

Eczacıbaşı Group Sustainability Report 2014



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Joint Statement from the Chairman and CEO



Early in 2015, we welcomed an encouraging development related to climate change: in 2014, for the first time in 40 years, carbon emissions from energy consumption remained unchanged while global economic activity expanded. According to the International Energy Agency (IEA), the improvement largely reflected reduced coal use, greater energy efficiency, and growing investments in renewable energy in China and OECD countries. If repeated, this performance demonstrates what can be achieved if governments, NGOs and businesses reach an agreement at the December 2015, UN-organized climate change talks in Paris on carbon emission limits – an objective we wholeheartedly support.

While climate change poses the greatest single threat to the future of coming generations, we also recognize other major challenges to the sustainability

of our societies, economies and planet. Scarcity of fresh water is one, competition for finite natural resources, another. And there are many urgent social issues, such as the continuing difficulties women face globally in exercising their right to equal opportunities in private and public life.

These are some of the challenges we have sought to address in our own operations since we signed the UN Global Compact in 2006. By gradually aligning our business processes, products and services, and stakeholder interaction with the principles of sustainable development, we are striving to contribute to the global transition towards sustainable growth while also strengthening our own profitability and outlook.

Last year, we redoubled our sustainability efforts through new targets and incentives and the expansion of our sustainability management organization. We created six key performance indicators for the period 2014-2016 that reflect our holistic approach to sustainability and equal emphasis on social and environmental issues: energy and water, occupational health and safety and equal opportunity.

Another major action we took in 2014 was to reinforce and expand our Group-wide sustainability management organization. Last year, we transferred leadership of our sustainability management organization to our Innovation Coordinator, so as to strengthen the natural link between innovation and sustainability, and established a Sustainability Strategy Team. We also established seven sustainability working groups focused on water efficiency, energy efficiency, waste management, equal opportunity, sustainable marketing, sustainable logistics and transport, and occupational health and safety. More than 120 representatives from all our operations are actively participating in activities and projects aimed at measuring and improving our performance in each of these areas.

Many of our companies are establishing their own sustainability management approaches that integrate existing management systems for product quality, occupational health and safety, environmental oversight and energy use. One of our Group's most successful examples in this area is Blue Life, the Eczacıbaşı Building Products Division's management system for measuring, reporting and improving the sustainability performance of the VitrA and Artema brands. Last year, Blue Life received three major awards in 2014, foremost among them a prestigious European Business Award for the Environment (EBAE) in the Management category. This is the first time any company from Turkey has won an EBAE, which "recognize and promote today's pioneers in green innovation", since the start of this Europe-wide competition in 1987.

Both of these building product brands also won several major environment and energy awards in Turkey, among them the Green Dot Award in the Large Business Category. In another major achievement, our faucet brand in Turkey became the first in any industry to qualify for the Turkish Standard Institute's new Double Star certificate, given only to those brands that exceed TSI standards in two product categories. A growing number of our awards reflect the efforts of the VitrA Innovation Center, which received its second consecutive award from the Ministry of Science, Industry and Technology in 2014 as the year's "Most Successful R&D Center" in the Glass and Ceramics industry as well as the Ministry's "R&D and Product Development" Award in the Large Business Category. These are only a few of the more than 50 awards that Eczacıbaşı Group companies and their brands earned in 2014 for exemplary management, production, design, creativity, innovation, sustainability, productivity, marketing, communication, human resources, and occupational health and safety practices.

By leveraging our companies' innovation efforts and our newly-restructured sustainability management organization, we expect to develop many new sustainability projects in the two years ahead. Let us be very clear: sustainability is central to our business today and in the future. It is not a management trend or a marketing slogan; it is a necessary requirement of our long-term business success and, most importantly, crucial to the welfare of future generations.

Corporate sustainability has been gaining momentum since the 2000s as more and more companies and consumers adopt sustainable business models and lifestyles. Nevertheless, there is much more to be done to build a global circular economy and achieve a sustainable future. We recognize that systemic change needs time, commitment and cautious optimism. We trust that the global policy community and consumers across the globe will fuel our enthusiasm and drive as we continue to push our sustainability agenda forward.



