## Contents

**Executive Message** 04  
**Our Company** 07  
TURKISH AIRLINES AT A GLANCE 08  
COMPETITIVE STRENGTHS & PRIORITIES 12  
AWARDS 18  
**Governance** 21  
OUR SUSTAINABILITY APPROACH 22  
ENGAGING WITH STAKEHOLDERS 23  
MATERIAL ISSUES 26  
CORPORATE GOVERNANCE 27  
**Economy** 35  
CONTRIBUTION OF AVIATION 36  
OUR ECONOMIC FOOTPRINT 41  
**Environment** 49  
ENVIRONMENTAL MANAGEMENT 50  
CLIMATE CHANGE 54  
FUEL EFFICIENCY 55  
WASTE MANAGEMENT 61  
NOISE 63  
**Social** 65  
FLIGHT SAFETY 66  
FLIGHT SECURITY 72  
FREEDOM OF ASSOCIATION & COLLECTIVE BARGAINING 72  
HEALTH, SAFETY AND WELL-BEING 75  
**Appendix** 79  
CALCULATION METHODOLOGY 80  
ABOUT THE REPORT 80
Message from the CEO

Turkish Airlines, Turkey’s flag carrier and the “Best Airline in Europe” for five years in row, aims to carry 72.4 million passengers in 2016 with the 339 aircraft in its fleet, and continue to serve as a responsible global corporate citizen, with a steadfast commitment to sustainable development.

Dear Stakeholders,

We are thrilled to share with you our first sustainability report representing our key sustainability topics and achievements for the year of 2015 including our goals and targets set for the future. Turkish Airlines, Turkey’s flag carrier and the “Best Airline in Europe” for five years in row, aims to carry 72.4 million passengers in 2016 with 339 aircraft, and continue to serve as a responsible global corporate citizen, with a steadfast commitment to sustainable development.

Our competitive strengths, including the advantages of the geographical location of our main hub at Istanbul Ataturk Airport, our strong flight network and efficient fleet structure, provide significant support and contributions to us on our long-time sustainability journey.

Aviation and Sustainable Development

Aviation industry contributes to economic progress and social development by facilitating trade and tourism and connecting people. Moreover, it increases a country’s connectivity, raises productivity, encourages investment and innovation and generates employment. The global economic impact of aviation industry is estimated at USD 2.7 trillion, equivalent to 3.5% of total global gross domestic product (GDP) and expected to multiply by 2.5 by the year 2034.

On the other side, its dependence on the fossil energy, as with all other modes of transport, brings a challenge to the industry in minimizing its environmental footprint. Indeed, aviation is the first industry to set comprehensive short-term and long-term targets regarding carbon emissions.

Turkish Airlines Sustainability Agenda

Strongly committed to sustainable development, Turkish Airlines has developed sustainability agenda based on four pillars: governance, economy, environmental and social. We act in conformity with the international aviation regulations along with national requirements and aim to go beyond compliance by implementing internationally-recognized management systems and policies. Furthermore, we collaborate with our business partners, suppliers and NGOs and academic institutions with respect to our material sustainability topics to overcome challenges and achieve better performance results.

Governance

We have established an effective risk management strategy and internal control mechanism to ensure regulatory compliance and better opportunity management. We are committed to the highest standards of integrity and business ethics and do not tolerate any form of corruption and bribery. In order to ensure ethical business conduct, we have published our Code of Ethics including anti-bribery and anti-corruption standards in our operations. We are proud to have been awarded by the Ethical Boardroom Corporate Governance Awards 2015 for our good corporate governance practices.

Economy

As the market leader in Turkey, Turkish Airlines currently carries 44% of all passengers and flies to more countries than any other airline in the world with over 290 destinations in 116 countries; and we create new economic opportunities through our expanding network. An increase in the export rate has been recorded in countries we introduced new
destinations, which is evident in Africa and Middle East regions in particular. Together with our subsidiaries, we employ over 40,000 employees worldwide, which means a considerable contribution to Turkish economy. Furthermore, Turkish Airlines contributes to local development at its destinations by offering services to many underserved markets and least developed countries, and enables economic and social relationships with the rest of the world.

*Environmental*

Climate change and resource depletion are two important global problems of our world. Turkish Airlines is committed to minimizing the adverse environmental impacts occurring as a result of its operations. We work hard to make a fair contribution to Air Transport Association’s (IATA) ambitious worldwide commitments about fuel efficiency and carbon emissions both for the short term and long term. Thanks to our comprehensive strategy and dedicated efforts, we fly 20% more efficiently compared to 7 years ago, which enabled us to save 86,916 tons of CO2 by the end of 2014. Our target is to reduce fuel consumption-liter/available ton-km by 5% by 2020 and 10% by 2025. We also invest in research projects on sustainable biofuels which could make a significant contribution in reducing carbon emissions. We believe that being a responsible global corporate citizen extends beyond consideration of our existing stakeholders but also includes consideration of our future generations and natural resources. Thus, we aim to conserve natural resources for our future generations and take measures to reduce our waste and water consumption and promote recycling opportunities in our offices and in-flight activities.

We have one of the youngest fleet of the world with an average age of 6.8, which supports our efforts to minimize our environmental impacts. As part of our strategy, we have ordered 92 Airbus and 75 Boeing new generation, more fuel efficient aircraft to be delivered by 2021, which will enable us to maintain our leader position in fleet age and reduce our carbon and noise emissions even further.

*Social*

Our top priority is to guarantee flight safety and the security of our employees and customers. In this area, clearly the results speak for us. We achieved a SAFA rating which is above the European average in 2014. With our effective safety and security management systems, we are dedicated to continuously improve our performance.

Providing an outstanding customer experience is integrated in our business model, which drives us to offer innovative and sustainable products in a consistent and continuous manner. We have been awarded the “Best Airline in Europe” for the fifth consecutive year in 2015 Skytrax World Airline Awards. Thanks to our partner in catering, Turkish DO&CO, Turkish Airlines was also awarded “World’s Best Business Class Lounge Dining” for the second consecutive time, as well as “World’s Best Business Class Airline Lounge”.

I wish to thank all our employees for their contribution in all these achievements by their hard work and perseverance. In return, Turkish Airlines puts great emphasis on satisfaction and health and well-being of its employees. From nutrition to discounted health-care service and to internationally renowned career development programs, many initiatives are implemented to maximize the motivation of our employees and support their professional development.

In 2014, we continued to add value to the community and support local development at our destinations through dedicated employee volunteering and our corporate sponsorship programs in many areas including sports, education and humanitarian aid. We will continue to use every opportunity to enrich communities of which we are a part.

*Future Plans*

We are committed to meeting our 2023 targets and will continue to engage with our key stakeholders and develop our sustainability practices and share them with you regularly. We look forward to receiving your feedback about this report so that we can improve our performance and progress towards a sustainable future.

Doç. Dr. Temel Kotil
Vice Chairman of the Board of Directors and Executive Committee, CEO
Turkish Airlines flies to the most countries and international destinations from a single hub.
Turkish Airlines at a Glance

Established in 1933, Turkish Airlines is the flag carrier airline of the Republic of Turkey. Headquartered in Istanbul, Turkish Airlines is a private Company and its main fields of activity are all types of domestic and international passenger and cargo air transportation. Ranking as the “Best Airline in Europe” for the fifth consecutive year, Turkish Airlines has 299 aircraft in its fleet and carried 61.2 million passengers in 2015. Together with our subsidiaries, we employ 40,000 employees worldwide.

We have grown steadily with double-digit growth rates in the last decade and transformed into one of the largest global network carriers in the world. Moreover, we managed this growth while maintaining our strong profitability, which results in having one of the highest EBITDAR margins in the industry. Turkish Airlines ranks as the world’s 4th largest flight network, connecting Istanbul to 284 destinations in 113 countries as of 2015. This makes us the number one airline in the world that flies to the most countries and international destinations from a single hub.

Turkish Airlines joined Star Alliance in 2008.

The Company has 13 subsidiaries, compromising mainly of service provider companies operating in the field of maintenance and overhaul, catering, ground handling and fuel supply. Among these, 3 are directly owned companies and 10 are joint ventures.
2015 Key Figures

- **113 COUNTRIES**
- **299 AIRCRAFT**
- **61.2 MILLION PASSENGERS**
- **720,440 MILLION TONS OF CARGO**
- **AVERAGE FLEET AGE OF 6.9 YEARS**
- **86,916 t CO2 SAVED**
- **22,030 EMPLOYEES**
- **4,374 COCKPIT PERSONNEL**
- **8,676 CABIN PERSONNEL**
- **US $10.522 BILLION TOTAL SALES**
- **US $2.580 MILLION EBITDAR**
- **US $1.069 MILLION NET PROFIT**
There are those of us who like to venture
to the unexplored.
To see the beauty
in the strange and unknown.
Those of us who go out there with a sense of wonder.
Bridging worlds,
cultivating our curiosity
and finding delight in our differences.
If you’re one of us,
and you want to explore more of this great planet,
we’re ready to take you there.
It’s time.

Widen your world.
Competitive Strengths & Priorities

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**COMPETITIVE STRENGTHS**

**Geographical Advantage (Natural Aviation Hub)**

Turkish Airlines has a natural advantage due to the prime location of its hub at Atatürk Airport in Istanbul, with close connectivity to Europe, the Middle East, Central Asia and North Africa—constituting more than 40% of all worldwide international air traffic and covering more than 60 national capitals—within a narrow body range. Being able to reach all of these destinations with narrow body aircraft allows Turkish Airlines to penetrate many smaller underserved cities and serve them with greater frequency, differentiating its product from that of its main competitors. Operating from a central location as a main hub has assisted us in creating a balanced network structure and, in return, achieving higher aircraft utilization levels.
A Strong Flight Network

Turkish Airline’s extensive route network, combined with Turkey’s growth potential, make it well-positioned to grow in both developed and emerging markets. As of December 31, 2015, Turkish Airlines offered flights to 113 countries (including Turkey)—more countries than any other airline. In addition, throughout 2013 and 2014, Turkish Airlines positioned itself as the largest air carrier in the world by the number of international destinations served from a single hub, and now aims to improve its connectivity across the globe. With over 9,000 flights per week, Turkish Airlines provides over 44,000 O&D origin-destination options and reaches at least 76% of all destinations daily.

Cost Efficiency

Turkish Airlines has a lower cost base than most of its full-service competitors. The primary driver of this low cost structure is the geographic location of Istanbul, Turkish Airlines’ main hub, which enables us to operate at optimum stage lengths and with high utilization rates using lower cost narrow body aircraft. Turkish Airlines’ relatively young average fleet age and modern/efficient fleet also contribute to our operational efficiency. In order to preserve this competitive advantage, we have implemented efficient fuel consumption policies, employee efficiency strategies, cost-cutting strategies and financial risk management strategies. Turkish Airlines plans to continue investing in new generation technologies to decrease costs, increase efficiency and enhance its customers’ product experience.
Turkey’s and Istanbul’s Economic and Demographic Potential

Turkey is a growing country with a population of 78.7 million people and as of 2015 Istanbul, specifically, is a city with a young and growing population of 14.7 million people. Turkey, and particularly Istanbul, is rapidly becoming one of the most visited destinations in the world, and Turkish Airlines believes it will continue to grow as a tourist destination, given its strategic central location between Europe and Asia. In 2015, Istanbul ranked as the third largest air travel city in Europe. This growth creates a continuous increase in direct passenger potential for Turkish Airlines and provides leverage for its operations by reducing its dependence on transfer passengers, which is a highly competitive area for passenger transportation. In 2015, 47% of Turkish Airlines’ international passengers flew directly into or out of Turkey, while the remaining 53% were international-to-international transfer passengers.

* Source: Turkish Statistical Institute (Turkstat)
Efficient Fleet Structure

Extending our network has required and will continue to require Turkish Airlines to make significant investments in new aircraft. Through the ‘2008-2023 Fleet Projection Program’, we have placed firm purchase orders with Boeing and Airbus for a mix of 344 new wide and narrow body aircraft, 132 of which have been delivered as of 2015, with the remaining 212 scheduled to be delivered by 2021. All of these aircraft are new generation aircraft that are 15% more fuel efficient and cause relatively less noise.

