

**Eczacıbaşı Group  
Sustainability Report  
2011**



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## Joint Statement of the Chairman and CEO



*We inaugurated the Vitra Innovation Center, the new headquarters for our Building Products Division's research, design and development of new materials, processes and technologies for bathrooms and tiles that reduce our impact on the environment and help our customers to reduce theirs as well.*

2012 marks the end of the first five-year Kyoto Protocol commitments, in which 37 industrial countries pledged to reduce their combined greenhouse gas emissions by 5.2 percent on average. And while many of these countries are more or less on target to achieve their targets, global carbon emissions are now 45 percent higher than in 1990, the base year for these commitments. If this trend continues, warns MIT's Joint Program on the Science and Policy of Global Change, we can expect temperature increases of 3.5°C to near 7°C by 2100 – well above the 2°C ceiling that the scientific community says will still pose major challenges to “civilized society”.

We believe it is possible to achieve “a world in which 9 billion people can live well, and within the planet's resources”, as set out by the World Business Council for Sustainable Development in its landmark Vision 2050 report, and we are committed to contributing to this goal.

The UN Global Compact, which we signed in 2006 and firmly support, offers a comprehensive code of conduct for evaluating our policies, performance and strategies as we reorient our operations. It provides the crucial link between what “can” and “should” be done.

In light of the growing urgency of reducing carbon emissions and the energy-intensive nature of many of our operations, our top priority at this time is lowering the carbon footprint of our businesses. To this end, we are redesigning our business processes, products and services to improve energy efficiency and setting targets for our operations. In Turkey, we have asked each of our industrial operations to reduce their energy consumption per ton of output by 6 percent between 2011 and 2013. Over this three-year period, our Efficiency in Buildings Working Group aims to lower the consolidated energy use of our commercial and administrative buildings in Turkey by 15 percent.

Correctly measuring our energy performance and feeding this information back into our management systems is critical to the success of our initiatives. That is why we commissioned an independent review of our sustainability data collection,

verification and management systems in 2011. We are now implementing the recommendations of this report. For the third consecutive year, we also commissioned PricewaterhouseCoopers to conduct assurance on the consolidated energy and carbon data of our Group's 26 industrial sites in Turkey.

### *We want to be part of the solution.*

As we grow, we want to contribute to a better future, so we have redoubled our efforts to innovate our processes, products and services. In November 2011, we inaugurated Vitra Innovation Center, the new headquarters for our Building Products Division's research, design and development of new materials, processes and technologies for bathrooms and tiles that reduce our impact on the environment and help our customers to reduce theirs as well. We are encouraging employees to increase their involvement in the eco-innovation race through communication campaigns; Inocino, our Group-wide suggestion and evaluation system; our new Sustainability Award; and our Blue Ocean product development program. Last year, in Inocino's second full year, our employees doubled the number of innovative ideas they submitted to the system, raising the total to more than 8,000. Of these, 13 percent have passed the initial approval stage and are being worked on further.

We are raising the benchmarks in our industries in energy management, eco-labelling and environmental product declarations, with our flagship bathroom and tile brand, Vitra, becoming the first in Europe to certify its Energy Management System, earn the prestigious EU Ecolabel for a wide range of tile series, and prepare Environmental Product Declarations for its ceramic sanitary ware. In another field, one of our operations obtained ISO 14064 Greenhouse Gas Accounting and Verification certification and offset its carbon footprint in 2011, raising the bar for the rest of the Group as well as its competitors in Turkey.

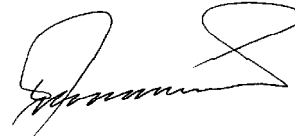
Finally, we are striving to embed sustainability into our corporate culture through awareness campaigns, engagement programs, training, and new human resource policies that encourage employees at every level of our Group to embrace

sustainability principles in their professional and personal lives. Two of our most powerful initiatives in this area are aimed at improving the participation of women in our operations, particularly at decision-making levels of our organization. In March 2011 we adopted a new recruitment policy in Turkey that gives priority to women when deciding among candidates of equal strengths and attributes. In May 2011, we became a partner in the "Equal Opportunities Model" Project launched by the Women Entrepreneurs Association of Turkey (KAGIDER) with the support of the World Bank.

As a result of these initiatives, we succeeded in raising the share of women among new professional recruits in Turkey from 40.4 percent to 43.9 percent in 2011, and women's representation among all professional employees from 32.2 percent to 33.7 percent. While we are pleased with this result, we know we have to advance the role of women in our operations much more, particularly at the management level, if we are to successfully shift our business models, enhance our vision and attain a sustainable competitive edge.



*Bülent Eczacıbaşı*  
Chairman



*Dr. Erdal Karamercan*  
President and CEO

# The Eczacıbaşı Group



*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.*

## 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.

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 migrants 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 İzmir, 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".



## Eczacıbaşı Group Profile

Eczacıbaşı is a prominent Turkish industrial group with 39 companies, close to 10,950 employees and a combined net turnover of TL 5.35 billion in 2011.

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 six 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 six manufacturing sites in Turkey and nine outside Turkey, our Division is contending for top three ranking in Europe with a powerful portfolio of international and local brands: VitrA, Burghad, Villeroy & Boch (Tile Division), Engers, VitrAFix, VitrA Therm, Artema, and İntema Kitchen. International assets include a majority share of V&B Fliesen, the tile division of Villeroy & Boch, 100 percent of Burghad, the leader of the European luxury bathroom furniture market, and 100 percent 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 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 and the leading supplier of skin care products and professional hair coloring products through 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 eight 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.

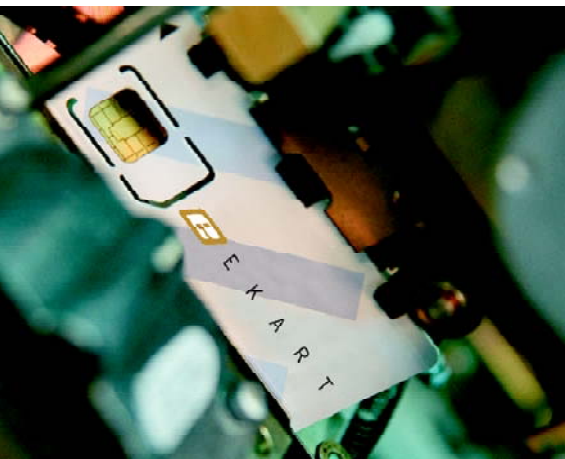




## Eczacıbaşı Group Financial Highlights\*

	(TL Million)	
	2010	2011
<b>TOTAL NET SALES</b>		
Building Products	1,613.4	2,084.9
Healthcare	564.5	567.1
Consumer Products	927.8	1,081.5
Other Products and Services	1,086.2	1,614.5
<b>Eczacıbaşı Group</b>	<b>4,191.8</b>	<b>5,348.0</b>
<b>INTERNATIONAL SALES</b>		
Building Products	888.6	1,197.5
Healthcare	10.7	28.5
Consumer Products	83.8	110.3
Other Products and Services	188.7	370.0
<b>Eczacıbaşı Group</b>	<b>1,171.7</b>	<b>1,706.3</b>
<b>EBITDA</b>		
Building Products	129.9	155.6
Healthcare	103.6	84.5
Consumer Products	44.7	74.5
Other Products and Services	35.5	160.2
<b>Eczacıbaşı Group</b>	<b>313.7</b>	<b>474.8</b>

\*Combined results of Group companies



## Eczacıbaşı Group at a Glance

### Building Products Division

- Eczacıbaşı Building Products Co.
- Burghad AG
- Vitra Tiles Co.
- Vitra Tiles LLC (Russia)
- Engers Keramik GmbH & Co. KG
- V&B Fliesen GmbH
- 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)

#### JV partners

- Villeroy & Boch

#### Business areas

- Sanitary ware
- Sanitary fittings
- Ceramic tiles
- Kitchen & bathroom furniture
- Acrylic bathtubs & shower trays
- Fillers & adhesives

### Healthcare Division

- Eczacıbaşı-Baxter Hospital Supply Co.
- Eczacıbaşı-Monrol Nuclear Products Co.
- Eczacıbaşı Pharmaceuticals Marketing Co.
- Eczacıbaşı Pharmaceuticals Trading Co.
- Eczacıbaşı Health Services Inc.
- Eczacıbaşı Health Care Products JSC (Russia)

#### JV partners

- Baxter
- Monrol Nuclear Products

#### Business areas

- Ethical drugs
- IV solutions
- Non-Rx products
- Hospital supplies
- Dialysis treatment
- Home care
- Nuclear medicine
- Lens and lens care products

### Consumer Products Division

- İpek Kağıt Tissue Paper Co.
- İpek Kağıt Kazakhstan LLP
- Eczacıbaşı Girişim Co.
- Eczacıbaşı-Beiersdorf Cosmetic Products Co.
- Eczacıbaşı-Schwarzkopf Professional Hairdresser Products Co.

#### JV partners

- Beiersdorf
- Schwarzkopf

#### Business areas

- Tissue paper products
- Cosmetics
- Personal care products
- Baby care products
- Household cleaning products
- Away-from-home products

### Finance

- Eczacıbaşı Securities Co.
- Eczacıbaşı Asset Management Co.
- Eczacıbaşı Investment Holding Co.
- Eczacıbaşı Investment Partnership Co.
- Eczacıbaşı Pharmaceutical and Industrial Investment Co.

#### Business areas

- 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

## Eczacıbaşı Group Environmental Highlights

### Statement of Energy Consumption and Carbon Emissions in Turkey

#### Energy consumption (MWh)\*

2008	1,165,974
2009	1,058,705
2010	1,283,221
2011	1,389,423

#### Carbon emissions (ton)\*

2008	287,395
2009	262,582
2010	323,137
2011	348,299

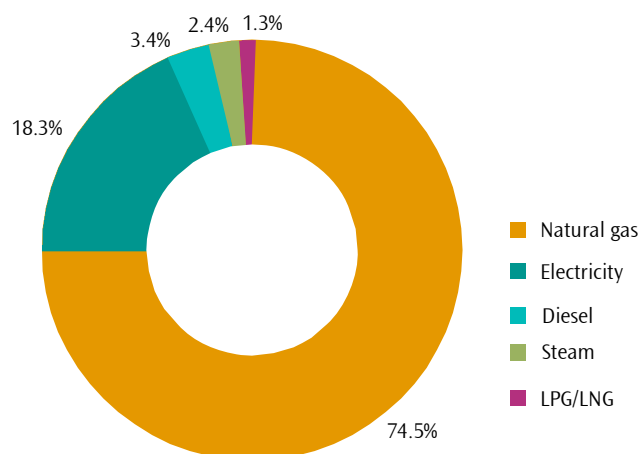
\*Total energy consumed by the Group's industrial sites in Turkey and resulting carbon emissions. Full details of data content and the basis for preparation can be found in the Energy and Carbon Reporting Guidance section of this report. This data, which comprises the "Selected Information", has received limited assurance from PwC, details of which are provided in the Independent Assurance Report on page 44.