Bülent Eczacıbaşı
Chairman

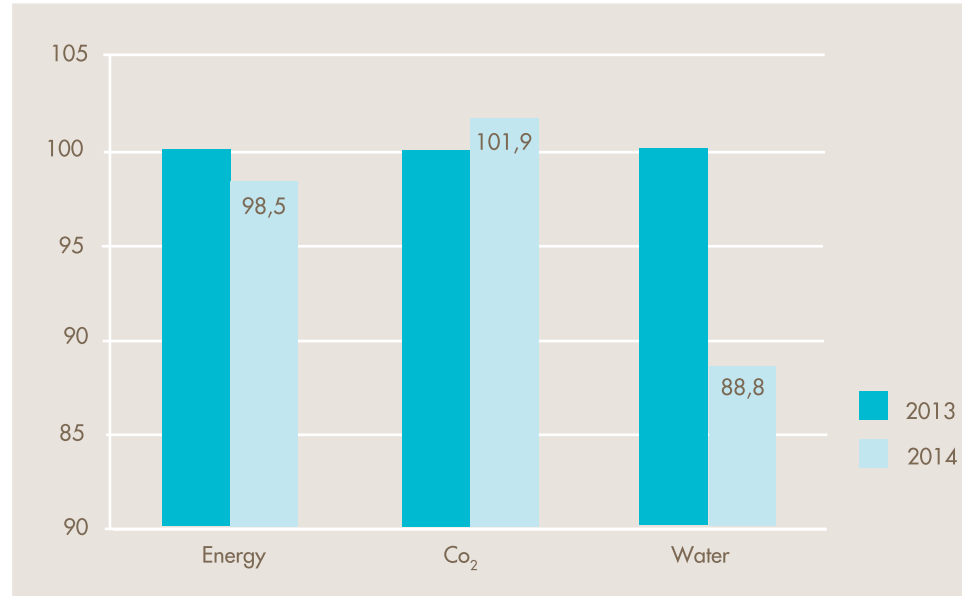


Dr. Erdal Karamercan
President and CEO

Eczacıbaşı Group Environmental Highlights

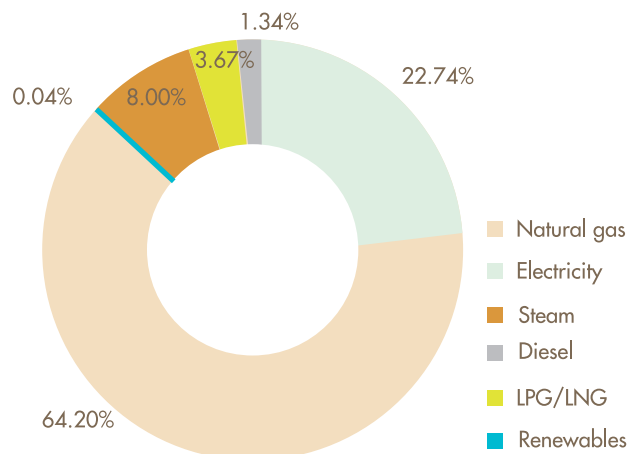
Energy, Carbon Emissions and Water per ton-equivalent of Output*

2013=100















*Per ton data for industrial sites in Turkey does not include Esan Eczacıbaşı Industrial Raw Materials 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. Per ton data for previous years has been adjusted to reflect changes in assets and facilitate comparison between years.

Energy Consumption by Source* (% in MWh equivalent)















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

Eczacıbaşı Group Performance Highlights 2014

 Total Energy Consumption 1601 <small>thousand MWh</small>	 Total Carbon Emissions 430 <small>thousand tons</small>	 Total Water Consumption 3764 <small>thousand m³</small>	 Total Waste Disposed 20 <small>thousand tons</small>
 Energy Consumption* <small>Per ton of output</small> 2.2 <small>MWh</small>	 Carbon Emissions* <small>Per ton of output</small> 0.54 <small>tons</small>	 Water Consumption* <small>Per ton of output</small> 3.41 <small>m³</small>	 Share of Recycled Waste* 62%
 Total Share of Women Professionals (Globally) 33%	 Women Among New Recruits (Turkey) 43.3%	 Injury Rate 3.48	 Training hours per Talent** 18.2 <small>hrs</small>

* Excludes Esan Eczacıbaşı Raw Materials.

** Employees in leadership programs.

	Aim	Timeline	Progress
	Reducing the per ton energy consumption of our industrial sites in Turkey by 4 percent and implementing efficiency projects	2014 - 2016	 On target
	Reducing the per ton water consumption of each of our industrial sites in Turkey by 4 percent and implementing efficiency projects	2014 - 2016	 On target
	Creating awareness of green brands and sustainable consumption habits among our employees and stakeholders	2012 - Continuous	 On target
	Increasing the percentage of women among new recruits in Turkey	2011 - 2016	 Ongoing
	Reaching occupational health and safety excellence and reducing our injury rates	2014 - 2016	 Ongoing
	Providing better hygiene conditions and facilities in 30 boarding schools in Turkey	2011 - 2016	 On target



Eczacıbaşı Group Financial Highlights*

(TL Million)

	2013	2014
TOTAL NET SALES		
Building Products	2,450.7	2,776.0
Healthcare	620.3	722.9
Consumer Products	1,273.0	1,310.0
Other Products and Services	2,391.3	2,619.8
Eczacıbaşı Group	6,735.3	7,428.7
INTERNATIONAL SALES		
Building Products	1,347.7	1,521.2
Healthcare	56.0	51.1
Consumer Products	147.9	168.9
Other Products and Services	653.2	653.4
Eczacıbaşı Group	2,204.8	2,394.6
EBITDA		
Building Products	175.3	210.1
Healthcare	42.7	43.6
Consumer Products	56.2	57.9
Other Products and Services	274.3	266.4
Eczacıbaşı Group	548.4	578.0

*Combined results of Group companies

Managing Sustainability



Organizational structure

The Eczacıbaşı Group is a professionally managed group of affiliated companies directed by its 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 Board of Directors has eight members, including five independent directors. Under the Board's leadership, there is 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

