



Eczacıbaşı Group
Sustainability Report
2009

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About our Sustainability Report

This report encompasses our Group-wide policies, strategies and actions in the years leading up to and including 2009 with respect to sustainable development issues and the sustainable business practices of our companies based in Turkey. In May 2007 and 2008 we published Communications on Progress (COP) outlining our efforts to implement and promote the 10 principles of the Global Compact. Readers who wish to compare our previous two reports with this one will find the Reference Guide to the UN Global Compact Principles at the end of this report.

In this report, we explain the steps we are taking to integrate the principles of sustainable development into all our business processes, including our management of sustainable development and innovation, the activities of our Sustainable Development Working Committee, and the sustainable business practices of Group companies in Turkey. In determining the content for this report, we have chosen to continue the general approach and coverage of our two previous Communications on Progress for the Global Compact while expanding our reporting on environmental issues. This choice reflects our high-level concern about climate change, environmental pollution, and the growing pressure on water and other natural resources, as well as our belief that we can significantly improve our business performance while contributing to solutions to these problems.

Accordingly, for the first time we are presenting consolidated energy consumption and carbon emissions data for the fiscal years ending 31 December 2008 and 2009 for all of our industrial sites in Turkey. Because this data will provide a critical benchmark for our future business strategies and targets, we have worked with an international accounting firm to obtain independent assurance in respect of these figures.

In preparing this document and the indicators presented in this report, we have relied heavily on the data guidelines, boundary protocol and recommended reporting structure of the Global Reporting Initiative (GRI). In the years ahead, we plan to expand gradually the scope of this report to include our industrial sites outside of Turkey and a growing number of GRI performance indicators on a consolidated basis.

The executive management of the Eczacıbaşı Group are responsible for preparing the Eczacıbaşı Group Sustainability Report, including the Energy and Carbon Performance Statement. The executive management are required to:

- ensure that the reporting preparation is appropriate, including responsibility to ensure that Energy and Carbon Reporting Policy is appropriate and applied consistently;
- keep proper records that disclose with reasonable accuracy the information in the Group Sustainability Report;
- make judgements and estimates that are reasonable and prudent; and
- take reasonable steps for the prevention and detection of fraud and other irregularities.

The executive management are also responsible for the maintenance and integrity of the Company's website.

For more information on our Group's operations and sustainability activities, please see our corporate website. www.eczacibasi.com



Joint Statement from the Chairman and CEO

Transforming commitment into sustainable actions



The global crisis from which we are gradually emerging has brought fundamental changes to our business environment.

Developing economies are replacing the advanced economies as the drivers of global growth. Not only do they represent huge pockets of demand, with their lower production costs they are also becoming – through investments in technology and innovation – formidable competitors in advanced markets. Hence, competition in advanced markets, where demand has ebbed, has become even tougher.

The pendulum in the policy environment is swinging once again towards greater intervention, not only with respect to the regulation of market mechanisms but also the rights and responsibilities of corporations. Plant closures, bank failures, record unemployment and growing concern about the environmental impact of industrial activities have put pressure everywhere on businesses' "social license to operate". At the same time, more governments are establishing incentives and deterrents aimed at curbing non-renewable energy use and carbon emissions.

All this is transforming the risks, challenges and opportunities our businesses face today and strengthening the business case for "sustainable business practices" as the new drivers of innovation, growth, and competitive advantage.

One of the primary reasons, therefore, we have set ourselves the goal of integrating sustainable development principles into our business excellence model – the total quality, environmental and human resource management systems we have in place today – is to strengthen our capacity to respond to this changed environment. By forcing us to think about the long-term social, environmental and economic impact of our operations, sustainable development principles provide a roadmap for innovation, investments and corporate strategy that will prepare us for new risks, enhance our resource efficiency and differentiate our products and services, thereby boosting our profitability and strengthening our long-term business outlook.

Equally important for us is that sustainable development principles provide a universal business framework for addressing

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many issues that we are deeply concerned about, such as climate change, environmental degradation and water scarcity, and for advancing our implementation of the 10 principles set out in the United Nations Global Compact, which we signed in May 2006 and are committed to promoting throughout our organization.

With these concerns in mind, we took firm steps towards making sustainable development an integral component of our management systems.

Our Sustainable Development Working Committee, which comprises 30 environmental, human resource, marketing, and business development experts from 15 Group companies, including all of our major industrial operations in Turkey, completed the first task we assigned it of determining the consolidated energy and carbon footprints of our industrial sites in Turkey. These data, which we present in this report, will provide a critical benchmark for our future business strategies and targets, so we have asked an international accounting firm to assure the reported data using international assurance standards. We are proud to say that we are the first Turkish group of companies to obtain this assurance and plan to continue our leadership in this area by extending our data coverage to include our industrial sites abroad in the period ahead.

We introduced three Group-wide strategies for the period 2009-2012 aimed at promoting the use of sustainable development principles and practices in marketing, business processes, technology choices and investment decisions. Among these, perhaps the most significant in terms of communicating our determination in this area to colleagues and employees was the introduction of sustainable development-related performance indicators into individual, team, and company performance evaluation criteria.

We created a new executive position reporting directly to the President and CEO in charge of coordinating all sustainability strategies and representing the Group in national and international sustainable development initiatives. By establishing

this position at the level of Group vice president, we believe we are demonstrating our commitment at the top of our organization to moving forward in this process.

In this report, in addition to describing our sustainable development management measures, we present detailed information on what we have done and continue to do to advance human rights; promote safe, fair and enriching environments for our employees; and improve our environmental footprint. We also describe some of the sustainable business practices of our largest operations in Turkey with regard to sustainable product development, health and safety, and resource efficiency. Though there is still much we must do, we believe that these achievements reveal tangible progress in many areas and demonstrate the priority we give to further advancing sustainable development practices throughout our business operations.



Bülent Eczacıbaşı
Chairman



Dr. Erdal Karamercan
President and CEO

Eczacıbaşı Group Profile

Founded in 1942 by Dr. Nejat F. Eczacıbaşı, the Eczacıbaşı Group takes its name from the honorary title “chief pharmacist”, conferred on the father of Dr. Eczacıbaşı at the turn of the last century. Eczacıbaşı is a prominent Turkish industrial group with 40 companies, close to 9,300 employees and a combined net turnover of \$2.5 billion in 2009.

Eczacıbaşı’s core sectors are building products, healthcare and consumer products. Additionally, the Group is active in finance, information technology, welding technology, property development and mining. In Turkey, Eczacıbaşı is the leader in most of its businesses and has distribution networks for building products, pharmaceuticals and fast-moving consumer goods that are among the strongest in their sectors.

Internationally, Eczacıbaşı is best known for its flagship Vitra brand, a powerful contender in global bathroom and tile markets. It is also a major exporter of tissue paper, welding electrodes, electronic smart cards and industrial raw materials such as clay and feldspar.

International partnership is a central component of the Eczacıbaşı Group’s growth strategy. Eczacıbaşı has nine international joint ventures and numerous cooperation agreements with leading international companies. All of these are grounded on the principle of long-term mutual benefit, based on firm business criteria and ethical business practices.

The Eczacıbaşı Group’s mission is to be a pioneer of modern, high quality and healthy lifestyles. Accordingly, the Group encourages each of its companies to surpass established standards in their sectors and raise consumer benchmarks of product and service quality. Through sponsorship and responsible corporate practices, it also promotes social and economic development that nurtures cultural and scientific activity, protects the environment and preserves scarce natural resources.

Division highlights

Long the premier supplier in Turkey of bathroom products and ceramic tiles, our **Building Products Division** is one of the few manufacturing groups worldwide producing every component of the bathroom as well as an expansive range

of wall and floor coverings. Supported by eight manufacturing sites in Turkey and eight abroad, our Division is contending for top three ranking in Europe with a powerful portfolio of international and local brands: Vitra, Burgbad, Villeroy & Boch (Tiles), Engers, VitraFix, Vitra Therm, Artema, and Intema Kitchen. International assets include a majority share of V&B Fliesen, the tile division of Villeroy & Boch, just over 95 percent of Burgbad, the leader of the European luxury bathroom furniture market, and all of Engers Keramik, a German tile producer.

Our **Healthcare Division** is the leading manufacturer of parenteral and renal solutions in Turkey through a joint venture with Baxter International and the largest producer of radiopharmaceuticals for nuclear medicine in Turkey and neighboring markets. It also has an extensive marketing and distributing operation for pharmaceuticals and personal healthcare products produced by global companies for the Turkish market. Other activities include hemodialysis and peritoneal dialysis services, comprehensive home healthcare services in a joint venture with the US-based Corridor Group, and Turkey’s first special care center for the elderly, chronically ill, and post-operative patients.

Our **Consumer Products Division** is Turkey’s largest manufacturer and supplier of tissue paper products through a joint venture with Georgia-Pacific, and the leading supplier of skin care products and professional hair coloring products through its joint ventures with Beiersdorf and Schwarzkopf. It is also involved in the manufacture of away-from-home cleaning products and selected cosmetics, and the marketing and distribution of a wide range of FMCG brands through an extensive retail distribution network.

We have three industrial operations outside of our core divisions, a welding consumables joint venture with Lincoln Electric, a smart card production and personalization joint venture with Giesecke&Devrient, and an industrial raw materials extraction and processing operation that operates nine sites in Turkey. We also have commercial property, including an award-winning shopping, residential and office center in Istanbul, Kanyon, several financial service companies, and an information technology solutions and services provider.

Eczacıbaşı Group Financial Highlights*

	(\$ Million)		(TL Million)	
	2008	2009	2008	2009
TOTAL NET SALES				
Building Products	1,148.6	946.3	1,474.1	1,462.0
Healthcare	405.8	410.9	520.9	634.9
Consumer Products	660.4	552.9	847.5	854.2
Other Products and Services	799.8	598.5	1,026.5	924.7
Eczacıbaşı Group	3,014.6	2,508.7	3,869.0	3,875.7
INTERNATIONAL SALES				
Building Products	634.4	557.9	822.9	853.6
Healthcare	3.2	4.3	4.3	6.5
Consumer Products	64.5	48.7	87.8	71.8
Other Products and Services	119.6	73.6	156.5	112.0
Eczacıbaşı Group	821.7	684.5	1,071.6	1,043.9
EBITDA				
Building Products	50.4	52.1	64.7	80.5
Healthcare	34.0	48.4	43.6	74.8
Consumer Products	28.3	33.5	36.4	51.7
Other Products and Services	47.3	34.4	60.7	53.2
Eczacıbaşı Group	160.0	168.4	205.3	260.2

*Combined results of Group companies
(2008 figures have been adjusted to reflect the Eczacıbaşı Group's corporate structure in 2009.)

Our Business

Building Products Division	Healthcare Division	Consumer Products Division	Finance
<ul style="list-style-type: none"> • Eczacıbaşı Building Products Co. • Burgbad AG • Vitra Tiles Co. • Vitra Tiles LCC (Russia) • Engers Keramik GmbH & Co. KG • V&B Fliesen GmbH • Eczacıbaşı-Koramic Building Chemicals Manufacturing Co. • İntema Building Materials Marketing and Sales Co. • Vitra Ireland Ltd. • Vitra (UK) Ltd. • Vitra Bad GmbH (Germany) • Vitra USA Inc. • Vitra Bath and Tiles JSC (Russia) <p><i>JV partners</i></p> <ul style="list-style-type: none"> • Koramic • Villeroy & Boch 	<ul style="list-style-type: none"> • Eczacıbaşı-Baxter Hospital Supply Co. • Eczacıbaşı-Monrol Nuclear Products Co. • Eczacıbaşı Pharmaceuticals Marketing Co. • Eczacıbaşı Pharmaceuticals Trading Co. • Eczacıbaşı-Corridor Health Services Inc. • Eczacıbaşı Health Care Products JSC (Russia) <p><i>JV partners</i></p> <ul style="list-style-type: none"> • Baxter • The Corridor Group • Monrol Nuclear Products 	<ul style="list-style-type: none"> • İpek Kağıt Tissue Paper Co. • İpek Kağıt Kazakhstan LLP • Eczacıbaşı Girişim Co. • Eczacıbaşı-Beiersdorf Cosmetic Products Co. • Eczacıbaşı-Schwarzkopf Professional Hairdressers' Products Co. <p><i>JV partners</i></p> <ul style="list-style-type: none"> • Georgia-Pacific • Beiersdorf • Schwarzkopf 	<ul style="list-style-type: none"> • Eczacıbaşı Securities Co. • Eczacıbaşı Asset Management Co. • Eczacıbaşı Investment Holding Co. • Eczacıbaşı Investment Partnership Co. • Eczacıbaşı Pharmaceutical and Industrial Investment Co.
<p><i>Business areas</i></p> <ul style="list-style-type: none"> • Sanitary Ware • Sanitary Fittings • Ceramic Tiles • Kitchen & Bathroom Furniture • Acrylic Bathtubs & Sinks • Fillers & Adhesives 	<p><i>Business areas</i></p> <ul style="list-style-type: none"> • Ethical Drugs • IV Solutions • OTC Products • Hospital Supplies • Dialysis Treatment • Home Care • Nuclear Medicine 	<p><i>Business areas</i></p> <ul style="list-style-type: none"> • Tissue Paper Products • Cosmetics • Personal Care Products • Baby Care Products • Household Cleaning Products 	<p><i>Business areas</i></p> <ul style="list-style-type: none"> • Finance Investment

Information Technology

- E-Kart Electronic Card Systems Co.
- Eczacıbaşı Information and Communication Technologies Co.

