

**SUSTAINABILITY
REPORT
2016**



ABOUT THE REPORT

This is the third sustainability report that represents the sustainability performance of Turkish Airlines for the year of 2016 prepared in line with the GRI G4 Guidelines, in accordance with core option. Where relevant, Turkish Airlines has also included data from the previous years 2014 and 2015. Turkish Airlines Company and its fully owned subsidiaries, Turkish Technic Inc. and Aydın Çıldır Airport Services 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.

Our 2015 sustainability report scored 98 out of 100 points and was awarded the Gold Award in the sustainability report category in the 2016 the League of American Communications Professionals (LACP) Spotlight Awards-Global Communication Competition, which is considered one of the world's most distinguished global communication competitions. 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

CONTENT WRITER & REPORTING CONSULTANT :

SUSTAINOVA
Sustainability Consulting

www.sustainova.com.tr

Tuba Atabey | tuba.atabey@sustainova.com.tr

We are responsible today for future generations to be able to explore the beauties of the world tomorrow.

CONTENTS

About The Report	01
Executive Message	04
Our Company	06
TURKISH AIRLINES AT A GLANCE	08
COMPETITIVE STRENGTHS & PRIORITIES	10
AWARDS	14
Sustainability Management	16
OUR SUSTAINABILITY APPROACH	18
ENGAGING WITH STAKEHOLDERS	19
OUR MATERIAL ISSUES	22
CORPORATE GOVERNANCE	23
Economy	30
CONTRIBUTION OF AVIATION	32
OUR ECONOMIC FOOTPRINT	35
Environment	40
ENVIRONMENTAL MANAGEMENT	55
NOISE MANAGEMENT	42
COMBATING CLIMATE CHANGE	46
FUEL EFFICIENCY	48
WASTE MANAGEMENT	49
Social	56
CORPORATE SAFETY	58
FLIGHT SECURITY	62
CUSTOMERS	64
EMPLOYEES	74
SOCIAL RESPONSIBILITY	89
Appendices	97
PERFORMANCE TABLES	98
CALCULATION METHODOLOGY	100
GRI G4 CONTENT INDEX	101



Message from the Chairman of the Board of Directors

Dear stakeholders,

As the airline that flies to the most countries worldwide which has been renowned as the "Best Airline in Europe" for the sixth time in a row, we organize our future flights with a sense of responsibility to enable current and future generations to explore the beauties of our world.

We are dedicated to minimize our environmental footprint arising from our operations and support social development both in Turkey and across all destinations for a habitable world. We issue regular reports to share our sustainability efforts with you. Our sustainability report for 2015 has received the Golden Award at 2016 LACP Spotlight Awards, one of the most prestigious global communication competitions organized by League of American Communications Professionals (LACP). In this context, we are happy to share our third sustainability report with you, which has been issued in accordance with the G4 Core guidelines of Global Reporting Initiative (GRI). As discussed in the report, our sustainability activities focus on four core subjects namely governance, economy, environment and social, each encompassing many significant topics.

From an economic perspective, aviation industry brings along many significant contributions such as tourism, commerce, connectivity; it also supports economic development by creating employment opportunities and promoting innovation. As the airline company that flies to the most countries worldwide with 287 destinations across 115 countries, we create new opportunities with our expanding coverage, making significant contributions to Turkish economy, trade and tourism. In addition, Turkish Airlines connects many developing and underdeveloped territories to other regions around the world, enabling them develop their economic and social relations.

In 2016, despite the negative developments experienced at home and an environment of increasing uncertainty in global economy, our Incorporation continued to support economic development by acting with a sense of responsibility as the national flag carrier and the certified most valuable brand of Turkey. In spite of the turbulent environment both globally and across the region, we have managed to increase total number of our passengers to 62.8 million with a fleet of 334 aircraft and along with our affiliates, we employ 50 thousand people. Moreover, Turkish Airlines ranked first with an export figure of USD 7.6 billion at the "Turkey's Top 500 Service Exporters" survey conducted by Turkish Exporters' Assembly, and has become the organization that brings in most foreign exchange earnings in Turkey. In the near future, the first phase of the New Istanbul Airport will be put into service in 2018 and once all phases are completed it will be the largest airport in the world with a capacity of 200 million passengers. It will enable our brand to grow even more, creating significant added value for the entire national aviation industry, including our affiliates in particular.

We have taken various initiatives to increase our fuel efficiency, and therefore reduce our carbon footprint in order to protect the environment and fight against climate change which is one of the leading global issues today. We have one of the

youngest fleets in the world with an average age of 7.1 as of 2016. Thanks to our fuel efficiency actions, we increased efficiency in our flights by 20% compared to the figures nine years ago. In 2016, we saved 43,975 tons of fuel, preventing emission of 138,522 tons of CO₂ this year and 1,329,783 tons of carbon in total since 2008. The successful results of our initiatives in this area is also appreciated in international studies. In a survey conducted by the International Council on Clean Transportation (ICCT), our Company ranked 4th in fuel efficiency among 20 airlines operating transatlantic flights. As part of our future plans, we will be able to reduce carbon and noise emissions even further thanks to the new aircraft with higher fuel efficiency, which we have ordered for delivery between 2018-2023.

Our Corporate Governance practices encompass ethics, transparency, shareholder relations, risk management strategies, internal control and compliance and are subject to monitoring by the relevant Committees formed within the organization of the Board of Directors. Thanks to our Ethical Board and the corporate governance principles and values we adopted, we carry out operations with social and ethical responsibility beyond safeguarding our financial interests.

Our priority topics as part of social sustainability include corporate safety, flight safety, passenger satisfaction, adding value to our people and contributing to social development. As the flag carrier airline of Turkey, it is our top priority to ensure the safety of our passengers and employees. We display an increasing performance in the Safety Assessment of Foreign Aircraft (SAFA) organized by European Aviation Safety Agency (EASA) annually; in 2016, we achieved a SAFA score of 0,25 which is above the European average. Satisfaction of our passengers and their trust in our brand are the backbone of our growth and success and the core value of Turkish Airlines. At Skytrax Awards, we have been awarded as the "Best Airline in Europe" for the sixth time in a row, besides winning awards in "World's Best Business Class Lounge Dining" and "Best Airline Company in Southern Europe" categories. We, at Turkish Airlines, implement ISO 10002 Customer Satisfaction Standard as we remain committed to always offering innovative and sustainable services that will make a difference. We believe that as the airline that flies to the most countries worldwide, we have assume more social responsibilities for a sustainable development of our country and our world. As of 2016, nearly 1.2 million passengers travelling to/from 21 least developed countries were carried by Turkish Airlines. This way, we have enabled those countries to develop their economic and social relations with the rest of the world. We are engaged in social responsibility projects with our volunteers in order to increase our local contributions in our flight destinations. In 2016, we carried out various projects across 23 destinations in 16 countries, including Ulaanbaatar, Kano, Jerusalem and Maputo. Besides these projects, as a brand that believes in the uniting power of sports, we continue supporting sports and cultural events. Some examples include UEFA Euro 2016, Turkish Airlines Euroleague, Turkish Airlines World Golf Cup, Turkish Airlines Open, and Batman vs. Superman: Dawn of Justice. We are a giant, multicultural family with more than 50 thousand employees who have achieved this success altogether. We care about the satisfaction and career development of our employees. Through the operations of the Turkish Aviation Academy and Flight Training Center, we not only increase their performance but also provide training services for local and foreign customers with national and international ratings and authorizations.

Thanks to our sustainability approach and the policies we adopt in this respect, we were included in the Sustainability Index created within Istanbul Stock Exchange. Our success is directly linked to the satisfaction of our stakeholders, and we will continue developing our strategies based on the feedback we receive from them. I would like thank our colleagues, business partners, shareholders and all other stakeholders for their valuable contributions and hope to continue planning sustainable journeys together.

M. İLKER AYCI
CHAIRMAN OF THE BOARD OF DIRECTORS
AND THE EXECUTIVE COMMITTEE



OUR COMPANY

TURKISH AIRLINES AT A GLANCE	08
COMPETITIVE STRENGTHS & PRIORITIES	10
AWARDS	14

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 sixth consecutive year, Turkish Airlines, together with our fully consolidated subsidiaries employs 50,000 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. However, 2016 has been a year during in which Turkish Airlines was affected by the unfavorable conditions experienced in the world and in our region. While struggling with all these negative circumstances, we have properly fulfilled the responsibility we committed, bearing in mind that Turkish Airlines is the National Flag Carrier of Turkey. Turkish Airlines ranks as the world's 4th largest flight network, connecting Istanbul to 295 destinations in 119 countries as of 2016. This makes us the number one airline in the world that flies to the most countries and international destinations from a single hub. Thanks to this, we continued to increase the number of passengers despite the unsteady environment in the world and the region, and carried a total of 62.8 million passengers in 2016 with 334 aircraft in our fleet. In cargo operations, with the increasing service quality, we managed to increase not only the amount of cargo carried, but also the cargo revenue, significantly in 2016.

Turkish Airlines has been a member of Star Alliance since 2008. The Company has 11 subsidiaries, compromising mainly of service provider companies operating in the field of maintenance and overhaul, catering, ground handling and fuel supply. Among these, 2 are directly owned companies and 9 are joint ventures.

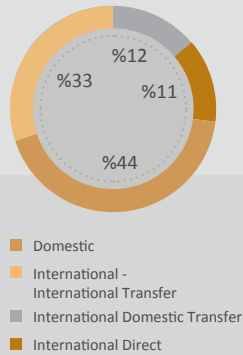


2016 KEY FIGURES



COMPETITIVE STRENGTHS & STRATEGIC PRIORITIES

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 40.0% 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, 2016, Turkish Airlines offered flights to 119 countries (including Turkey)—more countries than any other airline. In addition, Turkish Airlines positioned itself as the largest air carrier in the world by number of international destinations served from a single hub, and now aims to improve its connectivity across the globe.

TURKEY’S AND ISTANBUL’S ECONOMIC AND DEMOGRAPHIC POTENTIAL

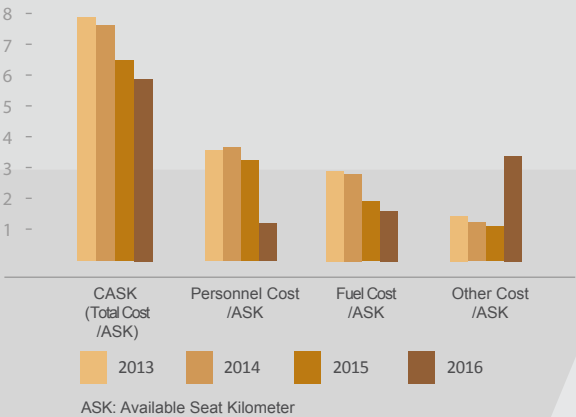
Turkey, and particularly Istanbul, is rapidly becoming one of the most visited destinations in the world, and despite the unfavourable conditions in 2016, Turkish Airlines believes it will continue to grow as a tourist destination, given its strategic central location between Europe and Asia. This growth 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 2016, 41% of Turkish Airlines’ international passengers flew directly into or out of Turkey, while the remaining 59% were international-to-international transfer passengers.



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. In 2016, we maintained our low unit cost structure, thanks to the austerity measures we have taken and efficient capacity planning and continued to sustain our position as the airline with the lowest unit cost among our peers. Turkish Airlines plans to continue investing in new generation technologies to decrease costs, increase efficiency and enhance its customers’ product experience.

UNIT COST STRUCTURE (US CENT)

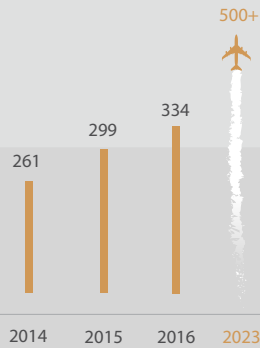


EFFICIENT FLEET STRUCTURE

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 348 new wide and narrow body aircraft, 175 of which have been delivered as of YE2016, with the remaining 173 scheduled to be delivered by YE 2023. All of these aircraft are new generation aircraft that are 15% more fuel efficient and cause relatively less noise emission.

With these additions and more, we aim to have the world’s largest and most modern fleet with more than 500 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.

FLEET PROGRESS



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 has brought Turkish Airlines the runner- up prize of "The Best Business Class Special Passenger Lounge" in world ranking and was awarded **"Best Business Class Lounge Dining"** by Skytrax this year as in the past two years -to Turkish Airlines' award

winning catering service- which was named "Best Business Class Catering" by Skytrax in 2016 for the fourth 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, demonstrating a stable and sustainable growth over the last 10 years, has suffered a significant loss in revenues in 2016, which was a tough year both for the aviation sector in general and for Turkish Airlines in many aspects, as well. However, despite all extraordinary circumstances that have been experienced, we have properly fulfilled the responsibility we committed, bearing in mind that Turkish Airlines is the National Flag Carrier and achieved success appreciated by the aviation authorities, without suffering any loss in our operational performance thanks to the urgent measures we have taken against such circumstances.

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.

We believe that the cyclical fluctuations that occur in our region and industry will lose their effects in 2017 and so, we will be able to resume on our growth trend.

Since 2006, Turkish Airlines has increased its capacity in ASK by 17% on average annually (CAGR). With this growth rate, Turkish Airlines' global market share in terms of ASK capacity more than tripled reaching 2% in 2016 compared to 0.7% in 2006 according to the reports issued by the International Air Transport Association (the "IATA"). In 2015 and 2016, Turkish Airlines capacity increase was 14.0% and 10.7%, respectively, compared to the global ASK increases of 6.7% and 6.2%, respectively, for the same years according to the IATA.

Istanbul, an ideal transfer hub between Asia and Europe with and increasingly busy traffic, occupies an important place in the strategic growth objectives of Turkish Airlines. Istanbul New Airport, whose ground breaking ceremony took place in 2014, will become a key benchmark in bringing our 2023 vision into action. The new airport will be one of the biggest airports in the world at its final stage, with 5 parallel, a total of six runways, three terminals and 200 million passenger capacity. It is anticipated that the first phase of the airport will be ready for use by 2018, with a passenger terminal on an area of 1.3 million square kilometers and will be able to handle 90 million passengers.



The new airport will be one of the biggest airports in the world at its final stage with six runways and 200 million passengers' capacity a year.

AWARDS

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

In 2016, being awarded as "The Most Valuable Brand of Turkey", by BrandFinance, an international brand valuation organisation, revealed, once more, the value we produced on behalf of our industry, employees and shareholders. This award has been a source of motivation in meeting our goals as a global brand of Turkey. Another field that our brand made its name with the value it created was the service export. Ranked in the first place in "500 Great Service Exporters" survey, which was conducted by Turkish Exporters Assembly, Turkish Airlines turned out to be the company which brought the most foreign currency into our country.

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 2016, Turkish Airlines had been chosen as the "Best Airline in Europe" six years in a row as part of the Skytrax World Airline Awards. Additionally, Turkish Airlines was awarded the "Best Business Class Catering" and "Best Business Class Lounge Dining" at the Skytrax World Airline Awards in 2016. 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.



2016



Best Airline in Europe (Skytrax)
World's Best Airline Business Class Catering (Skytrax)
World's Best Business Class Lounge Dining (Skytrax)
Best Airline in Southern Europe (Skytrax)
Airline of the Year (Air Transport News)
Cargo Airline of the Year (Air Transport News)
Capital Markets Deal Of the Year (Airfinance Journal)
Tax Lease Deal of the Year (Airfinance Journal)
Finalist in the "Transport Finance Deal of the Year" Category (Bonds & Loans)
Runner Up in "Trade and Export Finance Deal" Category (Bonds & Loans)
Runner Up in "Structured Finance Deal of the Year" Category (Bonds & Loans)
Logistics Project of the Year (Annual Success in Logistics Award)
Sustainability Report Gold Award (LACP)
Gold Prize (Epica Awards)
Best International Air Cargo Company
(Atlas Logistics Award)

2015



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)
Global Transport Finance – EETC Deal of the Year (Europe)
Best Investor Relations in Turkey (IR Magazine)

2014



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)

2013



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)



SUSTAINABILITY MANAGEMENT

OUR SUSTAINABILITY APPROACH	18
ENGAGING WITH STAKEHOLDERS	19
MATERIAL ISSUES	22
CORPORATE GOVERNANCE	23

OUR SUSTAINABILITY APPROACH

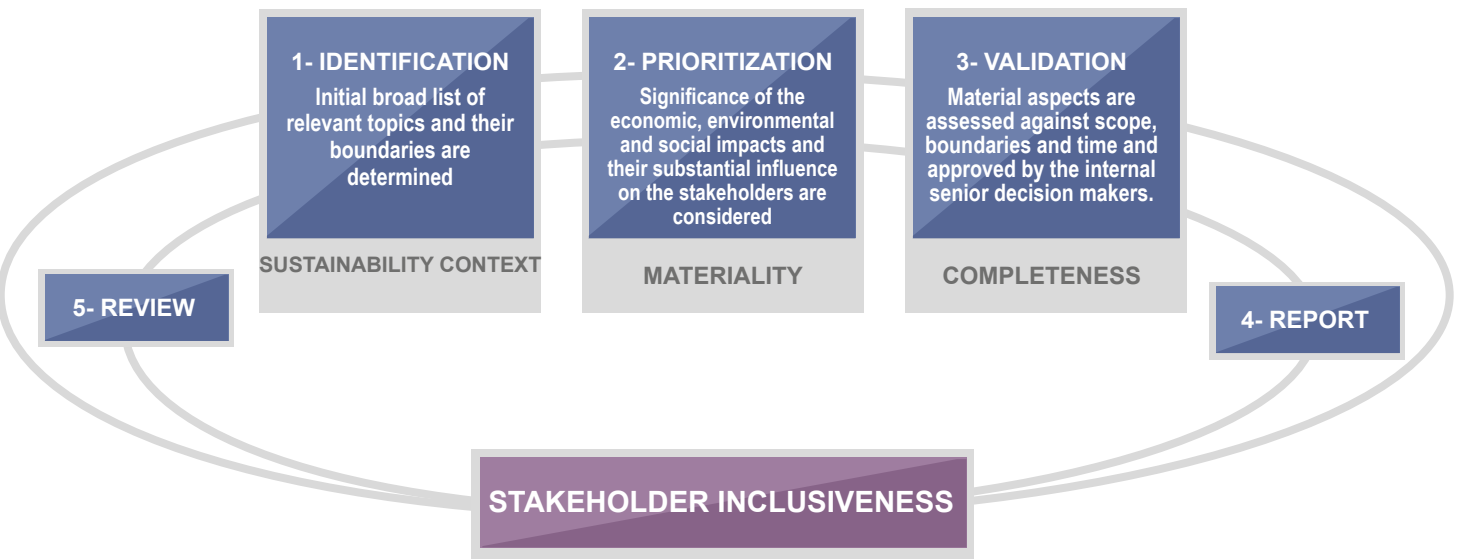
G4-18, G4-25, G4-26

It refers to G4 indicator disclosure number in the GRI Content Index Table on pages 101 to 108

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 20 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.

