recycling.

The Erdemir Group conducts all of its operations through a methodological approach which complies with the law, which creates value for its stakeholders and which is responsible and accountable. The Group's ISO 14001 Environmental Management System policy is informed by management-by-objectives practices, by providing objective-compatible resources and by increasing all employees' awareness of policy issues. Having acknowledged that environmental management is an indispensable element of its corporate culture and is an area of key importance to sustainability, the Erdemir Group has therefore adopted and committed itself to the following criteria. The Group will:

- Employ technologies which are in line with sustainable development approaches and which, having considered the technical, economic and commercial aspects, release the least amounts of waste into the environment and conserve natural resources through the effective and efficient use of raw materials.
- Monitor, assess and constantly improve the environmental impact of processes in order to constantly increase the Group's environmental performance.
- Reduce waste at its source, develop and encourage waste recovery and properly collect and dispose of waste.
- Inform, raise awareness and clearly communicate to the Group's employees, customers, suppliers, community, state authorities and all other social stakeholders the Erdemir Group's environmental attitudes and practices as well as the results that it achieves.

When increasing its output and profitability, the Erdemir Group is also end-to-end mindful of environmental conservation and therefore integrates the same approach into all of its operations. In line with this fundamental policy the Group believes that it is important to maintain production quality through efficiency, effectiveness, a zero-accident approach, environmental sensitivity and economic awareness.

The Erdemir Group manages its environmental approach in tandem with the policies and objectives that it defines in light of its medium- and long-term strategies. The Group also communicates its environmental approach to all employees as part of its management systems policy and it engages in efforts to ensure that the same approach is internalized throughout the Group.

**Certification Activities conducted by Erdemir and İsdemir related to the Environmental Management**

Both Erdemir and İsdemir have been awarded ISO 14001 Environmental Management System certification, which covers not only all of the companies' production facilities and units but also their training centers, employee housing, beaches, guesthouses, canteens and other social facilities. Efforts are likewise made to review and improve ISO 14001 performance in order to ensure the continuity of the environmental management system. Every year this system is examined by the Turkish Standards Institution in order to check its continuity. The ISO 14001 systems of both Erdemir and İsdemir successfully passed their 2015 examinations; action was also taken last year to make improvements and revisions deemed to be necessary to ensure documentation continuity.

**Environmental Management Process**

In line with its continuous improvement philosophy and sustainable development principle, Erdemir has adopted an environmental management process approach in which its environmental management system serves as a benchmark. Environmental Management Process starts with the feasibility reports for the facility and the equipment before the investment and continues throughout the life of the facility. The process also involves the stage in which the facility and the equipment so as to ensure that all aspects from initial construction/installation, to operation and to final decommissioning which has completed its economic life are disposed of in accordance with the applicable Environment Regulations.

The Erdemir Group's environmental performance index, solid waste recycling rate, water recirculation rate and CO<sub>2</sub> emissions-mitigation rate (in the case of energy-recovery projects) all serve as the criteria by which the success of the process of maintaining the TS EN ISO 14001 Environmental Management System's performance is measured and assessed.

The effectiveness and success of the environmental management process are evaluated at meetings which are regularly conducted by the environment manager and which are attended by representatives of environment-related units.

Consisting of members from different departments and with different backgrounds, the Environmental Management Process Team plays an influential role in making environment-related decisions and investigating and assessing issues and consequences as well as in making necessary improvements and undertaking projects.

## ENVIRONMENTAL MANAGEMENT PROCESS PERFORMANCE INDICATORS

### Erdemir Group Environmental Performance Index

The Erdemir Group Environmental Performance Index is a model which the Group specially developed to measure the success of its environmental performance and environmental management process. Besides providing an important benchmark for process success, this index also serves as an internal management model by means of which existing environmental performances may be compared.

### Environmental performance assessment management model



This unique model, also developed by the Erdemir Group, is the recipient of a number of national and international awards and recognitions.

The Erdemir Group Environmental Performance Index is informed by local, national and international environment-related data which:

- Correctly recognize the environmental impact of production processes and of products and services,
- Show the sustainability of the environmental management system,
- Assess Erdemir's impact on the receiving environment of its locality.

Care was given to ensure that such data include the environmental impact of their communication to internal and external stakeholders and that they be data which are measurable, accurately definable and illuminating and which support a decision-making and proactive approach.

The Erdemir Group assesses the environmental impact of the production operations which it carries out in light of its environmental management approach and which it measures by means of its environmental performance index from the standpoint of the requirements of laws, rules, regulations, performance standards and voluntary agreements. The Group also with an advanced technological infrastructure monitor the environmental impact of its operations in order to quantify and analyze that impact and to minimize any effects which data indicate they are causing.

Environmental management processes and targets are consists of three basic classes of parameters, of which 30% are associated with permits and licenses, 40% with statutory compliance and 30% ISO 14001 Environmental Management System success criteria. Target fulfillment is monitored in-house on the basis of Environmental Performance Index results.

The Erdemir Group Environmental Performance Index incorporates such criteria as water consumption, wastewater generation, emissions, solid waste recycling rates, ISO 14001 EMS improvement efforts, regulatory compliance, environmental accidents and investments. All such criteria are constantly monitored and assessed at both the general and the fine-detail level so as to make improvements in environmental impact and natural resource use and to increase the rates at which waste is recovered. The same criteria are also used to provide input for the Erdemir Group's Environmental Impact Assessment (EIA) reports.

In the conduct of environmental management processes, Chief Sustainability Officer report company's environmental performance directly to the CEO. Based on senior management's review and assessment of such reports, environmental concerns that are of importance to the industry are incorporated into company management strategies taking national and international regulatory frameworks into account.

### Erdemir's and İsdemir's environmental targets

Erdemir's and İsdemir's environmental target fulfillment is monitored on the basis of environmental performance index results. The basic performance criteria informing this process consist of targets set by other process and organizational units and of targets which are set according to the companies' adherence to external standards and practices arising from National and International Agreements and Protocols, EU Directives and World Steel Association sustainability indicators.