#### Water consumption (m<sup>3</sup>)\*

2008	1,935,959
2009	1,661,588
2010	2,793,345
2011	3,044,729

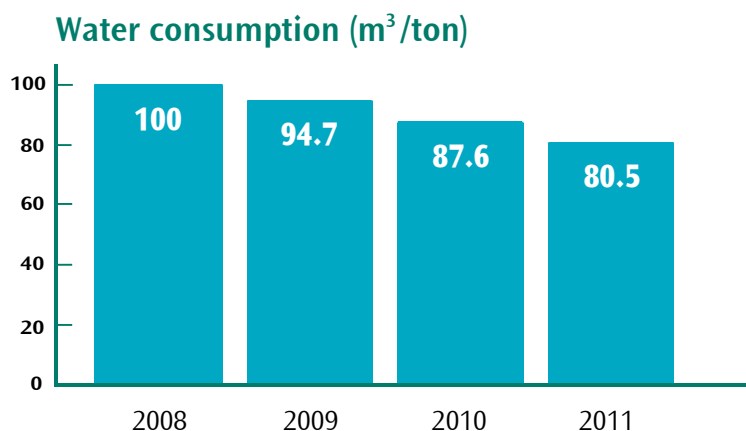
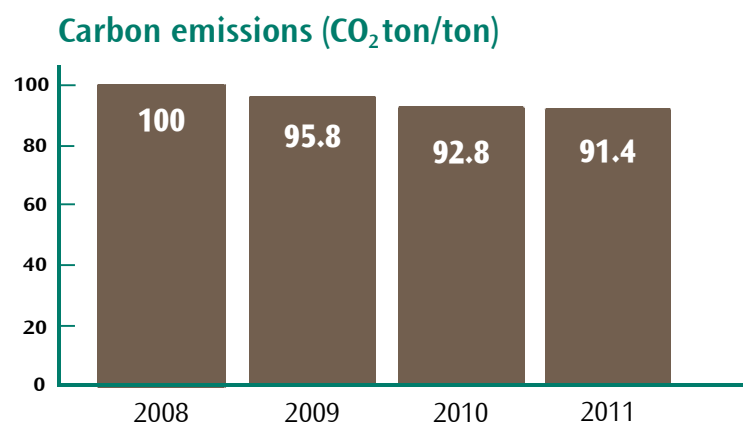
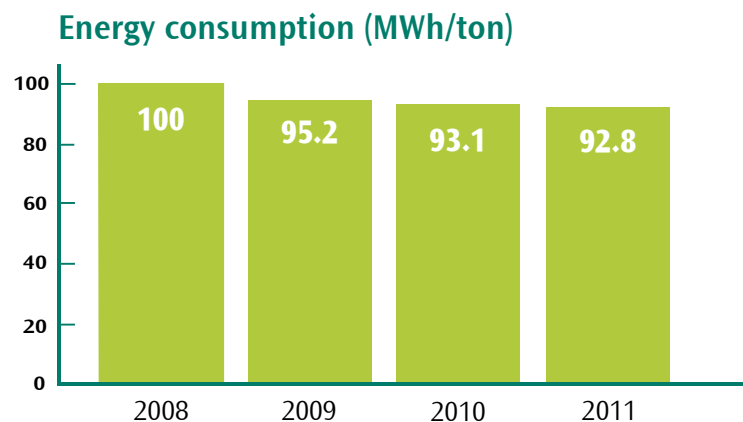
\*Total water consumed by the Group's industrial sites in Turkey.

#### Energy consumption by source\* (% in MWh equivalent)



\*Total energy consumed by the Group's industrial sites in Turkey.

## Energy, carbon emissions and water per ton-equivalent of output\*



\* Per-ton data for industrial sites in Turkey does not include Esan Eczacıbaşı Industrial Raw Materials and Eczacıbaşı-Koramic Building Chemicals, the Eczacıbaşı Group's former joint venture with Koramic that it sold in 2011. Per-ton data for previous years has been adjusted to reflect the change in the Group structure and facilitate comparison between years. As in previous years, Esan is not included because it accounts for close to 75 percent of total output on a ton basis, so small changes in its output can have a disproportionately large impact on per-ton data.

## Corporate Governance

The Eczacıbaşı Group is a professionally managed group of 39 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](http://www.eczacibasi.com)

## 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 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' boards 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 seven 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 Turkey's main business associations: the Turkish Industrialists' and Businessmen's Association, the Istanbul Chamber of Industry, the Turkish Quality Institute, and export development associations.

## 2011 in Review



*In 2011, our operations expanded the scope of their sustainability initiatives through stakeholder engagement, new management systems, and sustainability-focused research and development while developing projects aimed at achieving our 2013 energy efficiency targets.*

The year 2011 represented the first of three challenging years to achieve the energy reduction targets we set for our operations in Turkey for the period 2011-2013: a 6 percent reduction in the per-ton energy consumption of each industrial operation and a 15 percent reduction in the consolidated energy consumption of administrative and commercial buildings. While moving forward towards this goal, many of our operations also made significant progress in improving the efficiency of their water and material consumption and making sustainability a core element of their growth strategies.

Under the leadership of Vice President of Sustainable Development, our sustainable development working groups continued to promote sustainable development practices throughout the Group by collecting and evaluating data on 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.

### *Reviewed and improved our data collection process*

In August 2011, we commissioned an independent study of our data collection system to help us further strengthen our collection, verification and reporting procedures by simplifying our procedures and rendering them more compact, user-friendly and accessible. For the third consecutive year, we also commissioned PricewaterhouseCoopers to conduct assurance on the consolidated energy and carbon data of our Group's 26 industrial sites in Turkey.

### *Expanded the scope of our Efficiency in Buildings Working Group*

In July 2011, our Efficiency in Buildings Working Group expanded its scope to include Eczacıbaşı Group production plants and other buildings located at industrial sites in Turkey. The expanded working group is evaluating the opportunities and costs of high efficiency motors and frequency converter applications, LED lighting, natural lighting systems, alternative energy systems, new generation heating, cooling and air conditioning systems, and heat recovery devices and developing projects with industry representatives.

## Joined new national and international sustainable development initiatives

In 2011, we expanded our participation in national and international sustainable development initiatives, becoming a partner, in May 2011, of the “Equal Opportunities Model” project launched by the Women Entrepreneurs Association of Turkey (KAGIDER) with the support of the World Bank. The purpose of the project is to raise awareness in the business community about gender equality issues and encourage them to take measures to improve their performance in this area. Companies partnering in this project have their human resources policies, procedures and practices assessed by independent audit firms, and those that pass this evaluation receive a “Certificate of Equal Opportunity”.

We also continued to support the initiatives of The Prince of Wales’s Corporate Leaders’ Group on Climate Change, adding our signature to their latest communiqué in December 2011, the 2°C Challenge Communiqué against climate change. This is the third communiqué issued by The Prince of Wales’s Corporate Leaders’ Group on Climate Change that we have publicly supported in as many years.

## Eco-innovation

2011 marked the start of a new phase in our sustainability-focused research and development with the inauguration of VitrA Innovation Center, our Building Products Division’s new headquarters for the research, design and development of innovative materials, processes and technologies for bathrooms and tiles that improve the quality of life of our customers and reflect our sustainability principles. The opening of this center coincided with the finalization of two exciting Blue Ocean R&D projects: Isotile, an easy-to-apply tile for the exterior of buildings that combines coating and insulation functions in a single product, and Warmtouch, a ceramic tile that feels as warm as wood while offering the superior features of ceramic tiles, such as hygiene and easy maintenance. At the same time, through a number of communication campaigns, we continued to encourage employees to submit their innovative ideas through our Group-wide suggestion and evaluation system, Inocino. In 2011, Group employees submitted no less than 5,650 suggestions – up from 2,600 in 2010. Of the overall total, 13 percent have passed the initial approval stage and are being worked on further.

*Last year, we said that we had begun to see a change in the mindset of our employees and stakeholders regarding sustainable development issues and their relevance to our professional and personal pursuits. In this respect, 2011 marked the start of a new phase in our Group’s sustainability drive because it is now our business operations, not our sustainable development working groups, which are leading our Group-wide effort to incorporate sustainable development principles into our processes, strategies and corporate culture.*

### Okşan Atilla Sanön

Vice President of Corporate Communications and Sustainable Development



wbcscd member



Business Council for  
Sustainable Development  
Turkey





## *Completed numerous projects to improve our resource efficiency*

In 2011, our industrial operations in Turkey and abroad completed numerous projects aimed at recovering waste energy from firing and cooling processes, improving the efficiency of electrical machinery and lighting, heating and air conditioning systems, lowering the freshwater requirements of our production processes and transforming waste materials into value-added. Together, these projects are forecast to save just over 30,000 MWh of energy and 122 thousand tons of water annually in the years ahead.

### *Recovering waste energy*

By far our two largest energy-saving projects in 2011 involved the recovery of waste heat from cooling processes at two of the Building Product Division's ceramic plants. In 2011, Eczacıbaşı Building Products-VitrA installed two of the three energy-saving systems that it is incorporating in the cooling processes of its new-generation tunnel kilns at its ceramic sanitary ware plant in Bozüyük, Turkey. When the third system is installed in 2012, it will provide all the hot water this ceramic sanitary ware operation requires, lowering its per-ton energy requirement by a projected 6.5 percent per year. In a similar project, V&B Fliesen installed a heat recovery system at its tile plant in Merzig that reuses the hot air from the kiln cooling system in its press dryer and spraying process. A smaller but equally effective project by Eczacıbaşı Building Products-Artema captures waste heat created by the cooling process of its casting furnace for faucets and fittings to heat workshop areas. Together, these three projects are expected to save 2,437 thousand m<sup>3</sup> of natural gas, the equivalent of 26,500 MWh of energy annually.

### *Reducing and transforming waste*

Three of our companies found important ways to reduce their waste or transform it into products with market value. Eczacıbaşı Building Products-Artema, a finalist in the EU Business Awards for the Environment-Turkey Program with its unique technique for recycling brass shavings in its own production processes, implemented 44 projects aimed specifically at reducing its scrap. Eczacıbaşı Building Products-VitrA, which recycles 100 percent of its solid waste and sludge, found two new customers for its waste in 2011. One of them is VitrA Tiles, which began to use all the sludge from the ceramic sanitary ware plant in glazed porcelain tile production an arrangement that is the first of its kind in the industry. Esan Eczacıbaşı Industrial Raw Materials' innovative waste transformation project created two new export categories from the by-products of its filtration and flotation processes in 2011.