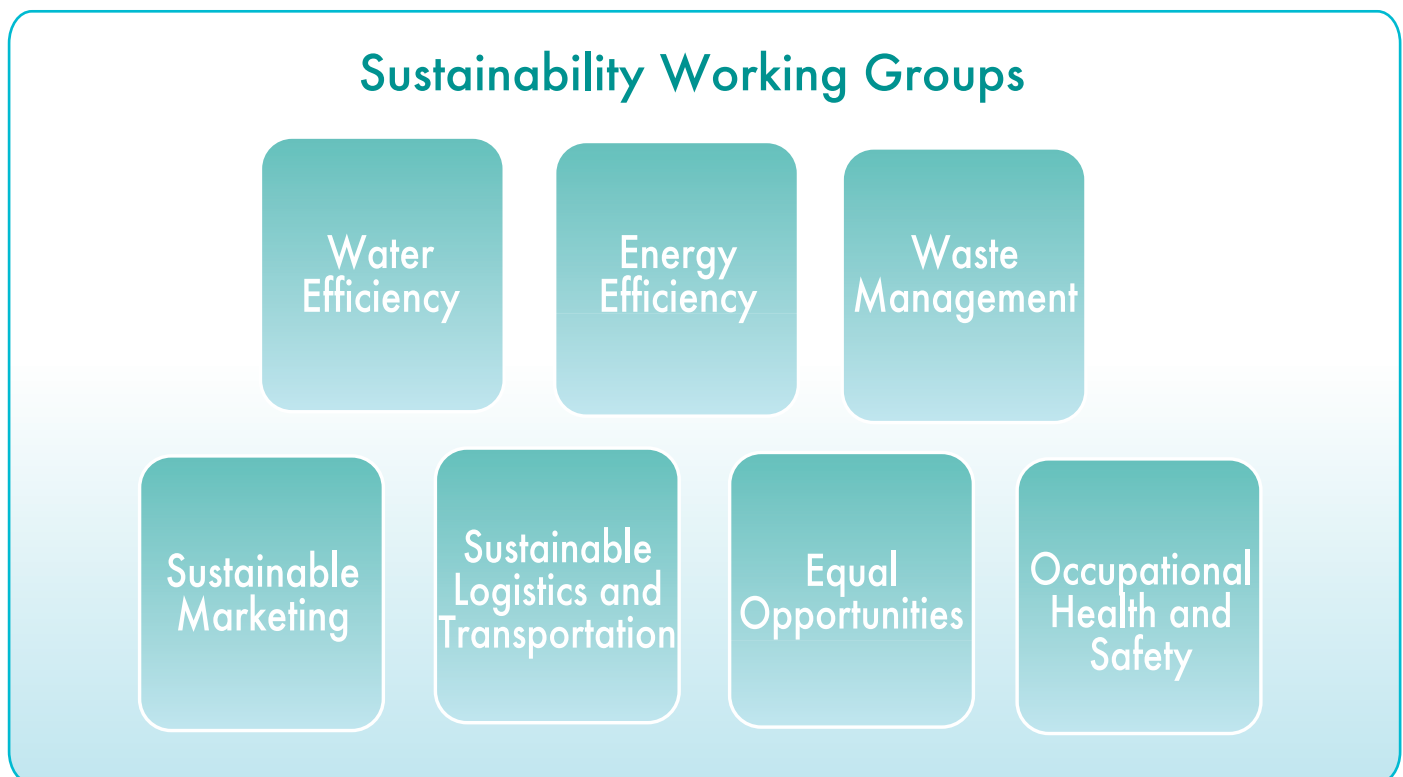
and functional divisions. Its core functions are to approve investments and annual budgets submitted by Group companies, monitor progress in both areas, and recommend measures for ensuring that targets are met. The Executive Steering Committee is supported in these responsibilities by a number of sub-committees 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.

Executive vice presidents (EVP) in charge of core divisions report directly to the CEO; general managers of companies report to the EVP in charge of their division. EVPs in charge of shared functions, such as Corporate Communications, Finance and Strategic Planning, Human Resources (HR) and Information Technology (IT), also report directly to the CEO.

In addition to annual strategic vision meetings, EVPs meet on a weekly basis to discuss short and long term issues related to the Group or their specific businesses.

Sustainability Management

An Innovation and Sustainability Coordinator, reporting directly to the CEO, is responsible for Group's sustainability management system, which comprises a Sustainability Strategy Team and seven sustainability working groups focused on water efficiency, energy efficiency, waste management, equal opportunity, sustainable marketing, sustainable logistics and transport, and occupational health and safety. The Sustainability Strategy Team comprises Division representatives, sustainability working group leaders, and the Group's Innovation and Sustainability Coordinator.





Eczacıbaşı Group
CEO and President
Dr. Erdal
Karamercan
accepting the
European Business
Award for the
Environment (EBAE)
in the Management
category.

Blue Life: Our Award-Winning Sustainability Management System

Launched in 2010, Blue Life is a comprehensive sustainability management system for measuring, reporting and improving the sustainability performance of the Eczacıbaşı Building Products Division's companies and brands. One of Blue Life's primary goals is using natural resources responsibly during production, through eco-efficient technologies and specific projects to save or reuse scrap and byproducts, such as waste heat, process water and sludge. Another is designing products that require fewer resources to produce and consume fewer resources during their lifecycles, such as water-saving WC pans, faucets and showers and highly functional building exterior tiles that provide both insulation and covering. Blue Life's third goal is social: providing sustainability training to employees at every level of the organization in order to enlist their support and inspire them; encouraging customers to choose sustainable solutions and suppliers to improve their environmental performance; and contributing to a better society through long-term social responsibility projects targeting children, hygiene and education.

Performance Evaluation

Blue Life team members collaborate with production managers to set three-year energy and water reduction targets and monitor 215 sustainability variables recommended by the Global Reporting Initiative and other reporting initiatives using Hyperion performance management software. This data is then presented to senior management at a quarterly sustainability evaluation meeting. Blue Life team members also meet monthly to evaluate environmental performance and share ideas about how to meet targets. Other mechanisms for monitoring and reporting on eco-efficiency progress include:

- 6 Sigma, Lean Production and Total Productivity Maintenance project reporting on a weekly, monthly and semi-annual basis at various management levels.
- Product development reports. Every stage of new product development is managed with a software tool that includes sustainability features in its evaluation criteria. Projects in the system are evaluated monthly at the general manager level.
- Environmental Product Declarations. These internationally recognized and certified declarations require independent audits every five years.

All these efforts are supported by ISO 9001, ISO14001/EMAS, OHS 18001 and EN16001/50001 quality, environmental, occupational health and safety, and energy management and reporting systems.

Best in Europe

In 2014, competing against 16 shortlisted projects from 10 European countries, Blue Life won first place in the "Management" category of the European Business Awards for the Environment (EBAE).

As described on its own website, the European Business Awards for the Environment (EBAE) "recognise and promote today's pioneers in green innovation... They are presented every two years and aim to recognise and reward European

companies that set an example by successfully bringing together innovation, economic viability and environmental concerns. The scheme consists of five awards, rewarding companies for management practices, products, processes, international business cooperation and biodiversity activities that contribute to economic and social development without detriment to the environment.”