G4-18, G4-24, G4-25, G4-26

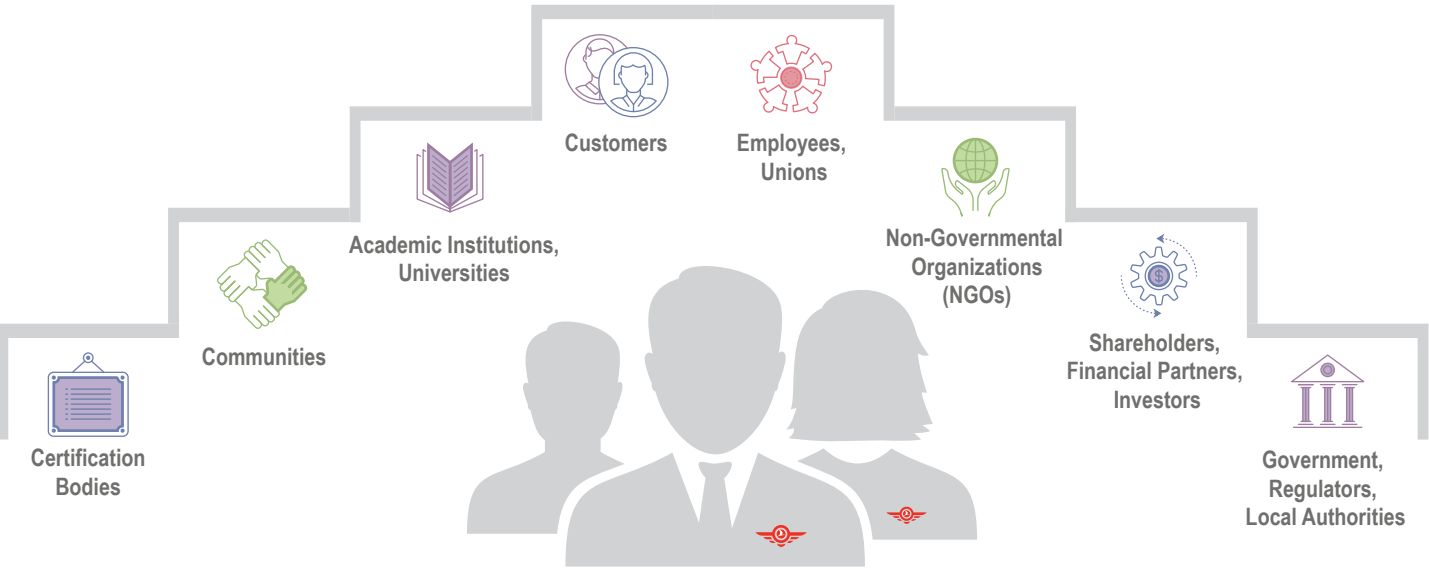
ENGAGING WITH STAKEHOLDERS

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.



- At the core of our sustainability approach are our stakeholders
- Our success goes in pair with satisfaction of and value creation for our stakeholders

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.

G4-18, G4-20, G4-21, G4-24, G4-26, G4-27

	STAKEHOLDER GROUPS	KEY ENGAGEMENT TOPICS	MAIN ENGAGEMENT PATHWAYS	FREQUENCY	SOME OF THE OUTCOMES OF THE STAKEHOLDER ENGAGEMENT
INTERNAL	Shareholders Financial Partners Investors	Minority Rights Operational & Financial Performance Strategy Corporate Governance	E-mail distribution list; "ir@thy.com"	Ongoing	Investor Day events were organized 307 investors/analysts from 214 incorporations were met 2,500 information requests were met via e-mail
			Dedicated "ir" website	Ongoing	
			General Shareholders' Meeting	Annually	
			Investors Meetings	Annually	
			Presentations, Reports, Publications	Quarterly	
	Employees Unions	Business Ethics Cultural Values Employee Satisfaction Freedom of Association and Collective Bargaining Corporate Safety & Flight Security Health and Safety & Well-being Non-discrimination and Diversity Performance & Career Development Sustainable Use of Resources Sürdürülebilir Kaynak Kullanımı	Ethics Line "Ethical Way"	Annually	46 reported cases to "Ethics Reporting Line" have been solved According to the survey, employee satisfaction rate is found to be 76%. Many projects have been initiated upon the survey. Please see pg: 78
			E-mails: flightsafety@thy.com; security@thy.com	Ongoing	
			"Empathy" Company TV	Ongoing	
			"Empathy" Employees Newsletter	Monthly	
			"Empathy" Website "I have an idea" Page	Ongoing	
EXTERNAL	Government/ Regulators/ Local Authorities	Social and Economical Development Customer Rights Compliance Financial Performance Corporate Safety & Flight Security Forestration Health and Safety Noise Waste Management	Audits	Regularly	1,000,000 trees have been planted in Anatolia since 2014. 43,975 tons of fuel were saved which resulted in 138,522 tons of CO ₂ reduction. Environmental compliance assessment has been carried out. Please see pg:45
			Meetings	Ad hoc meetings upon needed	
			Reports	Annual	
	Certification Bodies	Environmental Management Corporate Safety & Flight Security Health and Safety Noise Quality Management	Audits	Regularly	Compliance with ISO 14001:2015 has been assessed. Its planned to be renewed in 2018. Green Company Certification Project has been initiated.
	Customers	Accessibility Customer Satisfaction & Service Quality Customer Rights Corporate Safety & Flight Security Innovative Products & Services Sustainable Catering	Customer Care Call Center	On-going	ISO 10002 Customer Satisfaction Standard Certificate was renewed. On average 6,488 customers participated in customer satisfaction surveys. Many projects have been iniated to improve accessibility. Please see pgs: 72-73
			Customer Web-based/In-flight Feedback Form	On-going	
			Customer Satisfaction Measuring Devices at the Airports	On-going	
			Customer Satisfaction Online-Surveys	Annually	
			In-flight Safety Handouts and Videos	On-going	
			"Skylife" In-flight Magazine	Monthly	
			Social Media (facebook, twitter, instagram, blog)	On-going	
			Website of the Company	On-going	
	Communities	Social and Economic Development Social Responsibility Projects	Meetings with Associations and Charities School and Hospital Visits	Ad hoc meetings as needed	Many projects have been realized in 16 countries and 23 flight destinations. Please see pgs: 90-95 IT & computer classes were set up at 11 locations in Africa. 50 water wells were activated from Sudan to Nigeria.
	Non-Governmental Organizations (NGO's)	Corporate Social Responsibility Projects Accessibility	CSR Fair and Events	Ad hoc meetings as needed	Collaborated with members of the CSR Europe and CSR Association of Turkey for CSR projects
	Academic Institu- tions Universities	Training Employment & Career Opportunities	Meetings	Regularly	Since 2007, we helped 528 participants to overcome fear of flying. Please see pg:72
			Career Days	Annually	
			Social Media (linkedIn)	Ongoing	

G4-24, G4-26

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.



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.

G4-19, G4-20, G4-21

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



CORPORATE GOVERNANCE

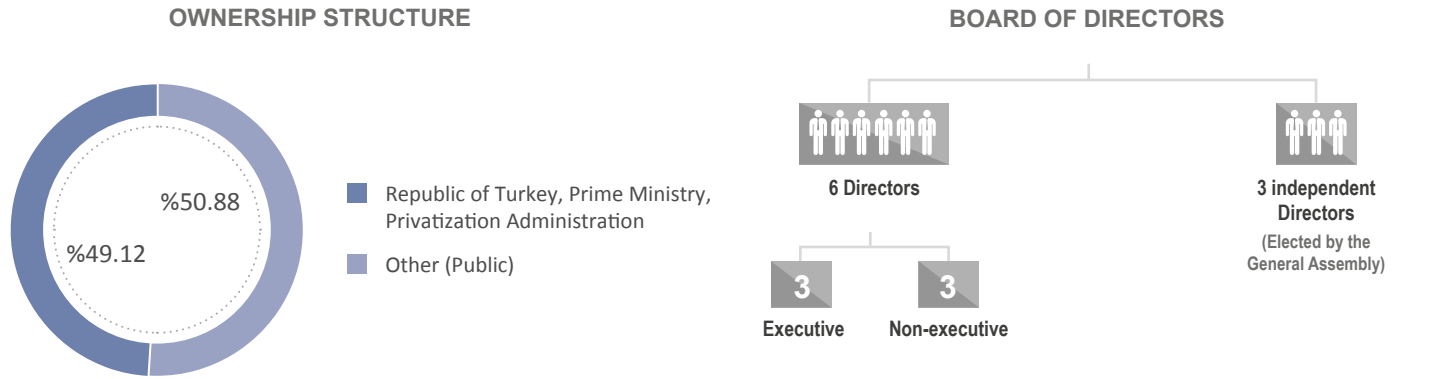
Turkish Airlines, Turkey's flag carrier airline, was founded in 1933. Originally a 100% state owned airline, Turkish Airlines initiated the process of privatization in 1990, and consequently is now 50.88% publicly owned company while the remaining 49.12% is held by the Republic of Turkey, Prime Ministry,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



For more information about corporate governance please check:





Turkish Airlines builds its corporate governance principles on the social responsibility culture it has developed since its foundation in 1933.

During 2016, the Board of Directors convened 48 times and adopted 269 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 2016 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, Kadir Çoşkun (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 recommen-

dations and oversees the activities of the Investor Relations Department. In 2016, the Corporate Governance Committee conveyed once 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 years of experience in the field of audit/ accounting and finance. In 2016, the Audit Committee submitted four 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 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 2016, Early Identification of Risks Committee conveyed 6 times and presented their risk evaluation report to the Board of Directors.

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 2016, Early Identification of Risks Committee conveyed 6 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.



SHAREHOLDERS

G4-26, G4-27

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 2016 fiscal year, Investor Relations Department participated in 15 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 30 teleconferences and met more than

70 corporate/individual investors. In all of these conferences and teleconferences, 307 investors/analysts from 214 incorporations and funds were met at the Company Headquarters or at the Investors' offices. During 2016, around 2,500 information requests were met by our Investor Relations Department via e-mail. The Department presented its report about the activities it carried out in 2016, to the Board of Directors on 17.03.2017.

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.

TURKISH AIRLINES SHAREHOLDERS' GENERAL MEETINGS

	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
	06.04.2015	04.04.2016	09.06.2017
One share equals one note	Yes	Yes	Yes
Number of shareholders present, represented, granting power of attorney to chairman or voting by email	600 shareholders representing 1,068,909,943 shares	571 shareholders representing 966,222,634 shares	365 shareholders representing 835,649,649 shares
Attendance rate	77.46%	70.01%	60.55%

The Public Disclosure Policy can be accessed from:



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 Committee – chaired by Chief Financial Officer, consisting of the Head of Financing, Head of Accounting and Financial Control, Financial Risk Management Manager, Treasury Manager, General Finance Manager, Budget Manager, Financial Control Manager, Financial Analysis Manager and Investor Relations Manager was established in 2008 under the coordination of the Financial Risk Management Department. The Committee 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. In this context, the procedures as regards the risks related to the fuel oil prices, among the financial risks to which the Incorporation was exposed, were initiated in June 2016 and the number of instruments used throughout the years were increased within the market experience gained and also the risk protection procedures are continued within the constantly developing, dynamic strategy. Currently, we try to minimize the fuel oil risk by using Swap and option-based costless banded structures although they vary according to the price levels.

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 natu-

ral 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. In this context, following the determination of Euro, US Dollar and Turkish Lira currency positions predicted to occur each month, based on the Incorporation's monthly-updated forward-looking cash flow forecast; forward contracts were used in order to sell Euro at a fixed and single rate and buy US Dollar and Turkish Lira in the next 24-month period for certain part of the mentioned positions. Upon the changes made in early 2015, a dynamic strategy, involving option-based banded structures and forward contracts, was introduced in order to close US Dollar positions with Euro and the forward contract continued to be used to close Turkish Lira open positions. On the other hand, while the ticket prices were determined in Euro, the mentioned pricing has been made in US Dollar as of May 2015, as a natural hedging, with a view to reducing the need to use derivative products.

Our Incorporation can be affected by the financial risks related to the fluctuations in exchange rates, due to the nature of the industry it is involved and its activities. The Incorporation regularly carries out the implementations of monitoring and analysing the interest rate market, preparing the structure of indebtedness, conducting the analyses of the sensitivity against interest rates and weighted average maturity and following up the potential cost changes stemming from the interest. In an effort to manage the mentioned interest rate risk, hedging procedures are carried out by ensuring that the loan interest rates remain completely fixed in certain rates or between certain rates (range) for a portion of the debt portfolio over the course of the loan maturity date

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

Our Board of Directors has prepared a "Code of Ethics"¹ 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.

For more information about Turkish Airlines' Code of Ethics please check:



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.

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 all our employees including the 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 2016, awareness raising activities on ethics were carried out via mailing,

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. Our Ethics Board, which is composed of four members and a president, assess the applications. Ethics Committee works to ensure the adoption of the Ethical Principles and Values within the Company and that all employees in the working environment exhibit a parallel ethical approach to corporate culture which would serve as a form of corporate identity and behaviour in the long term. The Commit-

tee aims to provide guidance to employees to make ethical decisions in the unclear ethical dilemmas and resolve disputes. Ethics Board listens to the respective personnel and receives the opinions of the concerned departments, and thereafter, takes action upon the results received.

In 2016, 46 applications were made to Ethics Reporting Line on various issues, 23 of which have been addressed by face to face discussions with employees. Most of the cases reported were related with "disagreement with colleagues" and "misapplication of the procedures". All 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 and administrative sanctions were imposed on behaviors contrary to work discipline.

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. Turkish Airlines has not encountered any findings of breaches of anti-bribery and anti-corruption policy nor it has been subject to any administrative and monetary sanctions with respect to bribery and corruption.

1: 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 2017



ECONOMY

CONTRIBUTION OF AVIATION
OUR ECONOMIC FOOTPRINT

32
35

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.

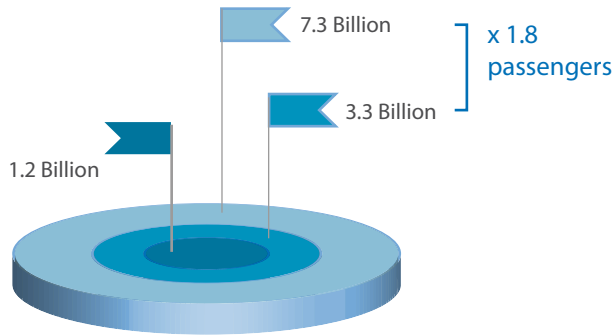
The overall world aviation market size in 2016 was USD 705 billion (IATA). Over 54 million tons of goods were freighted and over 3.8 billion people boarded on an aircraft in 2016; and this figure is expected to grow 4% annually for the next 20 years. Aviation is indispensable for tourism,

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

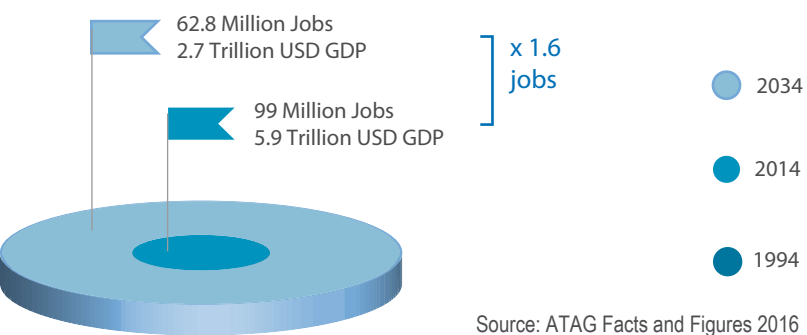
Air transport also increases a country's connectivity which can help raise productivity, by encouraging investment and innovation; improving business operations and efficiency; and allowing companies to attract qualified employees. The global economic impact of aviation industry is estimated at USD 2.7 trillion, equivalent to 3.5% of the global gross domestic product (GDP).

AVIATION TODAY & TOMORROW

Passenger Numbers



Economic Contribution



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.

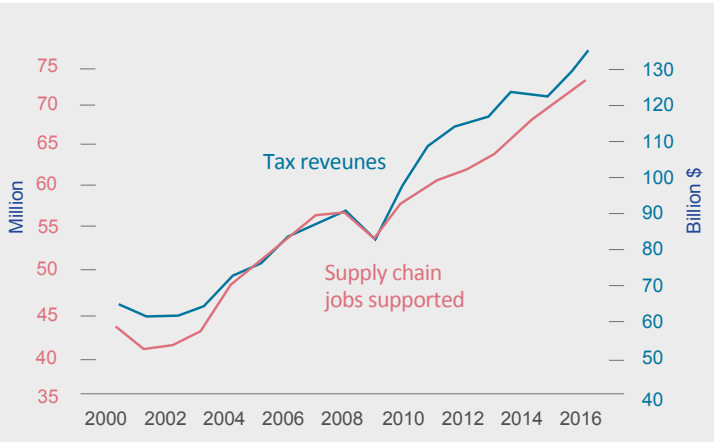
Induced Impacts: Induced by the spending of those directly or indirectly employed in the air transport industry. Around 5.2 million induced jobs globally are supported through employees in the air transport industry. The induced contribution to global GDP is estimated at **USD 355 billion** in 2014.

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.



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.