JV partners

- Giesecke & Devrient

Business areas

- IT
- E-Card Systems

Welding Technology

- Eczacıbaşı-Lincoln Electric Askaynak Co.

JV partners

- Lincoln Electric

Business areas

- Welding Consumables and Equipment

Mining

- Esan Eczacıbaşı Industrial Raw Materials Co.
- Esan Italia Minerals SRL

Business areas

- Industrial Raw Materials

Other Products and Services

- Kanyon Management and Marketing Ltd.
- Ekom Eczacıbaşı Foreign Trade Co.
- Eczacıbaşı Property Development and Investment Co.
- Yapı-İş Real Estate and Construction Co.
- Eczacıbaşı Insurance Agency Co.

JV partners

- İş REIT

Business areas

- Foreign Trade
- Property Development
- Insurance

Sustainability Management at Eczacıbaşı

We believe that by incorporating sustainability principles into our strategy, plans and management systems, we will strengthen our competitive edge and business performance, which is why we have committed ourselves at the highest level to making “sustainable development” a cornerstone of our business strategy and created a new position – vice president in charge of coordinating sustainable development strategies and reporting directly to the President and CEO.

Created an internal advocate for sustainable development

In the second half of 2007, we established a Sustainable Development Working Committee comprising 30 representatives from 15 Group companies, including all of our major industrial operations in Turkey. The aim of this committee is to promote sustainable development practices throughout the Group by collecting and evaluating data on the Group’s current performance, sharing best practices, recommending ways to improve performance, and enhancing awareness and understanding of sustainable development issues within the Group, particularly among decision-makers. The committee is also responsible for relations with business NGOs working on sustainable development issues and taking an active role in their committees and initiatives.



Introduced sustainability into our operational and growth strategies

In 2009, we included three strategies in our Group-wide strategy for 2009-2012 aimed at promoting the use of sustainable development principles and practices in marketing, business processes, technology choices and investment decisions.



World Business Council for Sustainable Development



Business Council for Sustainable Development Turkey



The first is that we will encourage companies to apply eco-efficiency guideline to all their business activities, so as to enable them to take advantage of the value add of a sustainable development approach to business.

The second is that we will make use of sustainable development studies and apply sustainable development principles to every stage of our marketing activities – from the design of products and services through to sales.

The third introduces innovation and sustainable development into individual, team, and company performance measurement indicators.

Joined leading national and international sustainable development initiatives

We aim to play an active role in business initiatives to find solutions to climate change and other sustainable development issues. In 2007, one year after signing the United Nations Global Compact, we became the first company in Turkey to join the World Business Council for Sustainable Development (WBCSD) – an association established by the world’s leading companies to contribute to sustainable development and provide guidance on social policy.

We also joined WBCSD’s local chapter in Turkey (TBCSD), where our Vice President of Corporate Communications and Sustainable Development is currently Vice Chairman of the Board.

In 2009, we became a signatory to the Copenhagen Communiqué and deepened our participation in local initiatives, joining the Climate Platform of Turkey and several sustainability-related committees created by the Turkish Industrialists’ and Businessmen’s Association (TÜSİAD), Istanbul Chamber of Industrialists (İSO), and TBCSD. We also established closer ties with the Regional Environmental Center - Turkey, an independent international organization aimed at facilitating solutions to environmental problems; UTES, a joint British-Turkish initiative to assist Turkish businesses prepare for climate change mitigation, and the United National Development Program-Turkey.



Okşan Atilla Sanön
*Vice President of Corporate Communications
and Sustainable Development*

Since 2007, the Sustainable Development Working Committee has:

- Determined its mission, main goals, activity plan and secured representation from the largest Group companies;*
- Selected the reporting system (Global Reporting Initiative-GRI) as the basis for measuring, evaluating and reporting on sustainability performance;*
- Determined which environment and product responsibility indicators were material to Group Companies and collected monthly data from them for 2008 and 2009;*
- Calculated carbon emissions deriving from the direct energy use of industrial sites in 2008 and 2009 and estimated the carbon impact of transport and other non-energy sources of emissions;*
- Commissioned PricewaterhouseCoopers to conduct assurance on the 2008 and 2009 consolidated energy and carbon data for our sites in Turkey;*
- Established a Product Responsibility Sub-Committee to raise awareness among Group companies on challenges, opportunities and threats in this area and begin evaluating company performance starting with a selected number of flagship brands;*
- Developed and implemented an internal communication program to raise awareness of sustainable development issues and “best practices” in the Group;*
- Initiated a long-term social sustainability project targeting children studying at Regional Primary Boarding Schools with the Eczacıbaşı Group’s volunteer initiative, Eczacıbaşı Volunteers.*

Innovation and Sustainability

“Embracing change” is a fundamental Group value and one that held us in good stead as our businesses led the development of their industries in Turkey and expanded into international markets during the last decades of the 20th century. But in today’s global markets where change is fast and fierce, we must continually differentiate ourselves if we are to create and maintain our competitive advantage and achieve our growth targets. Now, we need to lead change through continual innovation, focusing especially on the value add offered by sustainable development.

Innovation does not happen by accident or good fortune, which is why we treat it as a repeatable, disciplined process that is coordinated and managed at the highest level, just as we manage production, marketing, sales, finance, and other business functions. For this reason, we have appointed a Group-wide Innovation Coordinator responsible for coordinating and directing our innovation drive, who is working with our senior management to instill in our employees their excitement about innovation.

Successful innovation requires the participation of everyone, particularly people who are skilled at “thinking differently”, so we are designing our human resources and communication policies accordingly. We are encouraging teamwork and teams to take risks, rewarding them when they succeed and inviting them to try again when they fail. We are providing training on innovation and sustainable development, such as Accelerated Innovation and Blue Ocean workshops.

We are asking employees at every level of our operations to contribute to the innovative process through our Group-wide suggestion and project evaluation system, Inocino. We also encourage employees to join cross-functional innovation teams where they can propose and critique projects free of the normal restraints posed by organizational hierarchies.

We are continuing to ask our companies to submit projects for our Group-wide innovation awards, which we present every year at “Meetinnovation”, our annual innovation event. Since we started this practice 10 years ago, Group companies have



By incorporating sustainable development principles into all our innovation initiatives and managing our companies in ways that respond to social and environmental threats, we believe we will lead the way in ensuring sustainable and high quality living for future generations.

submitted close to 200 high value-add projects, many of which have contributed significantly to our operations' eco-efficiency and sustainable product and service portfolios.

We want our innovation initiatives to have a balanced focus on disruptive and incremental innovation. While looking for new opportunities and ways of improving our competitive advantage through small but effective incremental innovation in our current business fields, we are also investing in disruptive innovation. This will be the function of the Eczacıbaşı Innovation Center, which we will open in the second half of 2010 our Building Products Division's Bozüyük production complex.

By incorporating sustainable development principles into all our innovation initiatives and managing our companies in ways that respond to social and environmental threats, we believe we will lead the way in ensuring sustainable and high quality living for future generations.

Employee-led innovation: Inocino

In 2009, we established a suggestion and project evaluation system to harness the creative ideas of our employees. Inocino, as the system is called, is a comprehensive platform for transforming new ideas into value-added projects. Any Group employee or team of employees can suggest an idea or project related to activity or output of any department, company or division in the Group using the Inocino portlet on our Group portal.



Corporate Governance

The Eczacıbaşı Group is a professionally managed group of 40 affiliated companies directed by our parent company, Eczacıbaşı Holding. The primary functions of Eczacıbaşı Holding are to develop our Group's long-term goals and business strategy and coordinate Group resources and investments accordingly.

Eczacıbaşı Holding's executive structure reflects the priority we give to encouraging management participation at the highest level of its decision-making process. Eczacıbaşı Holding's Board of Directors has eight members, including five independent directors. Under the leadership of this Board, we have an Executive Steering Committee with broad responsibility and authority on Group management decisions. This committee comprises the chairman and two vice-chairmen of the Board of Directors and the vice presidents of Eczacıbaşı Holding's main operational and functional divisions.

Among other duties, the Executive Steering Committee approves investments and annual budgets submitted by Group companies, monitors progress in both areas, and recommends measures for ensuring that targets are met. Additionally, it evaluates new business opportunities and submits its recommendations on these to the Board of Directors. It also

oversees the implementation of the Group's human resource policies, approves recommendations for executive appointments, and determines the main principles of the Group's organizational structure.

The Executive Steering Committee is supported in these responsibilities by a number of sub-committees involving the senior management of Group companies. These committees cover key management issues: auditing, new business development, human resources; planning, finance and investments; corporate communications; and the coordination of company activities within core business divisions.

Five Eczacıbaşı Group companies are open to the public: Eczacıbaşı Pharmaceutical and Industrial Investment Co., Eczacıbaşı Building Products Co., İntema Building Materials Marketing and Sales Co., Eczacıbaşı Investment Holding Co. and Eczacıbaşı Investment Partnership Co.

All of these companies publish their corporate governance principles in their year-end annual reports, which are available through our corporate website. www.eczacibasi.com.tr

Pioneer of Total Quality Management in Turkey

- 1997 İpek Kağıt Tissue Paper, National Quality Prize
- 1998 Eczacıbaşı Building Products-VitrA, National Quality Award
- 1999 Eczacıbaşı-Lincoln Electric Askaynak, National Quality Award
- 2000 Eczacıbaşı Building Products-Artema, National Quality Prize
- 2000 Eczacıbaşı Building Products-VitrA, European Foundation for Quality Management (EFQM) Quality Prize
- 2001 Eczacıbaşı Bathtubs, National Quality Award
- 2003 Eczacıbaşı-Baxter Hospital Supply, National Quality Award

Zero tolerance for corruption

The Eczacıbaşı Group's mission statement and values provide clear guidelines on the Group's policy regarding corruption as does its Human Resources Handbook, which includes the following rules in its Code of Business Ethics:

- *Eczacıbaşı Group employees must obey the law and avoid any activity that places the Group in a difficult legal position or hurts its reputation.*
- *Eczacıbaşı Group employees must not use their position to obtain an advantage from individuals or institutions and may never make or offer to make an illegal payment to an individual or institution.*
- *Eczacıbaşı Group employees will always maintain the Group's Code of Business Ethics in its relationships with government officials and customers and will not participate in activities aimed at influencing these stakeholders that might hurt the Group's reputation.*
- *It is the duty of every Eczacıbaşı employee to be honest, trustworthy and honorable in relationships with both customers and employers, to achieve customer satisfaction through quality, speed, convenience, courtesy and respect, and to treat every individual and institution equally.*
- *In the case that an employee is proven, through documentation or other objective evidence, to have broken these rules, they are to be reported to the highest level of authority in the Group for decision on the disciplinary measures to be taken.*

The Eczacıbaşı Human Resources Handbook also has rules against commercial and financial transactions with relatives of employees, violation of which can lead to termination of

employment. Every Eczacıbaşı Group company has an audit and control system that reports to the Head Comptroller and Legal Affairs Office at Eczacıbaşı Holding.

Stakeholder engagement

The Eczacıbaşı Group appreciates the importance of actively engaging with stakeholders to advance both its mission of pioneering healthy, modern and high quality living and the success of its businesses. For us, stakeholders are everyone we interact with or impact, and who impact upon us, starting with our employees and customers, and including our suppliers and business partners, our industry associations, the communities to which we belong, and governmental institutions.

Employees

Recognizing that our Group's success depends on the success and satisfaction of our employees, we strive to ensure that we have in place the best human resources management applications and educational programs, provide a professional and appealing working environment with continual opportunities for professional and personal development, and develop a long-term relationship with our employees that begins in their university years and continues into and through their retirement.

Sustainable success in the implementation of our corporate strategies requires that we have a dynamic structure that is prepared for change. In this, our employees are our most essential source of power, so we support and motivate them to achieve their top performance.

Hence, we offer our employees the opportunity to discover and exploit their potential, to develop their qualities further in view of attaining corporate goals, to strengthen their individual motivation and team spirit, and, based on their success, to advance their career. Through performance evaluation, open-door access to management, strategy meetings, innovation teams, and our Group-wide suggestion and project evaluation system, we are harnessing the creative energy of our employees and encouraging their participation in management decisions.

Customers

“Our customer is the focal point of our pursuit of quality.” We formulated this Group value more than two decades ago when we formally adopted Total Quality Management as the basis for the management systems of all of our companies. Today, in line with our growing focus on innovation, our customer has become the focal point of innovation as well. For this reason, in addition to establishing systems for engaging with customers on a regular basis, such as customer surveys, websites, call centers, and hotlines, we are asking customers to steer our innovation efforts by creating opportunities to hear their needs and desires and listening to them carefully.

Shareholders

In all our publicly traded companies, our principle is to ensure that shareholders have access to all non-confidential information about our operational activities and decisions and are able to exercise fully their shareholder rights at annual meetings.