To qualify for the Europe-wide competition, a project must first win the national leg of the competition, which Blue Life did in March 2014. Eczacıbaşı Building Products is the first Turkish company ever to win an EBAE award since the establishment of this program by the European Commission Environment Directorate-General in 1987.

Best in Turkey

Blue Life also received several highly respected sustainability awards in Turkey in 2014.

- Honorable Mention in the Large Business category of Turkey's Green Dot Awards,
- Kocaeli Chamber of Industry's Environmental Award in the Stone-Glass-Ceramics-Cement category,
- "Environment and Sustainability Management" award of the Istanbul Chamber of Industry for the Environment. The competition is organized by the Regional Environment Center-Turkey, the national secretariat of EBAE.

VitrA

It's our business

CEVKO Green Dot Honorable Mention

ISO Environment and Energy Award

Green Building Summit Sustainability Award

EU Business Award for the Environment

Kocaeli Chamber of Industry Environment Award

EU Business Award for the Environment Turkey Program

Six awards in a year for sustainability...

At Vitra, consideration for people, community and nature is an integral part of our work, and our binding responsibility to present and future generations. Diligently following our Blue Life approach to production, management and design, we strive to ensure sustainability at every stage and in each process.

Strong commitment leads to sustainable success. Rigorously assessed by national and international juries, our achievements have brought us six awards in a year for sustainability.

Because the future of our blue planet is our business.

Blue Life
For our blue planet...

Eczacıbaşı

vitrabluelife.com

VitrA | ARTEMA

Üstümüze vazife

ÇEVKO Yeşil Nokta Teşvik Ödülü

ISO Çevre ve Enerji Ödülü

Yeşil Bina Zirvesi Sürdürülebilirlik Ödülü

European Business Awards for the Environment

Kocaeli Sanayi Odası Şahabettin Bilgisu Çevre Ödülü

Avrupa Birliği Çevre Ödülü Türkiye Programı Finalist

Sürdürülebilirlikte altı ödül birden...

İnsana, topluma, doğaya saygıyı içimizin ayrılmaz parçası; bugünkü ve gelecek kuşaklara karşı vazgeçilmez sorumluluğumuz olarak görüyoruz. Bu doğrultuda üretim, tasarım ve yönetim anlayışımız Blue Life ile sürdürülebilirliği süreçlerimizin her aşamasında titizlikle hayata geçiriyoruz.

Başarıda da sürdürülebilirlik için çok çalışmaya devam ediyoruz. Vitra ve Artema olarak ulaştığımız düzeyi uluslararası ve ulusal kuruluşlar tarafından değerlendirildi ve 6 sürdürülebilirlik ödülüne birden layık görüldü.

Çünkü mavi gezegenimizin geleceği, üstümüze vazife.

Blue Life
Mavi gezegenimiz için...

Eczacıbaşı

vitrabluelife.com

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 Bathroom Products LLC (Russia)
- Eczacıbaşı Building Products LLC (Russia)

Business areas

- Sanitary ware
- Sanitary fittings
- Ceramic tiles
- Bathroom furniture
- Kitchen furniture and accessories
- Washing area solutions
- Fillers & adhesives

Healthcare Division

- Eczacıbaşı-Baxter Hospital Supply Co.
- Eczacıbaşı Pharmaceuticals Marketing Co.
- Eczacıbaşı-Monrol Nuclear Products Co.
- Capintec Inc.
- MoHImage Molecular Imaging Co.
- Eczacıbaşı Health Services Inc.
- Eczacıbaşı Occupational Health and Safety Services
- Eczacıbaşı Health Care Products JSC (Russia)
- RTS Renal Therapy Services Co.

JV partners

- Baxter (U.S.)
- Bozlu Group (Turkey)

Business areas

- Ethical drugs
- Non-Rx products
- IV solutions
- Hospital supplies
- Blood therapies
- Radiopharmaceuticals and active ingredients
- Radiation measurement and protection equipment
- Home healthcare services
- Occupational health and safety services

Consumer Products Division

- İpek Kağıt Tissue Paper Co.
- İpek Kağıt Kazakhstan LLP
- Eczacıbaşı Girişim Co.
- Eczacıbaşı-Schwarzkopf Professional Hairdresser Products Co.
- Eczacıbaşı Hygiene Products Co.
- Eczacıbaşı Profesyonel

JV partners

- Schwarzkopf (Germany)

Business areas

- Tissue paper products
- Wet wipes
- Cosmetics
- Personal care products
- Baby care products
- Household cleaning products
- Away-from-home cleaning and food products

Finance

- 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 (Germany)

Business areas

- IT
- E-card systems

Welding Technology

- Eczacıbaşı-Lincoln Electric Askaynak Co.
- SYS Robotic Technologies Co.

JV partners

- Lincoln Electric (U.S.)

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.
- Eczacıbaşı Insurance Agency Co.

JV partners

- İş REIT (Turkey)

Business areas

- Finance investment
- Foreign trade
- Insurance
- Property development and facility management

Materiality and Priorities

As with any enterprise involved in a wide range of industries, the Eczacıbaşı Group faces specific challenges in each of its business fields. However, for the Group as a whole, there are four main developments that are posing major challenges to all our businesses. These can be summarized as:

Challenges

- Growing consumer expectations that new products and services clearly add value
- Rising environmental restraints caused by competition for natural resources and climate change
- Increased competition in attracting and retaining the best people
- Heightened monitoring and regulation of product, service and operational environmental, health and safety (EHS) performance.

Clearly, there are many aspects to these challenges and many ways of responding to them. We have determined five priorities based on our evaluation of the risks and opportunities they pose and the expectations of our stakeholders.

Priorities/Strategies

- 1.Eco-efficiency to increase productivity, reduce our environmental impact, and lower costs.
- 2.Sustainability-led innovation to create products and services with a reduced environmental impact, improve the environmental performance of our operations and increase our appeal to a growing base of eco-conscious consumers.
- 3.Communication of sustainability achievements and participation in external initiatives to increase brand and corporate value.
- 4.Achieve excellence in health and safety, operational efficiency, and employee satisfaction.
- 5.Unleash new vision and leadership talent through equal opportunity policies.