With these additions and more, we aim to have the world’s largest and most modern fleet with more than 450 aircraft by 2023, which meet growing passenger traffic and changing needs of customers, emphasize passengers’ comfort and safety, and which are equipped with the latest technology and are not only economical but also environmentally sensitive.
STRATEGIC PRIORITIES

Customer Satisfaction & Brand Awareness

Customer satisfaction is integral to Turkish Airlines’ business model. Our commitment to maintaining a high level of customer satisfaction is evident in every service that we provide, from Turkish Airlines’ “Lounge Istanbul” at Atatürk Airport—which was nominated to the list of the world’s top ten premium airport lounges and was awarded “World’s Best Business Class Lounge Dining” by Skytrax in 2015—to Turkish Airlines’ award winning catering service—which was named “World’s Best Business Class Catering” by Skytrax in 2015 for the third year in a row Turkish Airlines is committed to creating, providing and maintaining a product that customers are satisfied with and can trust.

As a consequence of these activities, Turkish Airlines believes it has gained strength against traditional airline brands and has become a globally-preferred airline.
Sustainable Growth

Turkish Airlines demonstrated a stable and sustainable growth over the last decade—has made profit every year since 2006 and became one of the few full-service airlines to remain profitable throughout the financial crises. Turkish Airlines continues to strive daily to maintain its position among the top of the airline industry in network strength and expansion, operational efficiency, customer satisfaction and brand awareness, and each effort is carefully and strategically reviewed and planned by the management.

Since 2005, Turkish Airlines has increased its capacity in ASK by 18% on average annually (CAGR). With this growth rate, Turkish Airlines’ global market share in terms of ASK capacity more than tripled reaching 1.9% in 2015 compared to 0.6% in 2005 according to the reports issued by the International Air Transport Association (IATA). In 2014 and 2015, Turkish Airlines’ capacity increase was 16.3% and 13.6%, respectively, compared to the global ASK increases of 5.6%, for the same years according to the IATA.

In order to support Turkish Airlines’ growth plans, the Turkish Government finalized the tender for building a third airport in Istanbul in 2013 and broke ground on the new facility in June 2014. The new airport will be one of the biggest airports in the world at its final stage with six runways, four terminals and 500 aircraft park positions on an area of 77 square kilometers, and will have the capacity to handle more than 150 million passengers. It is anticipated that the first phase of the airport will be ready for use by 2018 and will be able to handle 90 million passengers.
Awards

At Turkish Airlines, we are delighted to be awarded for our achievements which are the fruits of our employees hard work and teamwork.

Turkish Airlines is currently the only European carrier that has earned four stars from Skytrax under its airline rating system in all categories—including seat comfort, inflight entertainment and service efficiency. By 2015, Turkish Airlines had been chosen as the “Best Airline in Europe” as part of the Skytrax World Airline Awards. Additionally, Turkish Airlines was awarded the “World’s Best Business Class Airline Catering” and “World’s Best Business Class Lounge Dining” at the Skytrax World Airline Awards in 2015. Aiming to become a five star airline, we have invested heavily in our products and services through the introduction of an award winning catering concept, CIP lounges, premium cabin offerings, inflight entertainment systems, enhanced cabin comfort and specialized cabin attendant and customer service training for its personnel. In recent years, these superior products and services, combined with the numerous prestigious awards from prominent bodies of the airline industry, have resulted in increased brand awareness for Turkish Airlines and, we believe that an increased appreciation of the airline will pave the way for us to become the first five-star airline in Europe.
For the 5th year in a row, we are chosen the best airline in Europe.

Every year, Skytrax, the world’s largest airline passenger satisfaction survey asks millions of passengers around the world to choose their favourite European airline.

For the past five years, the answer has always been the same.

Turkish Airlines remains the best airline in Europe.
We would like to thank you and congratulate our employees for making this possible.
BEST AIRLINE IN EUROPE (SKYTRAX)
WORLD’S BEST AIRLINE BUSINESS CLASS CATERING (SKYTRAX)
WORLD’S BEST BUSINESS CLASS LOUNGE DINING (SKYTRAX)
TRADE & EXPORT FINANCE DEAL OF THE YEAR (TURKEY) (BONDS & LOANS)
TAX LEASE DEAL OF THE YEAR 2015 (AIRFINANCE JOURNAL)
ENGINE DEAL OF THE YEAR 2015 (AIRFINANCE JOURNAL)
GLOBAL TRANSPORT FINANCE - EETC DEAL OF THE YEAR (EUROPE)
BEST INVESTOR RELATIONS IN TURKEY (IR MAGAZINE)

BEST AIRLINE IN EUROPE (SKYTRAX)
BEST AIRLINE IN SOUTHERN EUROPE (SKYTRAX)
BEST AIRLINE BUSINESS CLASS CATERING (SKYTRAX)
BEST BUSINESS CLASS LOUNGE DINING (SKYTRAX)
BEST EUROPEAN CARGO AIRLINE (AIR CARGO NEWS)
BEST CORPORATE GOVERNANCE AWARD (ETHICAL BOARDROOM)
STRUCTURED FINANCE DEAL OF THE YEAR AWARD (BONDS & LOANS)
TAX LEASE DEAL OF THE YEAR 2014 (AIRFINANCE JOURNAL)
ENGINE DEAL OF THE YEAR 2014 (AIRFINANCE JOURNAL)
OVERALL CARRIER OF THE YEAR AND COMBINATION CARRIER OF THE YEAR (PAYLOAD ASIA AWARDS 2014)
BEST OPERATIONAL EXCELLENCE (AIRBUS AWARDS FOR EXCELLENCE)
“MOST INNOVATIVE KIT” AND “TRIO AMENITY KIT” AWARDS (TRAVEL PLUS AWARDS)

BEST AIRLINE IN EUROPE (SKYTRAX)
BEST AIRLINE IN SOUTHERN EUROPE (SKYTRAX)
BEST AIRLINE BUSINESS CLASS CATERING (SKYTRAX)
AIRLINE OF THE YEAR (CAPA AVIATION AWARDS FOR EXCELLENCE)
AIRCRAFT TAX LEASE DEAL OF THE YEAR AWARD 2013 (AIRFINANCE JOURNAL)
AIRCRAFT LEASING DEAL OF THE YEAR AWARD 2013 (GLOBAL TRANSPORT FINANCE)
BEST ASIA PACIFIC CARGO AIRLINE (AIR CARGO NEWS)
AIR CARGO AWARD OF EXCELLENCE (AIR CARGO WORLD)
AIRLINE OF THE YEAR (APG NETWORK AWARDS 2013)
TOP AIRLINE COMPANY IN TURKEY (FORTUNE 500 AWARDS 2013)
MARKETING AWARD OF THE AIRLINE STRATEGY AWARDS 2013 (AIRLINE BUSINESS)
BEST FOOD AND BEVERAGE AWARD (PASSENGER CHOICE AWARDS 2013)
MOST INNOVATIVE KIT AND PREMIUM ECONOMY KIT AWARDS (TRAVEL PLUS AWARDS 2013)
TOP-PERFORMING GLOBAL TRAINING PARTNERS (IATA)
Turkish Airlines conducts its operations in a responsible manner for a better future.
Our Sustainability Approach

We at Turkish Airlines are strongly committed to contributing to sustainable development by conducting our business in a socially, economically and environmentally responsible manner.

At the core of our sustainability approach are our stakeholders. The reasonable expectations and interests of our stakeholders are a key reference point in defining the report content and aspect boundaries as well as in the ongoing development process of our sustainability strategy. Thus, stakeholder engagement is a crucial aspect of our sustainability practices, which helps us better understand our impacts and in turn continually refine them. As a growing company, we have a broad and diverse stakeholder base and various channels to engage with them. Please refer to the table on page 24 to get further information about our stakeholder engagement process which forms the basis in identifying our material aspects. In addition, the process for defining the report content and the material aspects and boundaries are indicated in the below figure.

Defining the Report Content and Material Aspects and Boundaries

At Turkish Airlines, members of the Board of Directors and the Executive Committee have ultimate responsibility for oversight of our economic, environmental and social impacts. We are committed to integrating sustainability considerations and principles into our business and operations, and every business unit works collaboratively to achieve our common goals. Each business unit has their own specific targets aligned with our Company goals. Performance reviews are conducted annually and future action plans are identified accordingly.

We have always remained at the forefront of setting new and higher standards for our operations. Turkish Airlines has internationally-recognized management systems and policies in place on its material sustainability issues which lay out our commitment in responsible business act. We monitor our progress and KPIs through online reporting systems.
Engaging With Stakeholders

Our success goes in pair with satisfaction of and value creation for our stakeholders. Our stakeholder base consists of stakeholder groups who are significantly affected by our activities as well as those having potential to affect Turkish Airlines’ ability to successfully implement its strategy. We value and listen to our stakeholders and strive to maintain an open and constructive dialogue with them and foster greater collaborations.