## *Lowering our water requirements*

Three of our industrial operations found new ways to improve their water efficiency in 2011, for combined annual water savings of 122 thousand tons. Esan Eczacıbaşı Industrial Raw Materials, which uses a large amount of water in the extraction and processing of ferrous and non-ferrous minerals, achieved a major breakthrough in this area through the installation of a conic filtering system to treat the acidic water being pumped out of its lead-zinc mine. The new system completely eliminates the need for freshwater consumption at that mining operation, while also reducing its annual consumption of chemical reactivities and energy. Through adjustments in its treatment process that also reduced the amount of chemicals required, V&B Fliesen raised its recirculation rate by more than nine percentage points to 93.8 percent in 2011 and reduced its freshwater consumption per ton of output by 2.25 percent. Similarly, by optimizing the functioning of its plating baths, Eczacıbaşı Building Materials-Artema lowered the per-ton water requirement of its plating baths by 55 percent.

### *Improving electricity efficiency*

In 2011, İpek Kağıt Tissue Paper, Eczacıbaşı-Baxter Hospital Supply, Esan Eczacıbaşı Industrial Raw Materials, Eczacıbaşı Building Products-Artema, VitrA Tiles, and Eczacıbaşı-Lincoln Electric Askaynak found numerous ways to reduce electricity consumption in lighting, machinery operation, heating and air conditioning. In addition to switching from fluorescent to LED lighting systems, companies expanded the use of sensors, thermostats and automatic and centralized circuit breakers to shut down lighting and air conditioning systems during downtimes. Other projects included the installation of variable frequency drives (VFD) on conditioning fans and chiller pumps, improved insulation of production rooms and the optimization of motor speeds in specific production processes. İpek Kağıt's project to improve the efficiency of its vertical pressurized screens is the first of its kind worldwide and has been granted "utility model" protection by the Turkish Patent Institute. As a group, these projects are expected to generate electricity savings of 3,742 MWh per year.

### *Enhancing the energy efficiency of our buildings*

In 2011, with the support of specialist consultants, our Efficiency in Buildings Working Group drew up and implemented numerous projects that helped to reduce the electricity and natural gas consumption of our administrative and commercial buildings in Turkey by 7 and 14 percent respectively, for an overall reduction in energy use of 9 percent. Many of the projects involved improved insulation, the replacement of less efficient lighting, heating, cooling and humidifying systems with newer, more efficient ones, and the incorporation of thermostats, automation systems, and motion detectors in these systems. Kanyon, the Eczacıbaşı Group's shopping, office and residential project in central Istanbul and single largest non-industrial consumer of energy and water, achieved savings equivalent to 5.2 percent of its total electricity consumption in office block and common use areas in 2010.

## Expanding our management systems for critical sustainability issues

Many of our companies focused their certification efforts on health and safety systems in 2011 and early 2012, enabling us to raise the number of our industrial operations in Turkey with OHSAS 18001 certification to nine and the percentage of employees covered by these systems to almost 90 percent. Other companies continued to break ground in their industries. İpek Kağıt Tissue Paper set the benchmark in Turkey's tissue paper industry with ISO 50001 Energy Management Certification, while E-Kart Electronic Card Systems took the lead by obtaining ISO 14064 Greenhouse Gas Accounting and Verification and offsetting its carbon footprint. VitrA operations raised the bar in the ceramics industry in 2011 and early 2012 with Europe's first EU Ecolabel for tiles and first Environmental Product Declarations for ceramic sanitary ware.

## Engaging employees in sustainability initiatives

Several companies launched programs and campaigns aimed at harnessing the energy and creativity of their people in sustainability initiatives.

V&B Fliesen initiated an "Environmental Champion" award in 2011 at its plants and offices in Germany to recognize employees who "go far beyond their call of duty in their efforts to make the company's operations more environmentally-friendly". This year's winner introduced a change to the water treatment process that reduced water consumption at the facility by 7,700 tons. Eczacıbaşı Building Products-Artema made a significant change to its long-running efforts to reduce the amount of material used in its production processes in 2011 by asking all employees to participate in these projects through interdepartmental teams and the Inocino suggestion and evaluation system. In 2011, 51 employees submitted 103 ideas, 83 of which were implemented for combined material savings of 42 tons in 2011. VitrA Tiles launched a comprehensive internal communication campaign in late 2011 aimed at encouraging employees to submit their innovative ideas

about how to save energy, reduce costs and improve quality, while Kanyon initiated a "Green Employee" program aim to enhance employee awareness and sensitivity about sustainability issues.

## Ensuring healthy workplaces and lifestyles

Certifying the effectiveness of our industrial operations' health and safety management systems was one of our top priorities in 2011. Another was continuing to raise awareness about health issues and sustainable lifestyle choices through Group-wide initiatives. Our anti-smoking campaign, which we launched in early 2011, helped 625 people quit smoking through a comprehensive program of free medical treatment and psychological and social support. The average success rate during the first year of this program, in which 1,754 employees in Turkey asked to take part, was 36 percent. We also expanded our recycling campaign and continued to promote the use of video-conferencing over travel.

## Improving our recruitment of women

In March 2011, we initiated a campaign to increase the share of women in our professional recruitment in Turkey by giving preference to women among candidates of equal strengths and attributes. By the end of the year, we had raised the share of women among professional recruits in Turkey from 40.4 percent to 43.9 percent, and the share of women among all professional employees from 32.2 percent to 33.7 percent.



nefes darlığı  
kalp krizi  
ağız ve diş sorunları  
gırtlak kanseri  
akciğer kanseri  
mide ülseri  
şeker hastalığı  
cilt hastalıkları  
astım

**Alır mıydınız?**

**BIRAKIN HAYATINIZ DEĞİŞSİN!**

Dünyada her yıl beş milyondan fazla kişi tütün kullanımı nedeniyle hayatını kaybediyor. Tütün dumanına maruz kalan pasif içicilerin de yaşam kaliteleri bozuluyor ve yaşam süreleri kısalıyor.

Detaylı bilgi ve destek için işyeri sağlık birimlerine başvurunuz.

Eczacıbaşı

"Quit. Change your life!" is the slogan of our anti-smoking campaign, which offers free medical treatment, psychological and social support to all Group employees in Turkey who decide to quit smoking. The average success rate during the first year of this program, in which 1,754 employees in Turkey asked to take part, was 36 percent.

# Improving our Relationship with the Environment



*Through innovative changes in our production processes, plant architecture and product designs, we aim to reduce significantly the amount of energy, water, and other inputs in many of our manufacturing operations.*

In line with our mission of promoting modern, high quality and healthy living, 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 achieve a healthy future for society, business, and our planet as whole.

## Reducing the impact of our manufacturing operations

One of the ways we are improving our own relationship with the environment is through resource efficiency. Long before this concept became known as “eco-efficiency”, we were asking our companies to look for ways to reduce their resource intensity and rewarding productivity projects of this kind in order to cut costs and increase our competitive advantage. Through innovative changes in our production processes, plant architecture and product designs, we aim to reduce significantly the amount of energy, water, and other inputs in many of our manufacturing operations. We are also looking for ways to reduce or recycle our waste, either in our own processes or as valuable inputs for other industries.

In 2011, our industrial operations completed numerous projects aimed at reducing energy, water consumption and materials during the production and transport of their products and related materials. As a group, these projects are forecast to save just over 30,000 MWh of energy and 122 thousand tons of water annually in the years ahead.

### *Recovering waste energy (-2,437 thousand m<sup>3</sup> of natural gas)*

By far the two largest energy saving projects in 2011 involved the recovery of waste heat from cooling processes at two of the Building Product Division’s ceramic plants.

In 2011, Eczacıbaşı Building Materials-VitrA installed two of the three energy saving systems that it is incorporating in the cooling processes of its new-generation tunnel kilns at its ceramic sanitary ware plant in Bozüyük, Turkey. The system enables it to recycle the 200 C° air in the cooling system, which was previously released into the atmosphere, to heat water for its various industrial processes.

When the third system is installed in 2012, VitrA will be able to produce all the hot water its ceramic sanitary ware operations require with this waste heat, lowering the per-ton energy requirement of the plant by a projected 6.5 percent per year. The combined annual savings of the three systems is expected to be 1,445 thousand m<sup>3</sup> of natural gas or 15,370 MWh.



In a similar project, V&B Fliesen installed a heat recovery system at its tile plant in Merzig that transports the hot air from the kiln cooling zone to the end-user facility in a 650 m pipe for recycling in the press dryer and spraying process. By recovering roughly 10 percent of the heat energy created by the gas burned in the kiln, the system saves V&B Fliesen's plant about 973 thousand m<sup>3</sup> of natural gas or 11,000 MWh per year.

Eczacıbaşı Building Materials-Artema, too, completed a heat recovery project in 2011 that captures waste heat created by the cooling process of its casting furnace for faucets and fittings to heat workshop areas. This innovative project is estimated to save the operation 15 thousand m<sup>3</sup> of natural gas (159 MWh) annually.

Eczacıbaşı-Lincoln Electric Askaynak switched to U-type radiant tube heaters in one of its natural gas furnaces for welding electrode production in 2011, improving its natural gas use in this process by 4,000 m<sup>3</sup> (43 MWh). It plans to extend this system to all its other natural gas furnaces in 2012.

Waste heat recovery has been a priority of the Building Products Division since the early 2000s. In 2003, Vitra became the first sanitary ware producer in Turkey to install heat recovery systems on the stacks of its tunnel kilns, enabling it to capture 85 percent of the heat emitted from the stacks and reuse this energy to heat its boilers. In 2010, Vitra Tiles and Engers Keramik installed recovery systems that enable them to recycle waste heat from the kiln stacks in the spray drying processes, for combined natural gas savings of 1,574 thousand m<sup>3</sup> per year. This project has been included in the Best Cases section of Turkey's National Report for the UN "Rio+20" Sustainable Development Conference in Rio de Janeiro.

Through Vitra's heat recovery systems in the stack and cooling pipes of the ceramic sanitary ware plant, it is able to capture and recycle roughly 70 percent of the waste heat generated by the tunnel kilns.

### **Improving electricity efficiency (-3,742 MWh electricity)**

In 2011, most of our manufacturing operations found ways to continue reducing electricity consumption used for lighting, machinery operation, and air conditioning. In addition to switching from fluorescent to LED lighting systems, companies expanded the use of sensors, thermostats and automatic and centralized circuit breakers to shut down lighting and air conditioning systems during downtimes. Other projects included the installation of variable frequency drives (VFD) on conditioning fans and chiller pumps, improved insulation of production rooms and the optimization of motor speeds in specific production processes.