In addition to corporate websites, all of our publicly traded companies have systems in place for responding quickly and

accurately to shareholder requests for information. To ensure shareholders’ ability to make informed decisions at annual meetings, we announce our meetings in the main press and the bulletins of the stock exchange and make our annual reports and financial statements available to shareholders at least two weeks in advance. At the annual meeting, shareholders may ask questions and receive answers from our companies’ Board of Directors and vote on major decisions, such as the division of assets, large purchases and hiring.

Business partners

Our relationships with our business partners are guided by the principle of long-term mutual benefit, based on firm business criteria and ethical business practices. Our goal is to work jointly with business partners to develop our processes, products and services and improve our business results. We achieve this through information-sharing and regular meetings with business partners to evaluate performance, share concerns, discuss projects, and set targets. This approach has served us well in our nine international joint ventures, several of which began as exclusive licensing, marketing or distribution agreements, and in our many relationships with suppliers, distributors and retailers.

Society

One of the Eczacıbaşı Group values is “serving our community”, in line with our mission of improving the well-being of society. For us, this means two things: doing business in ways that contribute to society’s well-being and partnering with or sponsoring civic initiatives and institutions that promote social and economic development and nurture cultural and scientific activity.

Since its foundation in 1942, the Eczacıbaşı Group and members of the Eczacıbaşı family have founded or co-founded numerous NGOs involved in education, health and hygiene; arts and culture; public policy and scientific research; and sports. Every year, all of our companies are expected to contribute to one or more of these activities.

We also encourage all senior management to join industry associations and initiatives aimed at tackling business issues and improving the benchmarks in our industries. Accordingly, we are active in more than 40 organizations that are involved with issues material to our businesses, including healthcare, building products, paper production, retailing, advertising, mining, and real estate, as well as in two of Turkey's main business associations – the Turkish Industrialists' and Businessmen's Association and the Istanbul Chamber of Industry – the Turkish Quality Institute and export development associations.

***The Eczacıbaşı Group
appreciates the importance
of actively engaging with
stakeholders to advance
both its mission of pioneering
healthy, modern and
high quality living and
the success of its businesses.***

Sustainable Corporate Citizenship

Eczacıbaşı is a pioneer of modern, high quality and healthy lifestyles.

Eczacıbaşı Group mission and values

The Eczacıbaşı Group is committed to advancing the well-being of society by improving the lives of its customers, managing its businesses in ways that contribute to the community and protect the environment, and sponsoring projects and activities that enrich the lives of current and future generations.

As members of the Eczacıbaşı Group:

We hold our dignity and self-respect above all else. Ethical business principles underpin our business activities.

Eczacıbaşı Group employees avoid all activities and behavior that demean themselves and others – including the Group, its companies and stakeholders – and that run counter to the Group's mission of pioneering modern, high quality and healthy lifestyles. Two of the first considerations in the formulation of every business strategy and decision are the legitimacy and fundamental decency of the proposed actions.

Our management style respects the individual. We believe that each of us has the right to learn about issues that affect us and to voice our opinions on these. We regard it our duty, as well as our right, to challenge our personal limits and develop our abilities.

The Eczacıbaşı Group believes that participative management is the most effective and humane management approach because it encourages employees to develop themselves and their jobs while working with others towards the achievement of shared goals. The success of this system depends on accurate and open communication at all levels of the organization and well-planned opportunities for self-development, so that each employee can realize his or her full potential.

We believe that quality is a way of life. In all that we do, in every product and service we provide, we aim for the highest level of quality. Our customer is the focal point of this pursuit of quality.

As a pioneer, the Eczacıbaşı Group has a duty to surpass established standards and raise consumer benchmarks of product and service quality. The focus of the Group's quality improvement efforts is its customers, without whom it has no purpose.

We are open to the world and to change; by nature we are pioneering and entrepreneurial. The search to innovate in every area of activity is a fundamental aspect of our corporate tradition.

Openness to change is essential for innovation, which is pivotal for long-term business success and continual improvement. For this reason, innovation is a strategic element of the Eczacıbaşı Group's management approach in every business process and corporate activity.

We uphold the tradition of serving our community because we esteem our society and respect our environment. We are proud of the contributions that we have made to culture and the arts, education, science and sport.



The Eczacıbaşı Group is committed to advancing the well-being of society by improving the lives of its customers, managing its businesses in ways that contribute to the community and protect the environment, and sponsoring projects and activities that enrich the lives of current and future generations.

In line with its mission of improving the well-being of society, the Eczacıbaşı Group is committed to promoting social and economic development, encouraging cultural and scientific activity, and preserving scarce natural resources through responsible business practices and sponsorship. Sponsorship of institutions and activities that enrich and strengthen society is a fundamental component of the Group's corporate culture.

We recognize that participatory management gives each of us the responsibility of working forcefully towards the objectives and goals of our institution. We are careful to observe the rules of our work environment as we understand that this reflects our respect for our colleagues.

Empowerment, which is essential for participative management, also requires that every employee embrace and advocate the Eczacıbaşı Group's targets, rules and corporate culture.

Corporate social responsibility

Family tradition of community service

Dr. Nejat F. Eczacıbaşı, the founder of the Eczacıbaşı Group, was born in 1913 during the turbulent final years of the Ottoman Empire. The period was marked by armed conflict, scarcity, and a massive influx of refugees to the cities, which struggled to provide them essential services. Dr. Eczacıbaşı's father, who was the first university-educated pharmacist of Turkish origin in Izmir, was at the forefront of efforts to accommodate the city's rapidly expanding population, co-founding an association to help immigrants and implementing programs to combat cholera and typhus.

In 1934, in honor of his many years of public service, Dr. Eczacıbaşı's father was invited to adopt the title of "Head Pharmacist" (Eczacıbaşı) as his surname.

Dr. Nejat F. Eczacıbaşı was profoundly influenced by his father's dedication to improving the conditions of his community.

In 1939, on his return to Turkey from graduate studies abroad, he focused his training and resources on producing vital goods that were largely unavailable in Turkey. In 1942, he began manufacturing a vitamin A and D substitute for cod liver oil, which had become scarce during WWII, and a decade later he opened Turkey's first modern pharmaceutical plant. Over the following years, he expanded the Group's activities from pharmaceuticals to building products, consumer products, finance, information technology, and welding technology, in many cases establishing the first manufacturing plants in Turkey for some of the essential products of modern life. This entrepreneurial history is embodied in the Group's mission statement.

Apart from supplying much-needed products and services using the most advanced technologies available, Dr. Eczacıbaşı strived to contribute to the development of Turkish industry and civil society through the establishment of professional business organizations, research institutes, educational institutions, cultural foundations and scholarship funds.

For Dr. Eczacıbaşı, contributing to the development of Turkey's economy and social institutions was as important as developing a successful business. One of his most oft-expressed ideas in this regard was: "The real measure of private entrepreneurship is its success in increasing the wealth of the whole community". Today, every Eczacıbaşı Group company regularly contributes to one or more non-profit institutions and one of the primary corporate values that all Eczacıbaşı employees are expected to share is the "tradition of serving our community".

Advancing Human Rights through Empowerment

The Eczacıbaşı Group mission statement and values provide clear guidelines on human rights issues: we seek to improve the well-being of society through products, services and activities that promote modern, high-quality and healthy lifestyles and management practices that respect people and our environment.

Through our Human Resources Handbook and the Total Quality Management and Business Excellence systems in place in all of our companies, we have built these guidelines into all of our decision-making processes. Every new Eczacıbaşı Group employee is familiarized with our values through a variety of internal communication tools – starting with a lengthy Orientation Program – and expected to embrace them. We also expect our subcontractors, many of whom receive a lengthy orientation about our Group, values and mission, to appreciate and abide by our principles.

Additionally, we encourage our companies and employees to undertake projects that empower people by facilitating greater access to health, education, culture and the arts, and that strengthen Turkey's civil society.

Children, health and education

Eczacıbaşı Hygiene Project

The Eczacıbaşı Hygiene Project is an international award winning project that aims to secure modern, high quality and healthy environments for school children attending Regional Primary Boarding Schools. In the 2009-2010 school year, Turkey had 574 such schools serving over 265 thousand students mainly from rural townships.

Through the combined efforts of three of our flagship brands – Vitra, Artema, and Solo – as well as the voluntary efforts of many of our employees, the Eczacıbaşı Hygiene Project is renovating bathrooms and showers in the dormitories and buildings of these schools with Vitra and Artema products, teaching students about good personal care and hygiene practices, and organizing social projects that enrich children's emotional and intellectual environments.

Apart from partnering in the Eczacıbaşı Hygiene Project, our Solo tissue paper brand has organized personal hygiene classes for over 5.5 million students at almost 7,200 schools in 44 cities around Turkey since 2002.



The Eczacıbaşı Hygiene Project is renovating bathrooms and showers in the dormitories and buildings of these schools with Vitra and Artema products, teaching students about good personal care and hygiene practices, and organizing social projects that enrich children's emotional and intellectual environments.

In 2006, in recognition of the contribution made by the "Solo Primary School Personal Hygiene Education Project" to the UN Millennium Goals, we received the prestigious World Business Award organized jointly by the United Nations Development Program (UNDP), International Chamber of Commerce (ICC) and International Business Leaders Forum (IBLF).

The Eczacıbaşı Hygiene Project received a number of international awards in 2009, including the International Public Relations Association's Golden World Award in Social Responsibility. It also won an Honorable Mention in the associated Special United Nations' Award competition and two Honorable Mentions from the US: one in the "Best Social Responsibility Project of Europe" category of the Stevie International Business Awards and the other in the "Community Relations" category of PR News Platinum Awards. In Turkey, the project received the 2009 Active Academy "Corporate Social Responsibility" Award.

Reproductive health hotline

In 2000, we joined forces with the Family Planning Association of Turkey to establish ALO OKEY, a free, 24-hour hotline providing professional and accurate information about reproductive health. Eczacıbaşı Girişim, which distributes OKEY branded condoms, is in charge of managing and maintaining this hotline.

Dr. Nejat F. Eczacıbaşı Foundation music scholarships

These scholarships enable outstanding young Turkish musicians to pursue graduate musical studies abroad. To date, our foundation has provided financial support to 94 musicians studying a wide range of instruments as well as orchestration, direction and composition.

Partner of the vocational school system in Turkey

Eczacıbaşı-Lincoln Electric Askaynak is contributing to the sustainable growth of the welding technology industry through training seminars and the provision of consultancy, equipment, textbooks, and supplies to state-run vocational schools, universities, public education centers, and prisons. In 2005, we signed a protocol with the Ministry of Education's



Vocational Education Directorate to provide refresher courses at Askaynak's plant to technical teachers at state-run vocational schools, print and distribute a welding technology textbook prepared by Askaynak to technical teachers and senior students at vocational schools, provide equipment to vocational schools

at cost, and act as a sponsor/partner/shareholder for EU-funded vocational training projects in the welding sector.

Since 2005, we have provided refresher courses to 250 teachers at state-run vocational schools; distributed close to 50 thousand copies of its textbook – which it has also made available for free on its website – donated electrodes for practice labs, and provided state-of-the-art welding equipment for free or at very economical prices to a number of training centers.

Aside from helping to establish a welding training center that facilitates the training and certification of 115 welders a year, we have provided equipment and consultancy to welding programs organized by municipalities, industrial zones, and shipyards. Overall, our training seminars benefited more than 1,100 people from 75 institutions in 2009, raising the total number of people to which we have provided training since 2005 to over 4,000.

Culture and the arts

Istanbul Museum of Modern Art

We are the founder and core collection donor of Turkey's first private museum of modern and contemporary art, Istanbul Museum of Modern Art. Established in 2004, Istanbul Modern is committed to advancing the Turkish public's appreciation of modern and contemporary art, contributing to the production of new work, and sharing Turkey's artistic creativity and cultural identity with global audiences.

At its 8,000 square meter site on the shores of the Bosphorus, Istanbul Modern offers visitors a large variety of exhibition galleries with paintings, sculpture, photography and new media, as well as educational facilities, a research library, cinema, café, and gift store. The museum's collections, exhibitions and interactive educational programs aim to stimulate active engagement with the arts among visitors of all ages and from every segment of society.



We are the founder and core collection donor of Turkey's first private museum of modern and contemporary art, İstanbul Museum of Modern Art.

İstanbul International Music, Film, Jazz, Theatre and Visual Art Festivals

We are a staunch supporter of the İstanbul International Festivals through our sponsorship of the İstanbul Foundation for Culture and the Arts, founded in 1973 on the initiative of Dr. Nejat F. Eczacıbaşı, our Group's founder. In 2006, after more than three decades of direct patronage of selected festivals, we became the Leading Sponsor of the İstanbul Foundation for Culture and Arts. In our new role, we are contributing to the International İstanbul Music, Film, Theatre and Jazz Festivals as well as the International İstanbul Biennial, this way enhancing our involvement in the Foundation and broadening our communication with the art-loving public.

VitrA Ceramic Arts Studio

We established the VitrA Ceramic Arts Studio in 1957 with the goal of encouraging ceramic artists and public appreciation of this medium. Over the years, the studio has opened its doors to a large number of young and talented ceramic artists, organized public exhibitions of their work and hosted master classes, conferences, slide shows and workshops on ceramic art. The VitrA Ceramic Arts Studio is a member of the Geneva-based International Academy of Ceramics (IAC).