**OUR STAKEHOLDERS**

Turkish Airlines uses various channels to engage with its internal stakeholders including shareholders/financial partners/investors and employees as well as external stakeholders including government, certification bodies, business partners, customers, suppliers, communities, NGOs and academic institutions. Please refer to the below-given table to see the key material topics and aspect boundaries and stakeholder engagement pathways as well as the frequency of our engagement and matters engaged upon.
<table>
<thead>
<tr>
<th>STAKEHOLDER GROUPS</th>
<th>KEY ENGAGEMENT TOPICS</th>
<th>MAIN ENGAGEMENT PATHWAYS</th>
<th>FREQUENCY</th>
<th>SOME OF THE OUTCOMES OF THE STAKEHOLDER ENGAGEMENT</th>
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<tbody>
<tr>
<td><strong>INTERNAL</strong></td>
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<tr>
<td>Shareholders</td>
<td>Shareholders</td>
<td>E-mail distribution list; &quot;<a href="mailto:ir@thy.com">ir@thy.com</a>&quot;</td>
<td>Ongoing</td>
<td>• Investor Day events were organized</td>
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<tr>
<td>Financial Partners</td>
<td>Financial Partners</td>
<td>Dedicated &quot;ir&quot; website</td>
<td>Ongoing</td>
<td>• IR website has been renewed</td>
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<tr>
<td>Investors</td>
<td>Investors</td>
<td>General Shareholders’ Meeting</td>
<td>Annually</td>
<td>• Credit Investor Roadshows have been held</td>
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<td>Investors Meetings</td>
<td>Annually</td>
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<td></td>
<td>Presentations, Reports, Publications</td>
<td>Quarterly</td>
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<td>Employees</td>
<td>Employees</td>
<td>Ethics Line &quot;Ethical Way&quot;</td>
<td>Annually</td>
<td>• 9 Reported cases to “Ethics Reporting Line” have been solved</td>
</tr>
<tr>
<td>Unions</td>
<td>Unions</td>
<td>E-mails: <a href="mailto:flightsafety@thy.com">flightsafety@thy.com</a>; <a href="mailto:security@thy.com">security@thy.com</a></td>
<td>Ongoing</td>
<td>• Shuttle service for employees has been improved</td>
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<td></td>
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<td>“Empathy” Company TV</td>
<td>Ongoing</td>
<td>• Free and discounted health service has been provided</td>
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<td>“Empathy” Employees Newsletter</td>
<td>Monthly</td>
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<td></td>
<td>“Empathy” Website &quot;I have an idea&quot; Page</td>
<td>Annually</td>
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<td></td>
<td>Meetings &amp; Events &amp; Forums &amp; Summits</td>
<td>Annually</td>
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<td></td>
<td></td>
<td>E-mails: <a href="mailto:flightsafety@thy.com">flightsafety@thy.com</a>; <a href="mailto:security@thy.com">security@thy.com</a></td>
<td>Ongoing</td>
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<td>“Empathy” Company TV</td>
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<td>“Empathy” Employees Newsletter</td>
<td>Monthly</td>
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<td>“Empathy” Website &quot;I have an idea&quot; Page</td>
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<td>Meetings &amp; Events &amp; Forums &amp; Summits</td>
<td>Annually</td>
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<td>Surveys</td>
<td>Annually</td>
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<td><strong>EXTERNAL</strong></td>
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<td>Government</td>
<td>Government</td>
<td>Audits</td>
<td>Regularly</td>
<td>• 500,000 trees were planted</td>
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<td>Regulators</td>
<td>Regulators</td>
<td>Meetings</td>
<td>Ad hoc meetings upon needed</td>
<td>• Sustainability Report has been published</td>
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<tr>
<td>Local Authorities</td>
<td>Local Authorities</td>
<td>Reports</td>
<td>Annual</td>
<td>• Types of wastes were identified and separate collection of wastes was initiated</td>
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<tr>
<td>Certification</td>
<td>Certification</td>
<td>Audits</td>
<td>Regularly</td>
<td>• ISO 14001, ISO 9001; OHSAS 18001 Standards were renewed</td>
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<tr>
<td>Bodies</td>
<td>Bodies</td>
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<td>• Trainings for identification of environmental impacts were conducted</td>
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<td>Customer Care Call Center</td>
<td>On-going</td>
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<td>Web-based/In-flight Feedback Form</td>
<td>On-going</td>
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<td>Customer Satisfaction Measuring Devices at the Airports</td>
<td>On-going</td>
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<td>Customer Satisfaction Online-Surveys</td>
<td>Annually</td>
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<td>LS-IT Website</td>
<td>On-going</td>
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<td>Social Media (facebook, twitter, blog)</td>
<td>On-going</td>
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<td>Website of the Company</td>
<td>On-going</td>
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<td>Customers</td>
<td>Customers</td>
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<td></td>
<td>Accessibility</td>
<td>Made self check-in kiosk application available in 11 languages</td>
<td>On-going</td>
<td></td>
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<td></td>
<td>Customer Satisfaction &amp; Service Quality</td>
<td>Created new call centres in new regions</td>
<td>On-going</td>
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<td>Customer Rights</td>
<td>Created a new section on customer rights in our website</td>
<td>On-going</td>
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<td>Flight Safety &amp; Security</td>
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<td>Innovative Products &amp; Services Sustainable Catering</td>
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<td>Social and Economic Development</td>
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<td>Environmental Management</td>
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<td>Flight Safety &amp; Security</td>
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<td>Health and Safety</td>
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<td>Noise</td>
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<td>Waste Management</td>
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<td>Communities</td>
<td>Communities</td>
<td>Meetings with Associations and Charities School and Hospital Visits</td>
<td>Ad hoc meetings as needed</td>
<td>• 100 Projects realized in 25 African countries</td>
</tr>
<tr>
<td></td>
<td>Social and Economic Development</td>
<td></td>
<td></td>
<td>• 10 Solar power systems were installed in Africa</td>
</tr>
<tr>
<td></td>
<td>Social Responsibility Projects</td>
<td></td>
<td></td>
<td>• 1,000 Tents were supplied in the aftermath of Nepal earthquake</td>
</tr>
<tr>
<td></td>
<td>Accessibility</td>
<td>CSR Fair and Events</td>
<td>Ad hoc meetings as needed</td>
<td>• Shared Turkish Airlines CSR Projects with participants and members of the CSR Europe and CSR Association of Turkey</td>
</tr>
<tr>
<td>Non-Governmental</td>
<td>Non-Governmental</td>
<td>Meetings</td>
<td>Regularly</td>
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<tr>
<td>Organizations</td>
<td>Organizations</td>
<td>Career Days</td>
<td>Annually</td>
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<tr>
<td>(NGOs)</td>
<td></td>
<td>Social Media (LinkedIn)</td>
<td>Ongoing</td>
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<tr>
<td>Academic</td>
<td>Academic</td>
<td>Meetings</td>
<td>Regularly</td>
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<tr>
<td>Institutions</td>
<td>Institutions</td>
<td>Career Days</td>
<td>Annually</td>
<td></td>
</tr>
<tr>
<td>Universities</td>
<td>Universities</td>
<td>Social Media (LinkedIn)</td>
<td>Ongoing</td>
<td></td>
</tr>
</tbody>
</table>
Related Organizations & Associations

We work collaboratively with national and international Civil Society Organizations and Industry Associations regarding our material topics. Some of them are listed below.

### CIVIL SOCIETY ORGANIZATIONS & ASSOCIATIONS

<table>
<thead>
<tr>
<th>STAR ALLIANCE</th>
<th>CAPITAL MARKETS BOARD OF TURKEY</th>
</tr>
</thead>
<tbody>
<tr>
<td>IATA (THE INTERNATIONAL AIR TRANSPORT ASSOCIATION)</td>
<td>DGCA (DIRECTORATE GENERAL OF CIVIL AVIATION)</td>
</tr>
<tr>
<td>ICAO (INTERNATIONAL CIVIL AVIATION ORGANIZATION)</td>
<td>EASA (EUROPEAN AVIATION SAFETY AGENCY)</td>
</tr>
<tr>
<td>AEA (ASSOCIATION OF EUROPEAN AIRLINES)</td>
<td>CEVKO</td>
</tr>
<tr>
<td>UNIVERSITIES</td>
<td>TUSHAD (CIVIL AVIATION SOCIETY)</td>
</tr>
<tr>
<td>TURKISH AERONAUTICAL ASSOCIATION</td>
<td>MINISTRY OF ENVIRONMENT</td>
</tr>
<tr>
<td>SOLENA FUELS CORPORATION</td>
<td>TURKISH RED CRESCENT SOCIETY</td>
</tr>
<tr>
<td>PEDAGOGY ASSOCIATION</td>
<td>MINISTRY OF FAMILY AND SOCIAL POLICIES</td>
</tr>
<tr>
<td>TURKEY NATIONAL AGENCY</td>
<td>TURKISH STATE RAILWAYS</td>
</tr>
</tbody>
</table>

### MATERIAL ISSUES

- SUSTAINABLE GROWTH
- SAFETY
- CUSTOMER SATISFACTION
- FUEL EFFICIENCY AND CLIMATE CHANGE
- SUSTAINABLE FUELS
- TRAINING AND CAPACITY DEVELOPMENT
- BIODIVERSITY
- WASTE
- HEALTH AND SAFETY
- HUMANITARIAN RESPONSE
- CONTRIBUTION TO SOCIETY
Material Issues

We continue to refine our sustainability strategy over time focusing on the most material issues which have the potential to impact our business and are considered important by our stakeholders. We take into account the stakeholders’ concerns, broader social expectations and our influence on the value chain along with the Company’s overall mission and strategy while identifying the material issues.

Our sustainability agenda comprises of four pillars, each of which includes a number of material aspects, namely Governance, Economy, Environment and Social. Our most material issues identified are listed in the Sustainability Agenda. All the issues listed are material within the organization except three aspects, namely contribution to economic growth, contribution to society and local development at destinations which are material outside the organization.

As we have highlighted these aspects as material issues in this report, we will continue to seek our stakeholders’ feedback and continue to further deepen our materiality process in the coming years.

OUR SUSTAINABILITY AGENDA

GOVERNANCE
Corporate Governance
Ethics and Good Conduct
Compliance
Risk Management

ENVIRONMENTAL
Climate Change
Fuel Efficiency & GHG Emissions
Fleet Modernization
Sustainable Biofuels
Waste
Noise
Water

ECONOMY
Economic Footprint
Contribution to Economic Growth:
GDP, Public Finances, Job Creation,
Trade, Export, Tourism, Connectivity
Local Development at Destinations

SOCIAL
Safety & Security
Customer Expectations
Creating Value for Employees
Contributing to Society
**Corporate Governance**

**OUR GOVERNANCE SYSTEM AND STRUCTURE**

Turkish Airlines, Turkey’s flag carrier airline, was founded in 1933. Originally a 100% state owned airline, Turkish Airlines initiated the process of privatization in 1990, and consequently is now 50.88% publicly owned company while the remaining 49.12% is held by the Republic of Turkey, Prime Ministry, Privatization Administration.

Turkish Airlines is listed in Istanbul Stock Exchange ‘Borsa İstanbul’ (BIST) under the Ticker Symbol “THYAO”, and complies with the Turkish Commercial Code (TCC) and the regulations promulgated by the Capital Markets Board (CMB).

Turkish Airlines builds its Corporate Governance Principles on the social responsibility culture it has developed since its foundation in 1933. Turkish Airlines has adopted the main cultural characteristics of the Turkish people towards all its stakeholders, namely *hospitality, helpfulness and trustworthiness*.

Turkish Airlines’ Board of Directors is comprised of nine members, three of whom are independent Board Members also elected by the General Assembly. Three members of the Board of Directors are appointed to the Executive Committee and the majority of the Members of the Board of Directors are non-executive members as per the CMB’s Corporate Governance Principles. The term of office for Board members is 2 years.

Due to the dynamic nature of the aviation industry, the Chairman of the Board of Directors also assumes the title of the chairman of the Executive Committee in order to create uniformity. But our Chief Executive Officer (CEO), also being the Vice Chairman of the Board and the Executive Committee, assumes separate roles and responsibilities from the Chairman. Ms. Arzu Akalın has been a member of the Board since 2014 and we will strive to increase women’s representation at our Board in the future.
During 2015, the Board of Directors convened 51 times and adopted 251 resolutions. Among the discussed matters, there are no related party transactions or transactions of important nature, which are not approved by the independent board members and require submission to the General Assembly.

There are three committees formed within the structure of the Board, namely Audit Committee, Corporate Governance Committee and Early Identification of Risks Committee, all of which are chaired by the independent Board members. The Committees have been formed under the framework of the TCC and the regulations promulgated by the CMB. Committees’ tasks and duties and working principles are determined by the Board of Directors. The Board of Directors provides all means and support to the committees to carry out their tasks.

On the other hand, in 2015 a separate Nomination Committee and a Remuneration Committee were not established, and the tasks of these committees were assumed by the Corporate Governance Committee.

**Turkish Airlines Corporate Governance Committee**
President: Arzu Akalın
Members: Mehmet Büyükekşi, İsmail Gerçek, Duygu İnceöz (Investor Relations Manager)

The Corporate Governance Committee reports directly to the Board of Directors. It supports and helps the Board of Directors with practices in the following areas: The Company’s compliance with internationally approved Corporate Management Principles, determining Board of Directors and Senior Managers, evaluation of wages, awards and performances and career planning, as well as investor relations and public disclosure matters. The Corporate Governance Committee reviews the system and processes formed and will be formed for performance increasing management practices, evaluates them, gives recommendations and oversees the activities of the Investor Relations Department. In 2015, the Corporate Governance Committee conveyed 5 times and submitted a written report to the Board of Directors.

**Turkish Airlines Audit Committee**
President: Mehmet Muzaffer Akpınar
Member: Ogün Şanlıer

The Financial Audit Committee directly reports to the Board of Directors. It supports and assists the Board of Directors in the following areas: The compliance of Company practices with national and international codes and legislation, improving work processes through audit and coordinating work on information transparency. The Audit Committee is responsible for taking all precautions necessary for any kind of internal and external audit to be executed in a sufficient and transparent manner; and to carry out the duties, subject to Capital Markets Board legislation. Financial Audit Committee members are selected from among Independent Board Members. Audit committee convenes every 3 months prior to announcing the quarterly financial results. Audit committee members have 5 year experience in the field of audit/accounting and finance. In 2015, the Audit Committee submitted 4 written statements to the Board of Directors.

**Turkish Airlines Early Identification of Risks Committee**
President: Ogün Şanlıer
Members: Mehmet Muzaffer Akpınar

In April 2014, Early Identification of Risks Committee was established and authorized by the Board of Directors. Committee is composed of two members, and the Committee Chairman is elected from among the independent
Members of the Board of Directors. Early Identification of Risks Committee;

- Carries out activities regarding; (i) the early diagnosis of the reasons threatening the existence, development and continuation of the Incorporation, and (ii) the implementation of the relevant measures against the detected risks, and (ii) risk management.

- Checks the Risk management systems at least once a year.

Committee prepares all its work in writing, and keeps record of all its activities, and moreover prepares and presents a report – that includes a situation analysis and committee’s opinions & suggestions – to the Board of Directors every two months.