İpek Kağıt Tissue Paper implemented a number of electricity efficiency projects in 2011 that reduced the energy demand of tissue paper production by 1,250 MWh and prevented the release of 643 tons of CO<sub>2</sub> emissions. Four of the largest projects of this kind involved the optimization of process and water pump speeds using variable speed technologies and energy efficient motors. One of these projects, a speed control system for vertical pressurized screens used in the final stage of the paper cleaning process, is the first of its kind worldwide and has been granted "utility model" protection by the Turkish Patent Institute. An idea of one of İpek Kağıt's employees that was developed in-house by İpek Kağıt's Energy Committee, the new system is expected to save 1000 MWh of electricity per year. In 2011, İpek Kağıt also became the first tissue paper manufacturer in Turkey to obtain ISO 50001 certification of its Energy Management System.

Eczacıbaşı-Baxter Hospital Supply expects to achieve combined energy savings of 834 MWh from seven LED, VFD, HVAC and insulation projects that it completed in 2011 with payback periods of three months to just over two years.

Esan Eczacıbaşı Industrial Raw Materials undertook 17 process improvement projects that will reduce electricity consumption in related processes by 704 MWh per year as well as significantly lower water consumption. Its principal project in this area involved adjustments in the raw materials and flotation process at the Milas feldspar plant that resulted in greater productivity, higher capacity and more valuable waste. This project alone is saving the company 559 MWh of electricity per year.

Eczacıbaşı Building Materials-Artema estimates that it increased its electricity savings by 650 MWh in 2011 using central circuit breakers, thermostats and motion detectors to turn off lights, fans and heaters in the administration building and living quarters at the plant, lowering its electricity consumption per ton of faucet and fitting output by 7 percent.

Vitra Tiles optimized its glaze milling process by raising the critical speeds of the mill and adjusting the distribution of grinding stones. Not only was it able to expand the capacity of its mill, it also reduced the electricity consumption of this process by 304 MWh per year.

### **Lowering our water requirements (-122 thousand tons of water)**

Reducing the water footprint of our operations has been another focus of our eco-efficiency investments in recent years. Most of our operations are treating and reusing effluents from production processes and some have even achieved closed water loops. Vitra's ceramic sanitary ware plant in Bozüyük, Turkey, for example, treated and reused 100 percent of its effluent in 2011—enabling it to draw 40 percent less freshwater for its production processes than it would otherwise need.

Three of our industrial operations found new ways to improve their water efficiency in 2011. Esan Eczacıbaşı Industrial Raw Materials, our minerals and mining operation, achieved water savings of 97 *thousand tons* in 2011 through a large number of resource efficiency projects, the largest of which involved the installation of a conic filtering system at the Balya lead-zinc mine to treat the acidic water being pumped out of the mine. Previously, this water was treated in a conventional industrial effluent treatment plant that required energy, chemicals and freshwater. With the new cone filter, Esan has completely eliminated the need for freshwater consumption at the Balya mining operation – 78 thousand tons in 2011 – while reducing its annual consumption of chemical reactives by 63 tons and energy consumption for the treatment process by 97 MWh per year using gravity in place of pumps.

Eczacıbaşı Building Products-Artema also contributed to significant water savings by optimizing the functioning of its plating baths using conductivity measurements and reducing the overflow rate of tanks requiring constant circulation. This optimization enabled it to lower the amount of water used in this process by 25 *thousand tons*, cutting its per-ton water requirement by 55 percent. Over the last four years, through innovative measures of this kind, Artema has decreased the amount of water it uses to produce one ton of faucet and fittings components by 73 percent.

Through adjustments in its treatment process that also reduced the amount of chemicals required, V&B Fliesen was able to increase the amount of wastewater reused in its tile production processes by almost 19 thousand tons in 2011, raising its recirculation rate by more than nine percentage points to 93.8 percent in 2011. Parallel to this increase, it lowered freshwater consumption per ton of output by 2.25 percent.

### Reducing and transforming waste

Eczacıbaşı Group companies are continually looking for ways to reduce or eliminate the waste and by-products of their manufacturing processes and reuse or transform into value added the waste that cannot be avoided. Eczacıbaşı Building Products-Artema, for example, recycles in-house all the brass shavings from its castings and melts them in its own furnaces for immediate reuse, using a technique that is the first of its kind worldwide for faucet and fittings manufacturers. As a result, new brass ingots purchased from external suppliers only account for about one-third of all the brass consumed in the making of faucets and fixtures. A finalist in the EU Business Awards for the Environment-Turkey Program, the project represented Turkey in the 2012 European Business Awards for the Environment in the Process Category.

## ISO/EN Certification of Eczacıbaşı Group Manufacturing Companies

	Quality 9001	Environment 14001/EMAS	OHS 18001	Energy 16001/50001	Others
Eczacıbaşı Building Products-VitrA	1994	1998 <sup>1</sup>	2008 <sup>2</sup>	2010 <sup>3</sup>	17025 (2010) ISO 14025/EPD (2012) <sup>3</sup>
Eczacıbaşı Building Products-Artema	1994 <sup>2</sup>	1999 <sup>2</sup>	2012		
VitrA Tiles	1995	2009	2011		EU Ecolabel (2011 <sup>2</sup> )
V&B Fliesen	1995	2010			
Eczacıbaşı-Baxter Hospital Supply	2001	2002	2007		
Eczacıbaşı-Monrol Nuclear Products	2002	2002	2012		
İpek Kağıt Tissue Paper	1994	2010 <sup>2</sup>	2011	2011 <sup>2</sup>	
Eczacıbaşı Girişim	2008	2009	2009		
E-Kart Electronic Card Systems	2004	2011 <sup>2</sup>	2011 <sup>2</sup>		14064 (2011 <sup>2</sup> )
Eczacıbaşı-Lincoln Electric Askaynak	1995 <sup>2</sup>	2012 <sup>2</sup>			
Eczacıbaşı Esan	1994	2012	2012		17025 (2010 <sup>2</sup> )

1 First in its industry in Turkey and second worldwide

2 First in its industry in Turkey

3 First in its industry worldwide

Additionally, Artema carried out new 83 projects designed to reduce material use during production in 2011. Of these, 44 involved the redesign of products to reduce scrap, 37 centered on productivity increases, and two involved changes in production processes. As a result of these projects, Artema was able to save 42 tons of material in 2011, up from seven tons the previous year. The significant increase was largely due to the enhanced participation of plant employees in the redesign process. (See the section on Engaging Employees in Sustainability Initiatives for more details.)

Burgbad's new coating facility, inaugurated at end-2010, exceeded its sustainability targets in its first full year of operation while facilitating a 109 percent increase in output. Using a new technology that integrates all stages of the production process including pretreatment, conveying and handling, as well as drying and exhaust air purification, Burgbad has significantly increased the quality and efficiency of its coating process while reducing material consumption and waste. Burgbad's new fully automatic and continuous coating line, which operates in a completely dust-free clean room, can be adjusted for color changes in 4.5 minutes – one quarter the time needed in the old facility. Because it combines optimum overspray with high surface quality, the new line has also reduced paint and solvent use per square meter by 45 percent and paint waste per square meter by 51 percent. State-of-the-art air treatment, which ensures constant drying conditions and constant results, has lowered the time needed to coat and dry a surface from 15 to 10 days. Additionally, an integrated UV-hardening unit allows Burgbad to use white UV-hardening high-gloss paints and UV-hardening matt paints that dry thoroughly with just a few minutes' exposure to ultraviolet light and contain few or no solvents.

VitrA's ceramic sanitary ware plant at Bozüyük has been recycling 100 percent of the solid waste and sludge from its production processes since 2007. Some of this waste, such as fine fired clay scrap, it reuses in its own plant; other waste has been supplied to local cement plants as alternative raw material for cement mixes. While demand for this waste in the cement industry continues to be strong, VitrA is developing new uses and markets for its solid waste that increase its value.

In a first for the ceramic industry, VitrA's tile plant at the Bozüyük complex began to use all the sludge from the ceramic sanitary ware lines in the preparation of glazed porcelain tiles in 2011. As the two operations are located right next to each other, the arrangement not only enables one Group operation to benefit from another operation's waste, it also reduces transportation costs and related emissions.

VitrA also found a new customer for ceramic sanitary ware scrap in 2011: a refractory brick maker. Because of the high temperature at which sanitary ware is fired, this scrap is particularly valuable to manufacturers of refractory materials. Through new arrangements of this kind, VitrA aims to expand the markets for its waste and steadily increase its market value.

Esan Eczacıbaşı Industrial Raw Materials, too, is developing new markets for waste material. In 2011, Esan began to separate the micronized quartz particles captured in the filter of its quartz crushing and washing plant for delivery to international markets. It also began exporting a new category of material that it was able to create with low quality feldspar and the waste and by-products of the flotation process, all of which have no market value on their own. In 2011, Esan's first-time exports of these now valuable by-products and waste totaled 50,000 tons.

*"The best thing about our new coating facility is that both the environment and our company benefit. With the support of our highly skilled employees, we have been able to achieve our quality and volume targets while significantly lowering the amount of resources needed to do this. Without a doubt, this new coating facility was a successful investment in every respect."*

**Gunther Grittmann**  
Production Manager at Burgbad

## Enhancing the efficiency of our buildings

While striving to develop sustainable production facilities and operations, we are also improving the efficiency of our commercial and administrative buildings and developing new properties that incorporate sustainable development principles.

In 2011, Eczacıbaşı Group administrative and commercial buildings in Turkey consumed 23,183 MWh of electricity, an amount representing 9.1 percent of the electricity consumption of our industrial operations in Turkey. Natural gas and water consumption, at just over 499 thousand m<sup>3</sup> and 55 thousand tons respectively, are relatively small overall but represent important cost factors for our buildings.

In line with our commitments as a signatory to the Energy Efficiency in Buildings Manifesto of the World Business Council for Sustainable Development, we aim to lower the energy consumption of our administrative and commercial buildings in Turkey by 15 percent between 2011 and 2013. To this end, our Efficiency in Buildings Working Group is carrying out systematic studies of all Group-owned administrative and commercial buildings in Turkey, including an analysis of:

- Building system design
- Peak operational hours
- Lighting systems and electrical appliances
- Insulation problems
- Energy consumption data
- Motor efficiency, workload and capacity
- Automation system efficiency
- Lighting technologies and efficiency
- Alternative energy options, such as solar energy or cogeneration systems
- High efficiency ultrasonic humidifiers

### 2010-2011 Energy Consumption<sup>1</sup> and Savings from Building Efficiency Projects

	2010	2011	Savings	% Change
Electricity (MWh)	25,007 <sup>2</sup>	23,183	1,824	-7%
Natural Gas (MWh)	6,192	5,311	881	-14%
<b>Total Energy (MWh)</b>	<b>31,199</b>	<b>28,494</b>	<b>2,705</b>	<b>-9%</b>

<sup>1</sup> Energy consumption of all commercial and administrative buildings in Turkey.