Public policy and scientific research

Eczacıbaşı Scientific Research and Medical Award Fund

We established this fund in 1959 to promote high caliber medical research. Celebrating its 50th anniversary in 2009, the fund has supported 172 medical research projects to date and presented 67 awards to Turkish scientists for valuable research in health and medicine. Since 2002, the Scientific Research and Medical Award Fund is also supporting promising research carried out by medical students.

Turkish Economic and Social Studies Foundation (TESEV)

We are an active supporter of the Turkish Economic and Social Studies Foundation, an independent, non-profit think-tank dedicated to conducting and supporting research on public policy issues. TESEV is the successor of the Economic and Social Studies Conference Board, which Dr. Eczacıbaşı founded in 1961.



Turkish Informatics Foundation (TBV)

We are a corporate sponsor of the Turkish Informatics Foundation, established in 1995 through the efforts of our Group's Vice Chairman, Faruk Eczacıbaşı, also the foundation's current chairman. The foundation's main goal is to contribute to the development of the legal, technical and physical infrastructure required for Turkey's full transition to an information-based society.

Sports and leadership

Eczacıbaşı Sports Club

Established in 1966, the Eczacıbaşı Sports Club single-handedly trained many of Turkey's best sportsmen and women in the fields of basketball, volleyball, gymnastics and table tennis before focusing its resources exclusively on women's volleyball in the early 1990s. During this period, the club won 13 National Championships in table tennis, eight National Championships

in men's basketball, 12 National Championships in men's volleyball, and three National Championships in chess.

Since 1968, the women's volleyball team has won 27 National Championships, six National Cups and played in eight European Cup Finals, winning the "European Cup Winners' Cup" in 1999. In addition to its A-team, the club has three junior teams that have contributed players over the years to the A team, other first division teams and the Turkish National Volleyball Team.

Eczacıbaşı Sports School

The Eczacıbaşı Sports School teaches volleyball to young girls in the 6-14 age group who often have less access to organized sports. It also assists young girls develop their motor and coordination skills.



Since 2007, Eczacıbaşı Volunteers have carried out 14 projects that have directly benefited 500 children in two regional primary boarding schools in eastern Turkey and two pediatric wings at university hospitals in Istanbul.

Eczacıbaşı volunteerism

Eczacıbaşı Volunteers

We support the efforts of Eczacıbaşı Volunteers, a volunteer initiative established by our employees in 2007 to carry out projects that benefit children. In principle, Eczacıbaşı Volunteers focus on projects that complement the social responsibility projects of Group companies and that contribute to children's mental, physical and emotional wellbeing. Since 2007, Eczacıbaşı Volunteers have carried out 14 projects that have directly benefited 500 children in two regional primary boarding schools in eastern Turkey and two pediatric wings at university hospitals in Istanbul.

They have also organized eye exams for 1,500 children in a local neighborhood and collected school and student supplies for 54 schools around Turkey requesting assistance.

İpek Kağıt Volunteers

İpek Kağıt Tissue Paper employees established a volunteer program in 2007 called "Let's Hold a Hand" in partnership with a local NGO. Funded entirely by volunteers, the program aims to contribute to the quality of life of children at the Karamürsel Gazi Vakfı and Gazanfer Bilge Children's Orphanage, which is located near İpek Kağıt's plant, through educational, health, sports, cultural and social activities.





Promoting Safe, Fair and Enriching Work Environments

Our future depends on the success and satisfaction of our employees.

Our shared values form the basis for our general management principles and define our approach to human resources, through such concepts as innovation, respect, quality, participative management, flexibility, adding value, empowerment and being fully informed in our areas of responsibility.

Freedom of association

In accordance with national labor regulations in Turkey and all other countries where we are present, our employees have the right to freely associate themselves with a union and to undertake collective bargaining. We encourage collaborative and transparent relations with unions representing our employees because we believe we can find mutually beneficial and long-term solutions to new challenges and opportunities. In Turkey, employees at our three largest companies (Eczacıbaşı Building Products, Vitra Tiles, and İpek Kağıt Tissue Paper) are represented by unions.

Protecting employee rights

Our human resources systems and practices are designed to protect the rights of employees as well as the interests of our businesses, in line with our mission statement and values. To this end, we have developed a comprehensive management system which ensures that every human resource process is legally correct, documented, and retrievable for review by management and external auditors.

In accordance with the Global Compact 10 Principles, the Eczacıbaşı Group does not employ children. Additionally, no person is forced to work under any conditions in our Group.

All of our new employees are explained their rights during the orientation stage and directed to the Human Resources Handbook in the corporate portal. They are also informed immediately of changes to this handbook and to their rights and obligations through internal communication tools – most

notably the corporate portal and internal e-mail messages – and encouraged to review these changes.

Apart from ensuring that all our businesses strictly adhere to labor regulations in Turkey and other countries where we are present, we continually monitor the performance of our subcontractors to ensure that they, too, adhere to these regulations. We do not tolerate any infringement of these regulations or other employee rights by our subcontractors, and we will terminate our relationship with subcontractors who fail to fulfill their legal obligations after a single warning.

Creating the future together

The primary objectives of our human resources policies are to attract, develop and retain outstanding human resources and to ensure that our companies have dynamic organizational structures that are aligned with their strategic plans and objectives. To achieve this, we strive to ensure that we have in place the best human resources management applications and educational programs, provide a professional and appealing working environment with continual opportunities for professional and personal development, and develop a long-term relationship with our employees that begins in their university years and continues into and through their retirement.

We understand “outstanding human resources” to mean well-educated and well-prepared individuals who are open to innovation and change, entrepreneurial and energetic; who actively seek personal and professional development, who train other personnel and who share our understanding of respect, participation, initiative, quality, innovation, and sense of responsibility towards our jobs, community and environment.

Transparent recruitment, selection and promotion processes

We select the most suitable applicant for every job based on a clear set of criteria and a transparent recruitment and selection process that is described in detail in our Recruitment and

Selection Handbook. This process includes well-defined tests for each position, workplace simulations, and face-to-face interviews with a number of people from different levels of the organization. Empirical methods are used throughout to rank candidates, and every time someone is refused, the reasons for the refusal are recorded, monitored and evaluated. This system aims to prevent applicants from being denied employment for discriminatory reasons, such as gender, religion, or race.

The following excerpts from our Human Resources Handbook are illustrative of our policies in respect of employment and placement:

The main principle of the Group's recruitment and placement process is providing equal opportunity for employment and promotion – without discrimination or favoritism – to people who have the right competencies for the job (knowledge, skill, and attitude) and who demonstrate an appreciation of our corporate culture.

The selection and placement process for a position should take into consideration, first and foremost, the qualities required by that particular position. Discrimination and favoritism are forbidden in the selection of new employees and the planning of career development paths.

Speaking out and being heard

We view the criticisms and suggestions of all our stakeholders, not just our employees, as opportunities to improve our performance. For employees, we have created numerous tools and established a number of platforms both at the Group level and within companies for the verbal and written communication of ideas. These include the Group corporate portal, management meetings, and an “open-door” management approach for face-to-face communication. One of the most important developments in this area was the launch, in 2009, of our Group-wide suggestion and project evaluation system, “Inocino”.

For employees, we have created numerous tools and established a number of platforms both at the Group level and within companies for the verbal and written communication of ideas including Group-wide suggestion and project evaluation system, “Inocino”, the Group corporate portal, management meetings, and an “open-door” management approach for face-to-face communication.

Through the human resources portlet of the Eczacıbaşı Group corporate portal, our employees are able to access all information related to their professional development, performance, and rights, including their personal development plan, performance evaluation, compensation rights, and holiday time. Personalized human resource pages also enable our employees to monitor the targets of their departments and companies.

Equalizing career development opportunities

Excluding the Group’s manufacturing plants, women represented 34 percent of all Eczacıbaşı Group employees in 2009, significantly higher than average of 25 percent for Turkey as a whole. Women have also accounted for 32 percent of all promotions to mid-level managerial positions since 2002, when the Group established its new recruitment and selection system. Both ratios will increase steadily in the coming years, in line with the rising percentage of women applying for positions in Group companies. In 2009, women accounted for 35 percent of the Eczacıbaşı Group’s new recruits and 47 percent (up from 40 percent in 2008) of all employees in career development programs aimed at preparing them for greater management responsibility.

<i>2009</i>	<i>Employees (%)</i>	<i>White collar employees (%)</i>	<i>Competency Assessment Programme participants (%)</i>
<i>Women</i>	23	34	47
<i>Men</i>	77	66	53

Promoting personal and professional development

We are committed to creating an environment that enables every one of our employees to learn continually, experiment and develop personally and professionally. In return, we ask that our employees strive to develop themselves and their jobs and create added value. With this aim, we provide opportunities and guidance to employees who wish to develop their full potential in their areas of specialization.

Using performance management applications and career maps, we assist employees in determining their goals in parallel with management and professional development needs and support them with individual development and action plans to close competency gaps.

Our development programs fall under three main categories: on-the-job training, personal development and management, and career development. On-the-job training generally involves “guidance”, “rotation” and “assignment”. Another form of professional development is “job enrichment”. Management and career development are aimed at developing particular skills needed for the job or career development. All employees are given equal opportunities for personal and career development.

Ensuring a safe and healthy workplace

We aim to achieve the best environment, health and safety record in Turkey and one of the best internationally. We have established an Occupational Health and Safety (OHS) Unit to carry out joint projects with occupational health and safety experts throughout the Group, starting with a compilation of statistics related to occupational health and safety to locate areas of best practice and others that need to be strengthened. The Unit has also developed an IT application to monitor health and safety data on a Group-wide basis. The application can find correlations between employee health and environmental indicators, thus generating critical information for locating OHS risks and preventing workplace-related illnesses. The

application, which is the first of its kind in Turkey, can also be used to monitor the health and safety performance indicators of our subcontractors.

Our OHS Unit has established a field team with occupational doctors and safety experts from the Group trained specifically for OHS field visits by the Turkish Standards Institute. The purpose of this team is to examine the OHS practices of Group companies and develop a database of “best practices” to share with Group companies.

Additionally, our OHS Unit provides training to employees ergonomics, first aid, accidents at work and occupation-related illness and offers programs and counseling on nutrition, smoking cessation and other health-related issues. Many of these activities are also available to employees of subcontractors.

Looking ahead, our OHS Unit is preparing to launch a health portlet that employees will be able to access through the corporate portal to obtain information on general health and OHS issues and share best practices.

Eczacıbaşı Group companies with OHSAS 18001 Certification

Eczacıbaşı-Baxter Hospital Supply 2005

Eczacıbaşı Building Products (VitrA) 2008

Eczacıbaşı Girişim 2008

In 2009, women accounted for 35 percent of the Eczacıbaşı Group’s new recruits and 47 percent of all employees in career development programs aimed at preparing them for greater management responsibility.

İpek Kağıt's safety awards

2004 Georgia-Pacific President's Award for Safety

2004 Georgia-Pacific Chairman's Award for Safety

*2005 Georgia-Pacific President's Award for Safety
(twice)*

2005 Georgia-Pacific Chairman's Award for Safety

2008 Georgia-Pacific EMEA Safety Excellence Award

İpek Kağıt Tissue Paper: One of the best safety records in Georgia-Pacific

Committed to eliminating all unsafe conditions and behavior that cause accidents at the workplace, our 50:50 joint venture with Georgia-Pacific achieved one of the best safety results among Georgia-Pacific's international consumer products operations in 2008, with a low 0.5 incident rate at its production site in Yalova. İpek Kağıt has also received Georgia-Pacific Safety Awards for achieving 250,000, 350,000 and 500,000 accident-free work hours. In 2009, İpek Kağıt's incident rate was 1.1 per 200,000 hours.

Eczacıbaşı-Baxter's award-winning safety record

In 2009, Eczacıbaşı-Baxter, our equal share joint venture with Baxter International, organized 690 hours of occupational safety training, a central component of its sustainability program. Completing the year with no occupational accidents that resulted in lost days, Eczacıbaşı-Baxter raised to two million hours its record of operations without a lost time incident and winning it the 2009 "Baxter Excellence in Safety Award". In 2008, Eczacıbaşı-Baxter won the "Baxter Excellence in Safety Award" for one million hours without a lost time incident.

Additionally, Eczacıbaşı-Baxter has created health dossiers for all of its employees to enable it to monitor and contribute to their health. Importantly, these files are not shared with anyone but health workers and the employees themselves. All Eczacıbaşı-Baxter employees receive check-ups when they begin to work at the company and regularly thereafter. Those exposed to on-the-job health risks are also screened regularly for associated health problems.