In 2015, Early Identification of Risks Committee conveyed 5 times and presented their risk evaluation report to the Board of Directors.

Turkish Airlines embraces the principles of transparency, justice, responsibility and accountability in its operations. Turkish Airlines complies with all mandatory Corporate Governance Principles promulgated by the CMB, and pays utmost attention to comply with any non-mandatory principles.

Turkish Airlines has been recognized in December 2014 by The Ethical Boardroom, an independent magazine and website, for its outstanding leadership in ensuring high corporate governance in order to protect and enhance long-term value for all stakeholders. The Ethical Boardroom considers four governance attributes in its evaluation, namely: Board Composition, Board Committees, Shareholder Rights and Transparency.
SHAREHOLDERS

Investor Relations Department, which reports directly to the Chief Financial Officer (CFO), serves as a department overseeing the two-way communication of the Board of Directors and all Capital Markets participants including analysts, investors and our shareholders providing accurate, consistent and timely information.

In fact, a Public Disclosure Policy has been established by the Board to furnish all stakeholders including shareholders, investors, analysts, employees and customers with timely, accurate, complete, comprehensible and easily accessible information for enhanced transparency.

During the 2015 fiscal year, Investor Relations Department participated in 17 investor conferences and road shows with the aim of sharing the financial, operational and strategic developments about the Company with investors and analysts made over 20 teleconferences and organized an Investor Day Webcast meeting. Additionally, our Incorporation organized a roadshow for fixed income investors and participated in numerous credit investor conferences prior to the issuance of its first capital markets fixed income security in order to increase awareness among the investor community. In all of these conferences and teleconferences, 435 investors/analysts from 270 incorporations and funds were met at the Company Headquarters or at the Investors’ offices. During 2015, around 2,000 information requests were met by our Investor Relations Department via e-mail. The Department presented its report about the activities it carried out in 2015, to the Board of Directors on 26.02.2016.

In terms of shareholders’ rights, Turkish Airlines, along with all listed BIST companies, started using the e-General Assembly (e-GEM) system which allows shareholders, delegates, intermediary institutions and all stakeholders to attend the General Assembly Meeting online via a video webcast using their own personal electronic signatures, as well as to send their comments and, above all, be informed of all the processes instantly.

<table>
<thead>
<tr>
<th>TURKISH AIRLINES SHAREHOLDERS’ GENERAL MEETINGS</th>
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</thead>
<tbody>
<tr>
<td>Fiscal Year 2013</td>
</tr>
<tr>
<td>27.03.2014</td>
</tr>
<tr>
<td>One share equals one note</td>
</tr>
<tr>
<td>Number of shareholders present, represented, granting power of attorney to chairman or voting by email</td>
</tr>
<tr>
<td>Attendance rate</td>
</tr>
</tbody>
</table>
**RISK MANAGEMENT AND INTERNAL CONTROL**

**Our Risk Management Strategy**

An effective risk management strategy at our Company is critical in taking under control potential risks inherent in the airline industry, which is prone to fierce competition and to ensuring sustainable growth.

Furthermore, in order to minimize particularly the impacts of fuel and carbon emission prices, interest rates, cash flow, foreign currency fluctuations and counterparty risks and to provide a reasonable level of guarantee within our Company against potential shocks; Treasury and Risk Management Commission – chaired by Chief Financial Officer was established in 2008 under the coordination of the Financial Risk Management Department. The Commission sets the financial risk management strategy of our Company and carries out necessary activities regarding the management of the financial risks our Company is/will be facing.

Addressed as a matter of first priority within this framework, hedging in relation to fuel prices, amongst the Financial Risks the Company is exposed to, commenced in June 2009. Within the market experience during those years, number of instruments was increased gradually and hedging is ongoing within the framework of the dynamic strategy. Our risk management system also includes issues related to climate change risks. In this regard, the Company established its liability in relation to carbon emissions, laid down a strategy to protect itself against carbon emission risk which works as required under the framework of the Carbon Emission Trading System.

In order to minimize the impact of exchange rate fluctuations, regarded as a major risk element in view of the Company’s field of activity and to keep the risks that can arise from potential differences between forecasted and actualized income and expenses under control, a proactive exchange rate policy is implemented based first and foremost on natural risk management, by also taking into account the evaluation of the available cash portfolio. In addition to this, the aim of the strategy launched in 2013 June is to minimize the financial risk that can arise as a result of the possible negative fluctuations in FX, by using derivative transactions. Additionally, so as to decrease the need for derivative financial instruments and enhance natural hedging mechanisms, in 2015, our Incorporation has decided to convert international ticket sales originating in Turkey from EUR to USD which was later approved by IATA and has been put into action.

**Internal Control Mechanism**

Our Company has a Senior Vice Presidency (SVP), Inspection Board which inspects, with a systematic and disciplined approach, whether the Company’s activities including corporate governance, effectiveness of risk and control processes, improvement of Company services are at the quality level that will provide the highest level of customer satisfaction, compliance with legislation, the Company’s internal regulations, agreements, pre-determined strategies, policies and targets, and provides consultancy and assurance on the efficiency and effectiveness of these processes, and also submits opinions and suggestions.

In this respect, the SVP, Inspection Board identifies risk mitigating measures, reports and provides counseling service to the Senior Management about these issues including detection of faults, fraud and misconducts.
BUSINESS ETHICS

Our Business Ethics Approach

The Turkish tradition has been the foundation of Turkish Airlines’ commitment to embracing a socially and ethically responsible approach to its business and adopting a transparent and fair management culture.

The Company cultivates open communication channels with all stakeholders which enable the organization to assess all shareholders’ and stakeholders’ interests and understand different perspectives. This approach helps Turkish Airlines serve as a corporate citizen and operate beyond its financial interests.

Our Board of Directors has prepared a “Code of Ethics” and a related handbook, which is also published on our website, within the framework of Corporate Governance Principles. Turkish Airlines defines its ‘Code of Ethics’ as the fundamental policies, procedures and rules that all executives and employees are obligated to comply with. These rules have been established to ensure that Turkish Airlines’ executives and employees show high standards of ethical conduct, that they are aware of the impact of their acts and attitudes on the Company, and that they exhibit highly qualified behaviors. The Code of Ethics covers various issues such as our principles and values as well as the matters related to compliance, bribery and corruption, anti-competitive behavior, etc.

Our employees become familiar with our Code of Ethics during their employment period and are provided with information on the Company’s Corporate Ethics Handbook and Corporate Ethics Procedures; and are required to act in line with the generally-accepted principles in business life, and be respectful in their words and deeds with regards to legislation, ethical values, social norms and environment.

Turkish Airlines has not encountered any findings of breaches of competition rules nor it has been subject to any sanctions with respect to competition law so far as a result of the inspections/investigations carried out by the domestic and foreign competition authorities.

Compliance

Turkish Airlines is committed to complying with all national regulations and those related to the aviation industry, which have been prescribed in our Compliance Policy. We believe that compliance goes beyond just strictly adhering to laws and regulations and includes reflecting the spirit of our Code of Ethics in our decisions and actions.

Ethics Trainings

As a growing Company, it is of high importance for us to conduct this growth process in accordance with the “Competition Law”. We organize trainings for our executives and managers to create this awareness. The trainings enable to raise the participants’ awareness on anti-competition issues and provide them with tips and tools on how to identify and deal with these issues. In 2015, 10 participants received trainings on ethics. An online training module on ethics for all employees is being designed.

* Our Code of Ethics is being updated to better reflect our broad approach regarding Business Ethics and Corporate Social Responsibility issues, notably regarding the matters related to Bribery and Corruption, and we expect to implement our new standards across our organizations in 2015.
Misconduct Reporting

“Ethical Way”, an Ethics Reporting Line, a whistle-blowing system has been established to enable Turkish Airlines’ employees to anonymously report on any breach of our corporate principles or ethical issues including discrimination, bribery, conflict of interest or anti-competition practices. Ethical Way is managed by a completely independent third party company and is dedicated to Turkish Airlines employees’ questions and/or reporting about ethical concerns. In order to address these applications, our Ethics Board, which is composed of four members and a president, put forward proposals to the CEO about every application made in the Ethical Way. Ethics Board listens to the respective personnel and receives the opinions of the concerned departments, and thereafter, takes action upon the results received.

In 2015, 12 applications were made to Ethics Reporting Line on various issues, 9 of which have been addressed by direct discussions with employees and 2 were considered irrelevant to the business ethics. The investigation continues regarding the remaining 1 application.

3 out of all reporting received by the Ethics Reporting Line so far were directly or indirectly associated with discrimination. Two of these issues were considered in detail by Turkish Airlines Ethics Board and it was decided to inform the concerned employees and departments to ensure that necessary actions are taken.

Anti-Bribery and Anti-Corruption

Turkish Airlines is committed to ensure the highest standards of integrity and business ethics in its operations and we do not tolerate any form of corruption and bribery or any other kind of unethical behavior. Countering bribery and corruption is an essential part in our way of doing business and is integrated in our Code of Ethics, which is our reference in terms of anti-bribery and anti-corruption standards in our operations to ensure an ethical business conduct.

We comply with the guidelines of the airline industry and the applicable laws in the countries, where we operate, regarding bribery and corruption issues, and we have gone further by setting higher standards for ourselves in our revised Code of Ethics.

We strive to raise awareness among our governance bodies and business partners as well as our employees to prevent risks of any related potential incidences, and have established internal control measures to ensure compliance and monitor these issues across our Company. In respect of anti-corruption guidelines; the roles of the senior management, SVP, Inspection Board, SVP, Security, Audit Committee, Ethics Board, Discipline Council, Human Resources and every employee of our company have been established with an integrated approach towards detecting and preventing corruption and misconducts in addition to monitoring and improving anti-corruption systems. SVP, Inspection Board assesses the whole Company including risks related to bribery and corruption. During the reporting period, no significant fine was paid by Turkish Airlines regarding bribery or corruption.
We are generating new economic opportunities through our expanding network and we are a significant contributor to the Turkish economy, trade growth and tourism.
Contribution of Aviation

The aviation industry plays a vital supporting role in economic growth by facilitating the growth of international trade, tourism and international investment, and connecting people across the globe. The total value of goods transported by air represents 35% of all international trade.

The overall world aviation market size in 2015 was USD 718 billion*. Over 52 million tons of goods were freighted and over 3.5 billion people boarded on an aircraft in 2015; and this figure is expected grow 4% annually for the next 20 years.

Aviation is indispensable for tourism, which is a major engine of economic growth globally, particularly in developing economies. Globally, 54% of international tourists travel by air.

Air transport also increases a country’s connectivity which can help raise productivity, by encouraging investment and innovation; improving business operations and efficiency; and allowing companies to attract qualified employees.

The global economic impact of aviation industry is estimated at USD 2.7 trillion, equivalent to 3.5% of the global gross domestic product (GDP)


AVIATION TODAY & TOMORROW

<table>
<thead>
<tr>
<th>PASSENGER NUMBERS</th>
<th>ECONOMIC CONTRIBUTION</th>
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</thead>
<tbody>
<tr>
<td>YEAR</td>
<td>1994</td>
</tr>
<tr>
<td></td>
<td>1.2</td>
</tr>
<tr>
<td></td>
<td>x1.8 PASSENGERS</td>
</tr>
</tbody>
</table>

Source: ATAG Facts and Figures 2016
The Aviation Industry Has 4 Main Economic Impacts:

- **Direct impacts:** The aviation industry itself is a direct generator of employment and economic activity, generating a total of 62.7 million jobs globally. The airlines’ services generate 9.9 million direct jobs within the air transport industry and contribute USD 664 billion to global GDP. In comparison with other sectors the airlines contribution to the global GDP is higher than the textile, automotive or pharmaceuticals and is around half as big as the global chemicals. Also, the air transport industry has important ‘multiplier’ effects, which mean that its overall contribution to global employment and GDP is much larger than its direct impact alone.

- **Indirect impacts** which include employment and activities of suppliers to the air transport industry. According to the ATAG, over 11.2 million indirect jobs globally are supported through the purchase of goods and services by companies in the air transport industry. These indirect jobs contributed approximately USD 761 billion to global GDP in 2014.