<sup>2</sup> 2010 energy consumption was revised downward from 27,906 MWh in last year's report as a result of improved measurement.

In 2011, with the support of specialist consultants, our working group drew up and implemented numerous projects that helped to reduce the electricity and natural gas consumption of Group buildings in Turkey by 7 and 14 percent respectively, for an overall reduction in energy use of 9 percent.

Many of the projects involved improved insulation, the replacement of less efficient lighting, heating, cooling and humidifying systems with newer, more efficient ones, and the incorporation of thermostats, automation systems, and motion detectors in these systems.

Kanyon, the Eczacıbaşı Group's shopping, office and residential project in central Istanbul and single largest non-industrial consumer of energy and water, continued to expand the use of LED lighting in the main halls and corridors of the shopping mall and office tower as well as in lobbies and reception areas in 2011. By switching off just over 1,300 light bulbs, Kanyon management expects to achieve annual electricity savings of 341 MWh in the years ahead. Investments in new generation humidifiers, which consume 94 percent less electricity than the previous ones, are expected to lower energy consumption for this function in the office tower by 219 MWh per year for a return on investment of 2.5 years. Instead of relying on more electricity to heat the entrance to Kanyon shopping mall, security staff at the entrance were provided custom-made, highly insulated clothing, for an additional savings of 349 MWh. Altogether, these savings totaled 909 MWh, an amount representing 5.2 percent of the total electricity consumed by the office tower and common use areas of the shopping center in 2010.

Since 2008, Kanyon has carried out numerous projects and research studies in collaboration with NGOs, universities, and public and private institutions to improve its energy, water and waste performance. Measures have included installing water-saving faucets, toilets and urinals in all public restrooms; designing an efficient watering system for indoor and outdoor gardens; improving the efficiency of cooling towers and reusing cooling tower water in bathrooms; rationalizing escalator and elevator systems; and achieving year-round heat recovery at air conditioning power stations. In 2010, Kanyon added 100 solar hot water panels that provided the energy equivalent to 58,454 m<sup>3</sup> of natural gas in 2011.



## Promoting sustainable lifestyles

We are committed to serving customers who want to contribute to the environment by choosing products designed to minimize 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 materials that are recyclable or biodegradable.

### *“Blue Life” building products*

In the Building Products Division, where our main businesses involve bathroom spaces and wall and floor coverings, our primary goal is designing products that help customers save water, such as extra low water flushing systems, waterless urinals, flow-regulating faucets and self-cleaning tiles. We are also designing products that cut down on material consumption, by reducing, for example, the depth of washbasins and bathtubs, and thickness of tiles.

To communicate our Division’s longstanding commitment in this area, our global bathroom and tile brand Vitra has articulated a production, design, and management approach called “Blue Life”. Blue Life reflects our belief that the efficient management of our resources today is critical for our planet’s future 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.

In recent years, our Building Products Division has 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 Blue Life products for their bathroom spaces, a family of four can conserve up to 190,000 liters of water per year. Many of these products are also designed to reduce material use during production, with consequent savings in energy use for production and transport.



*“In line with our commitment to sustainable development and determination to be one of the top three bathroom suppliers in Europe, we’re proud to have become the first producer in Europe to publish an Environmental Product Declaration (EPD) for ceramic sanitary ware.*

*Vitra’s first EPD, which declares the environmental performance of our ceramic sanitary ware, represents a major advance in our desire to demonstrate to stakeholders the results of our efforts to align our operations with sustainability principles. Architects, project teams and home owners will now be able to evaluate objectively the resource use, environmental impact and waste generation of our ceramic sanitary ware products throughout their lifespans.*

*We consider this declaration to be a base line for improving our environmental performance, focusing our innovation research on critical issues, and evaluating our design options in collaboration with our suppliers, designers and customers. By working together to combine aesthetic design, functionality and environmental performance, we are confident that we can realize the full potential of our brand while fulfilling our obligation to future generations.”*

**Hüsametin Onanç**  
Executive Vice President of  
the Building Products Division

*“We believe that sustainable development can only be achieved through the efficient use of energy resources during production. In line with our sustainable development approach, which we call Blue Life, we strive to conserve resources in every management, design and production process. Vitra was the first brand in the Turkish ceramic industry to attain ISO 14001 Environment Management System and TS EN 16001 Energy Management System certification. Now, we are proud to be the first to qualify for the EU Ecolabel, given only to those brands that comply with nine EU criteria and have a minimal negative impact on the environment. In the years ahead, we will continue to contribute to the sustainability of life on our blue planet.”*

**Ahmet Yamaner**

Vice President of the Eczacıbaşı Building  
Products Division (Tiles & New Projects and Technology)



In 2011, Vitra advanced its ability to document and communicate the sustainability qualifications of its products with three important initiatives in its main product areas.

Last year, Vitra published Europe's first Environmental Product Declarations (EPD) for ceramic sanitary ware units. An EPD is a voluntary document that provides data in a standard, transparent format about the environmental impacts associated with the manufacturing of a product. Producing an EPD requires a rigorous Life Cycle Assessment (LCA) of the environmental impacts of a product throughout all the relevant stages of its lifespan, from the extraction of raw materials consumed in production through to the product's disposal at the end of its useful life. Vitra's EPD statement was issued by Institut Bauen und Umwelt e.V. (IBU), an independent industry association and the only organization in Germany providing certification based on a consistent application of international standards. Very soon, IBU's EPD label will become ECO, the new core EPD program operator in Europe, so it represents the most advanced program in terms of transparent information, credibility, and acceptance.

In tiles, Vitra became the first Turkish ceramic brand to earn the right to use the prestigious European Union Eco-Label, which EU environmental authorities give to products that have a reduced impact on the environment throughout their life cycle. Vitra will be able to use this label on a wide selection of tile series that are produced with significantly less water and energy and create minimal harmful waste.

In bathroom furniture, Vitra received Turkey's first Forest Stewardship Council (FSC) logo for these products. FSC certification of forest products corroborates that the wood used in the product derives from responsibly harvested forests, by verifying the entire supply chain from the forest of origin through to the end-user. Initially, all Vitra bathroom furniture for the high end of the market will use imported medium density fibreboard (MDF) and carry the FSC logo. In a second phase, Vitra will extend this practice to its entire furniture range.





### *Tissue paper manufacturing “Committed to the Future”*

İpek Kağıt Tissue Paper has made a public commitment to proactively ensuring full compliance with new environmental legislation and regulation; procuring 100 percent of its pulp from certified suppliers who can prove that their wood pulp derives from sustainably managed forests; supplying tissue products manufactured from bleached pulp produced by elemental chlorine-free or total chlorine-free processes that pose no risk to human health or the environment; contributing to sustainable living by encouraging employees, suppliers and other stakeholders to take part in health, educational, work safety and other social projects that improve people’s lives; and giving priority to R&D and innovation projects that create low cost, high value-add products responding to consumers’ desires. This commitment is communicated on İpek Kağıt’s product packaging and related materials with the statement, “Committed to the Future”.

Every new İpek Kağıt product not only aims to offer consumers their best choice, it also strives to promote smart tissue paper use and resource conservation. Examples of this kind are 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; Solo Squeezed Bathroom Tissue, which requires 15 percent less storage space, Solo Double Roll Bathroom Tissue and Kitchen Towel, which helps decrease packaging, logistics and warehouse costs; 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 towels, Smart One bathroom tissue, and Reflex Towels reduce paper consumption by at least 30 percent with their patented technology.

In 2011, İpek Kağıt launched the bathroom tissue of its flagship brand, Selpak, in biodegradable packaging – the first of its kind in Turkey’s tissue paper market. The new packaging goes through molecular breakdown into methane, CO<sub>2</sub> and inert and harmless humus with the help of bacteria in both aerobic and anaerobic environments in less than five years. It can also be recycled to make new packaging. İpek Kağıt has since extended this packaging to its Selpak-branded kitchen towels. It also uses recycled cardboard cores for its tissue and towels and recycled pulp in its cardboard boxes.

*“In addition to our long-running efforts to reduce our consumption of non-renewable resources, we have publicly committed ourselves to purchasing all our pulp from suppliers who can prove that their product derives from sustainably managed forests certified by independent agencies. No other company in Turkey’s tissue paper sector has made a pledge of this kind to its consumers and business partners.”*

**Sertaç Nişli**  
General Manager of  
İpek Kağıt Tissue Paper



**Committed to  
THE FUTURE**

### Green Care line of cleaning products for professional establishments

Recognizing the growing demand in Turkey's service industry for sustainable hygiene solutions, Eczacıbaşı Girişim has launched Turkey's first line of sustainable hygiene products for the away-from-home market. Green Care, as the new line is called, belongs to the Tana Professional brand, one of several Werner&Mertz brands that Eczacıbaşı Girişim distributes in the Turkish market. The powerful sustainability credentials of Tana Professional's latest product line fit perfectly with our Consumer Products Division's mission of promoting sustainable lifestyles. All Green Care professional cleaning products are produced in plants complying fully with EMAS and ISO 14001 Environmental Management System Certification and are certified as meeting the rigorous environmental performance and reporting standards of the EU Ecolabel and Nordic Ecolabel. In its promotion of Green Care solutions, Eczacıbaşı Girişim aims to create awareness in the service industry about the threats and opportunities created by sustainable development issues so as to expand further demand for these products.

### Eczacıbaşı's first carbon neutral operation

We consider carbon neutrality to be the optimal solution to global warming but also the most challenging, in light of the energy intensiveness of many of our operations and the scarcity of renewable energy providers in most of our areas of operation. Thus, our primary focus right now is reducing our carbon emissions through improved energy efficiency and adjustments in our materials, processes and products. That said, one of our less energy-intensive operations achieved a milestone for our Group in 2011 by taking this process one step further and eliminating its remaining carbon footprint through carbon offsets.

E-Kart Electronic Card Systems, which launched Turkey's first biodegradable credit card in 2010, set a new benchmark both in its industry and the Eczacıbaşı Group by obtaining the ISO 14064 Greenhouse Gas Accounting and Verification certificate in 2011. The ISO 14064 Greenhouse Gas Accounting and Verification standard specifies how organizations should manage, quantify and report greenhouse gas (GHG) emissions and removals. After calculating its carbon footprint, E-Kart obtained "Reasonable Assurance" of its Scope 1 and 2 footprints, which encompass, respectively, greenhouse gases emitted by a company over which it has direct control and greenhouse gases associated with the energy and energy-related services it purchases, and "Limited Assurance" of its Scope 3 footprint, which comprises all other indirect greenhouse gas emissions, including those related to transport and recycling. Having determined that its annual CO<sub>2</sub> impact is 1,500 tons, E-Kart organized the planting of 2,300 trees – the quantity needed to absorb these emissions – in the Izmir region with the participation of many of its employees.