For a more detailed view our materiality analysis, please review the 2013 Eczacıbaşı Group Sustainability Report.

In the following sections of this report, we describe the measures we are taking in these areas as well as some of the activities of our companies contributing to our progress.

Sustainability and Innovation

Increasingly, the Eczacıbaşı Group's sustainability and innovation targets are intertwined: just as we cannot achieve many of our sustainability targets without innovation, so has sustainability become the muse and benchmark for successful innovation.

In today's highly competitive environment, organic growth requires that we continually pursue innovation. One way our Group is doing this is through "value innovation": anticipating our customers' expectations and creating a difference by developing products and services that respond to their values.

Here, sustainability principles inspire us to imagine new ways of living that are aligned not only with customer values but also with visions of a better future: that is, "value innovation with a mission". Sustainability helps us to envision and work towards products and services that add value to society and the planet as well as to users, this way further differentiating our brands.

Another form of innovation we are pursuing is "business process innovation", rethinking every operational process to find ways to achieve the same or better results using fewer resources. From a sustainability perspective, this is eco-efficiency. It is also the goal of DIP, our Value Improvement Program and a central component of our innovation activities. In both areas, we are looking for small but effective incremental innovation as well as disruptive innovation to improve our competitive advantage and achieve sustained organic growth. Ideation is the first stage of our companies' innovation journeys, and we encourage it in a number of ways. One of our primary sources of ideas is Inocino, our internal suggestion system.

Inocino

Established in 2009, the Eczacıbaşı Group's online Inocino Suggestion Evaluation System has generated over 35 thousand ideas to date, over half of which have been implemented or are in the project stage. Submissions have picked up since the launch of the new portlet in January 2015, which enables users to "like" other people's suggestions or add their own ideas to the suggestions. In 2014 alone, the system received more than 11 thousand suggestions from 2,000 people in 19 companies.



DIP Value Improvement Program

In 2014, we launched our Group-wide Value Improvement Program (DIP), which aims to spur people to review every operation and expense in their business processes for ways to eliminate waste and non-value added steps, so as to reduce costs while maintaining or increasing the value of products and services in question. Supported by a comprehensive training program and a Group-wide team of DIPLOMats (internal advocates), DIP provides a transparent and systematic framework for the development, reporting, evaluation and recognition of successful value improvement projects. DIP's organization is parallel to company organizations: each company is represented in the DIP program by a Company DIPLOmat, On-Site DIPLOmat, and Department DIPLOmats who actively communicate DIP to all the employees and help to generate new projects in their companies.

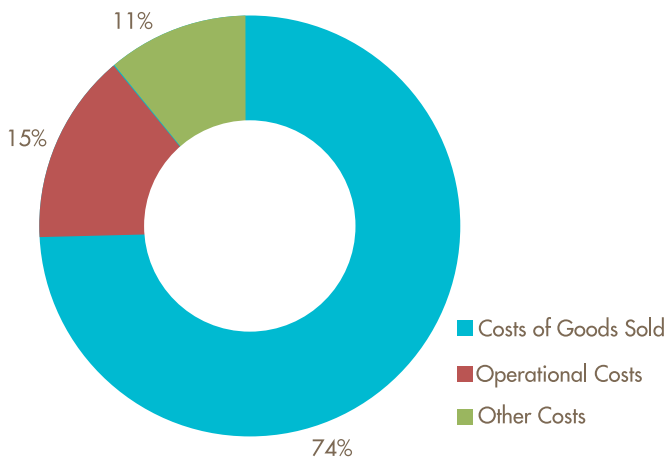


In its first full year of operation, 666 DIP projects generated savings equivalent to 1.5% of the Group's total expenditures. For 2015, the goal is to save 1.5% of our budgeted expenditures in order to improve our EBITDA.

In 2014, the companies that most contributed to DIP savings, our "DIP Stars" were:

- 1- İpek Kağıt Tissue Paper
- 2- Eczacıbaşı Building Products
- 3- Eczacıbaşı-Baxter
- 4- V&B Fliesen
- 5- Esan Eczacıbaşı Industrial Raw Materials

Our DIP Performance



VitrA Innovation Center

The VitrA Innovation Center, which we established in 2011 to develop new products, materials, and technologies for our Building Products Division, is already contributing to our business results and presence in research and development. In 2014, the Center made 15 patent submissions in Turkey, double the amount of the previous year, and received its second consecutive award from the Ministry of Science, Industry and Technology as the "Most Successful R&D Center" in the Glass and Ceramics industry. It also won the Ministry's R&D and Product Development Award in the Large Business Category.

In 2014, the VitrA Innovation Center worked on 100 projects, 52 of which commenced that year. Of these, 11 focused on R&D, five on cost improvement and 36 on product development. During the year, the Center completed 19 product development projects, one of which resulted in the Nest Trendy - Digital Display Shower Mixer. This innovative mixer aims to raise user awareness of water consumption by displaying the flow, temperature and volume of water used during the shower or bath. Notably, the mixer uses water flow to power its display, so it does not require an external energy source for this function.

Already a partner in several national R&D projects sponsored by the Scientific and Technological Research Council of Turkey (TÜBİTAK), the Center joined its first international R&D project in 2014 through the EUREKA program. In collaboration with partners from France and Monaco, the Center is developing a smart WC pan that further reduces water consumption. In addition to partnering with NGOs and universities, the Center has begun collaborating on research and product development with suppliers in Turkey, such as Akkim Chemicals, Dupont and VIKO.

In 2015, the Center will focus new R&D projects on sustainability-related issues. For seven of these projects, we are applying for support from TÜBİTAK's TEYDEB program, and for another five, from the Horizon2020 initiative of the European Commission. The proposed Horizon 2020 projects, two of which we are coordinating, involve new material development.