Tax reveunes and global supply chain jobs supported



Source: IATA Economic Performance of the Airline Industry, 2017 Mid-year Report

EVERY DAY

9.8 Million passengers

104,000 flights

\$18.6 Billion worth of goods carried

21st

IN THE WORLD

If aviation were a country, it would rank 21st in the world in terms of GDP

3.5%

OF GLOBAL GDP

is supported by aviation

THE AVIATION SECTOR

Locally-based Airlines

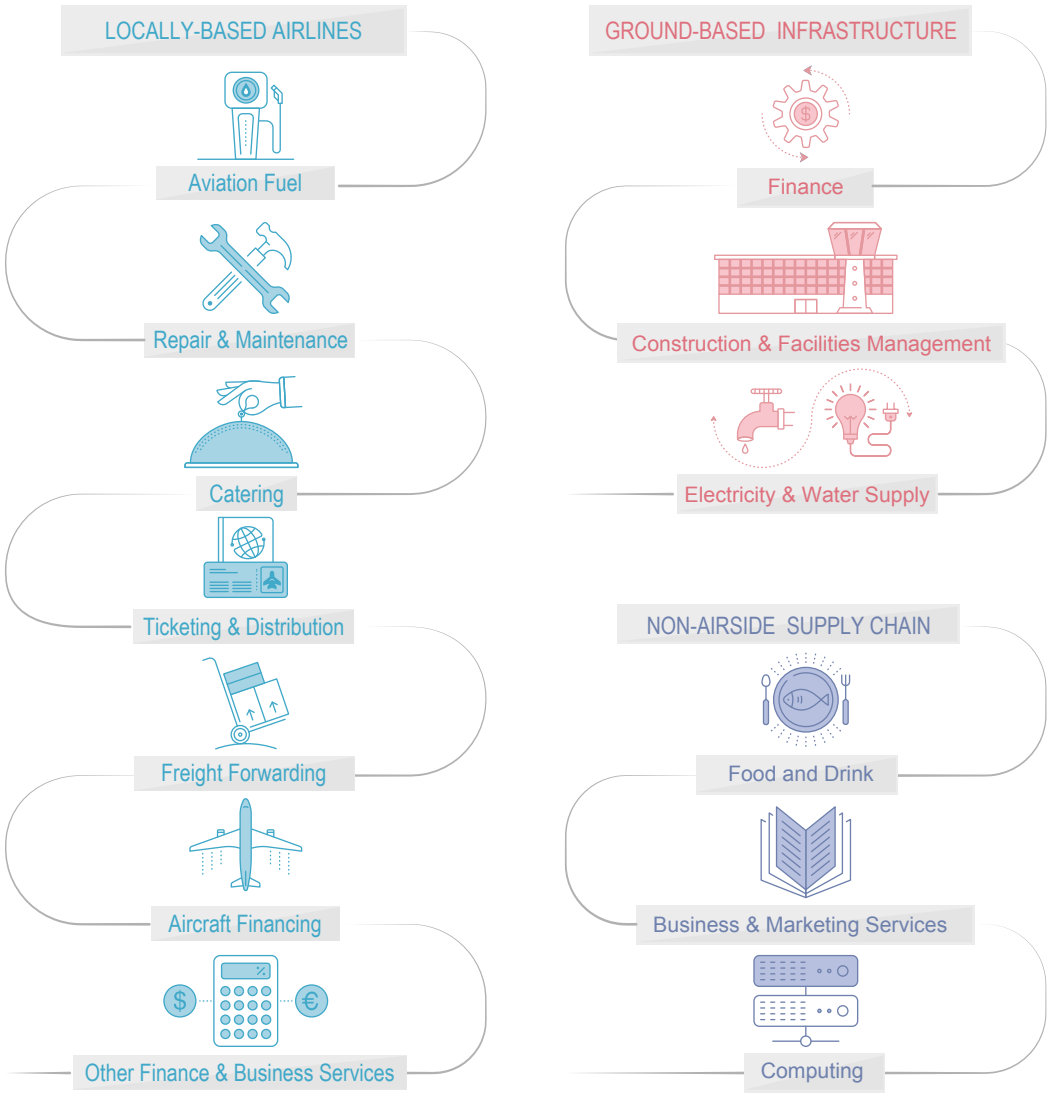
- Domestic
- International passenger
- Freight Services

Ground-based Infrastructure

- All on site activities at Airports
- Air Navigation Service Provider (ANSP)
- Regulators

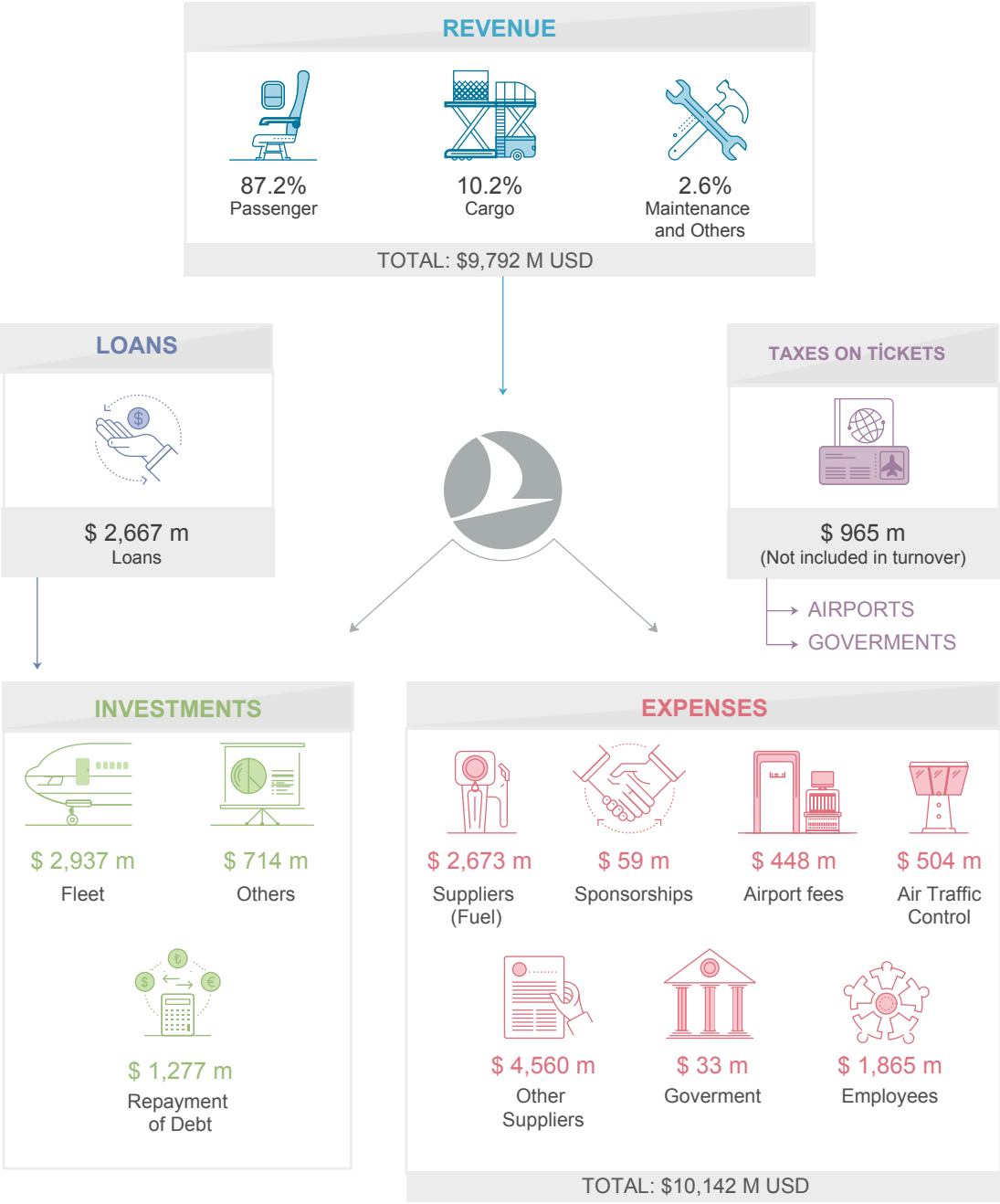
The Aviation Sector's Supply Chain

Purchases by the aviation sector of domestically produced goods & services from firms outside the aviation sector



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

OUR ECONOMIC FOOTPRINT



Turkish Airlines is the market leader in Turkey carrying 51% of total passengers. With the addition of 12 new flight destinations and 6 new countries in 2016, we fly to more countries than any other airline in the world with over 295 destinations in 119 countries. We generate 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 20 billion to Turkish GDP in 2016 through the output of airlines, airports and ground services.¹ This corresponds to 2.7% 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 9.8 Bn in 2016 reflecting an annual growth rate of 13% since 2006. We have made investments over USD 15 billion since 2005; being USD 2.9 billion in 2016 for the procurement of 43 new aircrafts. Most of these investments have been financed through our own operations.

CONTRIBUTION TO PUBLIC FINANCES

Havacılık sektörü, doğrudan vergi ödemeleriyle veya çalışan yan hakları, havalimanı ücretleri vb. yollarla dolaylı olarak kamu finansmanına büyük katkı sağlar.

Turkish Airlines is a significant contributor to the Public Finances and generated, USD 998 million of other taxes and fees.

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 2016¹. 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.²

Turkish Airlines provided 27,688* direct jobs in 2015 and increased this number to 30,559* in 2016 and over 50,000 direct jobs together with its subsidiaries which represent major portion of the direct jobs provided by the aviation industry in Turkey in 2016.

1 - Directorate General of Civil Aviation, Turkey, 2016.

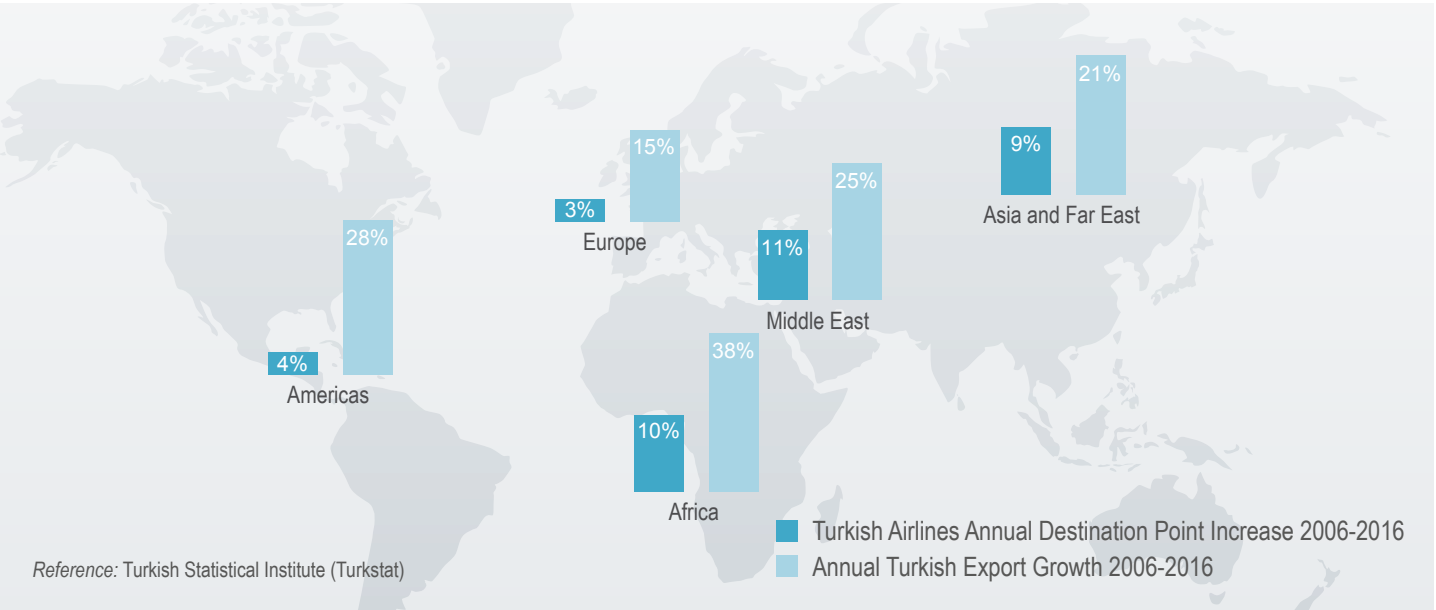
2 - Oxford Economics, Economic Benefits from Air Transportation in Turkey, 2011.

* - Figures of Turkish Technic Inc and Aydın Çıldır Airport Services are included.

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. In 2016, more than 72% of our tickets are sold outside the borders of Turkey, implying a significant service export for the country.

Moreover, Turkish Airlines ranked in the first place with 7.6 billion dollar service export, in "500 Great Service Exporter" survey which was conducted by Turkish Exporters Assembly this year for the first time, meaning that Turkish Airlines brought the most foreign currency into our country.



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 11.4 billion in 2016, representing an annual growth rate by 10%.

A similar trend can also be observed in the Middle East. Through the opening of 20 new destinations and 25% yearly capacity growth rate Turkish exports to Middle East grew by 11% between 2006 and 2016 and reached USD 31.3 million.

CONTRIBUTION TO TOURISM

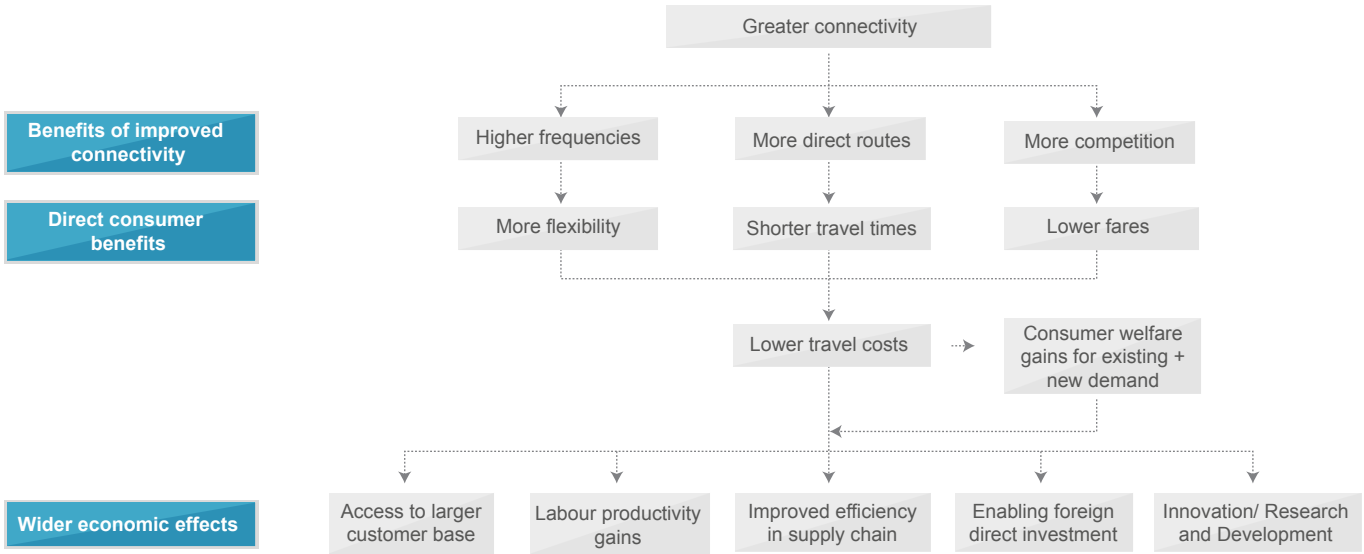
Over 3.8 billion passengers worldwide boarded on an aircraft in 2016 for various reasons including touristic purposes. Being a major contributor to Turkey's economy and having an increasing number of destinations, Turkish Airlines has a significant footprint on the tourism industry. In 2015, number of tourists in Turkey reached 36.3 million and grew by 6% on average annually over the last decade however, in 2016, the terrorist attacks in Turkey and the region affected Turkish economy negatively and the number of tourists declined to 25.4 million. Among the 25.4 million tourists, 70% 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.¹ 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.²

The Wider Economic Impacts Of Connectivity³

Connectivity growth drives consumer and wider economic benefits



Air connectivity brings many advantages to Turkey's economy including¹:

- Opening up foreign markets for Turkish exports due to positive correlation between connectivity and exports⁴
- Increased foreign direct investments through opening up Turkish factor markets for investors. For example, new route openings lead to increases in the FDI levels⁵
- 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.⁶
- Encouraging Turkish enterprises to invest and specialize in areas that play to the economy's strengths.

1 - IATA Report, Aviation Economic Benefits, 2007

2 - Worldwide Air Transport Conference, ICAO 2013

3 - Economic Benefits of European Airspace Modernization, SEO 2016

4 - Belenkiy & Riker, 2012, PWC, 2014

5 - Bannò Redondi, 2014

6 - InterVISTAS, 2015

➤ 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.¹

Istanbul's High Connectivity Rate



Istanbul **3rd** largest air travel city in Europe,
6th most connected city in the World.²



LOCAL DEVELOPMENT AT OUR DESTINATIONS

As of 2016, 47 countries were categorized as the least developed countries in the world by the United Nations, and Turkish Airlines flies to 21 of these countries and carried 1.2 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.

1- Baruffaldi, 2015

2- MasterCard 2016 Global Destination Cities Index



ENVIRONMENT

ENVIRONMENTAL MANAGEMENT	42
NOISE MANAGEMENT	46
COMBATING CLIMATE CHANGE	48
FUEL EFFICIENCY	49
WASTE MANAGEMENT	55

ENVIRONMENTAL MANAGEMENT

Turkish Airlines has been certified according to the TSE ISO EN 14001 for all its operations in Turkey. We operate all our activities in line with the requirements of the environmental management system. We have appropriate procedures and systems in place to track and manage the environmental dimensions and the possible adverse environmental impacts associated with our activities. The CEO of Turkish Airlines has the ultimate responsibility of the environmental policy whereas Senior Vice Presidency, Quality Assurance directly reporting to the CEO is responsible for managing the environmental issues on a daily basis. Compliance Review Board Meeting is held once a year, upon attendance of the CEO and our Senior Executives and discuss the environmental issues and review our Environmental Management Policy. The updated policy is shared with our stakeholders on our website.

As Turkish Airlines, we carry out many projects to combat climate change. One prominent example is the “Green Company Certificate Project” which has been initiated in 2016 at Istanbul and Ankara Premises. The aim of this project is to track and reduce the greenhouse gases (GHG) which is the main reason of the climate change. In the first phase of the project, the sources of the greenhouse gases have been identified. As a next step, the accounting of the direct and indirect greenhouse gases will be done and the related targets will be identified.