*"We believe we have an obligation to future generations and all living creatures on earth to ensure the sustainability of life on our planet, which we borrowed from them without asking. That's why we have pledged to reduce our reliance on non-renewable energy sources, move ourselves and our suppliers towards renewable energies, and offset our remaining carbon footprint. We want all our stakeholders, not just our employees, to embrace this pledge to future generation which is why, starting in 2013, we will part ways with business partners who do not share our mindset and continue our way with those who are environmentally conscious."*

#### Enver İrdem

General Manager of E-Kart  
Electronic Card Systems

## Engaging employees in sustainability initiatives

We understand that the long-term success of our efforts to incorporate sustainability principles into every aspect of our business operations depends on our ability to communicate our commitment throughout our organization, create awareness about the issues in all our operations, and generate opportunities for employees at every level to become engaged in sustainability initiatives.

Our drive to make sustainable development principles a central component of our corporate culture started in mid-2007 with the establishment of our first Group-wide sustainable development working group. Over the last four years, as efforts initiated by this group gained momentum, our companies have created their own programs, campaigns and systems for harnessing the energy and creativity of their people in sustainability initiatives.

V&B Fliesen initiated an “Environmental Champion” award in 2011 at its plants and offices in Germany to recognize employees who “go far beyond their call of duty in their efforts to make the company’s operations more environmentally-friendly”. Employees were invited to nominate any colleague they believed had excelled in this area. V&B Fliesen’s environment committee, which comprises the Environmental Manager, Human Resources Manager, Production Manager and R&D Manager, then reviewed the candidates and selected the winner. V&B Fliesen’s first “Environmental Champion” is an employee at the Merzig plant’s wastewater treatment facility. Although he has no professional background in water treatment technologies, he carried out extensive research on his own initiative to determine ways to economize water. As a result, he was able to reduce water consumption at the facility by 7,700 tons, saving the plant roughly €45,000 in 2011.

In addition to raising employee awareness about environmental issues, the competition has contributed greatly to employee motivation, so V&B Fliesen plans to extend the competition to its operations in France in 2012.

Eczacıbaşı Building Materials-Artema made a significant change to its long-running efforts to reduce the amount of material used in its production processes in 2011, by asking all employees to participate in these projects. Previously, these kinds of efforts were the sole responsibility of product design teams. Now, employees from every level of the operation are being

encouraged to submit their ideas and recommendations with regard to both new product designs and the improvement of products already under manufacture. One way Artema is involving employees in these processes is through interdepartmental teams comprising designers, technicians, foremen and workbench managers. Another is the Eczacıbaşı Group’s Inocino suggestion and evaluation system. In 2011, 51 employees – 41 of them workbench operators – submitted 103 ideas to the product and design review teams, 83 of which were implemented for combined material savings of 42 tons of material in 2011.

VitrA Tiles launched a comprehensive internal communication campaign in late 2011 aimed at encouraging employees to submit their innovative ideas about how to save energy, reduce costs and improve quality through the Inocino suggestion and evaluation system. The slogan of the campaign’s communication materials, many of which feature members of the management team and employees, is “İYİ” (“good” in Turkish), the acronym comprising the first letters of the Turkish words for “ambitious”, “game-changing” and “innovative”. The campaign also introduces a new point system for good ideas based on their originality, reproducibility on a large scale, and financial contribution. After a certain number of points are accumulated, employees are eligible for gift vouchers that can be used at a variety of stores and restaurants.

Kanyon initiated a “Green Employee” program in 2011 aimed at enhancing employee awareness and sensitivity about sustainability issues. The program is part of a larger “Green Office” project that Kanyon began in September 2011 with the support of the Turkish branch of the World Wildlife Fund (WWF) to improve its management processes and obtain “Green Office” certification. To this end, Kanyon and WWF Turkey established a project team to evaluate existing management processes, determine principal areas for improvement, and develop an action plan. Because Kanyon has already made significant progress in the area of energy and water efficiency, the team is focusing its efforts on reducing paper use in office processes and enhancing employee awareness. Activities in this area included training on sustainable development issues and the establishment of a “Green library” with resources on sustainability issues and practices. Kanyon will continue to expand these activities in 2012 in collaboration with WWF-Turkey with the aim of obtaining “Green Office” certification by the end of the year.

*The slogan of the campaign’s communication materials, many of which feature members of the management team and employees, is “İYİ” (“good” in Turkish), the acronym comprising the first letters of the Turkish words for “ambitious”, “game-changing” and “innovative”.*

**Ben İYİ’yim.  
Peki sen nasılsın?**





# Sustainable Growth through Innovation

*“Consumer choices drive innovation. Hence, as consumers become more aware and concerned about the impact of their purchasing decisions on the climate, natural resources and welfare of communities, we need to be ready with solutions. One of the most effective ways of anticipating consumer concerns is to address them ourselves well in advance, which is why we must ensure that each of our employees is a sustainability leader. If we can combine leadership in eco-awareness with motivation and empowerment, we will have a powerful basis for sustained leadership in eco-innovation.”*

**Ata Selçuk**  
Innovation Coordinator

We have ambitious plans to develop new ways of doing business that enable us to grow while at the same time reducing our environmental impact. We want to act sustainably in every business operation.

Sustainable development is probably the most powerful conceptual tool we have for achieving this and for ensuring our long-term business success. Aside from directing us to produce more efficiently, use fewer resources and create less waste, it sets our sights on emerging environmental and social issues, preparing our businesses for the challenges and opportunities of new policies and regulations, and inspiring us to imagine new ways of living that align us with the concerns of our customers.

To understand these concerns, we need to listen to our customers and our own people; we need their insights and help in designing our products. This is what we are aiming for with our Blue Ocean and Inocino programs, and our quality circles, brainstorming teams, and focus groups. Since 2007, when we started our Blue Ocean innovation program with a group of 30 people, we have provided basic training on innovation and Blue Ocean methodology to all our employees in Turkey. Now, Blue Ocean project development – a central part of our innovation efforts – has started in our companies abroad. Engers Keramik is the first of our international operations to establish a Blue Ocean project development program, the fruits of which we will begin to see in the summer of 2012.

## **First “Blue Ocean” products meet the market**

2011 was an exciting year for our Blue Ocean program, with the finalization of several projects that are being launched in 2012.

Two of these are innovative tile solutions: Isotile, an easy-to-apply tile for the exterior of buildings that combines coating and insulation functions in a single product, and Warmtouch, a ceramic tile that feels as warm as wood while offering the superior features of ceramic tiles, such as hygiene and easy maintenance.

Others are personal hygiene solutions for our Selin brand: odor removing liquid hygiene products, and fun soaps for children that encourage them to develop proper hand-washing habits.

VitrA Innovation Center

## *Inocino projects under development\**

Efficiency and cost reduction	34 %
New products and services	30 %
Business development	6 %
Sales and marketing	5 %
Communication	4 %
Human resources	4 %

*\*Total of 622 projects*

## *117 percent increase in Inocino suggestions in 2011*

We know that we need thousands of customer-need focused ideas if our innovation program is to be successful and that our best source of ideas is our own employees. This is the purpose of our Inocino suggestion and evaluation system, which we established in 2009. In 2011, employees submitted 5,649 innovative ideas through Inocino, up from 2,600 the previous year. Of the overall total, 13 percent have passed the initial approval stage and are being worked on further. We expect our archive of innovative ideas to surpass the 10,000 milestone in 2012.

As we progress, we are adapting Inocino to our needs. In 2010, for example, we adjusted the system to enable companies to request solutions for specific problems, and employees to comment on and evaluate suggestions in the system. In 2011, two of our companies issued an open innovation call, and we expect the number of these requests to reach 30 in 2012.

In addition to Blue Ocean and Inocino, we began to use Innolab in two companies to explore future products and services, a methodology we plan to extend to more companies in 2012.

We want our innovation initiatives to have a balance between incremental and radical innovation: while looking for new opportunities and ways of improving our competitive advantage through small but effective incremental innovation, we are also investing in radical innovation that will change our markets. Developing innovative technologies and designs of these kinds is one of the aims of our new innovation center at the Bozüyük production complex, which we inaugurated in November 2011.

## *New milestone in R&D: Vitra Innovation Center*

Vitra Innovation Center is the new headquarters of our Building Products Division's efforts to research, design and develop of new materials, processes and technologies for bathrooms and tiles that improve the quality of life of customers and reflect our sustainability principles. The center is also organizing events that bring together architects, designers, researchers, academics, students and technical staff in order to promote the development of an innovation culture, explore new solutions for future lifestyles and expectations, and contribute to improving the competitive edge of the ceramics industry cluster located in the Eskişehir-Bilecik-Kütahya triangle.

Vitra Innovation Center has already begun to carry out joint studies on nanotechnology, electronics, water and energy, sensor technology, acoustics, ergonomics and composite materials with other establishments in the industry in Turkey and abroad, the Ceramic Research Center (SAM) and universities.

In Turkey, we are collaborating with the Anadolu University Ceramic Research Institute, as well as with Bilkent, Boğaziçi, Istanbul Technical, Koç, Mimar Sinan, Middle East Technical, Osmangazi, Sabancı, Akdeniz and Yeditepe Universities. Abroad, we are working with the Turkish American Scientists and Scholars



Association (TASSA), Additivos Ceramicos, AME, ASK Chemicals, Dow Chemicals, Future Carbon, Infotron, Izen, Zeyron, Lucite International, Oblamatik, PE International, Xiamen Runner, Miscea, Material Connexion, and Fraunhofer Institute. We are also exploring collaboration with innovation and R&D networks in the European Union, such as the Joint Research Center of the European Commission.

### **Recognizing and rewarding creativity: Eczacıbaşı Innovation Awards**

One of the ways we encourage, recognize and reward innovative initiatives is through our innovation awards, which we started over a decade ago. During this period, Group companies submitted close to 300 high value-added projects, many of which have contributed significantly to our operations' eco-efficiency and sustainable product and service portfolios. In 2011, we received a record number of applications for the Eczacıbaşı Innovation Awards. A total of 16 Group companies, including – for the first time – our international enterprises, submitted 53 projects in five categories: 14 in the “Product” category, 11 in the “Efficiency” category, eight in the “Communication” category, six in the “E-Transformation” category, and no less than 14 in our new “Sustainable Development” category.