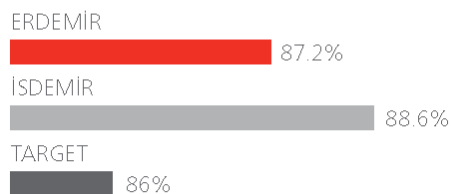
#### Erdemir targets in 2015 and realizations

Criteria	Targets in 2015 (%)	2015 Realized (%)
Compliance with Environmental Regulations	100	100
Rate of Recirculated Water Use	91	91.6
Solid Waste Recovery Rate	76.6	72.1
Maintaining ISO 14001 Environment Management System		
The Actual Realization of Targeted Environmental Investments	100	100
Sustainability of ISO 14001 Certification	100	100
Internal and External Awareness Training	100	100

#### İsdemir targets in 2015 and realizations

Criteria	Targets in 2015 (%)	2015 Realized (%)
Compliance with Environmental Regulations	100	100
Rate of Recirculated Water Use	91	95.5
Solid Waste Recovery Rate	61.5	57.2
Maintaining ISO 14001 Environment Management System		
The Actual Realization of Targeted Environmental Investments	100	100
Sustainability of ISO 14001 Certification	100	100
Internal and External Awareness Training	100	100

#### ERDEMİR-İSDEMİR 2015 ENVIRONMENTAL PERFORMANCE INDEX



The Erdemir Group Environmental Performance Index is calculated on the basis of the degree to which the above-cited targets are achieved. A single value is generated for each target by multiplying the associated impact and performance values. This single-value approach makes it easier for senior management to keep track of environmental performance.

#### Full compliance with statutorily mandated environment regulations

As is also the case in all other matters, the Erdemir Group is mindful of being in full compliance with the requirements of statutorily-mandated environment regulations. The Group also has environmental impact assessments carried out for any investment and modernization projects that it plans.

In 2015, environmental impact assessment permit documents were obtained for its No. 2 Continuous Galvanizing Line Project, the Construction of Stove for the No. 1 Blast Furnace and the Widening in Product Range and Capacity at the No. 2 Cold Rolling Mill Continuous Pickling-Tandem Line (CPLTCM).

In 2015, the Republic of Turkey Ministry of Environment and Urbanization has awarded Erdemir an Environmental Permit and License that covers the company's Wastewater Discharge, Air Emissions, Landfill – 1<sup>st</sup> Class (Hazardous Waste Landfill) and the Waste Acceptance Facility and Non-hazardous Waste Recycling, which will be valid for 5 years.

Also İsdemir completed its appliance for its environmental permit and license.

#### **Other environmental regulatory compliance highlights at the Erdemir Group...**

- As required by the water pollution control regulation, Continuous Wastewater Monitoring Systems (CWMS) have been installed and commissioned at both Erdemir and İsdemir, whose wastewater pH, temperature, chemical oxygen demand, suspended-solid, conductivity, dissolved oxygen concentration and similar indicators are now being the Republic of Turkey Ministry of Environment and Urbanization.
- Continuous Emission Measurement Systems (CEMS) have been installed at all Erdemir Group plants to monitor flue exhaust emissions' compliance with mandatory limits. These systems have also been connected to the Republic of Turkey Ministry of Environment and Urbanization data-collection network and their values are being constantly monitored.
- Both Erdemir and İsdemir have submitted greenhouse gas emission monitoring plans to the environment ministry, which has approved and entered them into its own system.
- In line with the Regulation on Soil Pollution Control and Point Source Contaminated Sites, notifications were passed through the Contaminated Sites Information System.

#### **Regulation on the Transportation of Dangerous Goods by Road and ADR Convention Compliance**

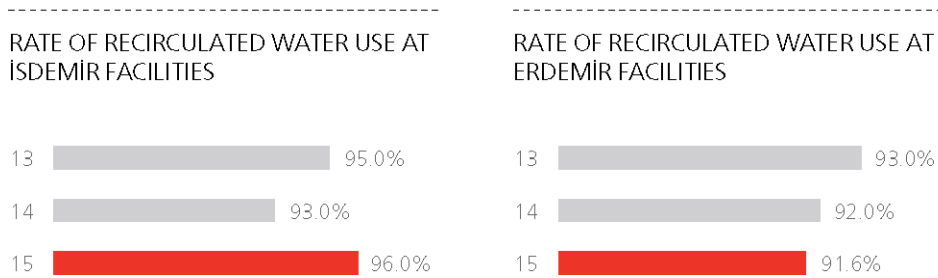
Regulation on the transportation of dangerous goods by road was published by the Republic of Turkey Ministry of Transport, Maritime Affairs and Communications as one of Turkey's EU Harmonization projects. "ADR convention" refers to European Agreement concerning the International Transportation of Dangerous Goods by Road which was published by the United Nations Economic Commission for Europe on October 24, 2013 and which applies to the transport of hazardous materials in, through and between parties to the convention.

Erdemir and İsdemir were awarded their Class 1 certifications pursuant to the regulations on 15 August 2015 and 17 July 2014 respectively.

**Rate of Recirculated Water**

Water is an important input in the iron and steel production process. It is also a vital natural resource and therefore the Erdemir Group gives the utmost attention to its use. Group members engage in a never-ending effort to increase their water efficiency year after year. One way in which it does this is by taking pains to maximize its rate of recirculated water use, which is an expression of how much of the water used in production processes is reused.

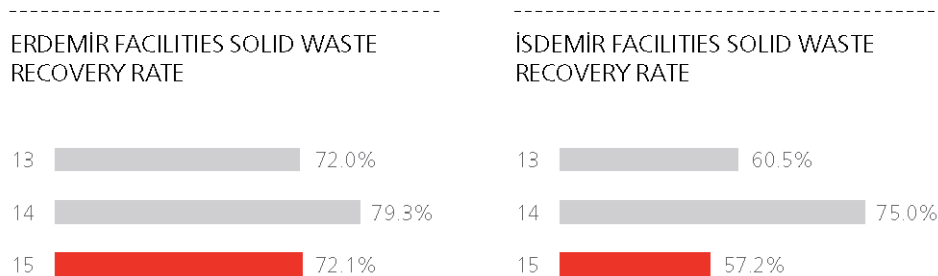
More than 90% of all the water which the Erdemir Group uses once is treated and reused in production operations. Production-process water is obtained by treating local available river water. The Erdemir Group is also currently working on ways in which to reduce its service water consumption by increasing the amount of recycled (recirculated) water that is used in the system.