The expenditures incurred for the identification of the environmental dimensions and risks, assessment of the compliance and the green company certificate project throughout the year 2016, amount to approximately TL 139,266 whereas the waste management activities amount to TL 620,000. It is our top-level priority to comply with the environmental law and regulations. Neither environmental incidents have occurred nor any breach of environmental regulations was detected in 2016.



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.

Our Environmental Policy can be accessed on our webpage:



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

- 1 As part of our climate change mitigation strategy, we strive to maintain continuous fuel efficiency which ultimately decreases our carbon footprint.
- 2 We have ordered new generation aircraft to be delivered by 2023 which will enable us to reduce our emissions as well as noise emissions even further.
- 3 We invest in research and development projects on sustainable biofuels.
- 4 Waste management projects are conducted in offices, and in-flight activities.
- 5 Projects promoting effective and efficient use of the natural resources such as water, electricity, natural gas and paper are implemented.
- 6 We plant trees in line with our Forestry Protocol with the Directorate of Forestry. Until today, we have planted 1,000,000 trees.

ENVIRONMENTAL POLICY

Abiding by The Rules

Complies with international aviation standards along with national, legal and other regulations on environmental issues. Aims to extend beyond compliance with laws by environmental projects it supports.

Managing The Environmental Aspects

Identifies the environmental aspects of all its activities, products and services, and develops action plans to decrease environmental impacts thereof. Applies improvement-oriented management system and methods to keep the environmental aspects under control, and takes precautions against climate change.

Considering People and The Environment While Growing

Uses the technology and methods that have the least possible adverse effects on the environment while planning new investments, expanding the fleet, and raising the technological infrastructure level.

Minimizing Adverse Impacts On the Environment

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 measures against wastes. Minimizes wastes by giving priority and support to the use and recovery of recyclable materials within the waste management process.

Bequeathing A 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

Monitors, 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 DIMENSIONS AND IMPACTS DUE TO OUR OPERATIONS

We self-assess the environmental compliance every year. The results of 2016 environmental dimension analysis and risk assessment are summarized in the "Environmental Dimensions Report". Actions to minimize the environmental risks have been initiated. "Environmental Dimensions Report" can be accessed from the link: <http://investor.turkishairlines.com/documents/ThyInvestor-Relations/download/icerikler/environmental-dimensions.pdf>

Some of the actions identified as a result of the environmental risk and compliance assessment are listed below. For more information, please see "2016 Environmental Performance Report" which can be accessed from the link: <http://investor.turkishairlines.com/documents/ThyInvestortions/download/icerikler/2016-Environmental-Performance-Report.pdf>

- Energy Performance Certificate has been acquired for Yenibosna Premises and General Management Building.
- In order to reduce the ozone-depleting substances, awareness raising activities were held about the requirement of replacement of the cooling gases available in air conditioners/refrigerators/water dispensers and research has been started.

Trainings

Environmental and greenhouse gases awareness-raising online training programs were developed in 2016. The program includes modules for flight and cargo personnel as well as managers. The training program consists of an overview of environmental issues, climate change, greenhouse gases and their impacts and some information on the green company certificate. The online trainings will be offered to all our employees in 2017.

1 - IATA, 2017, <http://www.iata.org/policy/environment/Pages/corsia.aspx>

Audits

53 internal audits were conducted within the scope of the Integrated Management System of which 38 were about the environmental management system. Actions have been initiated by the relevant directorates and departments regarding the non-conformities detected. The locations which were audited are listed in the Environmental Performance Report.

ISO 14001:2015 Environmental Management Standard

Readiness Review was conducted according to the ISO 14001:2015 Environmental Management System. Transition to the new version is planned to take place in 2018.

International Regulation for Decreasing the Environmental Impacts Aviation Industry

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.

At the 39th session of the ICAO Assembly in 2016, ICAO's Member States adopted a global carbon offsetting scheme for international aviation. ICAO's Carbon Offset and Reduction Scheme for International Aviation (CORSIA) is set to commence with a voluntary period (2021-2026) after which it will become mandatory. CORSIA is the first global scheme covering an entire industrial sector. By the end of the ICAO Assembly, 65 states including Turkey, had already volunteered to implement the scheme from its outset, covering approximately 80% of CO₂ growth in 2021-2035¹.

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.

In 2016, both the electricity and the natural gas consumption decreased by 5% compared to 2015 figures and amounted to 5,711,633 kWh and 3,463,016 m³ respectively. The water consumption increased 0.5% as a result of the seasonal temperature rise. Thanks to the digitalization projects realized, the paper consumption per employee decreased by 30% compared to 2015 and amounted to 2.66 roll/person.year. We target 2% reduction for the water, natural gas, electricity and paper consumption in 2017. For more information about the consumption table, see the "Calculation Methodology" subsection in the Appendices.

CONSUMPTION TABLE

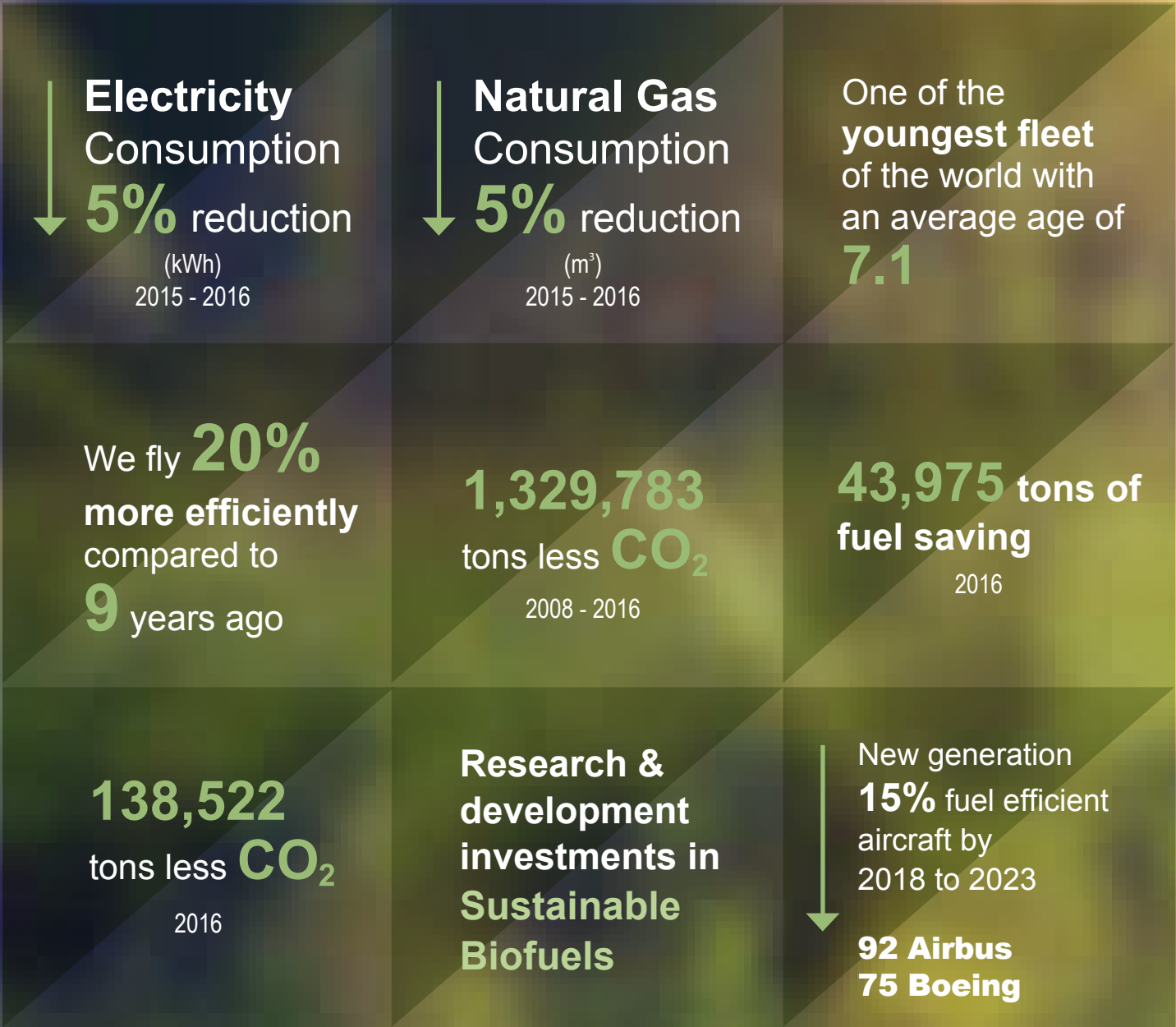
	2014	2015	2016	2017 Targets
Water consumption (m³)	48,479	47,887	48,154	2% reduction
Natural gas consumption (m³)	2,981,555	3,656,404	3,463,016	2% reduction
Electricity consumption (kWh)	6,322,302	5,986,425	5,711,633	2% reduction
Paper consumption per employee (roll/person.year)	3.41	3.86	2.66	2% reduction

NOISE MANAGEMENT

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 7.1 years already makes substantial contributions in our reduction targets. Furthermore, we have already ordered new generation aircraft to be delivered by 2023 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.

MINIMIZING OUR ENVIRONMENTAL FOOTPRINT



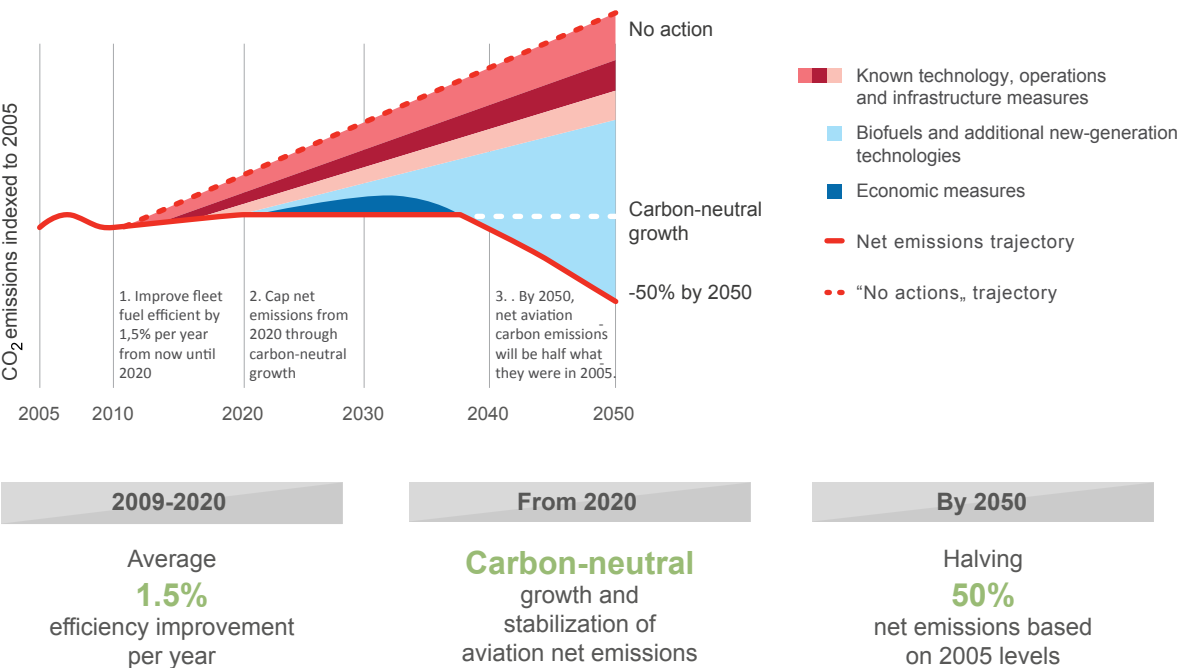
COMBATING CLIMATE CHANGE

We, as Turkish Airlines recognize the need to address climate change, which is one of the most challenging global problems. 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). We are committed to mitigating the carbon emissions associated with our operations. The CEO has the ultimate responsibility of our climate change mitigation efforts.

INDUSTRY COMMITMENT AND TARGETS

Air transport was the first industry to take global action on CO₂ emissions and set comprehensive targets. In the light of our responsible business approach, we embraced the industry's targets set by International Air Transport (IATA) and make our best efforts to contribute to these targets. We have put in place a comprehensive fuel efficiency program to contribute to the collective effort of the aviation against climate change. Our Fuel Steering Committee, informs General Manager regularly about our fuel efficiency performance which is an indicator for our climate change targets.

Short and Long Term Targets of Aviation Industry set by IATA



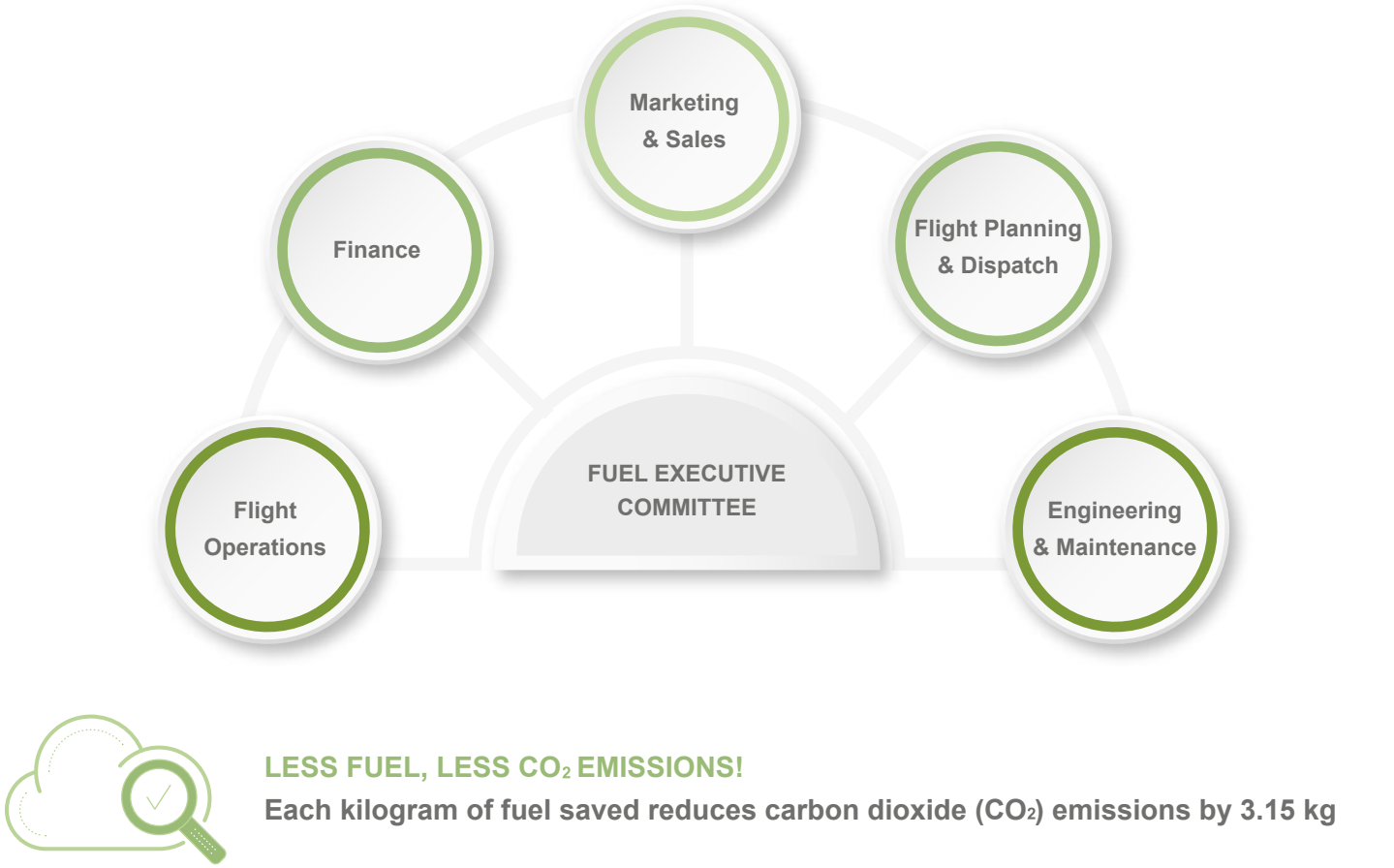
FUEL EFFICIENCY

We, as Turkish Airlines, are committed to act and promote sustainability. Each kilogram of fuel saved reduces carbon dioxide (CO₂) emissions by 3.15 kg. Thus, we have undertaken wide range of initiatives to increase fuel efficiency and reduce our carbon footprint:

We have established a Fuel Steering Committee acting in a matrix organization of key departments who meet regularly and review action plans of our Fuel Efficiency Program.

We started a collaborative study with IATA Green Team which involves measuring and monitoring of fuel efficiency.

We continue to develop new projects to establish a corporate fuel saving culture and awareness, which is the fundamental basis of Turkish Airlines' achievements up to now and future success.



Turkish Airlines Fuel Policy is based on three pillars:

WE OPTIMIZE OUR OPERATIONS

FUEL SAVING PRACTICES

- **Flight Operations Practices** (reduction of auxillary power unit, engine out taxi, efficient take off, climb, descent profiles, short cuts, etc.)
- **Technical Maintenance Practices** (engine wash, aircraft weight reduction, aircraft modifications such as winglet/sharklet, etc.)
- **Dispatch Practices** (4D Flight Planning System, route optimization, tankering, etc)
- **Ground Operation Practices** (Center of Gravity (CG) optimization, monitoring potable water uplift, weight reduction of cabin interior, etc.)

WE INVEST IN NEW TECHNOLOGY

FLEET MODERNIZATION

RESEARCH IN BIOFUELS

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

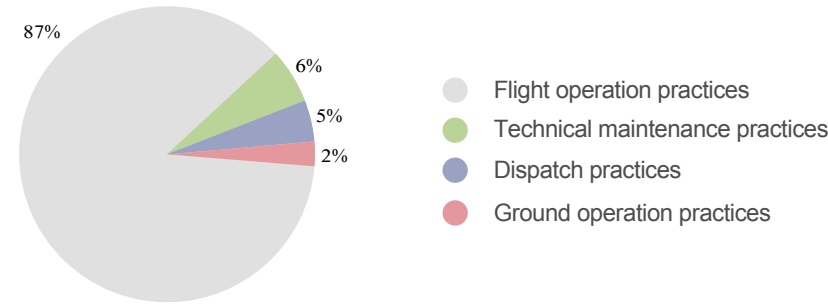
AERODROME INFRASTRUCTURE

- New Parking Areas / Taxiways
- Assessment of Service Providers' Equipment



In 2016, 43,975 tons of fuel was saved and 138,522 tons of CO₂ emissions was reduced.