## **2011 Eczacıbaşı Innovation Award Winners**

### **Most Innovative Products**

#### ***Freedom Faucet***

Designed by Ross Lovegrove for Vitra's Freedom Collection, this faucet can be used as a shelf and programmed for three different water flows and temperatures, with LED lights that change color according to water temperature. The series also saves water and energy.

#### ***Selpak Menthol Tissue***

In response to negative consumer feedback on the effectiveness of existing menthol tissues in the market, İpek Kağıt Tissue Paper developed Selpak Menthol Tissue, a facial tissue with embedded microcapsules that preserve the menthol scent until the tissue is used.

### **Most Innovative Efficiency Projects**

#### ***Rapid-fire ceramic pool tiles***

Vitra Tiles reduced the firing time for pool tiles from 16-18 hours to 95 minutes by adjusting the composition of clay and glaze to withstand the rapid firing conditions of state-of-the-art roller kilns. Faster firing time also increased the company's production capacity and improved its delivery time, enabling it to reach more customers.

meet **in**novation  
2012





### **Alternative truck systems\***

With this project, Esan Eczacıbaşı Industrial Raw Materials was able to replace its specialized fleet of underground trucks, which were expensive to operate in terms of fuel, spare parts and maintenance, with less expensive above-ground ones. The project has resulted in major savings and a significant reduction in CO<sub>2</sub> emissions.

\*Also a winner of a Special Jury Award

### **Most Innovative E-Transformation Project**

#### **Mobile signature processes in financial transactions**

İpek Kağıt Tissue Paper's e-transformation project enabled the company to transfer all banking processes contributing to CO<sub>2</sub> emissions (paper consumption, printer use, vehicle transport of banking instructions and subsequent filing) to the virtual world.

*One of the ways we encourage, recognize and reward innovative initiatives is through our innovation awards, which we started over a decade ago. During this period, Group companies submitted close to 300 high value-added projects, many of which have contributed significantly to our operations' eco-efficiency and sustainable product and service portfolios.*

### **Most Innovative Communication Projects**

#### **Architecture meets fashion**

V&B Fliesen's cross-media communication project, carried out in partnership with Mercedes-Benz Fashion Week and the renowned fashion designer Kilian Kerner, highlighted the innovative character of V&B tiles through a multifaceted campaign implemented simultaneously in the social media, the company's website, and the printed press.

#### **BAK**

Eczacıbaşı-Baxter Hospital Supply's communication program aims to enhance employees' awareness and acceptance of its innovation approach based on "seeing things differently, seeing things from a different angle, using our imagination, taking action, and changing by developing" and, through continual exercises, to transform this approach into a way of life.

### **Sustainable Development**

#### **Recycling waste heat**

This project made it possible for Vitra Tiles to reuse the clean hot air emitted from its kilns in the operation of its spray driers, one of the plant's most energy consuming activities, thereby significantly reducing the energy consumption and emissions of this production process.

# Ensuring Healthy Workplaces and Lifestyles



*Contributing to improvements in the lives and lifestyles of employees – both at the workplace and at home – is one of the chief objectives of our businesses' sustainable development strategies.*

Contributing to improvements in the lives and lifestyles of employees – both at the workplace and at home – is one of the chief objectives of our businesses' sustainable development strategies. We believe we have a responsibility in this regard and it makes good business sense. Not only does it make us a more attractive place to work, it is also one of the best ways of ensuring that sustainable development principles become an integral part of our corporate culture.

## 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. To help us coordinate the health and safety efforts of our individual companies, we have established an occupational health and safety (OHS) unit to carry out joint projects with occupational health and safety experts throughout the Group.

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 goal of this team is to examine the OHS practices of Group companies and develop a database of "best practices" to share with Group companies. The team is also providing support to Group companies that want to obtain OHSAS certification. Since last year's report, four more of our industrial operations have obtained OHSAS 18001 certification, raising the total number of certified companies to nine as of May 2012. Employees at these establishments represent almost 90 percent of all employees working at our industrial sites in Turkey.

### Safety Record of Eczacıbaşı Group Industrial Operations\*

	2008	2009	2010	2011
Injury Rate**	3.2	2.41	2.27	2.56
Work-related deaths	0	0	0	0

\* All industrial operations in Turkey belonging to the Eczacıbaşı Group as of end 2011.

\*\* The frequency of injuries relative to the total time worked by the total workforce in the reporting period (GRI definition).

### Eczacıbaşı-Baxter Safety Awards

- 2001 Best EHS Program Award
- 2008 Baxter Excellence in Safety Award\*
- 2009 Baxter Excellence in Safety Award\*\*
- 2011 Baxter Excellence in Safety Award\*\*\*

\* 1 mn hours w/out lost time incident

\*\* 2 mn hours w/out lost time incident

\*\*\* 4 mn hours w/out lost time incident

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

### Mobile employee safety

In 2010, we initiated a program to improve the traffic safety record of our corporate vehicle fleet in Turkey. After evaluating our performance in this area, we developed a manual for corporate vehicle use and traffic safety that we distributed to all employees using Group-owned vehicles. All drivers are expected to familiarize themselves with the manual and to maintain it in their vehicles at all times. The new guidelines put responsibility for unsafe or unlawful driving squarely on the shoulders of users and incorporates disciplinary measures – even termination of employment – for certain traffic violations. In early 2012, we also began to provide traffic safety training to roughly 1,300 employees who drive Group-owned vehicles for operational and personal transport.

## Awareness-raising campaigns

### Anti-smoking

“Quit. Change your life!” is the slogan of our anti-smoking campaign in Turkey, which offers free medical treatment, psychological and social support to all Group employees who decide to quit smoking. Every Group company in Turkey is taking part in this long-term campaign, which our Group’s OHS unit developed in collaboration with the National Committee on Tobacco and Health and faculty from various universities. On-site doctors trained by university faculty implemented the program, which included one-on-one private consultations and customized medical support to each participant over the course of three months.

During the first full year the campaign, we organized 4,136 private consultations for 1,754 employees around Turkey who asked to take part in the program. Participants were asked to fill out a survey to determine the severity of their addiction, and given a complete physical and comprehensive pulmonary function exam, including capacity for carbon dioxide diffusion. Based on these results, our doctors prescribed customized treatment programs involving both psychological and medical support.

In tandem with this initiative we also made two major changes to our human resources policies: since September 2011, employees are no longer allowed to take “smoking breaks” during work hours. For this reason, we have added “ability to work in a non-smoking environment” to the list of criteria in our recruitment process. We are also carrying out regular communication campaigns on the dangers and costs of tobacco use to create awareness and encourage employees to take part in the campaign.

At the end of the campaign’s first year, 625 people had quit smoking, a success rate of 36 percent – considerably higher than the 3-5 percent success rate achieved by people trying to quit on

their own. As such, we plan to continue this program in the years ahead until we reach everyone in the Group who needs our support in this area.

### Recycling

With the aim of integrating sustainable development principles into our corporate culture and promoting sustainable lifestyle choices at home and work, we are continually encouraging employees and customers to save water and energy, use stairs in place of the elevator, and recycle waste through poster campaigns, news and commentary in our corporate magazine and corporate portal, and recreational events for children.

Taking the lead in this area is Canyon, which has a comprehensive waste management system for its shopping center, office tower and residential units that involves hundreds of collection points for glass, paper, plastic, metal, batteries, vegetable oils, waste food from restaurants and cafes, and, in a first for Turkey, electronic waste. Canyon also recycles waste generated by renovation projects in its offices, retail outlets and homes, which is why some categories of waste, such as metals, fluctuate considerably from year to year. In general, the volume of waste collected at recycling points has risen steadily since Canyon initiated this system in 2008, mirroring the growing awareness of employees and consumers alike and the efficiency of the collection system.

In recognition of its leading role in this area, Canyon was selected to represent Turkey for the Ruban d’Honneur in the “Environmental Awareness” category of the 2010 European Business Awards.

### Collected Recyclable Waste at Canyon (Tons)

	2009	2010	2011
Paper	162	273	286
Glass	9	40	77
Plastic	16	30	29
Vegetable Oils	15	17	21
Metal	7	1	6
Electronics	2	1	0
<b>Total</b>	<b>210</b>	<b>361</b>	<b>419</b>

### Video-conferencing

Recognizing the impact of air travel on greenhouse gas emissions, we are promoting the use of video-conferencing over flying, using the Group’s 47 video conference facilities. These facilities hosted more than 1,000 meetings in 2011, 60 percent of which involved offices in different countries. Using widely accepted international formulas, we estimate that by using video conferences in place of travel we prevented the emission of 650 tons of CO<sub>2</sub> in 2011.

# Aligning HR Policies with Sustainability Principles



***A new recruitment policy we adopted in March 2011 has contributed to increasing the share of women in new professional recruits in Turkey from 40.4 percent in 2010 to 43.9 percent in 2011.***

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 work 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”.

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.

## Enhancing women’s recruitment

Increasing the role of women in our businesses is essential if we are to achieve a sustainable competitive edge and advance our mission of modern, high quality and healthy lifestyles. Not only is there a growing body of evidence that companies with more women in decision-making positions are more profitable and have better oversight, we are also learning that – on a nation-wide level – increasing the employment of women can have a three-fold impact on reducing poverty.

Although women already play an important role in the management and implementation of our operational strategies, we know we must increase their representation further in the years ahead. One way we are doing this is through our competency assessment program for management trainees. Here, women represent 46 percent of all program participants,

a development that will gradually increase the representation of women in upper management as their average age and seniority increase.

In March 2011, we also instructed our human resource teams in Turkey to give priority to women in the recruitment process when deciding among candidates of equal strength and attributes. By the end of the year, women accounted for 43.9 percent of new, professional recruits in Turkey, up from 40.4 percent in 2010. As a result, the share of women among professional employees in Turkey improved from 32.2 percent to 33.7 percent.

Including our international operations, women currently represent 34 percent of all our professional employees, 30 percent of entry and mid-level managers, and 14 percent of senior management.

### Women in the Eczacıbaşı Group\*

	% Women
Professional Employees	34
Management-level Employees	30

\* Data as of December 2011. Includes operations in Turkey and abroad.

### New Recruits in Turkey

	% Women	
	2010	2011
New Professional Recruits in Turkey	40.4	43.9



## 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.

As in all our human resource processes, our training programs are closely aligned with our Group's strategic goals and priorities. Accordingly, they are designed to ensure that the professional, managerial and personal development of employees meets future as well as current organizational needs.

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 strengthening particular skills needed for the job or for career development. All employees are given equal opportunities for personal and career development.