**Waste Management: Solid Waste Recycling**

Seeking to minimize its environmental impact, the Erdemir Group believes it is necessary to achieve and maintain the highest possible levels of waste recycling and recovery and therefore conducts its operations accordingly. Waste which cannot be recovered and reused by the Group is sent to concerns which are licensed to receive and dispose of it.

During 2015, 422,783 tons of Erdemir and 317,897 tons of İsdemir solid waste were reused as raw material in the companies’ sintering operations.



**Slag Recovery and Reuse**

Under a project looking into ways in which to use the slag generated by steel production in highway construction, to improve its performance and to create a regulatory framework for such matters conducted jointly with İstanbul Technical University, the Steelmakers’ Association of Turkey, industry organizations and the General Directorate of Highways, slag taken from Erdemir’s steel production operations was analyzed to determine its usefulness in highway construction according to the TS EN 13242 “Aggregates for unbound and hydraulically bound materials for use in civil engineering work and road construction” standard. Work on this project was still in progress as of end-2015.



**ENVIRONMENTAL INVESTMENTS****Erdemir and İsdemir's total environmental investment expenditures exceeded US\$ 13 in 2015.**

Information about the environmental investment projects begun, completed, or continued at Erdemir and İsdemir to contribute to the Erdemir Group's 2015 environmental targets is provided below.

- **Improvement of the No. 1 Blast Furnace Foundry's Dedusting System**

The system's existing intake capacity was increased in order to reduce the dust emissions generated at the beginning and end of the foundry's casting process.



**Improvement of the No. 1 Blast Furnace Foundry's Dedusting System**

- **Installation of a New Dedusting System at the Desulfurization Plant**

A new dedusting system installed at the BOF process desulfurization plant significantly reduced dust emissions.



**Installation of a New Dedusting System at the Desulfurization Plant**

- **Coal Storage Yard Central Area Sprinkler System**

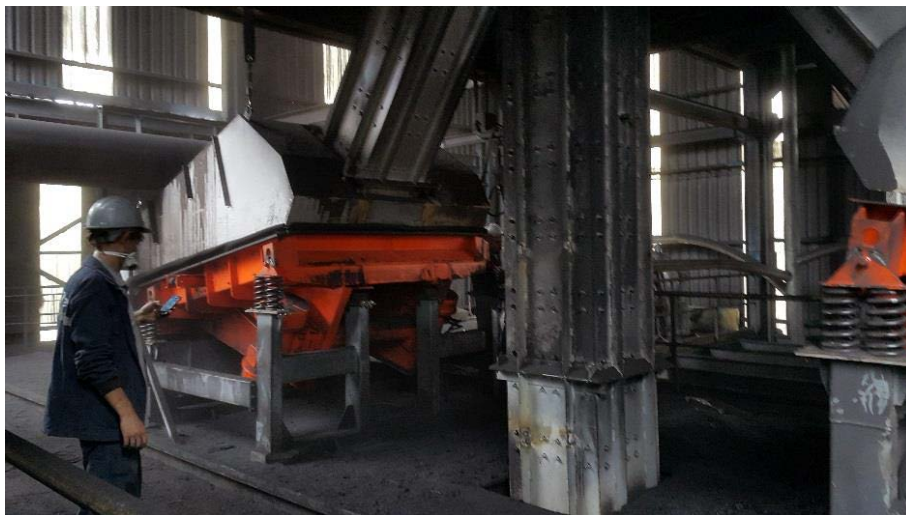
Dust evolution in coal storage yards is suppressed by means of water supplied by sprinklers. Additions made to the existing system improves its dust-suppression capabilities by effectively extending its reach into the central area of the storage yard.



### Environmental investments at İsdemir

- **Renovation of the Coking Plant Coal Crusher Hall Dedusting System**

The dedusting system of the conveyor and coal crusher hall was renewed to increase its efficiency and improve its functionality.



Renovation of the Coking Plant Coal Crusher Hall Dedusting System

- **Installation of a Sprinkler System in the Coking Plant Coke Dust Storage Yard**

A new sprinkler system installed in the coking plant coke dust storage yard prevents the evolution of fugitive dust from the heaps of coke dust kept in the yard by means of high-pressure streams of water that transform chemicals sprayed onto the heaps' surfaces into a binder coating that keeps the dust from being dispersed.



**Installation of a Sprinkler System in the Coking Plant Coke Dust Storage Yard**

- **Installation of Movable Covers on the No. 3 and No. 4 Blast Furnace Foundry Casting Lines**

Movable covers installed on the blast furnaces improve dedusting efficiency by channeling dust towards the exhaust hood continuously from the time the blast furnace tap hole is opened to begin pouring until it is closed.

- **Installation of a Silobus Dust Evacuation System in the No. 4 Charger Dedusting System**

The addition of this pneumatic system to the existing dedusting system allows dust accumulated in dust-storage silos to be transferred in dry condition but without dispersal when it is discharged into trucks to be carried away.



**Installation of a Silobus Dust Evacuation System in the No. 4 Charger Dedusting System**

- **Pyrolysis Method for Recycling Organic-Based Waste in the Steel Industry**

The goal of this project, which has benefited from TÜBİTAK/TEYDEB support since January 1, 2015, is to get rid of greasy scale and other organic waste such as tar decanter sludge, tar tank sludge and benzene oil sludge by burning them at a high temperature (pyrolysis). The inclusion of other high-organic-content waste can improve the process's efficiency by generating syngas, which eliminates the need for additional fuel.

Work was carried out in 2015 to set up a pilot-project pyrolysis unit. This included experimental studies, the installation of laboratory equipment and the conduct of training and characterization studies.