The Distribution of Fuel Saving Practices in 2016 (%)



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: 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. In 2016, 43,975 tons of fuel was saved which in turn prevented 138,522 tons of CO₂ emissions.

Investing in New Technology

Fleet Modernization

We aim to minimize our fuel consumption and invest in the most advanced and environmentally friendly aircraft.

234 NARROW BODY		87 WIDE BODY		13 CARGO	
B737-900 ER	15	A330-200	20	A310-300F WL	3
B737-800	88	A330-300	31	A330-200F	8
B737-800 WL	22	A340-300	4	B747-400F WL	1
B737-700	1	B777-300 ER	32	A300-600F WL	1
A320-200	29				
A319-100	13				
A321-200	66				



By the end of 2016, the number of aircraft in our fleet increased to 334, with an average fleet age of 7.1 years. Aiming to acquire the youngest and most modern fleet in Europe, in 2013 we 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 and which will have been delivered by 2023. 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

We attempt to improve the air traffic management system working closely with both domestic and international air navigation service providers. We have a team dedicated to perform researches on the optimum flight routes. Besides, we 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.



15% more fuel-efficient new generation aircraft have been ordered.

SOME FUEL EFFICIENCY PRACTICES AT TURKISH AIRLINES

REDUCTION OF AIRCRAFT WEIGHT, REDUCES FUEL CONSUMPTION AND CARBON EMISSIONS

↓ 1 KG FUEL SAVED = ↓ 3.15 KG CO₂ EMISSIONS REDUCED

CONTAINER, PALLET AND NET

We continue 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 have replaced steel brake with carbon brake of 20 aircraft in our B737 family and have saved 868 tons of fuel.

INSTALLATION OF SHARKLETS

Installation of sharklets on the aircraft increases fuel efficiency by 2-3%. Upon completion of the installation of sharklets on our entire A320 family, we have achieved approximately 17-21 thousand tons of fuel savings.

IMPROVED FUEL MANAGEMENT SYSTEM

Our new Fuel Management System, has been introduced by the end of the last quarter of 2016. This new system enables us to calculate the cost of ATC operations in particular (airborne instructions, deviations from the flight plan, etc.) and evaluate the possible solutions together with the cost items measured. Also, it enables 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.

SUSTAINABLE BIO-FUELS

We invest in research and development projects about bio-fuels which would have a big impact in reducing carbon emissions. In 2013, we executed a non-binding "Letter of Intent" with Solena Fuels Corporation, situated in Washington DC, USA aiming to explore any potential partnership opportunities on installing a waste-to-biofuel production facility in Istanbul, Turkey.

ROUTE OPTIMIZATION

Thanks to shorter routes discovered by our route optimization team enable us to save fuel and reduce our CO₂ emissions.

EFFECTIVE FLIGHT PLANNING

Planning flight routes and altitude with 4-D flight planning system contribute to reduce our CO₂ emissions.

PBN APPLICATIONS

Development of Performance Based Navigation (PBN) applications at more than 10 domestic flight destinations offer shorter travels and enable us to save fuel and reduce our CO₂ emissions.

Use of 3,000 **LIGHT NETS** and 2,000 **LIGHT PALLETS** increase our fuel efficiency and reduce our CO₂ emissions

Installation of **SHARKLETS** increase our fuel efficiency by 2-3% and reduce our CO₂ emissions

SKYLIFE magazine with less paper reduce the weight of the aircraft and our CO₂ emissions

Use of Cabin **I-PAD** instead of paper reduce the weight of the aircraft and our CO₂ emissions

Use of **CARBON BREAK** instead of steel break in 30 aircraft

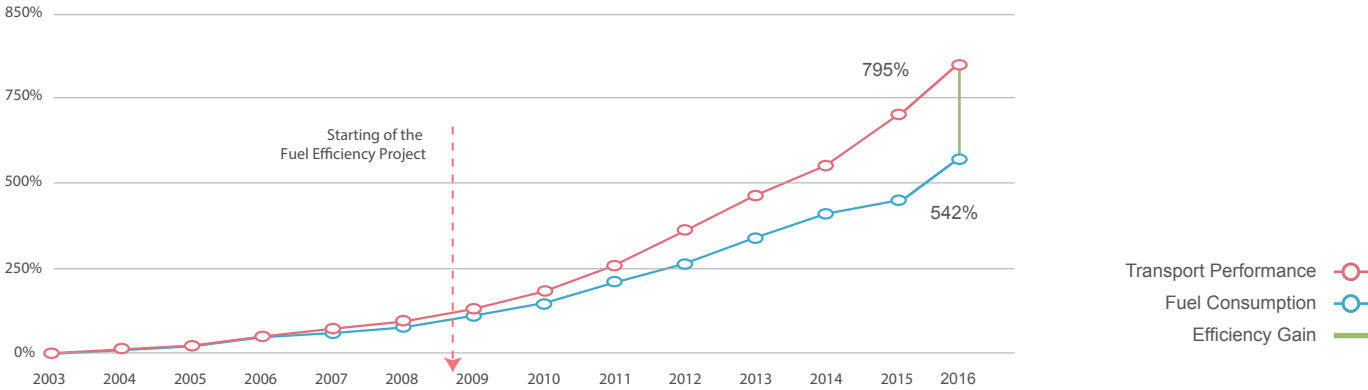
Use of 2,614 **COMPOSITE CONTAINERS** increase our fuel efficiency

We continue to invest in research and development in sustainable **BIOFUELS**

PERFORMANCE AND TARGETS

The chart below illustrates the transport performance and the corresponding fuel consumption of Turkish Airlines between 2003-2016. If 2008 is set as a “reference/baseline”, it is seen that the transport performance has increased by 795% whereas the corresponding fuel consumption has increased by 542%. Meaning that, since 2008 thanks to the successful fuel efficiency projects implemented, the fuel amount spent per transport activity has decreased. The gap between transport performance and the corresponding fuel consumption which has gradually increased each year, gives a good indication of Turkish Airlines efficiency performance over the years.

Turkish Airlines Fuel Efficiency Performance



4th Place for Fuel Efficiency among Top 20 Airlines on Transatlantic Routes

The International Council on Clean Transportation (ICCT) released a report comparing the fuel efficiency, and therefore the carbon intensity, of the top 20 airlines on transatlantic routes between the United States/Canada and Europe in 2014. Turkish Airlines tied in fourth place in the Transatlantic Airline Fuel Efficiency Ranking, 2014.

Transatlantic Airline Fuel Efficiency Ranking, 2014 Report, can be downloaded from the link: http://www.theicct.org/sites/default/files/publications/ICCT_transatlantic-airline-ranking-2014.pdf

2016 Performance and Total Savings

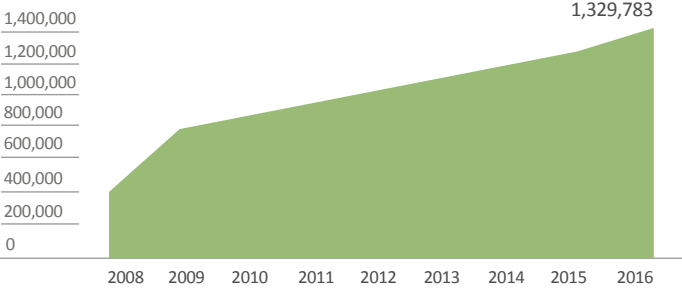
In 2016, carbon emissions amounted to 15,030,959 tons due to fuel consumption. Thanks to various fuel savings projects implemented we continue to reduce our carbon footprint. 43,975 tons of fuel have been saved which corresponds to a reduction of 138,522 tons of CO₂ by the end of 2016. In total, 1,329,783 tons of CO₂ have been reduced since 2008. The reductions achieved on a yearly basis is illustrated in the graph on the next page.

Our Future Targets

We have set a target to reduce fuel consumption-liter/available ton-km (ATK) by 5% by 2025. In line with this long term target, we aim to reduce 150,000 tons of CO₂ in 2017.

Total CO₂ Emission Reductions Achieved (tons)

CO₂ tons



WASTE MANAGEMENT

As stated in our Environmental Policy, within the scope of our waste management initiatives we aim to prevent the generation of waste in the first place. As a second option, we aim to minimize the waste amount where it is not possible to prevent it. Also, we promote recycling and recovery initiatives. 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 2016:

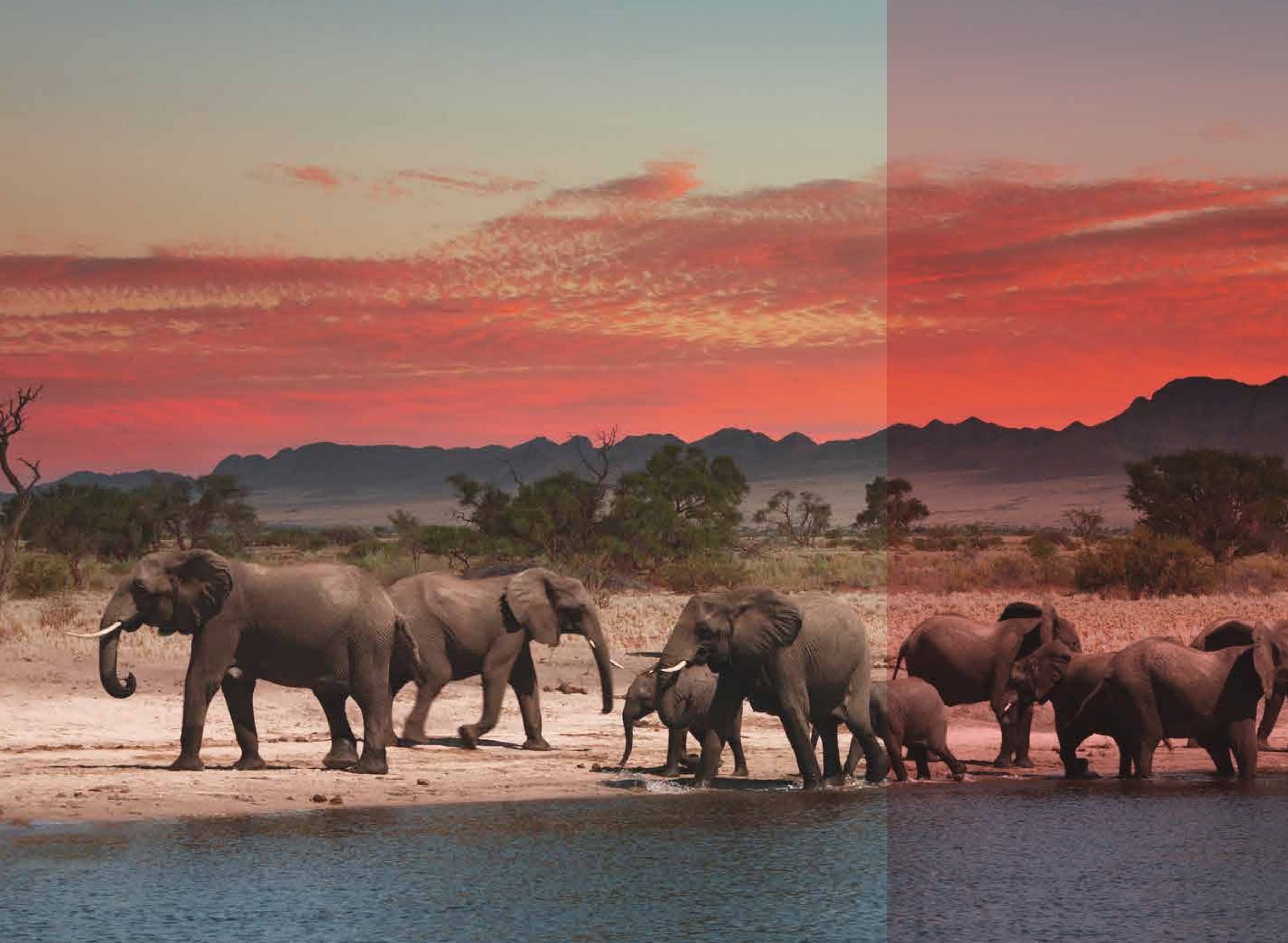
- A system was set up for separation of the waste according to the types, monitoring it via 6-digit waste code and storage in temporary storage areas before sending to waste process facilities.
- Waste management training was given to waste management officers.

REPORTING OF WASTE

Reporting of any hazardous waste is performed online in accordance with the regulations of the Ministry of Environment and Urbanization. In 2016, the packaging waste sent to recycling in Istanbul amounted 18 tons and non- hazardous waste sent to recycling amounted 230 tons. The total amount of hazardous waste which was sent to companies licensed for hazardous waste collection was 132 tons.

Target for 2017

We aim to increase packaging waste sent to recycling by 5% compared to 2016 figures by raising the awareness of the white collar personnel.



SOCIAL

CORPORATE SAFETY	58
FLIGHT SECURITY	62
CUSTOMERS	64
EMPLOYEES	74
SOCIAL RESPONSIBILITY	89

CORPORATE SAFETY

APPROACH

At Turkish Airlines, safety is the absolute priority and core value 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 6 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.



Safety is the absolute priority and core value in our operations

Our Safety Policy can be accessed by scanning the QR Code:



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 “Turkish Airlines 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 state 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

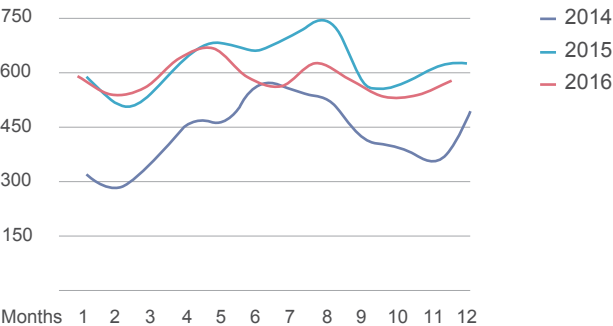
Turkish Airlines continuously assesses the philosophy and proficiency of its conceptual and operational models, monitors efficiency of its safety policy and safety objectives as well as its compliance with the policy. A centralized, non-punitive and well-functioning safety reporting system is in place. 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.

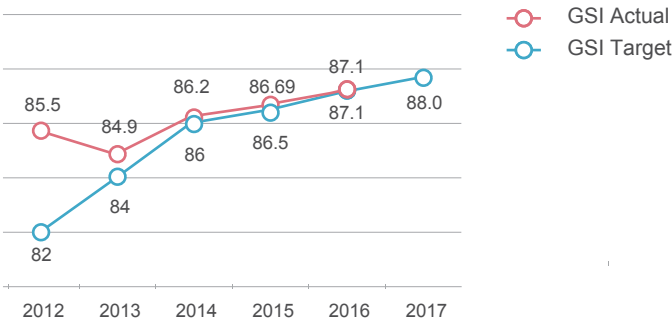
SAFETY PERFORMANCE

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 2016 was 87.1 and is satisfied. By the directive of the CEO, the target value for 2017 is revised to be 88.0 instead of the previously projected value of 87.7.

Safety Reports in Place



Safety Performance



ONGOING PROJECTS AND FUTURE PLANS

Every flight record is aimed to be analyzed by the Flight Data Analyzing System (FDAS) to assure that the management has been in compliance with Standard Operating Procedures and aircraft's airworthiness is not affected. Three ongoing projects in order to better exploit flight data are;

- A new system processing flight data is developed in order to create an opportunity for self-improvement of the pilots, namely "Personal Performance Indicators (PPI)".
- A new system "AVIASO" is purchased and implemented to analyze and monitor fuel efficiency and carbon footprint.
- Cooperation with GE concerning predictive maintenance of GE90 Engines.

A project concerning Go-Around performance and reliability was conducted in Boeing 737 fleet which is planned to cover whole fleet by 2017.

SAFETY AUDITS

In 2016, Turkish Airlines successfully completed its recent Verification 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. 2016 LOSA flights for Airbus 320 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)

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 identify and solve problems, which may affect the flight safety adversely. Audits carried out among SAFA members' result in a SAFA rating.

Our Company closed the year 2016 with an achievement of 0.25 SAFA rating as a result of SAFA audits conducted by 40 different Safety Authorities at 73 locations. This rating is quite a successful result, as compared to the European countries with a SAFA average of 0.52 and indicates the importance of safety for Turkish Airlines.

Safety Assessment of National Aircraft Program (SANA)

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 Aircraft (SACA)

SACA audits are internal inspections conducted based on the criteria of EASA SAFA audits.



We, as Turkish Airlines pay great attention to safety and security and make investments accordingly. Our numbers clearly speak for our success.

FLIGHT SECURITY

ENHANCING A SECURE TRAVEL EXPERIENCE

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

As a proactive measure, SVP Security conducts security assessment of the airports, hotels for accommodation and city offices at 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

Our 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.

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 management of the security of the passengers, the aircraft and the cargo in accordance with the national and international security requirements; while Risk Assessment and Investigation Management identify the risks and examine the security incidents.. Additionally, Facilities Security Management protects the buildings, vehicles, employees from any threats that might arise against Turkish Airlines.

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

Our security procedures and practices aim to ensure the protection of our customers, employees and assets including facilities and aircraft and sustainability of the operations. As the security operation is subject to strict regulations by the International Civil Aviation Organization (ICAO), European Civil Aviation Conference (ECAC), European Union and the Directorate General of Civil Aviation, it is important for Turkish Airlines that SVP, Security constantly monitors national and international regulations for compliance purposes.

OUR 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. In addition, Turkish Airlines, encourages the reporting of any inadvertent human error and promises not to use incoming reports for punishment.

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.

OUR INNOVATIVE APPROACH

“Widen Your World!”

Turkish Airlines makes the whole world more accessible for its passengers by flying to many international destinations. We aim to develop new applications at each phase of the travel, to offer memorable surprises to our passengers and to bring them together with international innovation and distinctive services to make them feel special and cherished.