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Environment Health and Safety (EHS) Management at Eczacıbaşı-Baxter

- 2001 Baxter Best EHS Program Award*
- 2008 Baxter Excellence in Safety Award
(one million hours without a lost time incident)*
- 2009 Baxter Excellence in Safety Award
(two million hours without a lost time incident)*

Eczacıbaşı-Monrol: Erring on the side of health and safety

Health and safety issues are also a priority issue for our radiopharmaceuticals production company, Eczacıbaşı-Monrol Nuclear Products, of which we became an equal share partner in 2008. The first company in Turkey carrying out radioisotope research and development and producing radiopharmaceuticals for nuclear medicine, Eczacıbaşı-Monrol has an annual capacity of 316,000 units at its four plants in Turkey to produce radiopharmaceuticals for SPECT (Single Photon Emission

Computed Tomography); Thallium-201 injections; Iodine-131 oral capsules and solutions; Mon Tek Mo99/Tc99m Generators; FDG for PET (Positron Emission Tomography); and cold kits. In all of these operations, Eczacıbaşı-Monrol complies fully with current good manufacturing practices and all other national and international regulations related to the manufacture of radiopharmaceuticals.

To ensure that it provides the safest possible work environment for its employees, Eczacıbaşı-Monrol has set the radiation limit for employees at its facilities at 10 mSv per year, one fifth the legal maximum set by the Turkish Atomic Energy Authority. Similarly, Eczacıbaşı-Monrol requires that all of its employees working in radiation areas wear an electronic dosimeter in addition to the required TLD dosimeter.



Improving the Environment and Our Business

Our environmental policies are guided by our mission of pioneering modern, high quality and healthy living and respecting society and the environment. We believe we have three main responsibilities with respect to the environment: designing goods and services that help our customers improve their relationship with the environment, pioneering the implementation of business practices that enable us to improve our own, and working with stakeholders to promote the technological, legislative, and cultural changes needed to improve our environment and achieve a healthy future for society, business, and our planet as whole.

Designing products for conscientious consumers

We are committed to serving customers who want to contribute to the environment by choosing products that are designed to reduce resource consumption and pollution during production, transport, and use. We are also looking for ways to reduce our packaging materials, recycle packaging, and switch to packaging materials that are recyclable or biodegradable.

In the Building Products Division, where our main business is bathrooms and bathing, our primary focus is designing products

that help customers save water, such as extra low water flushing systems, waterless urinals, and flow-regulating faucets. We are also designing products that cut down on materials consumption, by reducing, for example, the depth and thickness of washbasins and bathtubs. To communicate our Division's longstanding commitment in this area, Vitra, our global bathroom and tile brand, has articulated a new production, design, and management philosophy called "Blue Life".

Blue Life philosophy

Blue Life means striving to reduce the use of non-renewable resources in the production process, making significant investments towards boosting eco-efficiency, and developing products that promote energy and resource conservation by end-users, driven by a concern for the environment and our collective future. Blue Life reflects our belief that efficient management of our resources today is critical for the future of our blue planet and that good design takes responsibility for natural resource conservation.

Blue Life also means contributing to a better society through long-term social responsibility projects targeting children, hygiene and education.



Blue Life means striving to reduce the use of non-renewable resources in the production process, making significant investments towards boosting eco-efficiency, and developing products that promote energy and resource conservation by end-users, driven by a concern for the environment and our collective future.

Blue Life design

Freshwater accounts for only about 2.5 percent of all the water on our planet and renewable surface freshwater for less than one percent of that amount. By the middle of this century, as many as seven billion people could be living in water-scarce countries according to UN estimates. Clearly, managing water is about managing our future.

We want to help people conserve and use water wisely. As producers of water-consuming products, we see it as our primary responsibility to design products that use less water without sacrificing hygiene or design aesthetics. Already we have developed more than 240 water-saving products for homes and commercial spaces that meet the needs of customers in a wide range of segments. By choosing a Blue Life product over a standard one, a family of four can conserve up to 190,000 liters of water per year. Many of these products are also designed to reduce materials use during production, with consequent savings in energy use for production and transport.

Preventing further global warming is also essential for a sustainable future, so we are also designing better insulation materials for building exteriors. Good insulation can cut back energy consumption by buildings – which are estimated to

account for close to one-third of total energy use globally – by 30 to 50 percent, offering significant savings to users as well as helping to reduce greenhouse gas emissions.

Blue Life is taking the lead in this area as well with a growing array of external thermal insulation composite systems that can help save up to 50 percent of the energy used for heating. It has developed self-cleaning wall and floor tiles that also remove stale odors from the air and slim tiles that require fewer resources to produce, package and transport. It is also working on the development of other technologies that will further expand the contribution of tiles to sustainable living

Blue Life communication

VitrA has developed a communication campaign for Blue Life that aims to raise awareness among all VitrA stakeholders of the growing scarcity of natural resources around the world and the importance of resource conservation. It is labeling all of its water and energy-saving products with the Blue Life label to help consumers make better choices. It has provided training to all VitrA employees and distributors on conservation issues and published information on issues and sustainable products on its website.



In the Consumer Products Division, where our largest business is tissue paper production, we are developing ways to help customers minimize wasteful consumption of bathroom tissue and paper towels while working to ensure that the products we offer are made with sustainable resources. This is why we have launched the Eco-Promise label guaranteeing that our tissue paper products are made with pulp from certified suppliers who can prove that their wood pulp derives from sustainably managed forests.

This way we are supporting the expansion of sustainable forest management, which means managing forests in a way that ensures we have abundant, healthy, diverse forests in the future.

İpek Kağıt: Our pledge for the future

İpek Kağıt Tissue Paper approaches its business with a great sense of responsibility to the environmental, social, and economic aspects of its activities, and pledges, as the leading producer of tissue paper in Turkey, to:

- Proactively ensure full compliance with new environmental legislation and regulation;
- With the aim of reducing our ecological footprint, to procure 100 percent of our pulp from certified suppliers who can prove that their wood pulp derives from sustainably managed forests;
- Supply tissue products that are manufactured from non-bleached or bleached pulp produced by elemental chlorine-free or total chlorine-free processes and pose no risk to human health or the environment;
- Contribute to sustainable living by encouraging its employees, suppliers and other stakeholders to take part in health, educational, work safety and other social projects that improve people's lives;
- Give priority to R&D and innovation projects that result in low cost-high value add products that respond to consumers' desires.



In the Consumer Products Division, where our largest business is tissue paper production, we are developing ways to help customers minimize wasteful consumption of bathroom tissue and paper towels while working to ensure that the products we offer are made with sustainable resources.

Designing eco-smart tissue products

Every one of our new tissue paper products will not only offer consumers their best choice, they will also promote smart use and resource conservation.

İpek Kağıt is designing a growing range of tissue paper products and dispensers that promote eco-smart consumption. Most recently it has launched Selpak 1-Sheet Bathroom Tissue, Turkey's first and only bathroom tissue with a special patented technology that encourages consumers to use a single sheet at a time; Selpak Paper Cloth, the first and only kitchen towel in Turkey that is durable enough to wash and reuse several times; and Selpak, Solo and Silen "half-sheet" kitchen towels. In the away-from-home market, Lotus Professional branded enMotion towel, Smart One bathroom tissue and Reflex Towel reduce paper consumption by at least 30 percent with our patented technology.

At the same time, we are expanding our range of products made from recycled paper, substituting recycled cardboard cores for white ones, using recyclable materials as much as possible in our packaging, and packing our products in cardboard boxes and kraft paper made from recycled paper.

The aims of such leading forest management certification initiatives as the Programme for the Endorsement of Forest Certification (PEFC) and Forest Stewardship Council (FSC) are to promote sustainable forest management through independent third-party certification and the setting of benchmarks and standards for determining good practices throughout the forest supply chain.

To highlight our support of sustainable forest management and raise consumer awareness about this issue, we have begun to label the packaging of Selpak, our flagship tissue paper brand, with the "Eco-Promise" logo.

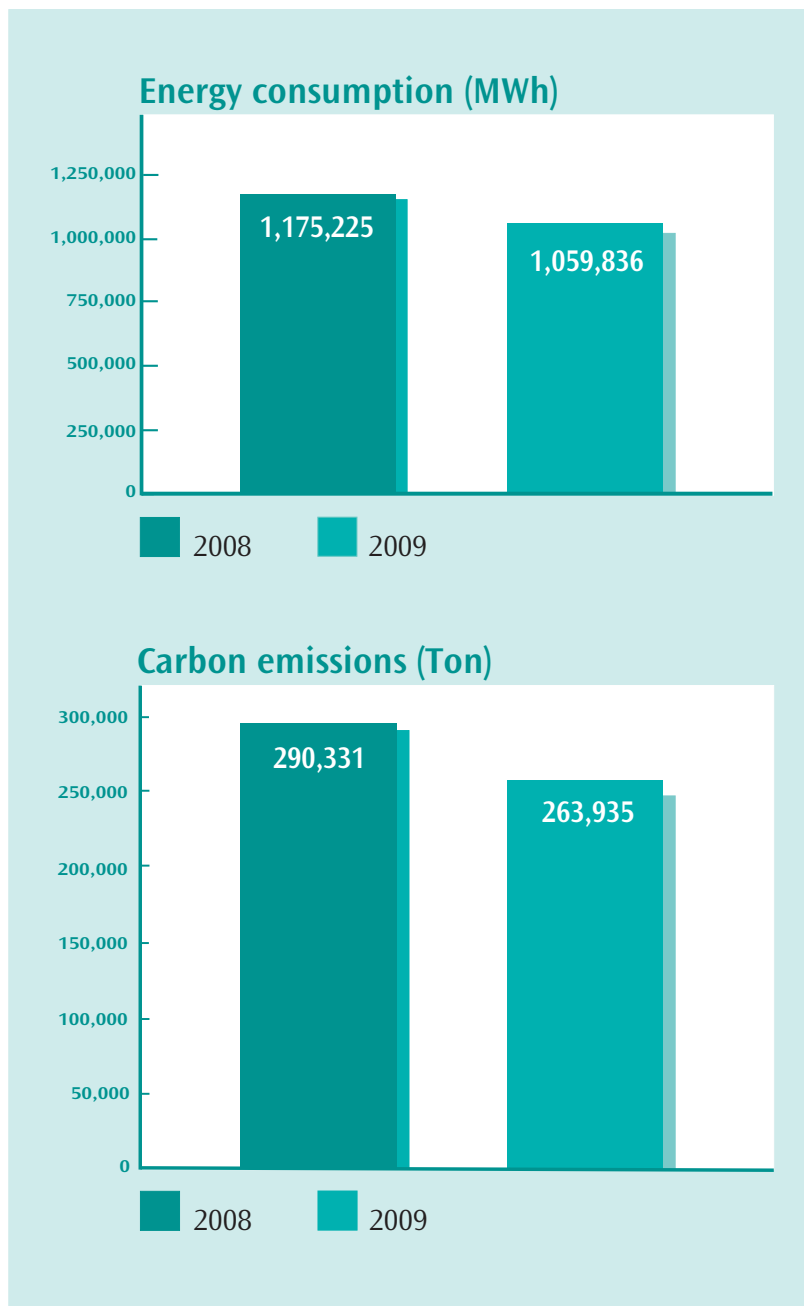
Evaluating our products' eco-footprint

We are confident that our long-standing focus on improving the resource efficiency of our operations and products has contributed greatly to reducing the eco-footprint of our products. Starting in 2010, we plan to evaluate more systematically the benefits of these and other efforts to create sustainable products and services through life-cycle assessment studies of selected product groups.



Statement of Energy Consumption and Carbon Emissions

The consolidated energy consumption and carbon emissions data below for the fiscal years ending 31 December 2008 and 2009 for all of our industrial sites in Turkey has received limited assurance from an independent accounting firm.*



Energy consumption** comprises electricity, natural gas, diesel / gasoline, fuel oil, LPG, steam, propane / butane and coal used by the Group's 27 industrial sites in Turkey during the reporting year for all on-site industrial facility and manufacturing processes, including electrical systems, heating, lighting, on-site transportation and air circulation. 'Industrial facilities' include:

- plant buildings,
- treatment works,
- warehouses,
- laboratories and industrial site administration buildings.

Excluded from this data are:

- Energy used outside of the factory gate;
- Energy consumed in non-industrial operations;
- Energy used by third parties in the manufacture / production of purchased raw materials, products and other supplies;
- Energy used in the use / consumption and disposal of manufactured products;
- Energy in respect of outsourced and contracted operations / manufacturing;
- Energy supplied to third parties;
- Carbon equivalent emissions arising from other greenhouse gases on the basis that these are not material.

*The basis of preparation for the energy and carbon data can be found on page 48 and the PricewaterhouseCoopers assurance report on the energy and carbon data stated above (referred as the "Selected Information") can be found on page 50.

Consolidated energy consumption and carbon emissions at our 27 industrial sites in Turkey declined by 9.8 and 9.1 percent respectively in 2009.

Carbon emissions** comprise the carbon emitted as a result of the energy consumed during the reporting year (1 January to 31 December). Carbon emissions are calculated by the Group using published conversion factors.

For detailed information on how these data were compiled, please see Eczacıbaşı Group's Energy and Carbon Reporting Guidance at the end of this report.

In 2009, consolidated energy consumption at our 27 industrial sites in Turkey declined 9.8 percent while carbon emissions dropped 9.1 percent. Most of this improvement derived from successful energy efficiency projects at our 27 industrial sites in Turkey.