## **Life-cycle assessment, product design based on life-cycle assessment results, product environmental impact mitigation**

### **Life-Cycle Assessment in collaboration with the World Steel Association**

The Erdemir Group's sustainability efforts focus especially on identifying the environmental footprint of steel production, supporting steel in all stages of its life-cycle, promoting the life-cycle decision-making and design of intelligent products capable of being reused and ensuring that waste is recycled.



In order to achieve these aims, the Group initiated a Steel Life-Cycle Assessment Study in 2015. Life-cycle assessment is an approach that considers the environmental, economic and social dimensions of products and production systems beginning with initial raw materials, during operations and throughout their useful lifetimes. Erdemir believes that all industrial concerns have a responsibility to carry out such assessments and to inform their processes and operations accordingly for the sake of a sustainable future.

Life-cycle assessment goals:

- Determine the full environmental impact during the production stage,
- Identify the product's environmental impact taking its entire value-creation chain into account,
- Inform customers, product-makers and consumers,
- Be prepared for use in regulations and standards,
- Provide input for CO<sub>2</sub> and energy calculations,
- Environmental product declarations,
- Benchmarking,
- Analyzing the environmental benefits of steel's recyclability,
- Preventing undesirable consequences by fine-tuning impacts.

Manufacturers plan their operations so as to reduce and minimize potential impacts at all of these points. What is important for manufacturers is to see the "big picture" and to include all the data capable of being collected throughout a product's life-cycle into their calculations. Identifying changes that should be made in a product's design that focus on the purposes for which the product is used is an important part of ensuring sustainability.

Erdemir and İsdemir are carrying out their life-cycle assessments with the guidance of a World Steel Association team of life-cycle experts. In the conduct of these assessments, consideration has begun to be given to such environmental-impact issues as:

- Raw material (iron ore, iron & steel scrap) use and recovery rates,
- Water consumption and water emission levels,
- CO<sub>2</sub> and particulate matter (PM<sub>10-2.5</sub>) emissions,
- Waste generation, recovery and disposal amounts (including HF and CRT slag),
- Primary energy demand and energy consumption,
- Global warming potential (CO<sub>2</sub>, CH<sub>4</sub>),
- Acidification potential (SO<sub>2</sub>, NO<sub>x</sub>),
- Eutrophication potential (NO<sub>x</sub>).

Environmental-impact reduction targets will be defined in light of the findings of these assessments; environmental benefits will be reported accordingly in 2016.

#### **CLIMATE CHANGE AND ENERGY MANAGEMENT**

As an integrated steel producers, one of the most important inputs for Erdemir and İsdemir is energy. Both companies engage in systematic efforts to use energy economically.

The Erdemir Group Management Systems Policy requires Group companies to implement technological innovations which enhance energy efficiency, to maximize their exploitation of byproduct gasses and waste heat and to minimize energy losses.

In order to maximize resource efficiency, all production-process byproducts with the potential to be fuel are used as fuel rather than primary energy resources.

As a result of structural and operational improvements achieved as a consequence of energy-conservation efforts in the Erdemir Group, there have been substantial savings in specific energy consumption ever since it started monitoring in 1982. In the case of Erdemir the savings correspond to 44.5% while İsdemir today is using 38.5% less energy than it was when it joined the Group in 2001.

Because increases in output have a direct impact on their energy consumption and emissions, Erdemir and İsdemir give considerable attention to them in their energy-management efforts. Both companies conduct their production operations with the energy-management aim of using less energy. For this reason all the energy efficiency projects that are undertaken not only help reduce the companies' environmental impact but also contribute to their greater profitability.

As two of the sector's most successful companies from the standpoint of specific energy consumption, Erdemir and İsdemir keep track of the amounts of energy consumed per ton of crude steel. Energy consumption targets are also defined in the same way.

Both Erdemir and İsdemir have been awarded ISO 50001 Energy Management System certification.

Erdemir's total output was 5.1% higher in 2015 than it was the year before, whereas its total energy consumption (as measured in tons of oil equivalent) was down by 1.1%.

İsdemir's total output increased by 8.2% year-on in 2015 while its total energy consumption (as measured in tons of oil equivalent) was down by 0.5%.

### **Energy Efficiency Projects**

Erdemir and İsdemir measures its CO<sub>2</sub> footprint taking into account the carbon content not only of the fuels but also of the raw materials that it uses. The company's CO<sub>2</sub> emissions also continue to fall in parallel with each year's energy-reduction targets.

Taking a proactive approach to CO<sub>2</sub> mitigation, Erdemir and İsdemir considers the amounts of emissions that will be generated or prevented during the conduct of feasibility studies for new investments. All national and international developments concerning climate change, CO<sub>2</sub> emissions and the amounts of CO<sub>2</sub> mitigation achieved through energy efficiency are assessed in the context of environmental management processes and are reported to the CEO directly by the Sustainability Chief Officer.

**In the twelve months to end-2015, Erdemir saved a total of 143,310,146 kWh of energy and reduced its total greenhouse gas emissions by 78,319 tons of CO<sub>2</sub>.**

**In the twelve months to end-2015, İsdemir saved a total of 131,668,934 kWh of energy and reduced its greenhouse gas emissions by 81,634 tons of CO<sub>2</sub>.**

### **Awards and Recognitions**

Awards and recognitions which Erdemir and İsdemir have received on account of their projects are cited below.

#### **2nd Efficiency Project Awards**

In 2015 Erdemir's The Basic Oxygen Furnace (BOF) Gas Recovery and Increasing Usage project took second place in the "Large-Scale Companies Sustainable Production" category of the second round of "Efficiency Project Awards" organized by the Republic of Turkey Ministry of Science, Industry and Technology.

#### **Reducing Energy Intensity in Metal Industry Sector Award**

İsdemir was awarded the first prize in "Reducing Energy Intensity in Metal Industry Sector" category by the General Directorate of Renewable Energy.

#### **Nine awards in 2002-2015**

Between 2002 and 2015 İsdemir received a total of nine awards (5 first, 1 second and 1 third place and 2 special jury prizes) in the "Increasing Energy Efficiency in Industry Projects" category in the Energy Efficiency in the Industry Project Competition organized by the Republic of Turkey Ministry of Energy and Natural Resources.