- **Induced impacts:** Induced by the spending of those directly or indirectly employed in the air transport industry. Around 5.2 million induced jobs globally are supported through employees in the air transport industry. The induced contribution to global GDP is estimated at USD 355 billion in 2014.

- **Catalytic:** Air transport’s most far-reaching economic contribution is via its contribution to the performance of other industries and as a facilitator of their growth by providing connectivity. These ‘catalytic’ or ‘spin-off’ benefits of aviation affect industries across the whole spectrum of economic activity. While total catalytic contribution of aviation to the global workforce is around 36.3 million, same figure for GDP reached 892 billion USD in 2014.

Source: ATAG, Aviation Benefits Beyond Borders, 2016

Airlines have a powerful role in alleviating sustainable development challenges by facilitating tourism and trade, particularly in remote areas, generating economic growth and new jobs, improving living standards, alleviating poverty and increasing revenues from taxes. Airlines can also contribute significantly to communities when road or rail networks are lacking or in remote areas such as small islands where access to essential services depends on the air transport. Therefore airlines can significantly contribute to deliver urgently needed assistance during emergencies caused by acts of natural disaster, famine and war.
EVERY DAY...

9.8 MILLION PASSENGERS

104,000 FLIGHTS

$18.6 BILLION WORTH OF GOODS CARRIED
THE AVIATION SECTOR

LOCALLY-BASED AIRLINES
• Domestic
• International passenger
• Freight Services

GROUND-BASED INFRASTRUCTURE
• All on site activities at Airports
• Air Navigation Service Provider (ANSP)
• Regulators

THE AVIATION SECTOR’S SUPPLY CHAIN
Purchases by the aviation sector of domestically produced goods & services from firms outside the aviation sector

LOCALLY-BASED AIRLINES
• Aviation Fuel
• Repair & Maintenance
• Catering
• Ticketing & Distribution
• Freight Forwarding
• Aircraft Financing
• Other Finance & Business Services

GROUND-BASED INFRASTRUCTURE
• Finance
• Construction & Facilities Management
• Electricity & Water Supply

NON-AIRSIDE SUPPLY CHAIN
• Food and Drink
• Business & Marketing Services
• Computing

Source: Economic Benefits from Air Transport in Turkey, Oxford Economics, 2011
Mitigating Environmental Impacts

The industry is conscious of aviation’s environmental impacts and its contribution to climate change. Efforts to minimize these play an important role in aircraft design and engine manufacturing. Furthermore, every aspect of current operations both in the air and on the ground is being examined to see how the industry can be made cleaner, quieter and more carbon-efficient. In 2008, aviation industry agreed to the world’s first set of industry-specific climate change targets. The industry is already delivering on the first target-to continue to improve fleet fuel efficiency by 1.5% per year until 2020. From 2020, aviation will cap its net carbon emissions while continuing to grow to meet the needs of passengers and economies. By 2050, the industry has committed to reducing its net carbon footprint to 50% below what it was in 2005.

Air travel has always relied on advances in efficiency. Since the beginning of the jet age, aircraft have reduced fuel use per passenger kilometer by well over 70% and these efforts still continue.

Modern jet aircraft are 75% quieter than the first models that entered into service and each new generation of aircraft maintains this downward trend. Not only do aircraft controllers work to provide operational noise mitigation measures but also airports and air traffic controllers work to provide operational noise mitigation measures and local governments work with the aviation industry to more appropriate zone areas around airports.

The industry is also making significant progress to develop sustainable alternative fuels for aviation. It is expected that carbon reduction from moving to alternative fuels could be up to 80% compared to traditional jet fuel.
Our Economic Footprint

**Total Revenue:**
- **88.5%** Passenger Revenue
- **8.9%** Cargo Revenue
- **2.6%** Maintenance and Others

**Total Revenue:** $10,552M USD

**Expenses:**
- **$1,977m** Loans
- **$954m** Taxes on Tickets (Not included in turnover)
- **$2,715m** Fleet
- **$465m** Other Suppliers
- **$2,979m** Suppliers (Fuel)
- **$39m** Sponsorships
- **$410m** Airport Fees
- **$506m** Air Traffic Control
- **$1,260m** Repayment of Debt
- **$4,217m** Other Suppliers
- **$31m** Government Taxes
- **$1,640m** Employees Payroll Tax

**Total Expenses:** $9,840M USD
Turkish Airlines is the market leader in Turkey carrying 46% of total passengers. As we fly to more countries than any other airline in the world with over 287 destinations in 115 countries, we are generating new economic opportunities through our expanding network and we are a significant contributor to the Turkish economy, trade growth and tourism. Not only do our main hub Istanbul Ataturk Airport and other hubs Sabiha Gökçen and Ankara provide highly attractive business environments, but also we contribute to local economic and social development at our destinations both nationwide and worldwide.

CONTRIBUTION TO GDP OF TURKEY

The aviation industry directly contributed USD 23.4 billion to Turkish GDP in 2015 through the output of airlines, airports and ground services.** This corresponds to 3.3% of the total GDP of Turkey. When considered together with its indirect contributions through the aviation industry’s supply chain and induced contributions through the spending by the employees of the aviation industry and its supply chain the total contribution is estimated to be over USD 45 billion. These figures do not take into account the addition of ‘catalytic’ benefits provided by tourism industry.

Turkish Airlines has generated revenue of USD 10.5 Bn in 2014 reflecting an annual growth rate of 18% since 2005. We have made investments over USD 12 billion since 2005; being USD 2.5 billion in 2015. All of these investments have been financed through our own operations.

CONTRIBUTION TO PUBLIC FINANCES

The aviation industry contributes substantially to the public finances through either direct tax payments or through indirect employee benefits, airport charges etc.

Turkish Airlines is a significant contributor to the Public Finances and generated, USD 985 million of other taxes and fees, USD 421 million payroll tax in 2015.

CONTRIBUTION TO JOB CREATION

Aviation industry in Turkey is considered as a major employer and supported more than 191,000 direct jobs in Turkey in 2015.† This number is estimated to be over 400,000 including jobs indirectly supported through the aviation industry’s supply chain and jobs supported through the spending by the employees of the aviation industry and its supply chain.

An average employee serving in air transport services generates a higher gross value added and is 175% more productive compared to an average employee in Turkey**.

Turkish Airlines provided 27,688 direct jobs in 2015 up from 25,116 in 2014, and over 46,000 direct jobs together with its subsidiaries which represent major portion of the direct jobs provided by the aviation industry in Turkey in 2015.

* Directorate General of Civil Aviation, Turkey, 2016.
Facilitating effect of connectivity on Turkish international trade can be clearly seen from the correlation between Turkish Airlines’ regional capacity growth and Turkish export growth between 2006 and 2015. Overall in Africa, value of the total exports increased from USD 4.6 billion in 2006 to USD 12.6 billion in 2015, representing an annual growth rate by 12%.

A similar trend can also be observed in the Middle East. Through the opening of 20 new destinations and 26% yearly capacity growth rate, Turkish exports to Middle East grew by 12% CAGR between 2006 and 2014.

**CONTRIBUTION TO TURKEY’S EXPORT**

Turkish Airlines contributes to Turkey’s export directly as the Turkey’s biggest exporter and also indirectly by opening new channels of transport and therefore increased connectivity. More than 72% of our tickets are sold outside the borders of Turkey, implying a direct inflow of funds equal to USD 6.4 billion to the country’s current account in 2015.

*Reference: Turkish Statistical Institute (TurkStat)*

Facilitating effect of connectivity on Turkish international trade can be clearly seen from the correlation between Turkish Airlines’ regional capacity growth and Turkish export growth between 2006 and 2015. Overall in Africa, value of the total exports increased from USD 4.6 billion in 2006 to USD 12.6 billion in 2015, representing an annual growth rate by 12%.

A similar trend can also be observed in the Middle East. Through the opening of 20 new destinations and 26% yearly capacity growth rate, Turkish exports to Middle East grew by 12% CAGR between 2006 and 2014.
CONTRIBUTION TO TOURISM

Over 3.5 billion passengers worldwide boarded on an aircraft in 2015 for various reasons including touristic purposes.

Being a major contributor to Turkey’s economy and having an increasing number of destinations, Turkish Airlines has a significant footprint on the tourism industry.

In 2015, number of tourists in Turkey reached 36.3 million and grew by 6% on average annually over the last decade, and is expected to reach 63 million by 2023. Among the 36.3 million tourists, 74% preferred air transport instead of other means of transport.

CONNECTIVITY GAINS

Connectivity can be defined as the scope of access between an individual airport or country and the global air transport network*. It is also an indicator of a network’s concentration and its ability to transport passengers from their points of origin to their points of arrival seamlessly**.

THE WIDER ECONOMIC IMPACTS OF CONNECTIVITY***

Connectivity growth drives consumer and wider economic benefits

* IATA Report, Aviation Economic benefits, 2007
** ICAO (2013), Worldwide Air Transport Conference
*** SEO (2016), Economic benefits of European airspace modernization
Air connectivity brings many advantages to Turkey’s economy including:

- Opening up foreign markets for Turkish exports due to positive correlation between connectivity and exports.

- Increased foreign direct investments through opening up Turkish factor markets for investors. For example, new route openings leads to increases in the FDI levels.

- Reducing transport costs, particularly over long distances, and increasing competition as suppliers can provide service to a wider area and potentially reduce average costs, through increased economies of scale;

- Increasing the flexibility of labor supply, which should enhance allocative efficiency and bring down the natural rate of unemployment. It is estimated that in Europe, 10% increase in air connectivity results in 0.5% increase in GDP/capita at the national level.

- Encouraging Turkish enterprises to invest and specialise in areas that play to the economy’s strengths

- Accelerating the adoption of new business practices, such as just-in-time-inventory management that relies on quick and reliable delivery of essential supplies. Studies related to air connectivity suggests that increasing connectivity leads to enhanced technology diffusion among countries

- Raising productivity and therefore the economy’s long-run supply capacity. It is estimated that a 10% improvement in connectivity relative to GDP would see a TL 609 million per annum increase in long-run GDP for the Turkish economy.

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** (Belenkiy & Riker, 2012, PWC, 2014)
*** According to Bannò Redondi, 2014,
**** InterVISTAS (2015),
***** (Baruffaldi, 2015)
LOCAL DEVELOPMENT AT OUR DESTINATIONS

Turkish Airlines flies to 44 of the top 50 hub airports which constitute over 78% of the worldwide air traffic. But more importantly Turkish Airlines has the highest coverage of secondary cities not included in the top 50, offers services to many underserved markets and provides many developing and underdeveloped communities with a channel to the world.

As of 2015, 48 countries were categorized as the least developed countries in the world by the United Nations, and Turkish Airlines flies to 22 of these countries and carried 1 million passengers. Offering global connectivity, our company enabled people in the Least Developed Countries to foster their economic and social relationships with the rest of the world, most notably in Eritrea where 63% of the international passengers were carried by Turkish Airlines.

While Turkish Airlines is the sole global airline in Yemen and Somalia, Turkish Airlines offers services in other 13 least developed countries such as Afghanistan, Benin, Burkina Faso, Chad, Democratic Republic of the Congo and Djibouti along with only one other major air carrier allowing these cities to boost their global visibility.

* MasterCard 2015 Global Destination Cities Index
Africa awaits you
Be part of hundreds of cultures, stories and memories with the airline that flies to all corners of Africa!

TURKISHAIRLINES.COM
We Want to Leave a Habitable World to Next Generations
<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENVIRONMENTAL MANAGEMENT</td>
<td>52</td>
</tr>
<tr>
<td>CLIMATE CHANGE</td>
<td>55</td>
</tr>
<tr>
<td>FUEL EFFICIENCY</td>
<td>56</td>
</tr>
<tr>
<td>WASTE MANAGEMENT</td>
<td>63</td>
</tr>
<tr>
<td>NOISE</td>
<td>65</td>
</tr>
</tbody>
</table>
Environmental Management

Turkish Airlines is committed to minimizing, to the greatest possible extent, the adverse impacts of its operations on the environment and taking measures to combat with climate change. Our environmental management approach goes beyond just complying with statutory and regulatory requirements. We implement international management systems and provide trainings to increase environmental awareness of our employees.