Award-winning R&D projects in 2015

R&D and Product Development Award of the Ministry of Science, Industry and Technology's General Directorate of Efficiency: Development of a low-cost, high performance protective covering for polished porcelain tiles.

Eczacıbaşı Group Most Innovative Product and Innovation Grand Prize: Rim-Ex is the first WVC pan design of its kind worldwide and an entirely new approach to bowls and flushing systems. Aside from winning the Eczacıbaşı Group's top innovation awards, the new product won two design awards in 2014.

Eczacıbaşı Group Most Innovative Efficiency Project Award: VitrA Innovation Center and VitrA Tiles collaborated on the development of alternatives to imported zirconium silicate for whitening porcelain tiles. The new composition provides the same quality at lower cost.



Meetinnovation and the Eczacıbaşı Innovation Awards

One of the ways we encourage, recognize and reward innovation is through a Group-wide competition, the Eczacıbaşı Innovation awards, and a day-long innovation event, Meetinnovation. All Eczacıbaşı Group professional employees are invited to this event, which features a keynote speaker discussing an issue or aspect of innovation, an evaluation of the Group's innovation performance, panel discussions, and an exhibition of company projects competing for innovation awards in six main categories: Innovative Products, Innovative Services, Innovative Efficiency Projects, Innovative Communication, E-Transformation and Sustainable Development. At the end of the day, the winners receive their awards. To date, the projects competing for these awards have contributed as much as \$253 million in value to the Group through resource savings, increased productivity and new sales.

Collaboration with universities

In tandem with our drive to promote innovative ideas, we have expanded our research and development capability through collaboration with universities. In 2014, just seven years after we began to promote collaboration with universities, our companies partnered with 25 universities on 61 projects involving the development of new products, materials and product design. At the VitroA Innovation Center, we have established strong relations with Koç, Sabancı, Bilkent, Middle East Technical, Sakarya, İstanbul, Yıldız Technical, Akdeniz, Anadolu and Osmangazi universities in Turkey and Padua and Bologna universities abroad. The Middle East Technical University's Teknokent UTR Lab is also a partner in one of the proposed Horizon2020 projects.

In 2014, Esan Eczacıbaşı Industrial Raw Materials, our most active company in terms of R&D collaboration with universities, teamed up with 17 universities on more than 40 joint projects ranging from joint studies to providing samples to students for graduate projects, and free access to laboratory equipment and analyses.

Esan is particularly careful to choose joint projects that effectively combine theory and application. One such study is its nanoclay project, a joint initiative with Sabancı University to produce a high value-added mineral. Revenue from the sale of one ton of nanoclay is equivalent to 200 tons of bentonite. A finalist in the 11th Turkish Technology Awards in 2014, the nanoclay project aims to facilitate more efficient use of resources, this way reducing the impact of mining operations on the environment.



Targets, Projects & Performance



Over the past five years, the Eczacıbaşı Group has extended the focus of its sustainability projects from resource efficiency to sustainable product development, human capital and, most recently, logistics.

Energy

Energy Use in Production Processes

In early 2014, the Eczacıbaşı Group established a new KPI for its industrial operations in Turkey setting a 4% per-ton energy consumption reduction target for the three-year period ending in 2016. By year-end, four of the Group's nine manufacturing operations in Turkey succeeded in reducing their per-ton energy consumption to varying degrees, this way enabling a 1.5 percentage point overall reduction in per-ton energy use.

In 2014, six Group companies implemented close to 30 major energy-savings projects that will prevent as much as 3.3 MWh of electrical energy and 11.5 MWh of thermal energy consumption annually. Close to half of all electricity savings derived from investments in LED lighting systems and new generation, highly efficient pumps and motors. Additionally, a single project by Eczacıbaşı-Baxter to optimize its cooling water system will reduce this function's electricity use by 650 kWh annually. Similarly, Eczacıbaşı Information and Communication Technologies invested in low-energy consuming Blade architecture for its existing servers that will cut its energy consumption for this function by half.

Four large projects targeting tissue paper machines, kilns, tank sanitation and cogeneration steam systems contributed the most to thermal energy savings. In 2014, VitrA Tiles transformed its frit kiln into a single broiler system for expected savings of over 5 MWh annually. By insulating the heads of its Yankee tissue paper dryers at its Yalova mill, İpek Kağıt will save close to 2 MWh annually. Eczacıbaşı-Baxter expects its new recycling project for distilled water used in the sanitation process of solution tanks to save close to 2 MWh annually. Another project to expand its use of co-generated steam will contribute another over 1 MWh annually.

Energy management systems

One of the goals of our Energy Efficiency Working Group is ensuring that all our manufacturing operations – in Turkey and abroad – obtain ISO 50001 or similar energy management certification. Already, four operations accounting for over 80% of our energy consumption in Turkey have ISO 50001 certified energy management systems. Abroad, our operations have embraced energy management in different ways. For V&B Fliesen, which attained ISO 50001 certification in 2013, effective and economical use of energy and raw materials is a central component of its environmental strategy. Burgbad began establishing its energy management system in 2013 and expects to have a fully operational measurement, monitoring and efficiency improvement system in place by the end of 2015.

İpek Kağıt Tissue Paper has systematically sought to improve its energy efficiency since the early 2000s, when it formed a committee to review the energy performance of production processes. As a joint venture with Georgia Pacific at that time, İpek Kağıt was able to benchmark its energy performance with tissue paper operations around the world – and generally placed among the top five in energy efficiency. İpek Kağıt has continued its energy efficiency efforts as a fully-owned Eczacıbaşı company, becoming the first in its industry on Turkey to obtain ISO 50001 in 2011. With processes already highly energy efficient, finding areas for further significant improvement without major investments in new technology requires creative approaches to energy use and management. In 2013, for example, the company restructured its energy supply to provide a direct line from its outsourced cogeneration plant so as not to be affected by electrical outages and fluctuations. The new system has improved the per-ton energy efficiency of İpek Kağıt's three paper machines by about 5%, for savings of more than TL 1 million annually.