***Energy consumption, carbon emissions and production at industrial sites belonging to joint ventures have been allocated between joint venture partners according to their shares.*

Eczacıbaşı Group's industrial sites in Turkey

All of the Eczacıbaşı Group's 27 industrial sites in Turkey, listed below by company, are included in our Statement of Energy Consumption and Carbon Emissions.

Building Products Division

- Eczacıbaşı Building Products (ceramic sanitary ware, faucet, bathroom/kitchen furniture, acrylic bathtub) **4 sites**
- Vitra Tiles (ceramic tile) **2 sites**
- Eczacıbaşı-Koramic Building Chemicals (building chemicals) **2 sites**

Healthcare Division

- Eczacıbaşı-Baxter Hospital Supply (parenteral solutions, peritoneal dialysis products and other hospital supplies) **1 site**
- Eczacıbaşı-Monrol Nuclear Products (radiopharmaceuticals for nuclear medicine) **4 sites**

Consumer Products Division

- İpek Kağıt Tissue Paper (toilet roll, napkin, handkerchief, kitchen towel, facial tissues) **2 sites**
- Eczacıbaşı Girişim (away-from-home products and selected cosmetics) **1 site**

Other Products and Services

- Esan Eczacıbaşı Industrial Raw Materials (industrial raw materials for the ceramic sanitary ware and tile sector) **9 sites**
- Eczacıbaşı-Lincoln Electric Askaynak (welding consumables and electrodes) **1 site**
- E-Kart Electronic Card Systems (magnetic stripe and smart card) **1 site**

Our Energy, Carbon and Water Footprints

Energy consumption and carbon emissions index per ton-equivalent of output

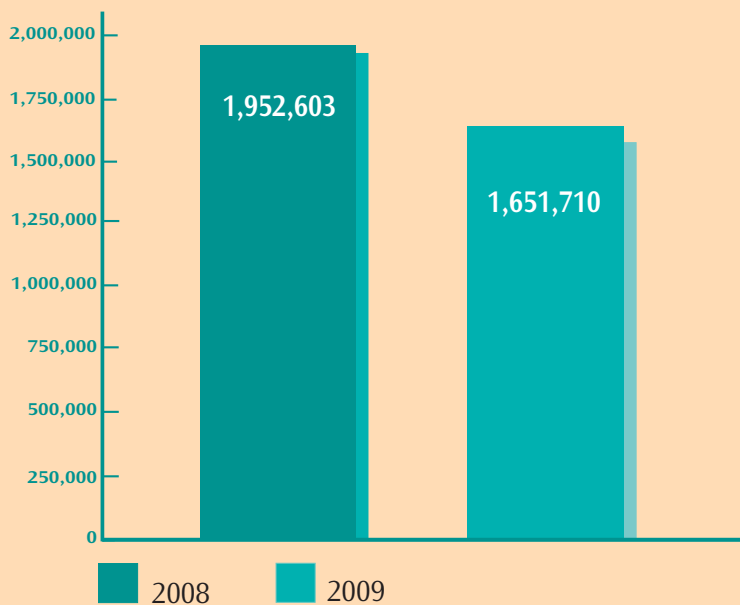


Energy and water were the focal points of our companies' resource efficiency projects in 2009, many of which are described in detail in the environmental section of this report. In addition to a 9.8 percent reduction in consolidated energy consumption, our industrial sites in Turkey achieved a 15.4 percent reduction in water consumption in 2009.

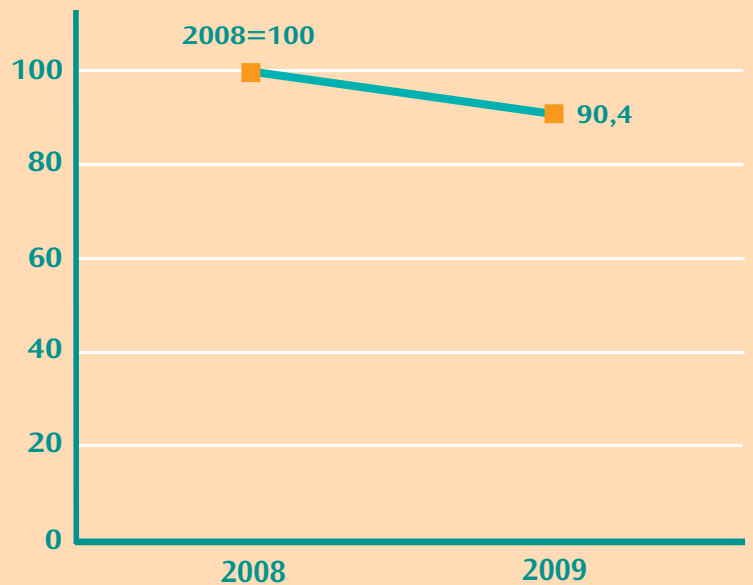
To demonstrate more clearly the contribution of our resource efficiency projects to these results, we calculated our energy and water consumption* per ton of output in 2008 and 2009. By this measure, our energy and water consumption per ton of output dropped by 8.1 and 9.6 percent respectively in 2009, demonstrating a clear increase in the efficiency of our energy and water use in 2009.

*Per-ton energy and water consumption and carbon emissions data do not include Eczacıbaşı Esan, our mining company. Due to the nature of its business, Eczacıbaşı Esan accounts for over 60 percent of total production but only five, six, and seven percent respectively of total energy and water consumption and carbon emissions. As a result, small changes in Eczacıbaşı Esan's production volume have a disproportionately large impact on per-ton data and can distort the trend.

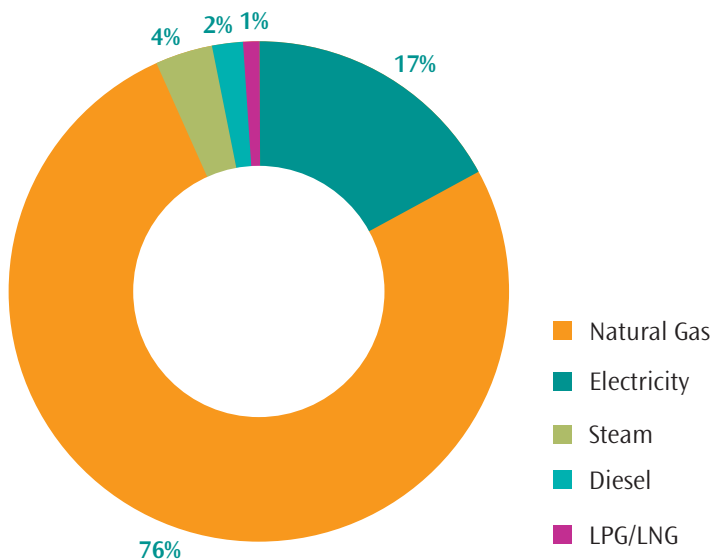
Water consumption (m³)



Water consumption index (m³/ton)



Energy consumption by source (% in kWh equivalent)



Over the last two decades, with the expansion of Turkey's natural gas distribution network, our industrial operations have switched from fuel oil and other primary fuels to natural gas. As a result, natural gas is by far our most important energy source.



Sedat Birol

Executive Vice President - Healthcare Division and
Head of Environment Sub-Committee

Our companies are continually striving to find ways to reduce their use of non-renewable resources and maximize the efficiency of their operations, with the aim of cutting their costs, improving their competitive advantage, and reducing the environmental impact of their activities.

Resource efficiency has long been an important consideration for us because most of our manufacturing sites are based in Turkey, where energy costs are quite high relative to our main international markets.

Long before sustainability issues came to the fore, therefore, we were asking our companies to look for ways to improve their energy performance and rewarding productivity projects of this kind.

We were also asking them to find ways to reduce their consumption of water, another significant cost input in several of our businesses as well as an increasingly scarce resource in Turkey.

Cutting costs and our impact on the environment

Innovative projects in sanitary ware and tiles boost productivity and energy savings

Over the last 15 years, through continual innovation of our production processes, our Building Products Division has reduced the amount of energy it uses to produce one unit of ceramic sanitary ware by 48 percent. One recent example of our Division's innovative capacity is the productivity project that it developed in partnership with Anadolu University and the Technology and Innovation Funding Programs Directorate (TEYDEB). The winner of our Group's 2009 "Most Innovative Productivity Award", the project reduced wastage occurring during the production of ceramic sanitary ware by 30 percent and natural gas consumption by 15 percent by increasing the durability of units to thermal shock and reducing the firing temperature. To achieve this, our engineers improved the fine grinding process of feldspar and quartz so as to reduce the size and size distribution of these particles and developed anew glaze that would function at lower temperatures.

Eczacıbaşı Group industrial plants with ISO 14001 certification

1998 Eczacıbaşı Building Products' ceramic sanitary ware plant at Bozüyük was the first in Turkey and second worldwide to obtain ISO 14001 certification.

1999 Eczacıbaşı Building Products' faucet plant at Bozüyük was the first in Turkey to obtain ISO 14001 certification.

2002 Eczacıbaşı-Baxter Hospital Supply

2002 Eczacıbaşı-Monrol Nuclear Products

2009 Eczacıbaşı Girişim

2009 VitrA Tiles' plant at Bozüyük

Another innovative project of this kind was our productivity project for tiles aimed at increasing the capacity of selected kilns without the need for a major investment. By changing the mass particle of porcelain, we were able to increase the press stroke and reduce firing time by four to seven minutes, leading to a 16 percent increase in output.

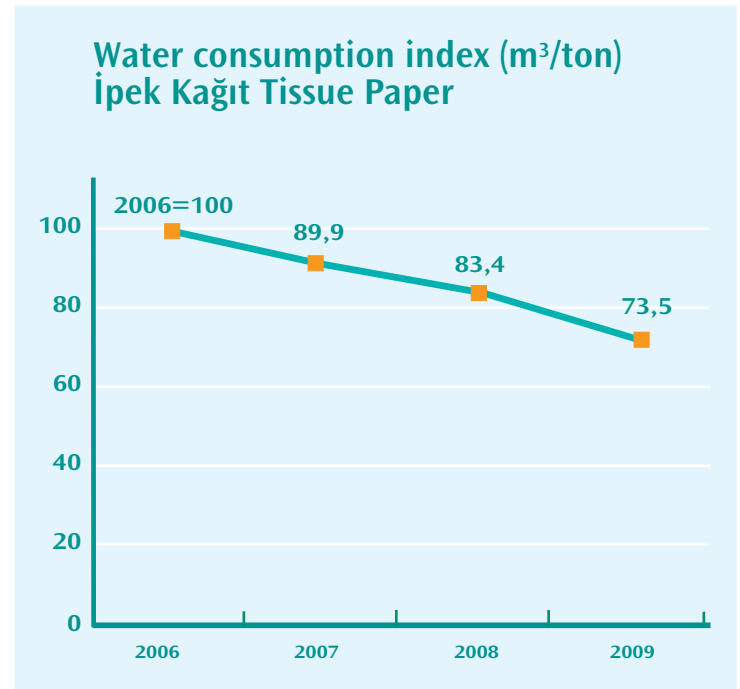
Improving energy efficiency in tissue paper production

İpek Kağıt, our joint venture with Georgia-Pacific, is continually looking for ways to reduce the amount of energy it takes to manufacture tissue paper products. Through a wide variety of energy efficiency projects, simple and complex changes in production processes, and most recently, the purchase of steam from a nearby co-generation plant, we have achieved a 24 percent reduction in electricity and a 13 percent reduction in natural gas and steam consumption per ton of output since 2000.

Reusing water, reducing effluent

Through a number of improvements in our production processes, including efforts to increase our internal water cycles, İpek Kağıt has lowered its water consumption per ton of tissue paper output by 26.5 percent since 2006. Reduced water consumption has also enabled it to reduce its waste water and treatment costs.

İpek Kağıt has been treating its industrial and domestic wastewater since the early 1980s. In 2008, although our three industrial wastewater treatment plants were complying fully with national effluent standards, we invested in a major upgrade of our treatment process so as to improve the quality of treated wastewater and comply fully with Turkey's discharge limits, EU Integrated Pollution Prevention and Control (IPPC) Directive, and the Reference Document on Best Available Techniques in the Pulp and Paper Industry.