Turkish Airlines has been certified to **TSE ISO EN 14001** for all its operations in Turkey. We are equipped with environmental management system (EMS) ensuring that we have appropriate procedures and documentation in place to manage environmental impacts and the risks associated with them. Our Environmental Management Policy which is reviewed regularly, has been extended recently to include further commitments as part of our responsible business approach and has been shared with our stakeholders on our website. General Manager has the ultimate responsibility of our environmental policy. We monitor and track our environmental footprint regularly. Environmental Impact Assessments (EIA) are regularly carried out and reported bi-annually. Senior Vice Presidency, Quality Assurance directly reporting to the CEO is responsible for managing the environmental issues. Management review meetings are held twice a year, upon attendance of the CEO and our Senior Executives.

It is our top-level priority to comply with the environmental law and regulations. No breach of environmental regulations was detected in 2015. The expenditures incurred for environmental management and prevention of environmental impacts throughout the year 2015, amount to approximately TL 255.000 and for waste management activities amount to TL 169.295.

Within the EMS, various activities are carried out in order to reduce the environmental impacts that may arise as a result of our operations.

- As part of our climate change mitigation strategy, we strive to maintain continuous fuel efficiency which ultimately decreases our carbon footprint.
- Furthermore, we invest in research and development projects on sustainable biofuels.
- Waste management projects are conducted in offices, and in-flight activities and projects promoting effective and efficient use of natural resources such as water, electricity, natural gas and paper are implemented.
- We have ordered new generation aircraft to be delivered by 2021 which will enable us to reduce our noise emissions even further.
- We plant trees in line with our Forestry Protocol with Directorate of Forestry. In 2015, we planted 500.000 trees.
ENVIRONMENTAL POLICY

Abiding by the Rules
Acts in conformity with the international aviation regulations along with national, legal and other requirements which is obliged to abide on environmental issues. Aims to extend beyond compliance with laws by environmental projects it supports.

Managing the Environmental Aspects
Identifies the environmental aspects resulting from all its activities, products and services, and develops action plans to decrease environmental impacts thereof. Implements improvement-oriented management system and methods to keep the environmental aspects under control, and takes precautions to encounter climate change.

Considering People and the Environment while Growing
Uses the technology and methods as much as possible that have the least adverse effects on the environment while planning new investments, expanding the fleet, and raising the technological infrastructure level regarding its field of activity.

Minimizing Adverse Environmental Impacts
Gives top priority to protection of environment while carrying out all its activities, products and services.
Supports initiatives regarding fuel efficiency, and decreases the air emission as well as the carbon emission. Takes measures to decrease the noise pollution. Takes preventive measures against waste production. Ensures to minimize wastes by giving priority to the use of recyclable materials and supporting the recovery of recyclable materials within the scope of waste management.

Bequeathing an Habitable World for Future Generations
Uses natural resources effectively and efficiently by not just considering today, but also by considering next generations, who are the collective assurance of the Company, with its stakeholders.
Being aware of its responsibility for sustainable use of natural resources, it takes measures to decrease water consumption and water emission, and protects the biodiversity.

Developing along with Stakeholders
Works to increase the environmental awareness of its own employees, business partners and stakeholders in the first place, and encourages their participations.
Supports the sustainable products and services throughout the supply chain.

Improving Consistently
Measures, monitors development, reviews and continuously improves its environmental performance on a regular basis as per its environmental objectives. Ensures participation of stakeholders and all levels of the organization for the improvement of environmental performance. Shares the information on environmental performance with its stakeholders. Reviews and updates its Environmental Policy periodically.
IDENTIFYING ENVIRONMENTAL ASPECTS AND IMPACTS DUE TO OUR OPERATIONS

We identify environmental aspects and impacts of our operations, and take measures to minimize the adverse impacts. We launched a new project in 2015 and carried out field activities. Accordingly, we organized trainings in identification of environmental aspects and impacts for the representatives designated on each location.

UTILIZATION OF NATURAL RESOURCES

We are aware of the responsibility we assume in sustainable utilization of natural resources in line with our vision of leaving a livable world to the next generations. Accordingly, we track the amounts of water, natural gas, electricity and paper we consume and set annual targets to minimize them. We evaluate our performance and develop projects to achieve the pre-determined targets.

| Consumption Table |
|-------------------|-----------------|-----------------|-----------------|
|                   | 2014            | 2015            | 2016 Target     |
| Water consumption (m3) | 48.479          | 47.887          | 2% decrease     |
| Water consumption per employee (m3/employee) | 21.30            | 22.11           |                 |
| Natural gas consumption (kWh) | 2.981.555       | 3.656.404       | 2% decrease     |
| Natural gas consumption per area (m3/m2) | 0.40            | 0.42            |                 |
| Electricity consumption (kWh) | 6.317.302       | 5.985.787       | 2% decrease     |
| Paper consumption per employee (kg/employee) | 3.41            | 3.86            | 3.78            |
New Generation 15% fuel efficient aircraft by 2021
Airbus 92 Boeing

One of the youngest fleet of the world with an average age of 6.9

Electricity Consumption 1.62% reduction (2012-2015) (kWh/employee)

Natural Gas Consumption 0.51% reduction (2012-2015) (m³/employee)

Water Consumption 19.4% reduction (2012-2015) (m³/employee)

We fly 20% more efficiently compared to 8 years ago

Research & Development Investments in Sustainable Biofuels

27,187 tons of fuel saving

86,939 tons less CO₂
Turkish Airlines recognizes the need to address climate change, which is one of the most challenging global problems. General Manager has the ultimate responsibility of climate change mitigation efforts. The major concern for the aviation industry is the greenhouse gas emissions and their implication for climate change.

According to the United Nations Intergovernmental Panel on Climate Change (IPCC), aviation produces around 2% of the world’s man-made emissions of carbon dioxide (CO₂). Turkish Airlines is committed to mitigating the carbon emissions associated with its operations.

**INDUSTRY COMMITMENT AND TARGETS**

Air transport was the first industry to take global action on CO₂ emissions and set comprehensive targets.

Short term and long term targets are:

- From 2009 until 2020: average 1.5% efficiency improvement per year
- From 2020: Capping emissions growth from aviation
- By 2050: halving net emissions based on 2005 levels

In the light of our responsible business approach, Turkish Airlines makes its best efforts to contribute to industry’s targets and has put in place a comprehensive fuel efficiency program to contribute to the collective effort of the aviation against climate change. Fuel Steering Committee, informs General Manager regularly about fuel efficiency performance which is an indicator for climate change targets.
Fuel Efficiency

It is Turkish Airlines’ responsibility to act and promote sustainability as a commitment to the environment. To do this, Turkish Airlines has undertaken wide range of initiatives to reduce carbon footprint under the umbrella of below topics:

- Turkish Airlines started a collaborative study with IATA Green Team which involves measuring and monitoring of fuel efficiency.
- Having established a Fuel Steering Committee acting in a matrix organization of key departments who meet regularly and review action plans, Fuel Efficiency Program has become an integral part of Turkish Airlines company culture.
- Establishing a corporate fuel saving culture and awareness is the fundamental basis of Turkish Airlines’ achievements up to now and future success.

LESS FUEL LESS EMISSIONS!

EACH KILOGRAM OF FUEL SAVED REDUCES CARBON DIOXIDE (CO2) EMISSIONS BY 3.16 KG
Turkish Airlines Fuel Policy is based on three pillars:

**WE OPTIMIZE OUR OPERATIONS**

FUEL SAVING PRACTICES

- Piloting (Single Engine Taxi, reduced-flap takedoff/landing, climb/level flight/descent procedures, NADP, Cost Index, descent speed, short-cut, idle reverse)
- Dispatch/Flight Planning (effective flight planning system, optimum route, tankering)
- Aircraft Maintenance (modifications, winglet/sharklet, engine wash, CDL)
- Ground Operations (APU, catering, portable water, fuel servicing, CG)

**WE INVEST IN NEW TECHNOLOGY**

FLEET MODERNIZATION (ONE OF THE YOUNGEST FLEET OF THE WORLD WITH AN AVERAGE AGE OF 7.2)

- BIOFUELS (ALTERNATIVE FUELS) RESEARCH STUDIES
- MODERN 4-D FLIGHT PLANNING SYSTEMS
- FUEL MANAGEMENT & MONITORING SOFTWARE

**WE IMPROVE OUR INFRASTRUCTURE**

ATC OPERATIONS (SEPARATION, USE OF AIRSPACE MORE EFFECTIVELY)

- SESAR Project
- Military airspace
- Route Optimization

AERODROME INFRASTRUCTURE

- New parking areas / taxiways
- Assessment of service providers’ equipment
Optimising Our Operations

Since 2008, more than 100 operational optimization projects have been introduced and implemented in order to reduce carbon footprint. Some of these operational optimization projects include: Pilot technique, optimizing the use of APU (auxiliary power unit) while the aircraft is on the ground, introducing a new optimized flight planning system, optimization of the routes and aircraft speed, aircraft weight reduction practices (fly away kits, magazines, containers, potable water, catering equipment) and aircraft modifications such as winglet and sharklet and engine wash.

Investing In New Technology

Fleet Modernization

Thanks to the technological developments which enable to ensure fuel efficiency and offer ultimate passenger comfort, Turkish Airlines aims to minimize fuel consumption and invests in the most advanced and environmentally friendly aircraft.

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By the end of 2015, the number of aircraft in the Turkish Airlines’ fleet increased to 299, with an average fleet age of 6.9 years. Aiming to acquire the youngest and most modern fleet in Europe, Turkish Airlines ordered 75 Boeing (B737 9-MAX and 737 8-MAX) and 92 Airbus (A 321 NEO) new generation aircraft that are 15% more fuel efficient in 2013 and these aircraft will have been delivered by 2021. Adding these aircraft to our fleet will enable us to meet not only our targets on carbon emission reduction but also on noise and air quality.

Improving Our Infrastructure

Turkish Airlines attempts to improve the air traffic management system working closely with both domestic and international air navigation service providers. Turkish Airlines has a team dedicating themselves to permanently performing researches on the optimum flight routes, and has created an interdivisional committee working on the SESAR (Single EUROPEAN SKY ATM Research) project. Other infrastructure projects to improve operational efficiency include airport enhancements such as new parking areas and better use of airspace with improved approaching procedure.
TURKISH AIRLINES FUEL EFFICIENCY PROGRAM

17-21 thousand tons of fuel saving will be achieved annually with the installation of Sharklets.

Installation of Sharklets increases fuel efficiency 2-3% and saves CO2.

Cabin I-Pad use instead of paper.

SkyLife Magazine with less paper.

3,000 Light nets and 2,000 Light pallets increase fuel efficiency and save CO2.

Our Fleet Characteristic:
- Young
- Comfortable
- Technological
- Efficient
- Dynamic
- Flexible
- Family friendly
- Environmentally friendly
- Competitive
- Reliable

17-21 thousand tons of fuel saving will be achieved annually with the installation of Sharklets.

17-21 thousand tons of fuel saving will be achieved annually with the installation of Sharklets.
Improving Fuel Management System

Our new Fuel Management System, the procurement process of which has substantially been completed, will have been introduced by the end of the last quarter of 2016. This new system will enable to calculate the cost of ATC operations in particular (airborne instructions, deviations from the flight plan, etc.) and discuss possible solutions together with this cost items measured. It will also enable us to closely monitor significant factors that affect fuel consumption including any deviations from the flight plan and in actual flight route, changes of altitude and speed, etc. and respond in a very short time in potential areas.

Container, Pallet and Net

We have started to replace 2,614 baggage containers with their composite equivalents along with 2,500 light pallets and 3,000 light nets which will enable us to save 3,000-3,500 tons of fuel per year.

Carbon Break

We replaced steel breaks with carbon breaks of 20 aircraft in our B737 family, achieving an annual fuel saving of 380 tons.