Renewable energy

Solar energy is abundant in Turkey and most of our industrial operations are taking advantage of this renewable resource. Almost all of our industrial operations in Turkey have installed solar water heating systems for both domestic and industrial use and a significant number have designed or restructured the roofs of their production plants to reduce their reliance on artificial lighting throughout much of the year.

In 2014, our mining operation, Esan Eczacıbaşı Industrial Raw Materials, took the first step in harnessing sunlight for energy production with the installation of 500 kilowatts of photovoltaic panels on the roof of its new storage depot in Güllük, Milas, Turkey, in 2014. The largest solar-based auto production investment of its kind in the region, the project is providing all the electricity needed to run the depot's tripper belt conveyors and power related equipment. The panels have reduced Esan's consumption of electricity generated from non-renewable fuels by 760 MWh per year, with a corresponding reduction in carbon emissions of 390 tons. Esan has begun construction of a second, much larger solar energy project (2,350 KW) at the site of its new magnesium plant in Eskişehir that is expected to generate 3.8 thousand MWh of energy per year and prevent 1.9 thousand tons of carbon emissions per year. Other companies are studying the solar energy potential of their production sites with an eye to similar investments.



Energy Use in Buildings

Between 2011 and 2013, our companies in Turkey reduced the combined electrical and thermal energy use of their commercial and administrative buildings in Turkey by 15.6 percent in absolute terms, lowering their associated carbon footprint by 18 percent. During this period, members of our working group on energy efficiency in buildings, now part of our working group on energy, coordinated with managers, engineers, building administrators, technicians and maintenance specialists to design, implement and evaluate energy efficiency projects and practices for 20 commercial and administrative buildings in Turkey covering roughly 150,000m².

With the support of specialist consultants, companies carried out systematic studies of building features, functions and energy-use equipment in order to develop and implement dozens of projects aimed at improving the efficiency of lighting systems, heating and air conditioning systems, motors, and automation

systems as well as improving insulation. On a building-by-building basis, savings ranged from 5 to 42%, with an average ROI of 38%.

Logistics

Logistics is an area of growing focus for the Group as a whole and our individual companies. Through cooperation between companies and innovative solutions with logistics providers, we are finding opportunities to cut costs and significantly reduce the size of our carbon footprint from these activities.

Under the leadership of the new Sustainable Logistics and Transport Working Group, we aim to expand our efforts to understand the carbon impact of our logistics and accelerate the transition to alternative, lower-carbon solutions. As a first step, we have calculated the carbon emissions of all outgoing shipments from our industrial operations in Turkey, including both shipments abroad and in Turkey. According to our calculations, these shipments



Warehousing of Bulk Materials

Esan is the leading feldspar exporter in Europe, with annual transports of more than two million tons. Most product is transported by bulk carrier ships from a port located 2 km away from the company's Güllük warehouse. This warehouse has an annual transfer capacity of approximately 1.4 million tons. In recent years, Esan has undertaken a number of projects to greatly reduce the environmental impact and operational costs of this enormous operation.

Less Diesel Fuel Consumption: *Esan's new warehouse is closer to the main highway than the previous facility and better designed to optimize fuel use in the warehouse area. An electric conveyor belt powered by solar energy further reduces fuel consumption. Overall, these changes are estimated to have lowered Esan's diesel fuel consumption by 18.7 tons annually.*

Zero Electricity Consumption from the Grid: *Modernized and mechanized, Esan's warehouse requires annual electricity consumption of around 250K kWh. Esan solved its electricity dependency problem with a rooftop 500 Kw solar power plant, one of the largest of its kind in Turkey. Güllük is now self-sufficient and producing over 500 thousand kWh's of surplus electricity per year, which it sells back to the grid. Esan expects financial savings from this project to exceed \$100 thousand annually.*

Toward Zero Carbon Emissions: *The installation of a 500 kW solar power plant prevents 427 tons of carbon emissions annually.*

Eliminating Dust: *Before modernization, the warehouse had an open storage area that was a significant source of dust. With the construction of a huge closed warehouse, dust emissions from storage dropped to zero.*

generated about 43.3 thousand tons of carbon emissions in 2014, an amount equivalent to 10% of the emissions of our industrial operations in Turkey. Two-thirds of these emissions were generated by shipments from Turkey abroad. These estimates have been reviewed by the independent Swiss NGO Myclimate, which has examined and approved our carbon conversion factors and assumptions and is assisting us develop reporting guidelines and procedures for all logistics operations. We are also exploring with Myclimate possibilities for offsetting carbon emissions from logistics operations, with the mid-term aim of achieving carbon neutral status in this area.

For the upcoming period, the working group has three primary goals: 1) create an inventory of the Group's roughly 1,800 vehicles and develop a vision for improving the energy performance of this fleet, 2) develop an inventory of logistics solutions for finished products currently used by Group operations, as well as strategies and targets for achieving further reductions in associated emissions, and 3) provide a summary of business-related travel and develop systems for automatically calculating the carbon emissions of this activity.

The new working group is building on earlier efforts to rationalize logistics operations and reduce associated costs and carbon emissions.

In 2012, the Building Products Division examined its international transport routes to look for ways to reduce costs and improve delivery services. It studied alternative supply routes and modes of transport, met with internal and external customers to discuss their needs and concerns, tested a variety of alternatives,

and evaluated their performance with customers. Through this analysis, the Division developed a multi-modal transportation network that not only enabled it to reduce its annual international transport costs by close to \$1 million but also its carbon emissions by 950 tons.