## BIODIVERSITY

Biodiversity, a word that refers to the variety and variability of life on earth, is an issue high on the agenda especially of companies which are significant actors in the global economy, engage in heavy-industry business lines and have high-volume outputs.

For the Erdemir Group, biodiversity is an issue of key importance in keeping with its overall sustainability approach and in line with its “Sustainable Society & Sustainable Environment” philosophy.

Activities are carried out at both Erdemir and İsdemir to minimize the environmental impact of their production activities and operations, to protect wildlife and prevent habitat loss and to contribute to biodiversity.

Recognizing that wildlife and biodiversity are evidence of a healthy environment and acknowledging that it has a responsibility to protect and support both, the Erdemir Group identifies and inventories wildlife and biodiversity assets in the areas where it has operations both to avoid degrading habitats and adversely affecting their flora and fauna and to improve their quality of life.

In 2015 the Group identified the following as its biodiversity priorities and targets; determining plant species unique to local habitats, using the reduction in waste-disposal area achieved through waste recovery and reuse as a measure of biodiversity performance, preventing the impairment of the natural environment and planting trees for carbon-mitigation.

The Erdemir Group is currently working together with local-government authorities, consultancies and NGOs on the development of a medium- and long-term biodiversity conservation pilot program. Meetings that were held in Kdz. Ereğli to discuss this program in 2015 were attended by representatives from Erdemir units and from the local agriculture directorate. As a result of these meetings work has begun on alternative ways in which to protect and improve the area’s agricultural species assets.

Working in synergistic collaboration together with local communities, NGOs, consultancies and local-government authorities for the sake of biodiversity, the Erdemir Group continues to develop this project focusing on medium- and long-term solutions to problems. In view of its potential benefits for all stakeholders, it is believed that this project will make significant contributions to Kdz. Ereğli, to Turkey and to future generations as well as to the Erdemir Group itself.

A meeting that was held last year to discuss this project was attended by representatives from the County Agricultural Directorate, the Erdemir Environment Department, the Erdemir Corporate Communication Department, NGOs and several public agencies. At this meeting it was decided to investigate the feasibility of planting and cultivating three species of saffron, tulip and Ottoman strawberry.

In line with their goals of protecting habitats, improving soil quality and contributing towards carbon-mitigation, Erdemir and İsdemir continue their efforts to increase the forest assets and to protect the green spaces in the areas where they carry out their operations.

Erdemir and İsdemir respectively had 1,512 and 6,201 trees planted during 2015.



### **Environmental credit from EBRD for Erdemir and İsdemir**

The European Bank for Reconstruction and Development (EBRD) provided funds for the financing of investments with regard to energy and resource efficiency for Erdemir and İsdemir.

Once site inspections were carried out in Erdemir and İsdemir, the disbursement of a EUR 75 million loan to finance the investments of energy efficiency was approved at the beginning of 2016.

With the energy efficiency investments, seeking to reuse all of the exhaust gases and waste heat generated by production processes and to transform industrial waste into valuable by-products, Erdemir and İsdemir will achieve significant gains in energy efficiency and emissions reduction through investment projects.

### **The Green Era Award**

The Erdemir Group was awarded “The Green Era” award that is handed out for in recognition of achievements in the environmental field and leading sustainable practices.

The Green Economy Forum 2015 was held in Berlin, Germany with the participation of more than 50 participants. Erdemir Group won the international Green Era award in recognition of its success in integrating the sustainable development objectives into the business plans by continuously improving the effectiveness and efficiency of operations without affecting the ecological balance.

The other important factors behind the Group being given “The Green Era” award were the increasing public awareness of waste management, energy management and efficiency, and the contributions to environmental protection in Turkey with the use of environmentally friendly technologies.

### **Environmental awareness enhancement**

During 2015 the Erdemir Group continued to provide its employees with training on issues related to the Group’s environmental approach and to its operational environmental impact.

- At Erdemir a total of 458 employees were provided with the equivalent of a full workday of environmental awareness enhancement training on such subjects as major industrial accidents, global warming, waste management, the importance of recycling and the Erdemir Environmental Management System. ISO 14001 Environmental Management System and awareness training was provided to the employees of 50 subcontractors and also to the environment representatives of 30 company units, the latter of whom subsequently conducted such training for 4,149 Erdemir employees.
- At İsdemir environmental awareness enhancement training was provided to 544 people, regulatory compliance and ISO 14001 EMS training to 4,273 people and ISO 14001 awareness training to 737 people.

In addition to the foregoing:

- 106 Erdemir and 115 İsdemir employees were provided with general awareness training on issues by the companies’ HAZMAT security consultants.
- 228 Erdemir and 157 İsdemir employees were provided with job-specific awareness training.
- 51 Erdemir employees received loading safety training and 96 İsdemir employees received safety training.

In 2015 Erdemir employees took part in June 5th World Environment Day activities, during which they provided environment awareness training to students at the Erdemir Primary School, the Akçakoca Mustafa Açıkalın Middle School and the Bülent Ecevit University Vocational College.

### **Cooperation with and participation in environment-related activities**

#### **Active engagement on multi-stakeholder platforms**

The Erdemir Group hosted the 2015 meeting of the World Steel Association’s Environment Committee in İstanbul. During this gathering, which was attended by representatives from the world’s leading steelmakers, visits were made to Erdemir’s operational sites and guests were provided with information about Erdemir’s environmental activities and practices.

Erdemir Group attended a number of events throughout the year, including the World Steel Association's Sustainability Reporting event, the Product Sustainability and BOF Slag Applications Workshops, the 2nd Carbon Summit, the 24th Quality Congress, the Preparatory Meeting on International Climate Change Negotiations and the 38th International Association for the Energy Economics Conference.

**The Year of International Light and Light-Based Technologies**

2015 was proclaimed "International Light and Light-Based Technologies" by the United Nations General Assembly. At the request of the İskenderun Demir Çelik High School, an event that was organized jointly by that school and İsdemir was attended by 100 students, in order to raise awareness about photonics science and technology and light pollution.