Sustainable Biofuels

Turkish Airlines invests in research and development to perform researches in alternative fuels which would have a big impact in reducing carbon emissions. Turkish Airlines has executed a non-binding “Letter of Intent” with Solena Fuels Corporation, situated in Washington DC, USA in 2013 with a view to explore any potential partnership opportunities on installing a waste-to-biofuel production facility in Istanbul, Turkey.

Installation of Sharklets

Installation of sharklets on the aircraft increases fuel efficiency by 2-3%.

As of 2014, 9 aircraft in our A320 fleet had sharklets. Upon completion of installment of sharklets on the entire A320 family, we will have achieved approximately 17-21 thousand tons savings in our annual fuel consumption based on the flight hour figures for 2015.
WE FLY

20%
MORE EFFICIENTLY
COMPARED TO 7 YEARS AGO!

86,639
TONS OF CO2 SAVED

ENVIRONMENT
• ENVIRONMENTAL MANAGEMENT
• CLIMATE CHANGE
• FUEL EFFICIENCY
• WASTE MANAGEMENT
• NOISE

FUEL EFFICIENCY PERFORMANCE (2003-2015)

The chart below illustrates the transport performance and the corresponding fuel consumption of Turkish Airlines between 2003-2015. If 2003 is set as a “reference/baseline”, it is seen that the transport performance and the corresponding fuel consumption has increased by 719% and 486%, respectively. The gap between the above lines on the graph gives a good indication of Turkish Airlines efficiency performance over the years. We can simply call it “efficiency gap” and it can easily be concluded that the gap between transport performance and the corresponding fuel consumption has gradually increased each year, making a significant contribution to operational efficiency, and therefore, impact on the environment. (the fuel efficiency project was launched following the first quarter of 2008).

2015 Measurable Fuel Saving:

Thanks to various fuel savings projects implemented; 27,187 tons of fuel have been saved which corresponds to a reduction of 85,639 tons of CO2 by the end of 2015.

Our Future Target (KPI)

Turkish Airlines has set a target to reduce fuel consumption-liter/available ton-km by 5% by 2020 and 10% by 2025.

EU ETS

EU has agreed, for the period to 2016, that the scope of the EU ETS (European Emissions Trading System) will be limited to the flights that take-off from and land in the European Economic Area.

We calculate, report and get verification for the direct emissions that are covered by the (EU-ETS) as per its requirements, and follow up the developments very closely.
Waste Management

As stated in Turkish Airlines Environmental Policy, we aim to minimize the generation of waste and promote recycling and recovery initiatives where possible. Waste management practice involves ensuring identification of types and sources of the wastes generated within the organization, collection and separation of the wastes at their own sources, temporary storage, recycling and disposal of the wastes in accordance with the regulations of the Ministry of Environment and Urbanization.

Waste Management Supervisor’s Office reporting to the Office of Chief Human Resources Officer coordinates the process for waste management. Waste management procedures are in place for each different waste category defined by the applicable national laws.

Initiatives in 2015:

- Within the scope of our waste management system, we continued on the annual awareness raising trainings for our employees in 2015. We submitted the related documents to General Directorate of State Airports Authority.

- The expired agreements among the ones, executed with the waste recycling facilities licensed from the Ministry of Environment and Urban Planning, were renewed to ensure utilization of the most appropriate waste recycling method for each waste category.

- Recycling units were provided to our offices in Istanbul and other domestic departments. This process of provision upon request is still continuing.

- Industrial waste management plans were set up and are still being drawn up for our domestic premises as deemed required.
REPORTING OF WASTES

Reporting of any hazardous waste is performed online in accordance with the regulations of the Ministry of Environment and Urbanization. In 2015, the packaging waste sent to recycling amounted 503 tons and non-hazardous waste sent to recycling amounted 382 tons. The total amount of hazardous waste which is sent to companies licenced for hazardous waste collection is 58 tons.

Amounts of wastes are given in the waste table under the performance tables section of the report.

AMOUNT OF PACKAGING SENT TO RECYCLING IN 2015

- Paper (499 tons)
- Glass (3 tons)
- Plastics (1 tons)
As stated in our Environmental Policy, we are committed to reduce the noise emissions. Acquiring one of the youngest fleet of the world with an average age of 6.9 years already makes substantial contributions in our reduction targets. Furthermore, we have already ordered new generation aircraft to be delivered by 2021 which will enable us to reduce our noise emissions even further.

Airworthiness Tracking Supervisor’s Office executes application processes to obtain Noise Certificate for each aircraft in accordance with the applicable national and international aviation requirements. It can be seen that the noise level limitations are complied with during landing and take-off at airports with this certificate providing the allowed noise level data for aircraft.
Our business approach is based on creating long-term value and satisfaction for all our stakeholders; including customers, employees and the society we live in.
Approach

At Turkish Airlines, safety is the absolute priority and foundation in our operations.

We, as Turkish Airlines, are determined to operate in accordance with the highest operational standards. In order to serve these purposes and principals, resources are allocated to establish, maintain and improve state-of-the-art systems, one of which being the Safety Management System (SMS). Turkish Airlines’ CEO has been the designated accountable executive for the current SMS, which has been in place since 2006. He leads in the commitment for safety by setting the policy and scene for the Turkish Airlines’ team.

Policy

As stated in our Safety Policy, Turkish Airlines implements continuous improvements to develop and improve operational conditions to go beyond the global standards of the authorities and manufacturers that define the baseline. In order to achieve this goal, management systems are implemented in an integrated manner. One of the management systems in place as part of the Integrated Management System (IMS) of Turkish Airlines is the SMS to specifically deal with the operational hazards and manage risks. Being ranked as the best airline in Europe with respect to its operational quality and customer experience for 4 times in a row, Turkish Airlines is determined to be recognized with its excellence in safety.

SMS Organization and Management

Principally, Turkish Airlines’ SMS is maintained beyond the level that suffices for compliance with the global standards. Safety system has been structured to encompass the entire organization as well as the interactions with the operational environment; operations-specific safety programs are implemented to identify hazards and manage risks in a proactive and predictive manner to assure sustainability. The day-to-day administration of SMS is ensured by the SVP, Corporate Safety. Flight Operations Safety, Ground and Maintenance Safety and Safety Information Management are the three departments within the SVP, Corporate Safety that are responsible for managing the Flight Safety, Cabin Safety, Training Safety, Ground Safety, Maintenance Safety, Cargo Safety, Dispatch Safety, Safety Assurance, Fatigue Risk Management and Flight Data Monitoring Programs.
SMS STANDARDS AND REGULATIONS

Turkish Airlines’ SMS, being more sophisticated than the standard requirements, is in strict compliance with the highest level of standards and regulations in the industry.

Turkish Airlines has been registered under IOSA (IATA Operational Safety Audit) since 2006, when IOSA program was first introduced. Establishing the most detailed operational safety standard in aviation, IOSA provides a measure for and a proof of health and safety of an airline operator. In addition to the IOSA audit, Turkish Airlines is in active contact with numerous Civil Aviation Authorities due to its vast operation network, and time to time may be subject to audits by such authorities as well as by Turkish Directorate General of Civil Aviation (DGCA). These audits are appreciated as a reassessment opportunity and feedback mechanism for Turkish Airlines’ safer operation. Active and continuous participation in Workgroups of International Civil Aviation Organization (ICAO), EASA, Turkish DGCA and Star Alliance is encouraged by the CEO.

SAFETY TRAININGS

To ensure the safety awareness is at highest level, trainings in line with international regulations are held by the Aviation Academy of Turkish Airlines. Moreover, Turkish Airlines participates in academic research projects as a responsible industry partner. For further information about SMS trainings, please see the “Aviation Academy” section of the report.

SAFETY CULTURE

Turkish Airlines fosters a Safety Culture with the following attributes: Flat, Reporting, Learning, Informed, Resilient, Committed and Just. Corporate Safety has adopted a Flat Office and Flat Cockpit Policy to enhance safety culture, which is one of the principal components of the corporate values.

Empirically being the safest mode of transportation, aviation has globally well-defined high operational standards. Nevertheless, the reports provided by the stakeholders, especially the frontline personnel, very much help to improve the system and operational conditions. Thus, safety declaration and policy states a non-punitive approach and provides immunity for reporting. The number of reports and the trend are one of the items reviewed by the safety board since reporting is appreciated as the hallmark of a functioning and effective SMS.
SAFETY REPORTS IN PLACE

Turkish Airlines continuously assesses the philosophy and proficiency of its conceptual and operational models, monitors efficiency of its safety policy and safety objectives as well as its compliance with the policy.

A centralized, non-punitive and well-functioning safety reporting system is in place. The evolution in reporting system can be seen through the figure depicting the number of reports per month.

In addition to the reporting system, other open channels such as “Direct Message to CEO”, “flightsafety@thy.com” and open invitation for a coffee at Safety Office are also provided to promote communications.

ACTIVITIES

Turkish Airlines has participated to ICAO Cabin Crew Competency-based Training Workshop held in Istanbul providing knowledge of ICAO Standards and Recommended Practices (SARPs) relevant to cabin crew and cabin safety and security.

Turkish Airlines Safety department has participated to the Level Bust Workshop co-chaired by Turkish DGCA and UK CAA/NATS. During the workshop, Bow-Tie Model was used to identify the Level Bust hazards and risks.

Turkish Airlines participated to IATA IRM (Incident Review Meeting) and Star Alliance Safety Group meetings in 2015, Turkish Airlines will also participate to IATA Cabin Safety Conference, Airbus and Boeing Flight Safety Conferences in 2016.

Turkey is in the process of adopting and implementing a common set of harmonised regulatory standards based on European Aviation Safety Agency (EASA) regulations in the various fields of aviation safety. Turkish Airlines is experiencing a significant growth of their activities and, at the same time, different adjacent activities increment as well. In this context, EASA was invited to conduct a gap analysis in the air operations domain. The gap analysis consisted of a desktop review of documents, on-site visits and the final report of the gaps that were identified and suggestions to eliminate them.

Boeing Flight Operations Support Program Meeting with Turkish Airlines will be conducted in Istanbul with the hospitality of Turkish Airlines.
SAFETY AUDITS

In 2015, Turkish Airlines successfully completed its recent biennial Safety Audit with respect to enhanced IOSA standards.

Turkish Airlines conducts operational observations in addition to the audits and inspections. Line Operations Safety Audit (LOSA) being the source of inspiration, all operational areas are planned to be within scope of a two-year plan. LOSA observations have been implemented since 2010 to assess operations from a safety perspective and collect data about errors and potential threats, which are otherwise difficult to identify. Every sub-fleet within Turkish Airlines’ fleet is observed biennially. The findings are used in enhancing airline SOPs, trainings and safety communications. The information is collected and reported, in line with ICAO 9803 guidelines, in a non-identifying fashion to encourage participation. 2014-2015 LOSA flights for Boeing 737 fleet were completed and LOSA Report was issued. Safety assurance and promotion activities go hand in hand with the support and participation of upper management.

The Safety Assessment of Foreign Aircraft Program (SAFA Program)

Safety Assessment of Foreign Aircraft (SAFA) is a program run by European Aviation Safety Agency (EASA). The purpose of SAFA audit is to check the cockpit, cabin and documents inside the aircraft, and all exterior surfaces and cargo compartments outside the aircraft before and after the flight; and to determine and solve any matters, which may affect the flight safety adversely. Audits carried out among SAFA members’ result in a SAFA rating.

Our Company achieved an improvement by 12% compared to the year 2014 which is above the European average and closed the year 2015 at 0.252.

Safety Assessment Of National Aircraft Program (SANA Program)

These are the audits conducted by the DGCA based on the control criteria of EASA SAFA audits for the airlines operating in Turkey.

Safety Assessment of Company (Community) Aircraft (SACA Program)

SACA inspections are internal inspections conducted as of 2011 under the leadership of the SVP, Quality Assurance of Turkish Airlines. The purpose of SACA inspections is to minimize SAFA and SANA findings and to ensure that repetitive findings are eliminated through corrective and preventive actions. SACA inspections make a great contribution to the successful improvement we have achieved in SAFA rate.