In 2011, we reviewed our development programs to see how well they were meeting our corporate targets and human resource requirements and designed a new structure that will enable us to respond even better to individual needs. We also launched a new development planning system to track individual development plans more systematically.

## Enhanced collaboration with universities

Since 2007, we have sought to develop agreements with universities to carry out joint research projects that contribute to both the academic program of these institutions and our own operations. Currently, we are collaborating with five universities on 39 projects of this kind focused on logistics, product development, marketing, nanotechnologies, composite materials, ceramics and other areas of interest to our businesses.

## e-Learning

In 2011, we improved our e-learning infrastructure in order to expand our offer of flexible, online learning opportunities. Initially, we are focusing these e-learning modules on subjects that impact our operations everywhere, such as sustainable development, data security, and social media, with the aim of ensuring that all employees, and particularly new recruits, understand the issues involved and embrace our approach.

## Protecting human rights

### 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.



### *Aligned with universal human rights principles*

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.

Under no circumstances do we employ children or force a person to work. All 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 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 terminate our relationship with subcontractors who fail to fulfill their legal obligations after a single warning.

## Sustainable Social Responsibility

We found or support social initiatives that draw on the expertise of our businesses and create opportunities for our brands and employees to be part of long-term, sustainable solutions.

The Eczacıbaşı Group's long-term approach to corporate citizenship reflects the personal commitment of its founder, Dr. Nejat F. Eczacıbaşı, who firmly believed that corporate citizenship was an essential function of every business and that the "real measure of private entrepreneurship was the success with which it increased the wealth of the community as a whole." To achieve this, Dr. Eczacıbaşı undertook numerous initiatives with colleagues and on his own to establish civil institutions that would enrich Turkey's social, scientific and cultural life. Continuing this institution-building approach to corporate citizenship, we found or support social initiatives that draw on the expertise of our businesses and create opportunities for our brands and employees to be part of long-term, sustainable solutions.

### Culture and the arts

#### *Istanbul Music, Film, Jazz, Theatre and Visual Art Festivals*

We are a staunch supporter of the Istanbul Festivals through our sponsorship of the Istanbul Foundation for Culture and Arts, founded on the initiative of Dr. Nejat F. Eczacıbaşı, our Group's founder.

Now celebrating their 40<sup>th</sup> year, the Istanbul Festivals began in 1972 with the first Istanbul Music Festival. As interest and attendance grew, İKSV expanded its festival offering to include the Istanbul Biennial in 1987, the Istanbul Film and Theater Festivals in 1989, and the Jazz Festival in 1994. Over this period, an estimated 8.5 million people attended festival events, 400,000 in 2011 alone. With the launch of the first Istanbul Design Biennial in 2012, İKSV will have six international festivals, all of which the Eczacıbaşı Group supports as the Leading Sponsor of the Istanbul Foundation for Culture and Arts.

This year, for İKSV's 40<sup>th</sup> anniversary, the Eczacıbaşı Group has prepared an integrated campaign to communicate to the public the powerful bonds between its employees and İKSV. Accordingly, the Eczacıbaşı Group has re-created its "e" logo using employee photographs with a special slogan: "Eczacıbaşı has a heartfelt commitment to culture and the arts. For 40 years now, and with the support of all our employees ...". The "e" will be communicated through posters and banners on the exterior of the Group's headquarters at the Kanyon Office Tower and various other points in Istanbul.

#### *Istanbul Museum of Modern Art*

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

*The Eczacıbaşı Group has re-created its "e" logo using employee photographs with a special slogan: "Eczacıbaşı has a heartfelt commitment to culture and the arts. For 40 years now, and with the support of all our employees ..."*

At its 8,000 square meter site on the shores of the Bosphorus, İstanbul 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. Close to 650,000 people visited the museum and almost 43,000 children, young people and adults attended art workshops and classes in 2011.

### **VitrA Ceramic Arts Studio**

Dr. Nejat F. Eczacıbaşı 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 VitrA Ceramic Arts 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.

In January 2012, VitrA signed a protocol with the Division of Ceramic and Glass Design at Mimar Sinan University of Fine Arts (MSGSÜ) that aims to contribute to the artistic development of university students and enrich their perspectives by providing them opportunities to work side by side with internationally acclaimed ceramic artists. As part of the agreement, MSGSÜ and VitrA will invite four guest artists every year – two from Turkey and two from abroad – to work at the studio. During this period, VitrA and the university will jointly organize ceramic art workshops at the university and, at the end of the year, MSGSÜ will exhibit the artists' work in the university's historic building in Tophane, İstanbul.

The VitrA Ceramic Arts Studio is a member of the Geneva-based International Academy of Ceramics (IAC).

## **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 partnership with the Ministry of Education, which is determining the neediest schools and ensuring they have the required plumbing infrastructure, three of our flagship brands – VitrA, Artema, and Selpak – are renovating the bathrooms and showers in the dormitories and buildings of these schools with VitrA and Artema products and teaching students about good personal care and hygiene practices. Within the Eczacıbaşı Group, a number of Group companies and employees are contributing to the success of the project, including Eczacıbaşı Building Products, İpek Kağıt Tissue Paper, Eczacıbaşı Girişim Marketing, and Eczacıbaşı Volunteers. To date, 6,000 students at 12 schools primarily in eastern Turkey have benefited from the project. According to the protocol the Eczacıbaşı Group signed with the Ministry of Education in January 2010, 30 Regional Primary Boarding Schools will benefit from the project.

The Eczacıbaşı Hygiene Project has received international awards, including the International Public Relations Association's Golden World Award in Social Responsibility, 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.

Apart from partnering in the Eczacıbaşı Hygiene Project, İpek Kağıt has organized personal hygiene classes for six million students at 7,600 primary schools in 53 cities around Turkey. This project received a prestigious World Business Award in 2006 in recognition of its contribution to the UN Millennium Goals.





In 2011, İpek Kağıt also initiated a pioneering social media project to help parents teach their children good potty habits as a first step in proper personal hygiene. More than 40,000 parents participated in this Facebook project led by Prof. Dr. Bengi Semerci, a well known child psychiatrist from Turkey.

### *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 over 100 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 over 400 teachers at state-run vocational schools; distributed almost 73,000 copies of our textbook – which are also available for free on Askaynak's 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.

Additionally, we provide equipment, training and consultancy to welding programs organized by municipalities, industrial zones, shipyards and large users of our products. Overall, more than 1,100 people from 67 private and public institutions benefited from our training seminars in 2011, raising the total number of people to which we have provided training since 2005 to over 6,000.

## **Public policy and scientific research**

### *Eczacıbaşı Scientific Research and Medical Award Fund*

We established this fund in 1959 to promote high caliber medical research. Since then, the fund has supported 174 medical research projects and presented 69 awards to Turkish scientists for valuable research in health and medicine. In 2002, the Scientific Research and Medical Award Fund also began 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 28 National Championships, three President's Cups, eight National Cups, one Super Cup and played in nine 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 aims to contribute to the physical and emotional development of young girls and the quality of their future by helping them develop their motor and coordination abilities, as well as self-confidence, leadership and teamwork skills, and the fundamentals of good volleyball.

## **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 contribute to children's mental, physical and emotional wellbeing. Since 2007, Eczacıbaşı Volunteers have carried out 33 projects that have directly benefited 3,500 children in eight regional primary boarding schools in 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 448 schools around Turkey requesting assistance.

In 2011, Eczacıbaşı Volunteers developed a new project, "Music and Rhythm", to refurbish music rooms in ten primary regional boarding schools across Turkey. The goal of the project is to enrich the emotional lives of students at these schools and to encourage and support students with musical talent.

### *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. In 2011, volunteers carried out a variety of activities that directly benefited over 100 children, including tennis and basketball activities and tours to historical and cultural sites in Istanbul.





# 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 FY11 (financial year ending 31 December 2011) only comprises the relevant operations in Turkey (as detailed on page 43), excluding all international operations. The data for these years, therefore, do not represent.

## 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.

Where the Group has on-site generated energy, the related energy consumption is defined as the energy of the generation fuel (e.g. for on-site natural gas fired electricity generator, the

energy consumption will be the natural gas used rather than the electricity output of the generator).

## Scope of reporting

For FY11 and comparative periods presented, 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.

Energy consumption and carbon emissions at industrial sites belonging to joint-ventures have been allocated between joint-venture partners according to their shares, in line with the Group's financial accounting policies.

The following are omitted from the scope of reporting:

- Energy used outside of the factory 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](http://www.ipcc-nggip.iges.or.jp/public/2006gl/vol2)); and
- For electricity and steam, conversion factors are obtained from the "2010 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% at a Group level.

### Eczacıbaşı Group's industrial sites in Turkey

*All of the Eczacıbaşı Group's 26 industrial sites in Turkey, listed below by company, are included in our 2011 Statement of Energy Consumption and Carbon Emissions. 2009 and 2010 data also includes the two sites of our former joint venture Eczacıbaşı-Koramic Building Chemicals.*

#### Building Products Division

- Eczacıbaşı Building Products (ceramic sanitary ware, faucets, bathroom/kitchen furniture, acrylic bathtubs and shower trays) **4 sites**
- Vitra Tiles (ceramic tiles) **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) **6 sites**

#### Consumer Products Division

- İpek Kağıt Tissue Paper (bathroom and facial tissue, napkins, kitchen towels) **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 ceramic sanitary ware and tiles) **8 sites**
- Eczacıbaşı-Lincoln Electric Askaynak (welding consumables and electrodes) **1 site**
- E-Kart Electronic Card Systems (magnetic stripe and smart cards) **1 site**



### **Independent Assurance Report to the Directors of Eczacıbaşı Holding A.Ş.**

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 2011.

The Selected Information subject to limited assurance consists of the Statement of Energy Consumption and Carbon Emissions in Turkey for the year ended 31 December 2011 in page 10 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 42 and 43 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 2011, 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.

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

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### 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 year ended 31 December 2011, 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

Istanbul, 18 June 2012



# 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. 3-5, 17, 36-37) and

**Principle 2:** make sure that they are not complicit in human rights abuses. (Pg. 37)

## Labor Standards

**Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; (Pg. 36)

**Principle 4:** the elimination of all forms of forced and compulsory labor; (Pg. 37)

**Principle 5:** the effective abolition of child labor; (Pg. 37) and

**Principle 6:** the elimination of discrimination in respect of employment and occupation. (Pg. 3, 17, 34-37)

## Environment

**Principle 7:** Businesses should support a precautionary approach to environmental challenges. (Pg. 2-3, 14-17, 18-26)

**Principle 8:** undertake initiatives to promote greater environmental responsibility. (Pg. 18-27)

**Principle 9:** encourage the development and diffusion of environmentally friendly technologies. (Pg. 14-17, 28-31)

## Anti-corruption

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









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