Customers’ satisfaction and their trust in our brand are the backbone of our growth and success and a core value of our Company. Being at the heart of our business, customer satisfaction is embedded in our policies such as our Corporate Policy and Quality Policy as well as to our Customer Satisfaction Policy. Besides, we renewed TSE ISO 10002 International Customer Satisfaction Management Standard Certificate in 2016. Furthermore, we renewed our ISO 9001 Quality Management System we have had in place since 2006. We issued the “customer feedback management manual”, covering the entire process from getting feedback from the customers to the final stage, on Turkish Airlines internal communication platform.

As a result of our continuous efforts to serve our customers at best, ensure their satisfaction and win their trust, we were awarded “Europe’s Best Airline” for the sixth time in a row by Skytrax in 2016.

Customers are the foundation of our existence and we aim to strengthen our heart bonds with them, maintain and increase their satisfaction. We adopt a customer-oriented approach in all of our activities in order to gain their trust and loyalty and nurture long-term relations. Numerous innovative projects are being put into practice in all our departments to increase our customers’ satisfaction. Aiming to become a five-star airline, we have invested heavily in its 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 our personnel.

Responsibility for and oversight of customer related topics are managed by the Customer Relations Department in coordination with other related departments. Customer requests, recommendations, and complaints are thoroughly evaluated.

Our Proactive Solution Approach

Thanks to the collective efforts of our Marketing Directorate and Cabin Crew Management Directorate, any irregularities in the cabin have been recorded by Cabin Chiefs and reported to the Customer Relations Management since 2016. This enables us to provide proactive solutions to eliminate these irregularities before they turn into passenger complaints. Since the introduction of this practice in June 2016, we have rectified 7254 irregularities mostly experienced in the cabin in 2016.



Customers’ satisfaction and their trust in our brand are the backbone of our growth and success and a core value of our Company.

For further information about our related policies, please visit our webpage:



CUSTOMERS

OUR CUSTOMER SATISFACTION POLICY

We work for continuous improvement

As Turkish Airlines we lend ear to our customers without any economic expectation by providing communication opportunities through which our customers can deliver their expectations, complaints, suggestions and satisfaction in passenger transportation activity that we perform with a customer-oriented approach. We implement compensation methods to ensure customer satisfaction as well as evaluate feedbacks of our customers and produce solutions by considering national and international legal requirements, legislative requirements, civil aviation rules and documented information of the Company.

We understand our customers' complaints

We assess and manage the processes for understanding, identifying, analyzing, directing, providing solutions and notifying results to customers in the most accurate manner about customer complaints related to our operations with a customer-oriented approach in accordance with the principles of transparency, accessibility, responsiveness, objectivity, confidentiality and accountability, as well as we utilize such and information to ensure our continuous improvement.

We engage our customers

In accordance with the expectations and requirements of our customers, we continuously improve our processes by using the feedbacks received particularly from our customers and employees, as well as from all of our stakeholders and by providing all necessary resources to improve our products and services.

DIALOGUE WITH CUSTOMERS

We always seek to respond immediately to our customers' wishes in line with our approach to high-quality and sustainable products and services.

Through the "Voice of Customer" application, we enable our customers to share their travel experiences and feedback with our cabin crew. Thus, we aim to have our cabin crew internalize our customers' expectations and cultural differences.

Our Customer Representative Teams (CRT) at our international offices generate instant and onsite solutions to any problem that customers might experience. Also, follow the local civil aviation regulations, rules and procedures in place and inform Customer Relations Department.



SOCIAL MEDIA

Turkish Airlines owns one of the most popular airline pages on "Facebook" with followers from all over the world.



FACEBOOK GLOBAL
3,101,841
FOLLOWERS



FACEBOOK TURKEY
1,964,667
FOLLOWERS



TWITTER GLOBAL
1,462,264
FOLLOWERS



TWITTER TURKEY
1,124,302
FOLLOWERS

Travel Blog

As the airline that flies to more countries than any other, our primary goal is to share Turkish Airlines' comprehensive travel culture with our passengers. Aiming to enhance the sharing concept between the passengers and the extended family of Turkish Airlines, the Travel Blog was created by our employees. The blog is published in both English and Turkish so that interested readers across the globe have access.



The blog can be accessed via the following web link:
<http://blog.turkishairlines.com/en>

The Blog can be accessed by scanning the QR Code:



FEEDBACK MANAGEMENT PROCESS

As Turkish Airlines, our primary objective is to ensure customer satisfaction by providing world-class service in the aviation industry. Hence, all kinds of feedback that we receive from our valued customers remains a source of great strength for us. We are committed to enabling our customers to reach us at all stages of their experience.

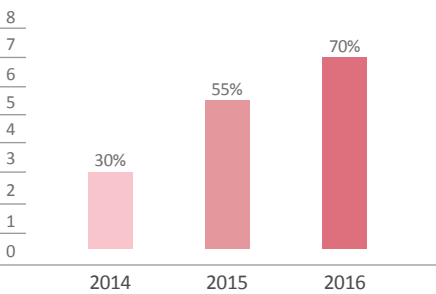
Feedback Channels

- Feedback form available on our website
- Telephone numbers +90212 444 0 849 / +90 850 333 0 849
- Our facebook and twitter (@TK_HelpDesk) accounts
- Cabin interior communication form or Skylife communication form which may be obtained from cabin crew members during travels
- The address of Turkish Airlines Customer Relations Management

Call center service is offered in Turkish, English, German, Russian, French, Italian, Spanish, Arabic and Romanian whereas social media channels communicate in Turkish, English, German, Arabic, French and Japanese languages.

Our turnaround time to customer feedback is 7 days. Thanks to the initiatives taken to increase customer satisfaction, our turnaround times to customer feedback was increased to 70% in 2016, which highlights 27% improvement in the process when compared to 2015.

Adherence rate to turnaround times (%)



To send us your feedback, please scan the QR Code :



Customer Satisfaction Measurement and Surveys

Skytrax, the acknowledged name associated with air travel excellence in 21st century by providing unique products to the global aviation industry through professional audit and service benchmarking programs, is the most respected global airline passenger survey firm in the industry. In 2016, the awards were based on the results of over 19 million passenger surveys, with more than 104 nationalities participating and covering 280 airlines. Turkish Airlines has scored a resounding success in the 2016 Skytrax World Airline Awards, with air travelers once again recognizing the airline as the “Best Airline in Europe”, for the sixth year in a row.

Moreover, we initiated activities to measure our customers' satisfaction regarding our feedback management system. As part of this activity, 668 customers were contacted via phone between January and June 2016. An online survey was initiated in October. Between October-December 2016, online surveys were sent to 6,488 customers to measure their satisfaction level regarding their inquiries resolved in the former weeks.

Furthermore, we send online questionnaires to our Miles and Smiles member customers in order to assess the level of their satisfaction with the service they receive from Turkish Airlines. According to the results of this questionnaire, our customer satisfaction rate is 78.35 % in 2016.

In addition, at Ataturk Airport we have installed Customer Satisfaction Measuring Devices at all counters where we offer services, which enable online tracking of customer perception and station-based reporting.



%78
CUSTOMER SATISFACTION

➤ **Best Airline in Europe**
for the six times in a row

➤ Certified according to
the **ISO 10002 Customer
Satisfaction Management
Standard**

➤ Certified according
to the **ISO 9001 Quality
Management System**

SUSTAINABLE CATERING

➤ 2016 The Best Business Class Onboard Catering Service & Second Place on the Best Economy Class Airline Catering	➤ No frozen or canned foods reduced CO ₂ footprint	➤ 83% of ingredients supplied locally
---	---	---------------------------------------

Parallel to the profitable and stable pace of our Company’s growth in recent years, the quality of our catering has also improved continuously. According to the 2016 awards list published by SKYTRAX, our catering service has been awarded “Best Business Class Onboard Catering Service” and placed second on the “Best Economy Class Airline Catering” award.

Our latest innovation programs have not only increased the quality of our catering services, but they also have helped us take a step forwards in terms of sustainable catering. Procurement of 83% of our food supplies locally in Turkey, helps us to promote local produces and reduce food miles. Also, our in-flight catering meals are always prepared with purely fresh and best-quality ingredients. We do not use any frozen or canned products or any food additives. This helps us reduce the environmental burdens related to processed foods and provide high quality products. Our meals are prepared according to the highest hygiene standards in line with ISO 22000 Food Safety Management requirements and we prefer products from suppliers that are ISO 22000 certified. In addition, the supplier selection process includes a detailed risk assessment. Product safety controls are overseen and documented by our Hygiene and Procurement Departments. Our menus include healthy options from Turkish, Mediterranean and International Cuisines.

With a capacity of 210,000 meals per day, we are aware that even small adjustments can make a big difference. As part of our efforts to provide sustainable catering, all of our organic waste, paper and packaging waste is sent to recycling firms contracted by the General Directorate of State Airports Authority for waste recycling. In addition, we collect our waste oil and send it to a contracted waste oil processing company, licensed by the Ministry of Environment, enabling the transformation of waste oil into biodiesel fuel. The remaining organic wastes are recycled as compost by food waste recycling companies.



IN-FLIGHT SUSTAINABILITY PRACTICES

When we started our new flight concept in 2013, all of our equipment was renewed to include exquisite design and lightness, reducing the total weight of catering supplies and as such contributing to reducing our carbon emissions and increasing our fuel efficiency. In addition, we recycle in-flight plastics, aluminum and paper in accordance with environmental regulations. The packaging of the hot sandwiches which we started to serve in 2016 are made from recyclable paper.

CUSTOMER INFORMATION AND RIGHTS

We, as Turkish Airlines comply with regulations related to passenger rights including EU and US regulations and inform our customers about their rights via various channels such as our website and brochures. In order to increase our customers’ satisfaction, we inform our passengers during all phases of their flights. Also, our employees can access instant information on air passenger rights via the e-learning platform prepared by the Turkish Airlines Aviation Academy. In 2016, our employees were given training on air passenger rights via the e-learning platform.

Our Customer Relations department fulfills the role of coordination and communication with DGCA, the authority responsible for protection of passengers’ rights in Turkey. The department follows the instructions promulgated in relation to passengers’ rights, and ensures that they are announced across the Company. Furthermore, it investigates and replies to the feedback, sent from customers to DGCA and then informs DGCA.

CUSTOMERS PRIVACY

Due to the nature of our operations, we daily handle personal data of our customers. We recognize that the confidentiality of personal information is of utmost importance, and therefore we guarantee that we will comply with Turkish Airlines’ Privacy Policy and guidelines in the matter.

We endeavor to ensure compliance by our staff with the strictest standards of security and confidentiality and commit to limit the collection and use of personal information to what is necessary to administer our business. For more details about our Privacy Policy Statement please check our website.

BAGGAGE SERVICE

According to IATA figures, the baggage irregularity rate in the world is 5.7 per thousand and our performance in 2016 was realized as 5.9 per thousand despite the terrorist attack at our main Hub location, Istanbul Ataturk Airport and the heavy snow in the winter. We make a continuous effort to improve and to minimize this rate and increase our customers’ satisfaction.

We have taken several measures to prevent baggage irregularities: Missing baggage tag number records, which occur in check-in records of our transfer passengers in case of local instant internet/system failures, are now completed automatically. The back-up system becomes active in case of any failures to occur in passenger check-in system. Besides, delivery times and sequences of inbound flight baggage are monitored electronically in IST (AHL). Thanks to the new tracking technology using RFID tag put on the baggage, enables us to track the location of the baggage. Also, we started to obtain our passengers’ information and documents on web form to provide instant replies to their complaints and ensure that they follow up their application files. Files are sent to our stations and then followed-up by means of our new program called as “Bag Star”.

For further information please scan the QR Code:

ACCESSIBILITY



For the first time in Turkey, Turkish Airlines Aviation Academy initiated a customized program intended for overcoming fear of flying. The program is dedicated for helping those who fear flying to overcome this problem. As part of the program, pilots and technical trainers instruct attendees about flights, aircraft structures and atmospheric situations. Afterwards, a virtual flight in a cabin simulator takes place. This aims at smoothing away the feelings of fear and worry by way of normal and heavy turbulence. The team flies to a destination as a last step. Since its launch in 2007, we helped 528 people to overcome their fear of flying.

HELPING OUR PASSENGERS OVERCOME FEAR OF FLYING/AVIOPHOBIA

SERVICES FOR OUR PASSENGERS WITH REDUCED MOBILITY

Our ground handling agents are responsible for performing the processes in relation to transport of sick passengers, pregnant passengers, and passengers with reduced mobility, mentally disabled passengers and any other passengers with special needs, to the aircraft, and the station managers are responsible for the adoption of the final decision in respect of ensuring such passengers’ travel. The cabin crew members ensure the required coordination with the ground personnel during handling of any passengers with special needs.

Our passengers can request via our call center, ticket sales offices or website before the flight to have a companion, transportation and wheelchair services up to aircraft/ terminal building free of charge during landing and take-off.

Services Aimed To Be Provided in 2016-2017 Period of “Differences Add Value” Program

Turkish Airlines conducts interior and exterior process improvement, sustainable development management and corporate social responsibility activities under the “Differences Add Value” program to make its products and services be accessible by disabled, incapacitated-veteran, elderly, pregnant and disadvantaged passengers. Accordingly, our projects are as follows:

Special Service Counters at Airports

We aim to provide special counters at airports to improve travel experience of our passengers with disabilities. We have already put in place a special service counter at Sabiha Gokcen Airport, and design process is ongoing to build one at the 3rd Airport in Istanbul, as well.

Online Sales of Discounted Tickets

We aim to keep record of passengers with disabilities on our system with a view to enabling them to buy discounted tickets through our website.

Audible Steps

Smart chips will be installed at pilot locations to facilitate detection of certain utilities and locations such as stairs, counters and lavatories. This way, we intend to help passengers with visual impairment in particular, to find their directions with instant and audio instructions by using pedometers.

Passenger Rights Leaflet and Boarding Passes in Braille

We are waiting for completion of the publication process carried out by DGCA to release the passenger rights brochure in Braille. In addition, we plan to issue boarding passes in Braille for our passengers with disabilities who refer to our special accessibility counter for check-in.

Illustrative Description of Travel Process

Illustration describing travel process for passengers with limited mobility have been designed and will be distributed to our passengers at stations soon.

Sign Language Training

A certain number of cabin crew members have received sign language training to be able to address the needs and requests of passengers with hearing impairment promptly. Trained cabin crew members will be assigned to those flights during which this special service would be needed.



OUR GREATEST ASSET: HUMAN CAPITAL

Our greatest asset is our human capital, and we have transformed the dynamism of our young cadre consisting of more than 50 thousand personnel including the subsidiaries into an international success story. As of 2016, Turkish Airlines is a big family with 24,124 employees consisting of 4,468 cockpit personnel, 9,922 cabin personnel and of whom 52% are male and 48% are female. We aim to provide all of our employees, residing in different parts of the world, with a transparent working environment that supports creativity and team spirit, is conducive to personal development, an environment where the corporate targets are internalized at every level and ideas can be exchanged freely. All individuals taking a step into the magical world of aviation commit themselves to their profession at Turkish Airlines.

Our Human Resources Policy is to ensure the employment of qualified personnel who abide by the professional and ethical rules and are able to perform their duties effectively and efficiently in line with the strategic plans and targets of our Company, as well as maintaining the sustainability of such personnel's qualifications. In this context, the human resources planning, setting the job descriptions, ensuring the creation of the "Corporate Culture and Awareness", personnel employment, performance management, training and development, personnel processes, social and economic rights, ensuring the personnel satisfaction, working order, disciplinary and rewarding processes are covered by our Human Resources Policy.

PERFORMANCE MANAGEMENT AND CAREER DEVELOPMENT

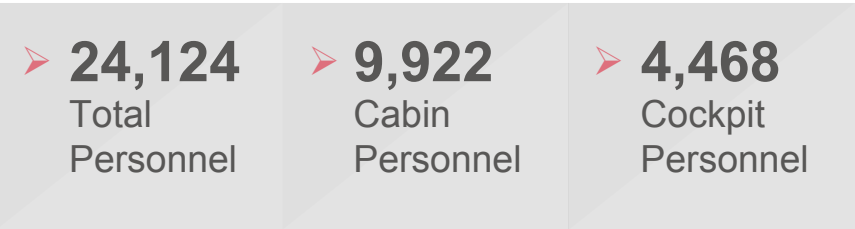
We aim at carrying our Company forward with Performance Management System which is now in place at managerial level in line with our strategic targets. We evaluate our employees on both target and competency based, and support their development with trainings assigned to them upon completion of evaluation. Our initiatives to develop and extend Performance Management System are now ongoing.

With our comprehensive scope of activity and multicultural structure, we provide our employees with a unique career opportunity in the aviation industry. Corporate loyalty and effective team work are two of the most prominent characteristic features of the Company. While the qualifications of our employees add a distinct richness to the Company, individual targets and corporate objectives are in harmony with each other. Prospects for a long-term career are available for pilots.

In addition, we participated in 19 career events in total, organized by prominent Turkish universities including Bogazici University, Istanbul Technical University, Middle Este Technical University as well as many other organizations in order to promote the career opportunities and employment processes at Turkish Airlines and have direct access to qualified applicants.



EMPLOYEES



THE LEADERSHIP SCHOOL

Established with the aim of raising and developing talented managers that our Company and the aviation industry as a whole will need in the future, Turkish Airlines Academy Leadership School was launched in 2012. The aim is to bring up new leaders with high performance potential who can keep up with the competition, come up with corporate related ideas and solutions for our fast growing Company and the aviation field in general. Leadership School is aimed at candidates who wish to have a better career in their organization, as well as for those who work as senior executives. The Leadership School, with the training concept integrated by the distance learning programs of Harvard University, is on its way to become a globally recognized school following the international education standards.



The Leadership School, with the training concept integrated by the distance learning programs of Harvard University, is on its way to become a globally recognized school.



Leadership Development Program

Turkish Aviation Academy provides three-day Leadership Development Program for the executives of Turkish Airlines within the scope of its cooperation with Fatih Sultan Mehmet University.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

We comply 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 49 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.

EMPLOYEE SATISFACTION

We care about our employees' satisfaction as much as our passengers' satisfaction. SVP, Social and Administrative Affairs handles the service processes that directly affect many of our employees and is primarily responsible for creating quality awareness and presenting it to the service of our employees on a sustainable basis. While progressing toward the objective of being the best in the world, we pay utmost attention to the processes such as transportation, nutrition, office ergonomics and life quality that would maximize the motivation of our employees.