Turkish Airlines pays great attention to safety and security and makes investments accordingly. Our numbers clearly speak for our success.
SAFETY PERFORMANCE

Thanks to safety performance indicators, safety, despite its abstract nature, has become measurable as a tangible asset, which is one of the fundamental attributes of the service presented.

A very large set of SPIs are improved continuously and Generalized Safety Index (GSI), derived from the SPIs, is monitored as one of the core business indicators. The results are disseminated within the company to enable data driven improvement process and enhance safety culture. The target value of GSI for 2014 was 86, which has been surpassed to reach 86.2 with a better performance; a score that is very close to the target set at 86.5 for 2015.

INVESTMENTS AND FUTURE PLANS

Every flight record is aimed to be analyzed by the FDAS to assure that the management has been in compliance with Standard Operating Procedures and aircraft’s airworthiness is not affected. The same flight data are also analyzed to monitor fuel efficiency and carbon footprint. In order to reach 100% almost real-time data coverage, Turkish Airlines invested in excess of USD 10,000,000 in Teledyne’s End-to-End wireless solution including retrofits. Our modern, young aircraft fleet is planned to be communicating wireless by the end of 2016.
Enhancing
A Secure Travel Experience

APPROACH

Turkish Airlines Security Department ensures security during the course of all its activities. These activities include sustainability of passenger transportation, cargo transportation, and security training according to national and international security regulations and standards while preventing acts of unlawful interference.

As a proactive measure, Turkish Airlines Security Department conducts risk assessment of the destinations before the commencement of the operations and informs the related departments and personnel about the security vulnerabilities in order for them to take necessary precautions.

POLICY

Turkish Airlines Security Policy ensures the operational security, management of security related activities, determination of the security responsibilities, identification of the security vulnerabilities/risks, providing the highest level of communication, promoting a corporate security culture and providing necessary resources for ensuring security in company.

SeMS ORGANIZATION AND MANAGEMENT

Turkish Airlines Security Management System (SeMS) is managed by the SVP, Security which reports directly to the CEO. Aviation Security Management is responsible for the protection of the passengers, the aircraft and the cargo on the ground and in the air; while Risk Assessment and Investigation Management ensures the sustainability of the security operations. Additionally, Facilities Security Management protects the buildings, vehicles, employees from any threats that might arise against company facilities globally.

Our Security Policy can be accessed on our website:

[QR Code]
SECURITY POLICY

To Ensure Operational Security
Turkish Airlines develops and implements processes to prevent acts of unlawful interference that may occur on the ground or during flights and establishes security objectives and security performance standards. While implementing these processes, Turkish Airlines provides a periodic policy review to ensure continuing relevance to organizational needs and to the requirements of security performance standards.

Management of Security-Related Activities
Turkish Airlines ensures a clear statement of the organization’s security objectives and the measures taken in order to conform to security regulations. It executes its corporate security management system to provide security to all its activities with constant improvement.

To Determine Security Responsibilities
Turkish Airlines determines the responsibilities of its employees regarding security-related issues and ensures a commitment to security from senior management as a fundamental priority throughout the organization.

To Identify Security Vulnerabilities and Risks
Turkish Airlines provides assistance to all its employees to identify and prevent vulnerabilities and risks that may occur as a result of the interaction between people, machines, the environment and duties.

To Provide Highest Level of Communication
Turkish Airlines promotes a just culture where the flow of information and communication is carried out objectively between senior management and the employees in order to support all activities.

To Establish and Promote a Corporate Security Culture
Turkish Airlines ensures that all necessary arrangements are made to establish and improve a "Corporate Security Culture". It promotes activities to increase security awareness and to make security an integral part of the corporate management system.

To Provide Necessary Resources for Security
Turkish Airlines ensures the provision of the resources necessary for the successful implementation of the security policy.
AVIATION SECURITY TRAINING

All personnel of company (management, front office, ground handling, flight crew, security, catering, cargo, service provider/supplier, etc.) shall be provided with the initial security trainings as provided by the national regulations with respect to the duties and responsibilities thereof prior to the commencement of their employment. Refresher trainings shall be carried out in accordance with the periodical requirements specified by the national regulations.

All aspects of the security training programmes are regulated according to instructions published by DGCA in Turkey.

SECURITY COMMUNICATION

At Turkish Airlines Security Department, communications are executed in a secure manner, including non-punitive reporting procedures to encourage the reporting of any inadvertent human error. To ensure the exchange of relevant operational information throughout all functions of the Company, including senior managers, operational managers, front line personnel, cockpit and cabin crew, SVP, Security has established a communication system, which enables the flow of information from the top management to the staff step by step according to the job title levels.

To promote communication, SVP, Security ensures that the flow of information is provided through “security@thy.com” for all suggestions, requests and reporting.

TARGETS AND ACTIONS

Turkish Airlines security procedures aim to ensure the protection of its customers, employees and assets including facilities and aircraft. For maintaining the sustainability of the operations, various measures such as airport risk assessment of the flight points and control of aircraft, passengers, baggage, cargo and employees are taken systematically. As the entire security operation is subjected to strict regulations by the Directorate General of Civil Aviation, Transport Security Administration (TSA), European Union Regulations, etc., it is important for SVP, Security to constantly monitor national and international regulations for compliance purposes. We see these activities as high priority since we are the flag carrier of the Republic of Turkey.
Freedom of Association and Collective Bargaining

Turkish Airlines complies with national regulations about freedom of association and rights of collective bargaining. Furthermore, the agreement with the Union and Turkish Airlines internal procedures describes the general rules and principles of employment and type and duration of the employment contracts.

Collective Bargaining Agreement has been in place at Turkish Airlines for nearly 48 years and it has been continuously refined to improve the rights of employees and executed smoothly in a manner to minimize any possible conflicts through dedicated efforts of the parties so far. We will strive to do so in the future.

Health, Safety and Well-Being

**APPROACH**

Health, safety and well-being of our employees, customers, business partners and contractors and those who may be impacted by our activities are our top priority in every field we operate. Our commitment to Occupational Health and Safety (OH&S) goes well beyond compliance with statutory OH&S requirements and integrated into our Company culture. We are dedicated to maintaining the aim of eliminating and reducing the risk of injury and taking any and all preventive and protective measures to ensure a safe and healthy work environment.

**POLICY AND MANAGEMENT**

Turkish Airlines has a public OH&S policy accompanied with a well-documented OHS Management System that is carried out together with SVP, Personnel Management and SVP, Quality Assurance. These two SVPs and our Health Management consisting of various health experts including doctors, nurses, health and safety specialists and officers work to ensure that the highest standards of occupational health and safety can be achieved and maintained. Turkish Airlines’ CEO is the accountable executive designated for the existing occupational health and safety management. Furthermore, our Health and Safety Committees including representatives from employees, encourage the employees in actively involving in health and safety activities.

The Company holds management review meetings regarding OH&S issues twice a year, with the attendance of the CEO, the Chief Officers, the Senior Vice Presidents, the Managers directly reporting to the CEO and President and the Managers of the SVP, Quality Assurance.
MANAGEMENT

Turkish Airlines systematically collects, monitors and reviews health and safety data through online reporting systems and has established various mechanisms to achieve continuous improvement in its performance. Thus, all incidents including the near misses are reported; the root causes of the incidents are examined and investigated, and corrective and preventive actions are implemented.

Moreover, the statutory agreements executed by and between Turkish Airlines and unions cover compliance with the rules and regulations applicable to the health and safety issues.

As a result of all these efforts, Turkish Airlines has been certified under the internationally recognized Occupational Health and Safety Management System Certificate (OHSAS 18001) in 2013. We strive to achieve continuous improvement and ongoing compliance with the regulations and standards.

Performance

Turkish Airlines is dedicated to achieving the goal of reducing injury rate on a continuous basis. As a first step, the reporting system has been improved to identify even the smallest type of injuries. In 2015 the injury weight rate has been 52.54 which is calculated as number of lost days *1,000,000/working time.

Between 2011-2014 Turkish Airlines has not experienced any fatal accidents.

Main types of injuries experienced at work within the organization of Turkish Airlines are minor cuts, musculoskeletal system injuries and falls.

Targets

All of our employees have been provided with training about the recent OH&S regulations. In 2016 we aim to decrease the injury weight rate to below 50 which is 52.54 as of 2015.
HEALTH AND SAFETY PRACTICES

Turkish Airlines promotes psychological health as well as physical health and well-being of its staff members, and is committed to ensuring that the staff members taking part in critical functions are physically and medically ready to undertake their respective tasks.

Personal Protective Equipment

Turkish Airlines provides appropriate personal protective equipment (PPE) that meets the respective international and national standards.

PPE needs are regularly assessed and any and all existing PPE are re-assessed to ensure that they are still at good operating conditions.

Emergency Response

Turkish Airlines has emergency response action plans which cover pre-determined actions that employers and employees must take to ensure safety in case of fire or other emergencies. Adequate emergency equipment such as first aid kits, fire extinguishers, emergency showers, emergency lighting, breathing apparatuses, ladders, stretchers, emergency communication equipment are regularly checked.

16 emergency evacuation drills were conducted in 2015 in order to enhance the emergency preparedness.

Medical Examinations

Our goal is to ensure and enhance the long-term health and employability of all our employees. For this, periodic medical examinations are conducted with the purpose of evaluating the health status, screening for risk factors and diseases and providing preventive counseling interventions for our employees.

In 2015, 109,976 medical examinations including routine periodic medical examinations of the existing employees and pre-examinations of the newly recruited staff members have been performed.

Drinking Water Tests

Microbiological, physical and chemical parameters of water at our aircraft and stations are tested periodically in order to ensure safe drinking water both for our employees and customers.
Promoting Healthy Lifestyles

We encourage our employees to make healthy choices through various initiatives. Our health program promotes healthy diet, substance abuse awareness and being smoke free.

Weight management and an active lifestyle are keys to prevent obesity which is associated with numerous chronic diseases. We offer nutrition counseling service to help our employees make healthy nutrition choices, exercise and manage their weight. We promote a smoke-free environment and our employees can participate in a tobacco cessation program to help them become smoke-free.
**Calculation Methodology**

Electricity, Water and Natural Gas 2014 saving figures are calculated based on the consumptions in the following locations: Turkish Airlines Headquarters and Yenibosna and Gunesli Premises.

**OH&S**

Turkish Airlines calculates the accident frequency rate as follows: number of accidents*1000000/working time.
Scope: Only Turkish Airlines data are used while calculating the injury rate.

**About the Report**

This is the first sustainability report that represents the sustainability performance of Turkish Airlines for the year of 2014 prepared in line with the globally-recognized sustainability reporting framework, “GRI G4”, the latest version of Global Reporting Initiative (GRI) Guidelines, in accordance with core option. Where relevant, Turkish Airlines has also included data from the previous years 2012 and 2013. Turkish Airlines Company and its fully owned subsidiaries, Turkish Habom, Turkish Technic and Turkish Flight Academy are included in the consolidated financial statements however these subsidiaries are not covered by the report. External assurance has not been provided for any of the indicator or the report itself. We plan to report on our sustainability performance regularly.

**Contact for Feedback:**

Any feedback we receive from you remains a source of great strength for us.
Contact for feedback : ir@thy.com, +90212 463 63 63

**Disclaimer**

Türk Hava Yolları A.O. (or “Turkish Airlines”) has prepared this report for the sole purpose of providing information about its sustainability practices. This report is not, and does not support to be comprehensive and to contain all information related to Turkish Airlines.

The information contained in this report has not been subject to any independent audit or review and may contain forward-looking statements, estimates and projections. Statements herein, other than statements of historical fact, are forward-looking statements. Although Turkish Airlines believes that the estimates and projections reflected in the forward-looking statements are reasonable, they may prove materially incorrect, and actual results may materially differ. As a result, you should not rely on these forward-looking statements.

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Industry, market and competitive data and certain industry forecasts used in this report were obtained from internal research, market research, publicly available information and industry publications and other market commentaries. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable at the relevant time, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal research, market research, industry publications and other publicly available information, while believed to be reliable, have not been independently verified, and Turkish Airlines does not make any representation as to the completeness or accuracy of such information.
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