Sustainable Business Highlights in the Eczacıbaşı Building Products Division

Blue Life as a production and management philosophy

1992	1994	1995	1997	1998	1999	2000	2001
Begins to recycle unfired and fired tile waste in body recipes.	ISO 9001 Quality Management Certificate for sanitary ware-the first in industry in Turkey	ISO 9001 Quality Management Certificate for tiles	Istanbul Chamber of Industry Environment Incentive Award (Sanitary ware)	ISO 14001 Environmental Management Certificate for sanitary ware-the first in Turkey and second world wide in the industry	Reduces firing time for floor tiles by 2-4 minutes; saves raw materials in tile production by switching from talc to clay with magnesium.	Introduces a solvent-free washing system for faucets, reducing annual solvent usage from roughly 15 tons to zero.	Lowers imported clay, kaolin and talc shares in tile production, reducing transport-related energy consumption and costs
	ISO 9001 Quality Management Certificate for faucets -the first in industry in Turkey			TÜSiAD-KalDer National Quality Award (Sanitary ware)	Ministry of Labor and Social Security OHS Award (Sanitary ware)	Innovative kiln-feeding system increases capacity and energy efficiency in tile production	
					EFQM European Quality Award finalist (Sanitary ware)	TÜSiAD-KalDer National Quality Award (Bathtubs)	
					ISO 14001 Environmental Management Certificate for faucets -the first in its industry	TÜSiAD-KalDer National Quality Award (Faucets)	
						European Foundation for Quality Management Quality Prize (Sanitary ware)	

2002

Redesigns packaging for faucets and accessories reducing paper consumption by 50 percent

2003

Begins using waste heat from sanitary ware tunnel kilns to heat water in the boilers, saving about 150,000 m³ of natural gas per month

2005

Closes the water loop in the glaze mill, eliminating fresh water consumption in this process

Redesigns faucets to reduce brass consumption by 30 percent

Sanitary ware plant named "Most Successful Plant in Reducing Electricity Intensity for the 2002-2004 Period" by the General Directorate of Electrical Power Resources

2006

Begins reusing scrap from the faucet casting process in the same process, reducing new metal purchases by as much as 35 percent as well transportation costs

Switches from a central dust collection system in the faucet plant to localized collectors for significant electricity savings

2007

Installs a filter system to reuse treated waste water in faucet plating processes, reducing water use in this operation by 64 percent

Develops the industry's first recycling project with the cement industry for scrap ceramic products, waste water treatment sludge and plaster molds (alternative raw material) from sanitary ware production, for 100 percent recycling of solid waste

Begins grinding up scrap FFC (Fine Fire Clay) products at the sanitary ware plant and reusing them in the clay production process, recycling 735 tons per year

Japan Institute of Plant Maintenance TPM Excellence 1st Stage Award (Faucet)

2008

Begins regenerating and reusing core sand for the faucet and fixture casting process, achieving a recycling rate of six percent in 2009

ISG-OHSAS 18001 Occupational Health and Safety Certificate for sanitary ware

2009

Reduces wastage and natural gas use in ceramic sanitary ware production by respectively 30 and 15 percent by increasing the durability of units to thermal shock and reducing firing temperatures

Increases share of treated wastewater in total water consumed for ceramic sanitary ware production from 26 to 50 percent

25 percent reduction in volume of pigment used in tile paste preparation

Starts recycling waste heat from the tile kilns in the spray-drying process, extending this from two kilns to seven in the first quarter of 2010 for natural gas savings of 45 percent

ISO 14001 Environmental Management Certificate for tiles

Since 1995, when Eczacıbaşı-Baxter started its eco-efficiency program, it has reduced its water consumption per liter equivalent of parenteral and renal solution by 90 percent and its electricity and natural gas consumption by respectively 57 and 63 percent.

Eczacıbaşı-Baxter: Eco-efficient renal and parenteral solution production

Water is the main natural resource used by Eczacıbaşı-Baxter Hospital Supply, our equal share joint venture with Baxter International.

Since 1995, when Eczacıbaşı-Baxter started its eco-efficiency program, it has reduced its water consumption per liter equivalent of parenteral and renal solution by 90 percent and its electricity and natural gas consumption by respectively 57 and 63 percent.

In 2009 alone, Eczacıbaşı-Baxter reduced water consumption per liter equivalent by 11 and electricity and natural gas by six and three percent.

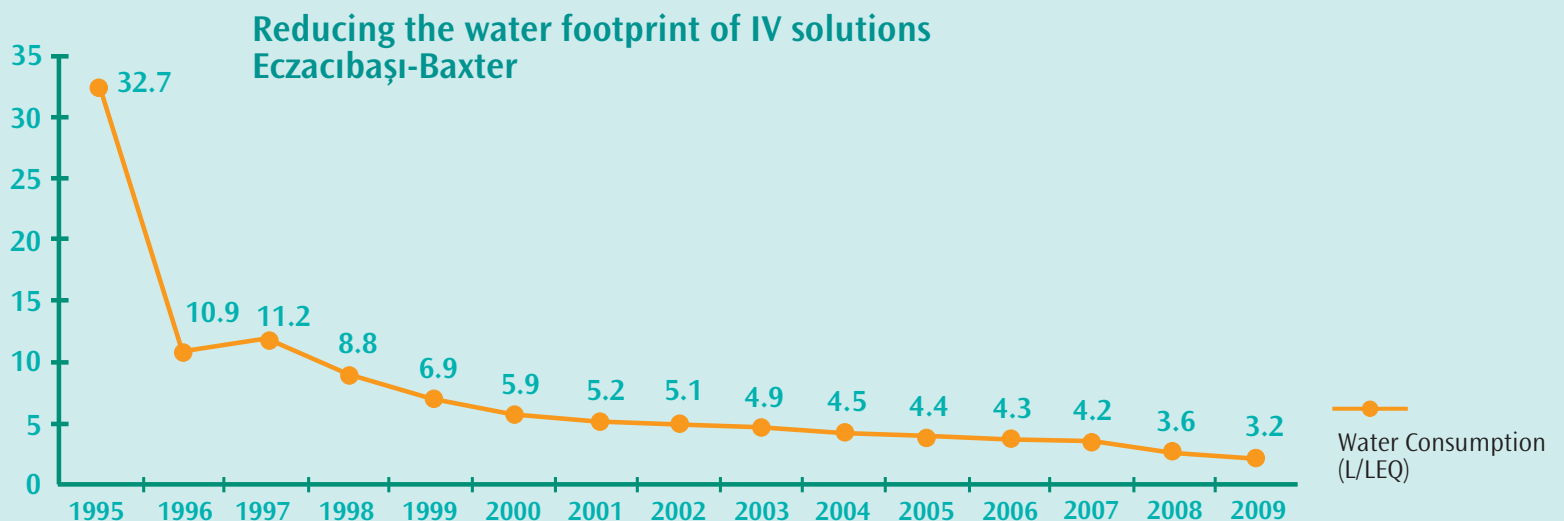
A participant in Baxter International’s Lean Energy program, Eczacıbaşı-Baxter has completed three of the four phases of the program, earning it three energy awards: the Baxter Energy Award and Eco-Efficiency Award in 2000 and the Baxter Best Technology Award for Cogeneration in 2001.

Energy management at Eczacıbaşı-Baxter

- 1998 Şişli Municipality Energy Award
- 2000 Baxter Energy Award
- 2000 Baxter Eco-Efficiency Award
- 2001 Baxter Best Technology Award for Cogeneration

Eczacıbaşı-Monrol: Reducing consumption of lead

Eczacıbaşı-Monrol is looking for ways to reduce its consumption of lead-shielded containers, the best material for safely transporting radioisotopes. One of the ways that it is doing is by collecting used containers from customers, running them through safety checks, and reusing those that are fully functional. Another measure is redesigning the containers to reduce their lead content and other metals while ensuring the highest level of safety. Collaborating with its supplier, Eczacıbaşı-Monrol has designed and introduced a new container for one of its products that uses less lead, is easier to recycle, and costs less to produce. It is now carrying out similar design studies for its other products.



Kanyon: Optimizing energy and water use in commercial venues

Kanyon, our first commercial property development project and a joint venture with İş Real Estate Investment Trust, offers shopping, entertainment, business and residential living in a unique architectural setting. Kanyon attracts some 30 thousand visitors daily, so energy, water consumption and waste management are significant sustainability issues.

Sensitive to its environmental impact, Kanyon aims to accomplish meaningful savings in its energy consumption through a number of ongoing projects that it is carrying out in cooperation with NGOs, universities, and public and private institutions.

In 2008, we began cooperating with Istanbul Technical University on the evaluation of our energy use and development of optimization mechanisms we need to incorporate renewable energies. The project is part of the CITYNET European PhD program on sustainable energy management, which aims to improve energy management in urban centers. We also asked

the university to help us develop a waste management system that complied fully with national and local waste management guidelines.

Some of the energy and water-saving measures we have taken over the last two years include:

- Installing water-saving faucets, toilets and urinals in all public restrooms and designing an efficient watering system for indoor and outdoor gardens;
- Improving the energy efficiency of cooling towers and establishing a system to recycle cooling tower water in gardens and public restrooms;
- Rationalizing escalator and elevator systems through energy-efficiency automation devices;
- Adding automation devices to air conditioning power stations to achieve heat recovery in summer as well as winter months;
- Adding frequency converters to system pumps to reduce their electricity consumption by around 10 percent;



- Establishing a waste collection system that received a Certificate of Appreciation from the local municipality in October 2009 for being the “Building with the Best Waste Management System”, as a role model for surrounding buildings.

These measures helped us to achieve energy and water savings of respectively 10 and 19 percent in 2009 without compromising the comfort of our visitors and clients.

Eczacıbaşı Esan: Responsible mining practices

Eczacıbaşı Esan, Turkey’s most comprehensive industrial raw materials operation for the ceramic sanitary ware and tile sector, is striving to reduce the impact of its extraction activity on local environments and communities.

Esan owns the largest reserves of clays and feldspars in Turkey for the sanitary ware and ceramic tile sectors. In early 2010, we also began extracting lead and zinc ore from our first underground mine, which we expect will increase Turkey’s lead and zinc production by 40 percent by 2012.

Minimizing our impact on nearby communities

All this means that we have a great responsibility to ensure that our extraction practices are sensitive to the environment and local communities. This is a priority for us, and we are working hand-in-hand with local governments, ministries, universities and NGOs to find solutions for such problems as dust formation and dispersal. Dust is a particular concern in the Aegean district of Milas, where many of Esan’s operations are located, because Milas is a historical site and tourism center, and olive groves and other agricultural activities are an important source of income for its rural population.

In response to these concerns, we have:

- Installed spray systems using waste water,
- Covered our conveyor belt system in the crushing plants,
- Built an enclosed storage space for fine materials,
- Paved access roads,
- Planted cypresses around the perimeter of the crushing complex,
- Made it mandatory for trucks to use covers,
- Led a sector-wide initiative to construct a new port in Güllük, eliminating the need for trucks to enter the town.

In 2007, Esan contracted a study via the Aegean Exporters’ Union to evaluate the impact of mining activities on local agricultural fields and olive groves. This independent study, which was carried out by the Aegean and Dokuz Eylül universities, found that dust emanating from extraction activities did not cause phytotoxicity and that our precautions had prevented our processing plants from having a negative impact on the vegetative and generative growth of olive trees in the vicinity.

Restoring natural environments

Mine rehabilitation is another important focus of Esan’s environmental activities. Here, we are backfilling and contouring



open areas from old mining activities, spreading topsoil to encourage vegetation growth, protecting newly rehabilitated areas from wildlife by installing fences around their perimeter, and planting trees – often in areas that were unforested before extraction activities began. To date, we have planted 135 thousand square meters of land belonging to former mine sites with 6,300 trees, including stone pine, ash, cedar, laurel, oleaster, cherry, and acacia. During this process, we have consulted the Forestry Ministry and local NGOs to find species that reflect or enrich the biodiversity of surrounding areas.

Reducing resource use

As with our other operations, Esan is continually searching for ways to reduce its water and energy use. In 2009, for example, we constructed a dehydration tank for our largest feldspar flotation plant to reduce humidity before sending the material to the drying process. This investment has significantly reduced LNG consumption in this process. At our new lead-zinc ore operation, we are treating the underground water being pumped out of the mine as well as the wastewater from our flotation tank and re-using this water in our plant, saving us an estimated 240 thousand cubic meters of water per year.

Promoting sustainable extraction practices

Eczacıbaşı Esan chaired the LCA (Life Cycle Assessment) working group of the Industrial Minerals Association-Europe, which aims to promote sustainable natural resource use, reduce the environmental impact of extraction activities, and carry out studies related to material consumption and air, water, soil emissions. We are also participating in industry-wide initiatives to protect the environment as well as in activities to raise environmental awareness among smaller producers and the local population.

Eczacıbaşı Esan, Turkey's most comprehensive industrial raw materials operation for the ceramic sanitary ware and tile sector, is striving to reduce the impact of its extraction activity on local environments and communities.

Eco-efficient plant design

In our new plant investments, we are incorporating water and energy-saving features as well new processes aimed at optimizing resource use and reducing waste. Some of these features are simple architectural designs that make more use of natural lighting and air circulation to cut down on electricity use. Others involve simple technologies for collecting and treating rainwater or process water for re-use in manufacturing processes or for watering green areas, or using solar energy to heat water for personnel use. Some are unique technologies developed by our employees especially for our businesses – such as the central bath system for plating and lubricant baths at our welding technology plant.

Eczacıbaşı-Lincoln Electric Askaynak: Strengthening our competitive edge

Eczacıbaşı-Lincoln Electric Askaynak, the Group's equal share joint venture with Lincoln Electric, is strengthening our ability to gain market share in the highly competitive welding technology industry through resource efficient production and training partnerships with current and future customers.

Drawing on 40 years' experience in Turkey's welding technology sector, Eczacıbaşı-Lincoln Electric Askaynak designed our new plant in Gebze so as to reduce the use of water, chemicals and energy in the production process.

Developed in-house by Askaynak's own engineers, these features include:

- An architectural structure that maximizes daylight for interior lighting, solar energy for water heating, and natural air circulation for ventilation. Thirty-four vents on the roof enable the air mass in the plant to fully circulate once every three hours.
- A central bath system that increased the productive life of plating and lubricant baths three-fold and reduced water usage and the consumption of sulfuric acid by 49 percent, copper sulfate by 20 percent, and soap by 76 percent between 2006 and 2009. The corresponding reduction in waste significantly increases the efficiency of the industrial wastewater treatment plant.