We managed to exploit all incentives to the fullest extent through appropriate workforce allocation. Indeed, we have been awarded by the Social Security Institution for paying the highest premium and for being a debt free entity.

SOCIAL BENEFITS

Turkish Airlines provides its employees with important social benefits. Examples of these social benefits are as follows: A wide ranging of service network, private health insurance, private health insurance discounts provided to the employees' families, allowances for birth, nursing, death and marriage, kindergarten or kindergarten allowance for the female employees with dependent children, free or discount domestic/international flight opportunities, visa facilities, contract accommodation opportunities all around the world.

AWARDING THE BEST COLLEAGUE

Products and Services Management Department serving by reporting to SVP, Ground Operations launched a new application with "360 Degrees, 365 Days of Excellence" slogan to reward the best stations and colleagues of the month. As a result of the assessments, ongoing as of January, awards are granted in three categories for the purpose of increasing sustainable product, service quality and efficiency to the top level.



CREW GARDEN LOUNGE

World's Best Lounge for the World's Best Team

When it comes to our employees' happiness, we do not hesitate to invest in anything which contributes to our employees' satisfaction. The Crew Lounge, used by our crew in between flights, was inaugurated with the "World's Best Lounge for the World's Best Team" slogan.



We care about our employees' satisfaction as much as our passengers' satisfaction!

EMPLOYEE SATISFACTION SURVEY

In order to assess employee satisfaction, we conduct surveys at regular intervals. In 2016, with the participation of 9,404 employees (42% participation rate), the employee satisfaction rate was 76% and we continuously work to increase the participation and satisfaction level of our employees.

You Ask and We Do It for You!

As the Best Airline Company in Europe, we continue our efforts to make our teammates the happiest employees in the world. From personnel development to nutrition, we have initiated many projects upon our 2015 and 2016 employee satisfaction survey.

Actions Taken Upon Employee Satisfaction Survey

Renovation at the dining hall

Discount agreements with various organizations exclusive to our employees, e.g. hotel accommodation

New facilities at our refectory to meet our employees' expectations

Recognition of our employees' success through plaques and badges

Appreciation of our employees' suggestions and opinions through the "I have an idea" page on empathy portal

Management trainings for employees under Career Development Program

Free and discounted healthcare service

Pleasure of traveling with the whole family with CED ticket

Improved shuttle service for our personnel

DIVERSITY AND EQUAL OPPORTUNITY

At the foundation of our success lie our human resources from diverse cultures and various countries. We appreciate our diverse employee profile as a great source of creativity and innovation. Our company always advocates equal opportunity among our people and we never discriminate any employees on the basis of race, color, gender, nationality, religion, disability, age, family status etc.

Number of our cockpit crew members, who have made a significant contribution in Turkish Airlines' success story, is more than 4,000 upon recruitment of 655 foreign pilots from 58 countries, which makes cockpit environment a truly cosmopolitan place to work. At Turkish Airlines, the number of female employees corresponds to 48% of the total number of employees, which hit 12,650, as of 2016. Indeed, the workforce is dominated by women as cabin personnel role. We are happy to see that our female pilot numbers are increasing year by year. Aiming to improve career opportunities for female employees, we developed measures such as offering kindergarten or kindergarten allowance for the female employees with dependent children and providing allowances for birth. We are committed to integrating people with disabilities and their talents in employment. In 2016, the number of disabled employees has been 195 of which 22 are supervisors and managers.

We are a growing family where newcomers join at any level every year. In line with the growth pace of the Company; pilots, cabin personnel and the employees holding other positions are recruited following an active process. Applicants are evaluated by objective criteria at all phases of assessment. In 2016, 3,486 people were employed at Turkish Airlines. Growth- and quality-based human resources policies are an important part of our Company's 2023 vision and our personnel planning until 2023 has already been made. Turkish Airlines' diverse employee profile is illustrated by age and gender in the employee profile table under the performance tables section.

➤ **655** foreign pilots from **58** countries ➤ **48%** female employees



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

We have a public OH&S Policy accompanied with a well-documented OH&S 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.

We hold 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.

We systematically collect, monitor and review health and safety data through online reporting systems and have established various mechanisms to achieve continuous improvement in our 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 established a regulations-compliant management system under which risks are analyzed with OHSAS 18001 standard, accidents are minimized by taking measures, controls are ensured by means of audits, targets of the company are set, sub- targets regarding occupational health and safety are communicated to the personnel and all these practices are realized. We strive to achieve continuous improvement and ongoing compliance with the regulations and standards.

Training

We, as Turkish Airlines support the improvement of occupational health and safety culture by raising the awareness of our personnel about occupational health and safety issues and provide all our employees with relevant information and regular trainings on occupational health and safety issues including; the regulations and statutory rights and the responsibilities of employees, overview of the principles of OH&S culture, chemical, physical and ergonomic risk factors, safe use of work equipment, the use of personal protective equipment, causes and prevention of occupational accidents, emergency response plans (explosions, fires, etc.) evacuation and rescue.

Performance

We are 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 2016, the injury weight rate has been 28.62 which is calculated as number of lost days *1,000,000/working time. Main types of injuries experienced at work within our organization 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 2017, we aim to decrease the injury weight rate to below 22.89 which is 28.62 as of 2016.



- We are OHSAS 18001 certified.
- 2017 Target: Decrease the injury weight rate to below 22.89

Please scan the QR Code below to access our OH&S Policy:



HEALTH AND SAFETY PRACTICES

We promote psychological health as well as physical health and well-being of our staff members, and are 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

We provide 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

We have 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. 19 emergency evacuation drills were conducted in 2016 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 2016, 126,260 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.

TRAINING

While training of employees is essential for business continuity and ensuring safe, efficient and sustainable operations, it is also essential for employee engagement and delivery of high quality customer service. As Turkish Airlines, we not only aim to enhance the fulfillment and performance of our employees but also work to develop both the technical competencies and costumer-oriented soft skills of them. To that end, we utilize significant resources on employee training and development.

TURKISH AIRLINES AVIATION ACADEMY

The Aviation Academy was founded to meet the training needs of Turkish Airlines. It has transformed over the years into an institution that offers training courses to people from many different companies both in Turkey and abroad. Academy is situated on a 5,800 square meters' area, containing 20 classrooms and a conference room with a seat capacity of 108. Within the Academy, there are 32 trainers, all experts in their fields, and 471 people can be delivered training at the same time. Approximately 2,585 classroom trainings are conducted annually and nearly 46,000 students participate in these trainings. Moreover, the number of students having received distance learning has reached 180,000.

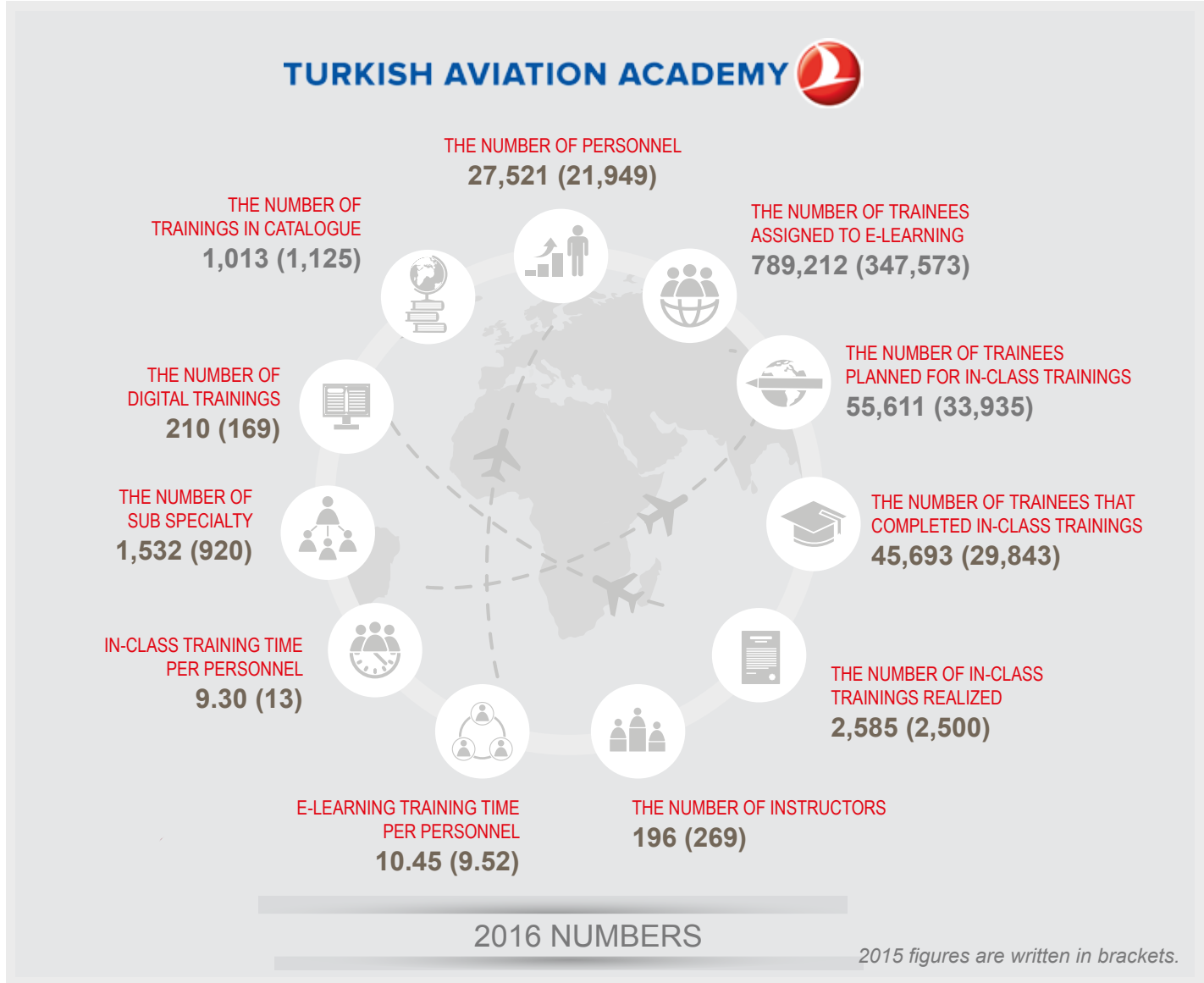
We offer trainings under three main categories: Corporate Solutions, Organizational Development and Language Skills. The frequency of trainings varies based on the Company's needs and requirements, and that whether it is mandatory compliance, new hire, recurrent training or seminar.

Our National & International Approvals and Partnerships

- IATA Regional Training Partner and Accreditation Training Center and School
- DGCA Dangerous Goods Authority
- DGCA Approval
- TS-EN-ISO 9001: 2008 Quality Management System Certificate
- ICAO Trainair Plus RTCE Membership
- PEARSON Accreditation
- Global Council of Corporate Universities



In 2016, The Academy conducted 2,585 in-class trainings for a total number of 55,611 trainees. 789,212 participants attended distance learning courses. The key figures for 2016 are presented below.



Digital Trainings

As can be seen in the figure above, in 2016 the classroom training time per personnel decreased whereas the digital training time increased compared to 2015.

Training Performance

In line with our objective assessment and transparency principle, exams are conducted before and after the trainings via online exam system. The difference between preliminary exam and final exam provides us an input to measure the performance of both the instructor and the trainee.

Important Developments

Turkish Airlines Aviation Academy has improved its training capabilities and gone well beyond the conventional methods, which involve conveying the same information with similar methods, by providing e-learning and blended training opportunities to eliminate time and space barriers for our students. The training catalogue of the Academy contains 67 digital trainings, 123 digital information notes, 36 blended trainings and 253 classroom trainings.

Our Academy is the regional business partner of IATA which represents 84% of the worldwide air traffic. We offer IATA certified trainings to improve safety and efficiency of air transport through establishment, maintenance and monitoring of high standards of training. Last year, Turkish Airlines Aviation Academy was ranked first amongst the regional training partners of IATA. The Academy continued its successful performance in 2016 and has been deemed worthy of the title "IATA Premier Circle Member". Besides, the Academy was honored by IATA as "The Leading Worldwide Regional Training Partner of IATA 2016".

The Academy successfully renewed its all accreditation certificates including "A Pearson Assured Organization". Besides, the Academy has been entitled to receive the recognition of being the first official Corporate University in Turkey by the Global Council of Corporate Universities.

The Aviation Academy, which has been continuing its full membership of Trainair Plus since June of 2013, assumed the title of "ICAO Regional Training Centre of Excellence". Within the scope of ICAO Trainair Plus Program, the Academy contributed to the global aviation sector in airport security area by designing Travel Documents Training. And with its excellence title, the Academy is preparing to bring the global sector many trainings in compliance with ICAO rules and regulations.

We believe that the IATA Global Training Partner Conference which will be hosted by our Academy in 2018 in Istanbul will also contribute positively to the development of tourism in Turkey.

Targets

2016 targets were achieved successfully. Our 2017 targets are as follows:

- 58 training programs were digitalized by the end of 2016. We aim to digitalize 88 trainings in 2017
- Offer 20 IATA trainings in 2017
- Encourage employees to submit at least two ideas by the end of 2017

FLIGHT TRAINING CENTER

Flight Training Center conducts training activities for more than 4,000 cockpit crew members, dispatchers and load masters as well as more than 9,800 cabin crew members in accordance with international standards and serves to develop competencies of flight crew members. The center provides training services for national and international customers through domestic and international authorizations and aims to be one of the biggest training centers across Europe, the Middle East and Africa. Besides, the activities carried out with institutions and organizations provide valuable contributions to extend civil aviation knowledge on both national and international basis.



EASA.ATO.0028 certificated as approved training center by European Aviation Safety Agency.



*we train as we fly,
we fly as we train...*



Training Performance

At Flight Training Center, we have been providing ground courses and flight trainings for cockpit crew members, ground courses and practical trainings for cabin crew members, ab-initio trainings for candidate pilot trainees, ground trainings for dispatchers and ground trainings for loadmasters. All trainings for flight crew members aim at increasing knowledge, skills and competencies in communication, workload management, leadership, team building and assertiveness. We update our training program on regular basis to increase the quality of trainings and ensure that the employees are equipped with all technical skills required to provide service for safe operation all around the world.

We also seek to raise environmental awareness by training our employees in the related fields such as fuel efficiency. The Flight Training Center conducts seminars about fuel efficiency through their operational applications in order to protect environment.

DLR Test Center, where pilot selection exams are performed together with the German Aerospace Center (DLR), is another important initiative maintained under the umbrella of Flight Training Center.

Projects Realized

Construction process is ongoing to build a new Flight Training Center with 18 simulators and 45 classrooms as well as a mock-up area in Florya in order to meet our increasing need for training as our fleet keeps growing. In 2016, installation of four full flight simulators (FFS) started as part of the new "Flight Training Center Project", increasing the number of EASA-approved full flight simulators (FFS) to 14.

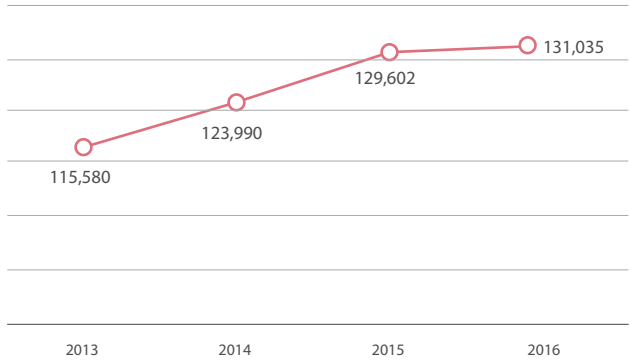


49,270 trainees **579** instructors

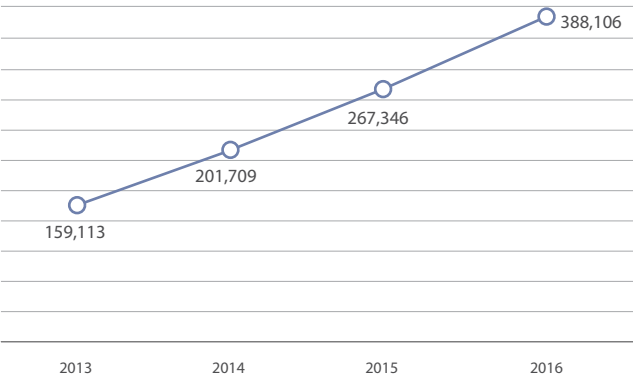


2013-2016 Performance

13% INCREASE IN THE HOURS OF THE TRAININGS FOR THE COCKPIT CREW MEMBERS



144 % INCREASE IN THE HOURS OF THE TRAININGS FOR THE CABIN CREW MEMBERS



6% increase in the number of FNPT* and FFS**

25 % increase in the revenues

5 % increase in the total number of the trained cabin and cockpit crew members

45 % increase in the total number of the cabin and cockpit crew training hours

* Flight Navigation and Procedures Trainer
** Full Flight Simulator



SOCIAL RESPONSIBILITY

OUR CORPORATE SOCIAL RESPONSIBILITY PROJECTS

TRAINING

Computer Classes Project

Our Company has provided computer classes at 11 locations in Africa with the aim of contributing to equal opportunity in education and support schools in our destinations across developing countries. Our employees deliver coding training to students at these schools on voluntary basis to open new horizons for African children.

Heroes Magazine Distributed at Village Schools

Our complimentary magazine Heroes, which features various destinations around the world, is distributed to 130,000 child passengers every month. In 2016, in collaboration with the Provincial Directorate of National Education in Istanbul, we distributed Heroes magazine to 5,000 students studying at various village schools in Istanbul as well as 1,000 students across other cities every month.

Volunteers Support Curious Engineers Project

Volunteers from Turkish Airlines organized several engineering workshops across many schools to help children develop their skills in collaboration with IBM, Private Sector Volunteers Association and Provincial Directorate of National Education in Istanbul.



VOLUNTEERING AND GLOBAL HUMANITARIAN AID ACTIVITIES

Turkish Airlines carries out social responsibility projects with voluntary employees around the globe. We have accelerated our social responsibility activities during the last two years with various projects across 23 destinations in 16 countries from Ulaanbaatar to Kano, Jerusalem and Maputo. As part of our projects particularly for the disadvantaged children living in our destinations, we have renovated orphanages in Nigeria and Kenya as well as various school renovation in Madagascar and Ivory Coasts.