## SOCIAL PERFORMANCE

### HUMAN RESOURCES

#### Human Resources Policy

The Erdemir Group regards human resources as its most precious asset in achieving its 2020 Vision of being a world-class company.

Recognizing competent human resources as the most important contributors to its successful performance, the Erdemir Group provides its employees not only with training to support their professional and personal development but also with humane, modern and superior-quality working and living standards. As is stated in Erdemir Group Code of Ethics and Business Conduct, the Group is honest and fair in its dealings with its employees, does not discriminate among them and provides them with a safe and healthy workplace environment.

The Erdemir Group encourages its employees to be innovative and it supports them in their efforts to engage in a variety of projects. The Group's objective in this is to create benefit for both the individual and the company by fostering "world-class" human resources.

The fundamental tenets of the Erdemir Group Human Resources Policy are to:

- Promote the Erdemir Group's vision, mission and values,
- Create and maintain a corporate culture of innovativeness, creativity and trustworthiness,
- Contribute to employees' personal and professional development and transform their potential into productivity.

In the conduct of its human resources practices, the Erdemir Group seeks to enhance existing employees' happiness and loyalty and to attract talented new employees who identify with the Group's common values and have the ability to act "with one body and one heart".

Erdemir-İsdemir Employee Profile	Erdemir		İsdemir	
	2015		2015	
General Information	Female	Male	Female	Male
Number of Employees	399	5,928	149	5,113
White-Collar	349	1,448	140	1,676
Blue-Collar	50	4,480	9	3,437

**The Erdemir Group is one of Turkey's biggest employers. As of end-2015 it had 12,659 people on its payroll.**

For detailed information about the Erdemir Group human resources please see page 61-65 of the Erdemir Group 2015 Annual Report.

[https://www.erdemirgrubu.com.tr/Sites/1/upload/files/ERDEMİR\\_2015\\_AR-1886.pdf](https://www.erdemirgrubu.com.tr/Sites/1/upload/files/ERDEMİR_2015_AR-1886.pdf)

#### Erdemir Group Performance Management System

One of the priority strategic objectives of the Erdemir Group Human Resources Unit in 2015 was to strengthen a high-performance culture throughout the Group.

A joint performance management system was initiated within the Group. Under this system, employees are evaluated on the basis of their contributions to the fulfillment of the Group's aims and development tools are submitted for the improvements of employees' performance.

### **Talent Management**

A variety of widely-accepted methods and practices are employed by the Erdemir Group to ensure that talent is managed in keeping with the Group's strategies.

The goals of these strategies are to hold onto effective employees on the one hand while attracting talented newcomers from outside the Group in line with the Group's needs on the other. Talent management processes are also supported by means of such practices as horizontal career paths, rotations, mentoring and experiential learning applications in an ongoing effort to discover and tap employees' potential.

Custom designed development processes designed in accordance to the specific needs of different employee groups are provided in the Erdemir Group.

### **Erdemir Group Academy**

The Erdemir Group Academy provides the overall framework for addressing the Group's training needs in line with the Group's corporate strategies and objectives.

The Erdemir Group Academy Portal, which was launched in 2015, is a platform that provides online access to the Group's training resources, information, etc. such as employees' training calendars, current training activities, articles and videos dealing with particular issues and e-learning apps.

### **Erdemir Group Leadership Faculty**

In the conduct of its human resources practices, the Erdemir Group is concerned not just with the needs of the present but with those of the future as well. The Erdemir Group Leadership Faculty is responsible not only for fostering a shared management culture and improving collective corporate performance by developing existing managers' management and leadership abilities but also for ensuring the sustainability of the Group as a whole by training its future leaders.

During 2015 a total of 194 management-level personnel took part in the Erdemir Group Executive Development Project; 75 also took part in Corporate Representation training, whose aim is to strengthen managers' ability to engage with media, to improve media relations and to foster a common language use in Erdemir Group representation.

### **Continuous Development through Training**

The Erdemir Group gives great importance to the matter of improving its employees' personal and professional competencies and therefore gives its employees many opportunities to do so by providing training and development programs that support them in their efforts to keep pace with the latest innovations and to make use of the current methods and practices in the performance of their jobs. During 2015, the Group personnel were provided with training on issues ranging from executive skills to management systems and from occupational health & safety to personal and professional development.

Other training-related activities in the Erdemir Group last year are highlighted below.

- A common Learning Management System was implemented within the Group.
- A competency-based training catalogue was published. The catalogue offered training plans prepared in line with the competencies which employees wish to develop.
- A "New Graduate Development Program" was created for newly-hired employees. This online orientation training significantly speeded up newcomers' adaptation to the Group.
- 94 new graduate employees took part in the Erdemir Group's "Preparations for a Career Development Program".
- The Erdemir Group's internal mentoring program is conducted with the aims of contributing to employees' progression, enabling managers to give employees the benefit of their experience and guidance and perpetuating the Group's leadership culture by nurturing new and potential leaders. Under this program last year, 20 mentors in İstanbul and İskenderun and 26 mentors in Kdz. Ereğli and 44 employees receiving mentoring at the same place.

- “The Mentoring for Managers Preparing for Their New Duty” development program was inaugurated under which 28 managers acted mentors for newly-hired and newly-promoted management-level personnel.

#### Human Resources Activities at Erdemir and İsdemir

Highlights of human resources activities at Erdemir and İsdemir in 2015 are summarized below.