Reduction of chemical consumption (%)
Eczacıbaşı-Lincoln Electric Askaynak



Eczacıbaşı-Lincoln Electric Askaynak's central bath system increased the productive life of plating and lubricant baths three-fold and reduced water usage and the consumption of sulfuric acid by 49 percent, copper sulfate by 20 percent, and soap by 76 percent between 2006 and 2009.

- New, highly efficient double-cabin natural gas-fueled ovens for the drying process.
- Treatment and recycling systems for process and waste water. Treated domestic waste water is being reused in the manufacturing process, lowering water usage by 35 percent between 2006 and 2009.
- Recycling of powdered raw materials from the extrusion process.

Lincoln Electric has adopted our central bath and waste treatment system as a model for its new plant in India.

Productivity projects compete for Eczacıbaşı innovation awards

Eczacıbaşı-Lincoln Electric Askaynak developed and implemented two major productivity projects in 2009 that resulted in significant energy and material savings while improving production quality.

A patent-pending project to improve the wire pay-off machinery increases productivity and the quality of the wire. Designed entirely by our employees, the new system is economical to establish and maintain and requires no energy to operate.

A second project that targets productivity and quality in the MIG wire straightening system reduced the ball bearing waste of this operation while increasing the welding performance and quality of each MIG wire category. It also created a cleaner and quieter work environment.

Eczacıbaşı Girişim: Resource efficiency and plant design

The sharing of best practices between business divisions has enabled our companies to incorporate manufacturing systems and architectural features that have worked well for other plants. Eczacıbaşı Girişim's industrial cleaning and personal care products plant, which we began operating in May 2008, incorporates several innovative features we used earlier in the design of our welding technology plant to optimize energy and water consumption and reduce our impact on the environment.

While complying fully with global GMP standards and the latest European Union regulations, our new plant incorporates rainwater collectors, a solar heating system on the roof to heat water for manufacturing processes, and "cleaning-in-place" systems for regular steam cleaning in sanitation processes. It also has a chiller system with a magnetic bed to cool processes and the building and, since 2009, a treatment system to recycle reject from the reverse osmosis treatment process. As a result of these measures, our operation uses about 25 percent less water and 32 percent less energy per ton of output than standard operations of its size.

Turning waste into value

Minimizing waste is another important goal for us. Apart from ensuring that we are complying fully with all environmental regulations concerning the treatment, discharge and disposal of waste, we have sought to re-use waste in our own processes or find other business that can use it.

In the Building Products Division, we are treating and re-using process water, pulp, fine-fired clay, and building chemical dust, and we are selling scrap, sludge and plaster molds. Our ceramic sanitary ware plant in Bozüyük is the first in Turkey to develop a recycling project for scrap ceramic products, waste water treatment sludge and plaster molds in the cement industry, for 100 percent recycling of solid waste.

In the Consumer Products Division, our tissue paper plant was the first in its industry to sell sludge from its water treatment plants to prefab housing panel manufacturers. We are also recycling scrap from tissue paper production and converting processes into pulp.

All other waste that we cannot reuse or sell we either recycle or dispose through waste management firms licensed by the Ministry of the Environment.

Eczacıbaşı Group's Energy and Carbon Reporting Guidance

This Energy and Carbon Reporting Guidance ("ECRG") document supports the preparation and reporting of energy consumption and carbon emissions data by the Eczacıbaşı Group (hereafter "Group"). It is the responsibility of Group management to ensure that appropriate procedures are in place to prepare its energy consumption and carbon reporting in line with, in all material respects, the ECRG. All data up to and including FY09 (financial year ending 31 December 2009) only comprises the relevant sites in Turkey (as detailed page 35), excluding all international sites. The data for these years, therefore, do not represent the entire Group.

General reporting principles

In preparing this guidance document, consideration has been given to following principles:

- Information Preparation – to highlight to users of the information the primary principles of relevance and reliability of information; and
- Information Reporting - the primary principles are comparability / consistency with other data including prior year and understandability / transparency providing clarity to users.

Key definitions

For the purpose of this report, the Group defines:

- 'Energy' to mean electricity, natural gas, diesel / gasoline, fuel oil, LPG, steam, propane / butane and coal. For the purpose of this report, energy does not include alternative forms of fuel, such as bio-waste, bio-mass, bio-diesel, or renewable sources of energy (such as wind or solar energy), which collectively represent an insignificant share of total energy consumption and carbon emissions.
- 'Energy consumption' means the energy used during the reporting year (1 January to 31 December), being the energy purchased during the period. Energy consumption data includes energy used in the operation of on-site industrial facility and manufacturing processes, including electrical systems, heating, lighting, on-site transportation and air circulation.

- 'Carbon emissions' means the carbon emitted as a result of the energy consumption during the reporting year (1 January to 31 December).
- 'Industrial sites' include plant buildings, treatment works, warehouses, laboratories and industrial site administration buildings.

Scope of reporting

For FY08 and FY09, energy consumption and carbon emission data relate to the energy consumed in Turkey by the Group's:

- Industrial sites in Turkey, comprising production facilities and mining operations;
- Administrative buildings located at the industrial sites; and
- Own transportation of materials and products within the industrial plant sites.

All data is reported in the same proportion as the Group's share of ownership of the related entity / facility, in line with the Group's financial accounting policies.

The following are omitted from the scope of reporting:

- Energy used outside of the site gate. For example, transport from suppliers, to customers, in between Group locations, or business travel (even if they involve vehicles belonging to the site), and employee commuting;
- Energy consumed in non-industrial operations;
- Energy used by third parties in the manufacture / production of purchased raw materials, products and other supplies;
- Energy used in the use / consumption and disposal of manufactured products;
- Energy in respect of outsourced and contracted operations / manufacturing (i.e. activities contractually performed by third parties);
- Energy supplied to third parties; and
- Carbon equivalent emissions arising from other greenhouse gases on the basis that these are not material.

Energy consumption and carbon emissions from acquisitions and disposals are included and terminated respectively from the date of contractual completion of the transfer of asset ownership / leasehold. This is consistent with the Group's financial reporting.

Data preparation

Energy consumption

Energy consumption data are reported for electricity, steam, and primary fuel sources, which comprise natural gas, diesel, LPG, and fuel oil. Electricity, natural gas, and steam consumption data are obtained from supplier meters and reconciled with internal meters (when available) and/or service provider invoices. Diesel, LPG, and fuel oil consumption data are obtained from supplier invoices.

The Group has used the following published conversion factors:

- For electricity no energy conversion is required as the unit of supply is invoiced in kWh;
- For steam, the conversion factor (from ton to kWh) is calculated by using thermodynamic tables for saturated steam (Ozturk, A. & Kilic, A. (1991). Thermodynamic Tables and Diagrams. Birsen Publications) based on the steam temperature, pressure and condensation factors (ratio of closed to open circuit condensation and the relating temperatures), which are generated internally;
- For natural gas, the energy conversion factor (from cubic meters to kWh) provided by the Turkish Energy Market Regulatory Authority is used; and
- For fuels other than natural gas (diesel, LPG and fuel oil), energy conversion factors (from litres or kilograms to kWh) are obtained using the related ratios of the carbon conversion factors provided by The Greenhouse Gas (GHG) Protocol (July 2009).

Carbon emissions

Carbon emissions are calculated by the Group using published conversion factors. Conversion factors enable the determination of the amount of carbon released into the atmosphere per

unit of energy consumption. Different types of energy sources have different conversion factors reflecting their carbon intensity. In future periods, conversion factors may be updated to reflect changes / improvements in published data.

The following conversion factors are used:

- For fuels (such as natural gas, diesel, LPG, residual fuel oil), conversion factors are obtained from the calculation tool provided by the GHG Protocol (July 2009), which uses data provided by the IPCC (Intergovernmental Panel on Climate Change). Refer to IPCC 2006 Guidelines for National Greenhouse Gas Inventories (www.ipcc-nggip.iges.or.jp/public/2006gl/vol2); and
- For electricity and steam, conversion factors are obtained from the "2009 Guidelines to Defra / DECC's GHG Conversion Factors for Company Reporting" provided by the UK Government. Electricity conversion factors listed within "Annex 10 - International Electricity Emission Factors" for year 2006 and Turkey are used. These conversion factors for electricity and steam have been used instead of the factors detailed within the GHG Protocol calculation tool because they include transmission and distribution losses.

Note: The Group obtains steam from a cogeneration plant that produces electricity and steam jointly. Carbon conversion factor for the steam has not been provided from the supplier. Therefore, the conversion factor used for electricity is also used for steam. Although usage of this factor results in an overestimation of the carbon emission for steam, this factor will be used until a more accurate one is available.

Restatements

The measuring and reporting of carbon emissions data inevitably involves a degree of estimation. In exceptional circumstances restatements of prior year reported emissions may be required. Restatements are considered where there is a change in the data of greater than 5 percent at a Group level.

**Independent Assurance Report
to the Directors of Eczacıbaşı Holding A.Ş.
on Selected Sustainability Information**

We have been engaged by the Directors of Eczacıbaşı Holding A.Ş. (the “Company”) to perform an independent assurance engagement in respect of Selected Information contained in the Eczacıbaşı Group Sustainability Report for the year ended 31 December 2009.

The Selected Information subject to limited assurance consists of the Statement of Energy Consumption and Carbon Emissions for the years ended 31 December 2008 and 2009 in page 34 of the Eczacıbaşı Group Sustainability Report.

Respective responsibilities

The Directors of the Company are responsible for the content of the Sustainability Report and the preparation of the Selected Information in accordance with the criteria set out in the Eczacıbaşı Group’s Energy and Carbon Reporting Guidance (hereafter “Reporting Guidance”, see pages 48 and 49 of the Eczacıbaşı Group Sustainability Report).

Our responsibility is to form a conclusion, based on limited assurance procedures, on whether anything has come to our attention that causes us to believe that the Selected Information has not been properly prepared in all material respects in accordance with Eczacıbaşı Group’s Reporting Guidance.

We are in compliance with the applicable independence and competency requirements as articulated by the International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants. Our team comprised assurance practitioners and relevant subject matter experts.

This report, including the conclusion, has been prepared for the Directors of the Company as a body, to assist the Directors in reporting Eczacıbaşı Group’s energy and carbon performance and activities. We permit the disclosure of this report within the Group Sustainability Report for the year ended 31 December 2009, to enable the Directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors as a body and the Company for our work or this report save where terms are expressly agreed and with our prior consent in writing.

* For the purposes of reporting, “Eczacıbaşı Group” includes Eczacıbaşı Holding A.Ş. and its subsidiaries and joint ventures.



Assurance work performed

We conducted this limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – ‘Assurance Engagements other than Audits or Reviews of Historical Financial Information’ (“ISAE 3000”) issued by the International Auditing and Assurance Standards Board.

A limited assurance engagement is less in scope than a reasonable assurance engagement under ISAE 3000. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

Our limited assurance procedures included:

- Making enquiries of relevant management of the Eczacıbaşı Group and reviewing a sample of relevant management information.
- Evaluating the design and implementation of the key processes and controls for managing and reporting the Selected Information.
- Limited testing, on a selective basis, of the preparation and collation of the Selected Information prepared by the Eczacıbaşı Group.
- Undertaking analytical procedures over the reported data.

Limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. It is important to read the Selected Information in the context of the Reporting Guidance.

In particular, the conversion of different energy measures to megawatt-hour (MWh) and energy used to carbon emissions is based upon, inter alia, information and factors generated internally and/or derived by independent third parties as explained in the Reporting Guidance. Our assurance work has not included examination of the derivation of those factors and other third party information.

Conclusion

Based on the results of our procedures, nothing has come to our attention that causes us to believe that, for the years ended 31 December 2008 and 2009, the Selected Information has not been properly prepared in all material respects in accordance with Eczacıbaşı Group Energy and Carbon Reporting Guidance.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Ediz Günsel
Partner

31 May 2010



Reference Guide to the UN Global Compact Principles

Human Rights

Principle 1: *Businesses should support and respect the protection of internationally proclaimed human rights; (Pg. 18-23) and*

Principle 2: *make sure that they are not complicit in human rights abuses. (Pg. 18-23)*

Labor Standards

Principle 3: *Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; (Pg. 24)*

Principle 4: *the elimination of all forms of forced and compulsory labor; (Pg. 24)*

Principle 5: *the effective abolition of child labor; (Pg. 24) and*

Principle 6: *the elimination of discrimination in respect of employment and occupation. (Pg. 24-29)*

Environment

Principle 7: *Businesses should support a precautionary approach to environmental challenges. (Pg. 2-3 / 10-11 / 30-47)*

Principle 8: *undertake initiatives to promote greater environmental responsibility. (Pg. 30-47)*

Principle 9: *encourage the development and diffusion of environmentally friendly technologies. (Pg. 10-11 / 30-47)*

Anti-corruption

Principle 10: *Businesses should work against corruption in all its forms, including extortion and bribery. (Pg. 12-15)*

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