Special Programs for Ramadan and Sacrifice Festivals

For the last three years, we organize iftar meals at various locations in Africa, bringing together our volunteers and thousands of African people around the same table. As part of these programs, we have delivered clothing, blankets, bed nets and other soft goods and food aid for children.

Water Wells

Thanks to the efforts of our volunteers and partner offices, nearly 50 water wells have been drilled in Nigeria, Senegal, Tanzania, Madagascar, Khartoum, Chad and Sudan so far.

Cataract Project

Despite the progress in treatment techniques, cataract remains the leading cause of visual impairment globally. With a blindness rate of 1.6%, Ethiopia is one of the leading countries with the highest incidence of blindness around the world. In collaboration with a local hospital affiliated to the Ministry of Health in Ethiopia, Turkish Airlines organized a healthcare camp where nearly 1000 patients underwent cataract surgery. We aim to implement this project in other African countries.

Volunteering Projects at Home

Our volunteers organize various projects and activities across many local cities from Agri to Canakkale. Some of our volunteering projects include Sister families, Engineering enthusiasts, Overcoat aid in Kars, Gift donation for children in Bafra/Samsun, clothing aid for children with disabilities as part of May 19th celebrations in Samsun, visits to children with down syndrome in Istanbul, donation of shoes to Syrian children in Istanbul, donation of stationery and boots in Agri, food aid in Urfa, establishment of a library in Elazig Prison.

Volunteering Projects Abroad

Some of our volunteering projects abroad include: Letters from homeland, renovation of orphanage in Kano 2, bicycle donation in Burkina Faso, supply aid to orphanages in Central Asia, fishing boats donation to Zanzibar, volunteer tourism in Tanzania, Bosnia Herzegovina and Palestine, clean carpets to village mosque in Dakar, gift donation in Skopje, orphanage visit in Pakistan, painting contest in Burkina Faso.



EVENTS & ORGANIZATIONS

Conferences and Fairs

Turkish Airlines Corporate Social Responsibility Supervisor's Office represent us at the Corporate Social Responsibility 2023 Business Management Summit, Global Summit of Women and ORDAF Africa Think Tank summit, building various collaboration with these organizations.

Clubs

Our Sustainability Club and Film Club continue their activities with various projects.

TOSIDO

Nearly 300 children have attended the Istanbul tour called TOSIDO (TourIstanbul, Simulator, DO&CO), an ongoing project since 2015.

PROGRAMS

African Culture House

Our company supports African Culture House project by providing cargo transportation service free of charge. The project is launched under supervision of the Office of the President of the Republic of Turkey in collaboration with TİKA, MUSIAD and the Turkish Ministry of Foreign Affairs in order to introduce and commercialize African handicrafts in Turkey to support the producers.

Voluntourism

As part of our voluntourism activities carried out by our volunteers for the first time in Jerusalem, Bosnia and Tanzania, we have organized training sessions at various schools and orphanages on sports, art and language education, promoting Turkey and Turkish-Islamic civilization.

Sister Offices Platform

We have introduced a "Sister Offices Platform" to allow our offices with a high level of interaction and traffic volume between each other to engage in social responsibility activities. As part of the project, we have planned a number of development projects across 10 African countries; and 10 local and 10 international offices are selected as sister offices for our offices in these regions to support the project by attracting investors from their regions, funding PR activities and volunteering projects, etc.

Our volunteers have made some contacts in Dakar for the project, noticing that a lot of women work in fishery industry, which is an important source of living in the region, however they do not have sufficient knowledge of modern techniques. We are planning to provide infrastructure and training support to the fisherman in Dakar with the initiatives of our Trabzon office.

SPONSORSHIPS

UN Humanitarian Summit

For the first time in its history, the United Nations convened the World Humanitarian Summit to generate commitments to reduce suffering and deliver better for people around the globe. The Summit took place in Istanbul on 23-25 May 2016 and convened more than 5,000 participants, including Heads of State and Government, hundreds of private sector representatives, and thousands of people from civil society and non-governmental organizations. Turkish Airlines supported the Summit as prime sponsor.

Federations of Persons with Disabilities

Our Company supports Turkish Federation of Disabled Sportsmen and continues to act as prime transportation sponsor for the local and international activities of both federations.

Nepal Engage Wheelchair Basketball League

Turkish Airlines sponsored Nepal Engage Wheelchair Basketball League, a regular event organized annually.

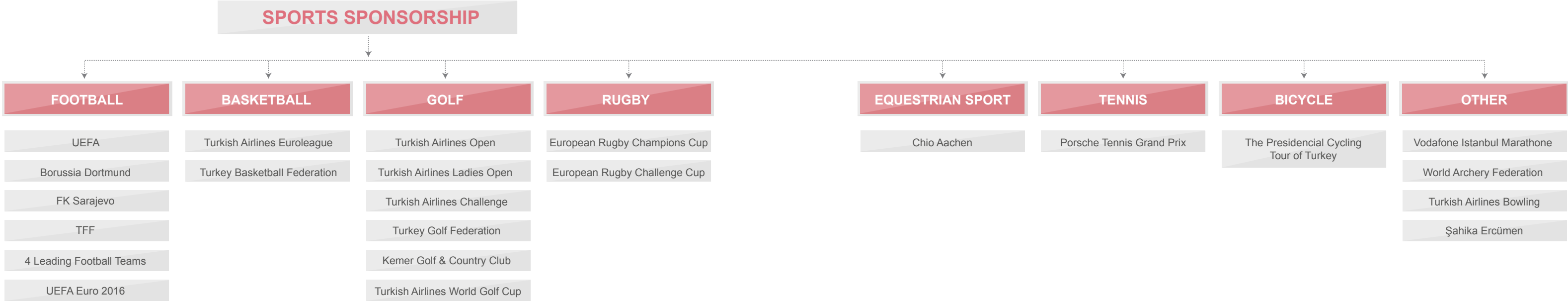
Sponsorship of Science and Science Fests

Turkish Airlines has been the title sponsor of Bursa Science Fest, the largest science festival in Turkey, as an indication of our commitment to support initiatives directing children to science studies and enabling them to have fun while learning. Moreover, our Company sponsors many scientific organizations and events across the country. Some examples include the Genius People Day at Yildiz Technical University, Aziz Sancar Girls in Stem Project, ITU Robot Contest, National Nano Technology Research Center.

UEFA Festival 16

We have become the transportation sponsor for the teams to participate Festival 16, organized by UEFA Foundation under EURO 2016.







APPENDICES

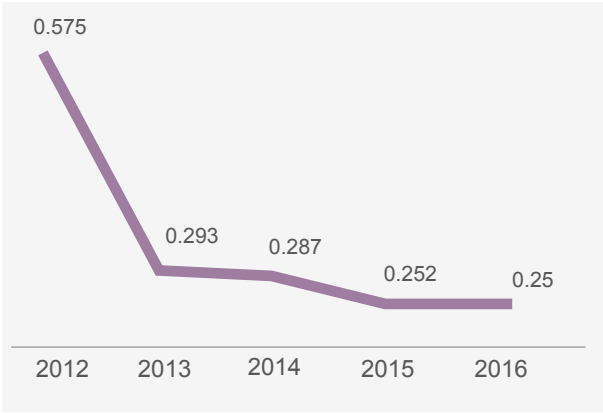
PERFORMANCE TABLES	98
THE CALCULATION METHODOLOGY	100
GRI G4 CONTENT INDEX	101

PERFORMANCE TABLES

G4-10 Employee profile by age groups and gender

Year	Employee Category	Age Group			Gender		TOTAL
		0-29	30-49	50+	Kadın	Erkek	
2014	Cockpit personnel	669	2.460	763	78	3,814	3,892
	Cabin personnel	4,390	3,385	3	5,439	2,339	7,778
	Other personnel	1,819	6,049	364	3,709	4,523	8,232
	Total	6,878	11,894	1,130	9,226	10,676	19,902
2015	Cockpit personnel	696	2,806	872	92	4,282	4,374
	Cabin personnel	4,670	4,056	3	6,099	2,630	8,729
	Other personnel	2,124	6,398	405	4,011	4,916	8,927
	Total	7,490	13,260	1,280	10,202	11,828	22,030
2016	Cockpit personnel	678	2,866	924	121	4,347	4,468
	Cabin personnel	4,990	4,930	2	7,072	2,850	9,922
	Other personnel	2,468	6,844	422	4,280	5,454	9,734
	Total	8,136	14,640	1,348	11,473	12,651	24,124

Safety Audit Performance



G4-LA 1: Breakdown of new employee hires by age group, gender and geographic region

		2014	2015	2016
Total		2,599	3,056	3,486
Age Group	Below 30	1,847	2,314	2,583
	30-49	663	657	871
	50+	89	85	32
	Male	1,594	1,641	1,655
Gender	Female	1,005	1,415	1,831
	Africa	53	59	54
	America	38	42	87
	Asia	62	27	44
Geographic Region	Europe	130	156	210
	Middle East	45	115	85
	Far East	38	30	39
	Turkey	2,233	2,627	2,967

Total number of separations was 1,392 in 2016. The employee turnover rate was 6.3% calculated as the number of separations, divided by the average total number of employees.

G4-LA 12: Breakdown of management profile by age group and gender

YEAR	Age Group			Gender		TOTAL
	0-29	30-49	50+	Female	Male	
2014	23	468	49	54	486	540
2015	16	480	47	50	493	543
2016	13	513	47	52	521	573

THE CALCULATION METHODOLOGY

Water, Natural Gas and Electricity

2016 water and natural gas figures are based on the consumptions at Turkish Airlines Headquarters and Yenibosna Premises whereas electricity figures also include consumptions at Gunesli Premises.

Accounting of the Carbon Emissions

2016 carbon emissions are calculated by multiplying the total aircraft fuel consumption by 3.1498.

Health and Safety

Injury weight rate is calculated by multiplying the number of lost days by 1,000,000/working time.

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, regarding future events or prospects, 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. Turkish Airlines undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent required by law. Any forward-looking statement in this report speaks only as of the date on which it is made, and Turkish Airlines undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events, except to the extent required by law.

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



“GRI G4 CONTENT INDEX ‘IN ACCORDANCE’ OPTION CORE”

Indicator	GENERAL STANDARD DISCLOSURES	Page	Explanation/link
STRATEGY AND ANALYSIS			
G4-1	Statement from Chairman of the Board about the relevance of sustainability to the organization and the organization’s strategy for addressing sustainability.	4, 5	
ORGANIZATIONAL PROFILE			
G4-3	Name of the organization.	101	Turkish Airlines Inc
G4-4	Primary brands, products, and services.	8,9	
G4-5	Location of the organization’s headquarters.	101	General Management Building, Atatürk Airport Yeşilköy 34149 İSTANBUL TURKEY
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	8-9	
G4-7	Nature of ownership and legal form.	23	
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	8 - 11, 101	Annual Report 2016, pages 6-9, 32-38
G4-9	Scale of the organization, including: * Total number of employees * Total number of operations * Net sales (for private sector organizations) or net revenues (for public sector organizations) * Total capitalization broken down in terms of debt and equity (for private sector organizations) * Quantity of products or services provided	9, 35, 36, 75, 76, 101	Annual Report 2016, pages 6-9, 32-38

G4-10	<p>a. Report the total number of employees by employment contract and gender.</p> <p>b. Report the total number of permanent employees by employment type and gender.</p> <p>c. Report the total workforce by employees and supervised workers and by gender.</p> <p>d. Report the total workforce by region and gender.</p> <p>e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors.</p> <p>f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).</p>	79, 98	
G4-11	Percentage of total employees covered by collective bargaining agreements.	76	
G4-12	Organization's supply chain	34	
G4-13	<p>Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain, including:</p> <p>*Changes in the location of, or changes in, operations, including facility openings, closings, and expansions</p> <p>*Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations)</p> <p>*Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination</p>	11, 51, 102	Annual Report 2016; pages 32 to 38
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	24 - 28 45	
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	45	
G4-16	<p>List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization:</p> <p>* Holds a position on the governance body</p> <p>* Participates in projects or committees</p> <p>* Provides substantive funding beyond routine membership dues</p> <p>* Views membership as strategic</p> <p>This refers primarily to memberships maintained at the organizational level.</p>	21	
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	<p>a. Entities included in the organization's consolidated financial statements.</p> <p>b. Any entity included in the organization's consolidated financial statements is not covered by the report</p>	1	
G4-18	Process for defining the report content and the aspect boundaries	18 - 20	
G4-19	Material aspects identified	22	

TURKISH AIRLINES SUSTAINABILITY REPORT 2016				
				G4-22, G4-23
G4-20	For each material aspect, report the Aspect Boundary within the organization	20, 22		
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	20, 22		
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	103	There is not any restatement.	
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	103	There is no change.	
STAKEHOLDER ENGAGEMENT				
G4-24	List of stakeholder groups engaged by the organization.	19, 21		
G4-25	Basis for identification and selection of stakeholders with whom to engage.	18, 19		
G4-26	Organization’s approach to stakeholder engagement.	18 - 21, 26		
G4-27	Response to key topics and concerns that have been raised through stakeholder engagement.	20, 26, 78		
REPORT PROFILE				
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	103	January 1, 2016-December 31, 2016	
G4-29	Date of most recent previous report (if any).	103	January1, 2015-December31, 2015	
G4-30	Reporting cycle (such as annual, biennial).	103	Annual	
G4-31	Provide the contact point for questions regarding the report or its contents	1		
G4-32	‘In accordance’ option, the GRI content index and external assurance	1		
G4-33	Organization’s policy and current practice with regard to seeking external assurance for the report.	1		
GOVERNANCE				
G4-34	Governance structure of the organization, including committees of the highest governance body. Committees responsible for decision-making on economic, environmental and social impacts.	23 - 25		

ETHICS AND INTEGRITY			
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	28, 29	
SPECIFIC STANDARD DISCLOSURES			
CATEGORY: ECONOMIC			
MATERIAL ASPECT	ECONOMIC PERFORMANCE		
G4-DMA	Management Approach	32 - 39	
G4-EC1	Direct economic value generated and distributed	9, 35, 104	Annual Report 2016, pages 6 to 9
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	27	
MATERIAL ASPECT	INDIRECT ECONOMIC IMPACTS		
G4-DMA	Management Approach	32 - 39	
G4-EC7	Development and impact of infrastructure investments and services supported	32 - 39, 42 - 46	
G4-EC8	Significant indirect economic impacts, including the extent of impacts	32 - 39	
CATEGORY: ENVIRONMENTAL			
MATERIAL ASPECT	ENERGY		
G4-DMA	Management Approach	42 - 54	
G4-EN3	Energy consumption within the organization	52, 53, 60	
G4-EN5	Energy intensity	46, 47, 54	
G4-EN6	Reduction of energy consumption	46 - 54	

MATERIAL ASPECT	WATER		
G4-DMA	Management Approach	28, 29	
G4-EN8	Total water withdrawal by source	46	
MATERIAL ASPECT	EMISSIONS		
G4-DMA	Management Approach	42 - 55	
G4-EN15	Direct Greenhouse gas (GHG) emissions (scope 1)	54, 55	
G4-EN19	Reduction of GHG emissions	54, 55	
MATERIAL ASPECT	EFFLUENTS AND WASTE		
G4-DMA	Management Approach	42 - 46, 55	
G4-EN23	Total weight of waste by type and disposal method	55	
MATERIAL ASPECT	PRODUCTS AND SERVICES		
G4-DMA	Management Approach	42 - 55, 70	
G4-EN27	Extent of impact mitigation of environmental impacts of product and services	47	
MATERIAL ASPECT	COMPLIANCE		
G4-DMA	Management Approach	42 - 45	
G4-EN29	Monetary value of significant fines and total numbers of non-monetary sanctions for non-compliance with environmental laws and regulations	42	
MATERIAL ASPECT	OVERALL		
G4-DMA	Management Approach	42 - 45	
G4-EN31	Total environmental protection expenditures and investments by type	42	

CATEGORY: SOCIAL				
SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK				
MATERIAL ASPECT	EMPLOYMENT			
G4-DMA	Management Approach	75 - 79		
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region		79, 99	
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation		77, 78	
MATERIAL ASPECT	LABOR/MANAGEMENT RELATIONS			
G4-DMA	Management Approach	75 - 79		
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective bargaining agreements		106	A period of 8 weeks is allocated for preparation and planning before the collective bargaining agreement
MATERIAL ASPECT	OCCUPATIONAL HEALTH AND SAFETY			
G4-DMA	Management Approach	80 - 82		
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs		106	OH&S Committee operates at managerial level within the Company.
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender		81	
G4-LA8	Health and safety topics covered in formal agreements with trade unions		106	H&S topics are covered in formal agreements with trade unions
MATERIAL ASPECT	TRAINING AND EDUCATION			
G4-DMA	Management Approach	83 - 88		
G4-LA9	Average hours of training per year employee by gender, and by employee category		84, 88	
G4-LA10	Programs for skills management and lifelong learning that support continued employability of employees and assist them in managing career endings		83 - 88	

TURKISH AIRLINES SUSTAINABILITY REPORT 2016			

MATERIAL ASPECT	ANTI-CORRUPTION	
G4-DMA	Management Approach	28, 29
G4-SO3	Total number and percentage of operations assessed for risks related to corruption	28
G4-SO4	Communication and training on anti-corruption policies and procedures	28, 29
G4-SO5	Confirmed incidents of corruption and actions taken	28, 29
MATERIAL ASPECT	ANTI-COMPETITIVE BEHAVIOUR	
G4-DMA	Management Approach	28, 29
G4-SO7	Number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes	28
MATERIAL ASPECT	COMPLIANCE	
G4-DMA	Management Approach	28
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	28, 29
SUB-CATEGORY: PRODUCT RESPONSIBILITY		
MATERIAL ASPECT	PRODUCT AND SERVICE LABELING	
G4-DMA	Management Approach	20, 65 - 73
G4-PR5	Results of surveys measuring customer satisfaction	13 - 14, 69 - 70
MATERIAL ASPECT	CUSTOMER PRIVACY	
G4-DMA	Management Approach	71
G4-PR8	Number of substantiated-complaints regarding breaches of customer privacy and losses of customer data	71

TURKISH AIRLINES 

A STAR ALLIANCE MEMBER 