- The Erdemir Group gives importance to and encourages employees’ participation in congresses, summits, conferences and seminars so that they may observe first-hand the latest developments in the industry and its business opportunities while also giving others the benefit of the Group’s knowledge and experience. During 2015, 404 Erdemir employees and 362 İsdemir employees took part in such gatherings.
- Under the Erdemir Group’s “In-Unit Training System”, the knowledge and experience and work practices of each unit are handed on while also being improved through a dynamic learning model. Last year 2,655 Erdemir and 6,848 İsdemir employees were provided with on-the-job training (OJT) under this program.
- Erdemir’s traineeship program has been reorganized and relaunched as separate “Iron Class”, “Steel Class” and “Ore Class” programs in order to more effectively address the company’s human resources requirements. Under the Iron Class program, 165 vocational high school students were provided with opportunities to fulfill their schools’ OJT requirements last year while 187 university and vocational college students were provided with summer-traineeship positions under the Steel Class and Ore Class programs. At İsdemir, 386 university students benefited from the company’s summer-traineeship program, 5 university students from its internship (long-term traineeship) program and 185 vocational high school students from its OJT-fulfillment program.
- In order to strengthen communication among Erdemir Group employees, increase their loyalty and broaden their social life, employees in Kdz. Ereğli and İskenderun and their families are provided with a variety of services and benefits such as company-supplied housing, cultural centers, stadiums, gymnasiums, tennis courts and other sports facilities and beaches and swimming pools. Healthcare facilities provide employees with emergency response and first aid care, regular checkups and preventive medical services such as avoiding work-related accidents and illnesses. Employees are also provided with workplace meal and transportation services.
- Employee suggestion systems allow personnel to submit ideas for making improvements in matters ranging from occupational health & safety to environment and customer satisfaction, from quality enhancement to energy conservation and from efficiency to business processes. It is calculated that practicable suggestions submitted by employees saved Erdemir US\$ 45.5 million in 2011-2015 (US\$ 11.7 million in 2015 alone) and that such savings at İsdemir have so far amounted to US\$ 32.4 million.
- Giving importance to and regarding continuous improvement as an element of its corporate culture, the Erdemir Group engages in an ongoing effort to be a sustainable, innovative, competitive, quick-moving and nimble, lean and flexible business enterprise that responds to customers’ wishes instantly. The Group values employee participation in the form of ideas, suggestions and criticisms and it also believes that the synergistic collaboration that arises from teamwork is of crucial importance to the fulfillment of its strategic objectives. Under the operational excellence program carried out with the aims of reducing production costs, extending equipment lifetimes, conserving energy, optimizing raw material use and improving product quality, seven projects were undertaken at Erdemir and 6 projects at İsdemir during 2015. Besides allowing processes to be examined so as to maximize their efficiency, such projects also generate cost benefits for the Group and help improve its environmental and energy performance.

#### Occupational/Technical, personal development, executive and obligatory training – 2015

Company	Per person
Erdemir	41.4
İsdemir	57.3

## OCCUPATIONAL HEALTH & SAFETY (OHS)

One of Erdemir's and İsdemir's highest priorities is to provide its employees with a workplace environment that is healthy and safe. The Erdemir Group believes that it is important to foster a safety culture which embraces and is intrinsic to all of its operations and which is identified with by all of its employees.

While both Erdemir and İsdemir concentrate especially on maintaining a zero accident rate in the conduct of their steel production operations, this is integrated into their overall approach to OHS issues.

In the conduct of its OHS practices at Erdemir, İsdemir and throughout the Erdemir Group, particular importance is given to a wide range of issues such effectively and efficiently planning business processes, making OHS rules and responsibilities understood by everyone and inculcating an awareness that employees are responsible not just for their own health and safety but also for that of their fellow workers.

In a reorganization of the Erdemir Group's OHS operations in 2015, an OHS leader was identified and given responsibility for the conduct and leadership of OHS practices on behalf of the entire group.

**Focusing on zero-accident production, the Erdemir Group's OHS policy is informed by the basic principles of:**

- **Producing accident-free steel through risk management,**
- **Protecting employees' health by making workplaces safe,**
- **Encouraging employees to identify with a sustainable safety culture.**

Erdemir was the first company in Turkey's steel industry to be awarded OHSAS 18001 Occupational Health and Safety Management System certification, which it received in 2004. This certification currently covers all of the company's plants. In addition to OHSAS 18001, Erdemir also holds ISO 14001, ISO 50001, ISO 9001, ISO/TS 16949 and ISO/IEC 17025 certificates. In 2015 the company began working on ISO/IEC 27001 Information Security Management System qualification projects and it was awarded that certification in March 2016.

İsdemir was awarded OHSAS 18001 Occupational Health and Safety Management System certification in 2005 and this currently covers all of that company's plants too. İsdemir also adheres to the 5S Methodology and to Systematic OHS Monitoring Practices.

Both Erdemir and İsdemir successfully passed Turkish Standards Institution audits of their OHSAS 18001 certifications in 2015.

### OHS at Erdemir

Twenty-seven OHS meetings are conducted on a regular basis at Erdemir every month. Twenty-six of these are unit-level OHS Committee meetings; the remaining one is a monthly Erdemir OHS Committee meeting which is chaired by the assistant general manager for plant operations and which deals with OHS issues throughout Erdemir.

OHS matters at Erdemir are under the general responsibility of the OHS Department, whose head reports directly to the Executive Vice President of Human Resources.

A total of 21 OHS specialists are employed on a full-time basis at the unit level.

### OHS at İsdemir

At İsdemir, OHS Committee meetings are also conducted on a regular basis. These meetings are chaired by the assistant general manager for plant operations in his contractual capacity as employer or employer's representative. They are attended by the safety manager (OHS specialist), health manager (workplace physician), human resources manager, shift foremen and employee representative as well as by all operational unit managers and subcontractor representatives. A mandated number of OHS committee and subcommittee meetings are also held on a monthly basis in all operational units with at least fifty personnel. As required by law, six OHS officers on duty at the company act as employee representatives.

In 2015 İsdemir achieved its highest safety performance in fourteen years. It was the first time that the company's overall accident rate fell below 1%, a total number of accidents of less than 50 and total lost

working days of less than 2 thousand days. Also İsdemir achieved the best score of 3.15 in the accident frequency rate.

### **OHS training at Erdemir and İsdemir**

Besides fostering a common safety culture through the Erdemir Group, importance is also given to general and specific OHS training in order to ensure the sustainability of health & safety practices.

Owing to the same awareness and importance, OHS training is given not just to Erdemir and İsdemir personnel but also to the employees of both companies' subcontractors. Total OHS training provided during 2015 amounted to 157,462 man-hours at Erdemir and 110,300 man-hours at İsdemir.

### **Ongoing improvements in OHS matters**

Efforts are made throughout the Group to systematically identify OHS risks and to constantly improve OHS performance. OHS specialists and engineers regularly perform daily checks and inspections, in addition to which announced and unannounced "Safety Tours" are conducted both to identify issues that are in need of improvement and to promote OHS awareness.

During 2015, 194 announced and 136 unannounced safety tours took place at Erdemir during as a result of which 2,857 necessary workplace improvements were identified and finalized. At İsdemir, 26 generally-announced and 142 internally-announced safety tours were conducted last year. Of the 2,297 necessary workplace improvements that were identified, most have been finalized.

Improvements in 10,782 other issues identified at İsdemir continued to be tracked through the company's OHS monitoring system.

The electronic-format hazard notifications and near-miss incident reports which employees submit are used by unit managers to make improvements aimed at preventing the occurrence of workplace accidents.

During 2015, 1,379 hazard warnings and 133 near-miss incidents were reported at Erdemir and improvements were made in all issues. At İsdemir, 24,562 near-miss incidents were reported, of which 80% were resolved.

### **Emergency Drills**

The EU Seveso Directive Safety Report which Erdemir is working on as required by Regulation on the Prevention and Mitigation of Major Industrial Accidents was largely completed in 2015. This report will provide the basis for the measures which need to be taken to prevent the occurrence of serious industrial accidents at the company.

Forty-one emergency drill were conducted at Erdemir plants during 2015.

İsdemir has been working closely with the Search and Rescue Association (AKUT) in the operation of its emergency management system since 2010. During 2015, company employees were given emergency awareness training by AKUT personnel, who also conducted training for emergency and accident-scene managers and the members of operational units' emergency response teams.

In collaboration with AKUT, Social Accountability International (the authors of the SA8000 auditable certification standard) and Rapid Results Institute, İsdemir set up five teams and within one hundred days completed the preparation of a plan to deal with the OHS aspects of business continuity, emergency management and safety culture issues.

OHS Training	Number of Attendant	Hours*	Ratio in Total Training (%)	Average Training Hour per Employee
Erdemir	24,199	157,462	41	17.24
İsdemir	18,627	110,330	27	15.23

\* Includes all OHS training time

#### **From reactive measures to proactive results**

Accident analysis at Erdemir has resulted in the formulation of an Erdemir Standard that can serve as a model for other companies.

Preferring to be proactive rather than just reactive in the conduct of its safety activities, the root causes of any accident that occurs at Erdemir are investigated and a detailed examination is made of the human and circumstantial factors that led to it. The information that is learned in this way is used as input for precautions that need to be taken and changes that need to be made to prevent such accidents from recurring.

#### **World-class safety gear from Erdemir Group**

Erdemir Group safety gear commissions are charged with identifying and improving the personal protective equipment (PPE) that is made necessary by companies' operations.

These commissions also check procured PPE to ensure that it complies with internationally-recognized standards and that the equipment is used properly.

#### **Working with stakeholders on OHS issues**

The Erdemir Group supported "Safer Steel Industry" activities on the occasion of the World Steel Association's Steel Safety Day in 2015. In observance of this day, safety audits coordinated with those of other World Steel Association members were carried out on the five most commonly occurring accident types on April 28, 2015.

Erdemir Group companies also attended the World Steel Association's OHS Committee meeting that was held in Saudi Arabia.

Erdemir employees gave an "Erdemir work safety practices" presentation at the second OHS Summit held in İzmir in 2015 while İsdemir contributed six posters and six oral presentations on the occasion of VIII. National OHS Congress organized by the Chamber of Mechanical Engineers in Adana.



## CORPORATE SOCIAL RESPONSIBILITY

In the course of more than half a century since 1965, the Erdemir Group has been fulfilling its duties not only to create value for Turkey's industry through its production and profitability but also to give society the benefit of that value and contribute to social progress.

Committed to expanding the scope of its social contributions so as to embrace not just localities where it has operations but the country as a whole, the Erdemir Group has already begun to undertake such projects in parts of Turkey other than Kdz. Ereğli and İskenderun.

### CSR in Erdemir and İsdemir

The corporate social responsibility projects carried out in Erdemir and İsdemir are summarized below.

- The 3rd Steel Sculpture contest was organized under the "Steel and Life" topic intended for graduate and post-graduate students from the sculpture departments at a number of Turkish universities. The contest was organized to support education of the arts in our country, nourish young talent in this field and to depict the place of steel in human life. The competition attracted the participation of 14 schools with 144 works of art made with Erdemir steel, a total of 28 works of art were awarded in the competition and 44 works were exhibited in the Tek Kubbe Hall of the Tophane-i Amire Culture-Art Center at the Mimar Sinan Fine Arts University between June 2-5, 2015.
- The children's theatre event was once again held in 2015 to commemorate the 23rd April National Sovereignty and Children's Day and which has become a regular fixture. In April 21, a musical play entitled "I'm not Rubbish" was staged. The play aimed to draw attention to the importance of recycling, raise environmental awareness in childhood and encourage positive habits. Primary school pupils and the children of employees in Kdz. Ereğli had the opportunity to watch the play free of charge, and nearly 800 children attended.
- Erdemir Group continued to support the activities of various non-governmental organizations carrying out work for the benefit of the community in 2015. The donations were made to the Turkish Spinal Chord Injury Association, the Turkey Foundation for Children in Need of Protection (KORUNCUK), The Turkish Foundation for Combating Soil Erosion, supporting Reforestation and the Protection of Natural Habitats (TEMA) and the Buğday Association for Supporting Ecological Living (Buğday) on behalf of the Erdemir Group running team that consists of employees participating in the Step by Step Collective charity run. The Group also provided support to the Search and Rescue Association (AKUT) and Clean Seas Association (TURMEPA) while maintaining its contributions to the Kdz. Ereğli Association for the Physically Disabled.
- The Group also provided the steel sheet material requested for undergraduate and graduate studies at various universities in Turkey.
- They provided services such as maintenance, repair, heating and electricity needs of a number of educational institutions in Kdz. Ereğli and İskenderun.
- Food packages were provided to 2,600 low-income families in Kdz. Ereğli and 1,000 families in 2015 for their fast-breaking meals during the holy month of Ramadan.

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