Other Group operations with smaller trade volumes are finding logistics partners who offer sustainable transport solutions, such as low-emission vehicles. Eczacıbaşı Pharmaceuticals Marketing, for example, switched from air transport to overland transport in 2014, selecting a logistics company with a certified Euro 5 emission fleet. These vehicles consume 4 liters less than average and reduce carbon dioxide emissions by 35 kilos per 100 miles.

Several companies are reorganizing their factory layouts to reduce distances between operations and rethinking their modes of transport and transport routes for raw materials and finished products. Last year, İpek Kağıt became the fourth Group company after Eczacıbaşı Building Products (VitrA), VitrA Tiles, and Engers Keramik to replace its diesel fleet of forklifts with electrical ones, reducing its carbon emissions from this activity by 908 tons annually.

Water

Through our newly established Water Efficiency Working Group, we aim to create new synergy to drive continual improvements in water use, through better measurement, joint projects, and the sharing of best practices.

Eczacıbaşı Group companies have made significant headway in increasing their water efficiency in recent years. Between 2011 and 2013, our industrial operations in Turkey greatly exceeded our per-ton target of 6%, achieving a 13.9% reduction in water use per ton of output. Now, they are well on their way to realizing our new water efficiency target of 4% for the three-year period ending in 2016. The importance of our water efficiency efforts in Turkey, where droughts are increasing in frequency, was driven home in the summer of 2014, when a number of our companies had to supplement their usual water supplies with costly water supplied by water tankers because of water shortages.

In 2014, five of our nine industrial operations in Turkey significantly reduced their per-ton water consumption. Two of these operations, which together account for 75% of the Group's total water consumption in Turkey, lowered their per-ton water consumption by amounts significantly greater than the three-year target. As a result, the total volume of water consumed by Group manufacturing operations in Turkey fell by 10.5% and per-ton water consumption by as much as 11.2% in 2014.

One of the projects contributing most to these savings was implemented by our mining operation. In 2014,

Esan Eczacıbaşı Industrial Raw Materials opened a new and larger tailings pond at its Balya underground lead and zinc mining operation that enabled it to increase the amount of time for sedimentation of suspended solid particles. This way, Esan has been able to lower its consumption of fresh water by 23% at its Balya operation and increase the share of recycled water in the Balya operation's total water consumption from 83 to 87%. Esan Balya also reuses 80% of the water pumped from the ground during its underground mining activities.

Eczacıbaşı Building Products-Artema improved its water efficiency by 23% in 2014, enabling it to reduce its fresh water consumption by 25% in absolute terms. Contributing to this performance were infrastructure improvement projects.

İpek Kağıt Tissue Paper lowered its per-ton water consumption by 15.3% in 2014 through small but significant changes in its production and waste treatment processes. The main sources of these savings came from adjustments in the processes of its third paper machine that reduced this line's freshwater requirement by 22%. Here, an adjustment in the dissolved air flotation system significantly improved the efficiency of the wastewater treatment process, this way reducing the fresh water requirement of this process by 50 thousand tons in the second half of 2014. Another main source of savings came from an adjustment in the steam condensation tanks, which decreased the amount of soft water used in this process by more than 100 thousand tons per year.

Eczacıbaşı-Baxter Hospital Supply improved its water efficiency by 7.7% in 2014. Its largest project in this area will make it possible to re-use and reduce the amount of distilled water needed for daily sanitation of solution tanks, lowering this function's fresh water consumption. The project also reduced the operation's distilled water requirement, this way contributing to significant electricity and steam savings. For 2015, the company is targeting an 11% reduction in overall water consumption.

Water efficiency projects at Eczacıbaşı Girişim include a rooftop rainwater collection and reuse system.



Eczacıbaşı Girişim continued to find ways to improve its water efficiency in 2014, achieving a 5.4% reduction in its per-ton water requirement. One project changed a product formula to reduce water consumption for cleaning mixer and drop tanks. Another replaced manual cleaning of solution tanks with an automated system using programmable logic controllers and sensors, increasing the water efficiency of this process. A third project cleans waste water through reverse osmosis to be used in the operation's cooling systems and toilet cisterns.

Waste

Towards Zero Waste

With the establishment of a Working Group on Waste, we aim to transform company best practices into a Group-wide drive to make waste disposal a thing of the past. This means reducing, re-using and recycling waste. One of the first goals of the working group is creating a standardized inventory of waste by company, division and for the entire Group.

Another is determining potential areas for collaboration between operations, such as joint agreements with third party recyclers or transfers between companies in a Group-wide "waste market". The working group will also organize opportunities for production and marketing teams to share best practices.

The vast majority of our industrial operations' waste in Turkey is non-hazardous and produced by our mining operation, Esan, which disposes of most of its waste. Excluding our mining operation, the largest generators of waste are Eczacıbaşı Building Products, Vitra Tiles, Kanyon Management and Marketing, and İpek Kağıt, which together accounted for 47,485 tons in 2014 or 90% of our total non-mining waste.



Two of our largest operations have waste recycling/re-use ratios greater than 90%. One of these is the Vitra sanitary ware operation in Bozüyük, which achieved a recycling ratio of 99% in 2014.



İpek Kağıt Tissue Paper has a recycling rate of 66% and a significant share in the Group's total waste. The largest item in this operation's waste is semi-solid sludge comprising pulp fibers.

Waste market

Currently, the only waste product transaction between Group operations in Turkey involves the wastewater treatment sludge of Eczacıbaşı Building Products' VitrA plant, which amounted to just under 9 thousand tons in 2014. VitrA Tiles is using this sludge in its porcelain tile manufacturing process, which is located at the same production site.

Now, through the efforts of the Working Group on Waste, we are trying to find opportunities for further transactions that benefit all parties. To this end, our operations have started an online directory of waste products with a description of each product and the selling (or offering) price. They are also looking for opportunities to cooperate on the disposal or recycling of waste through third parties.

Zero waste systems in our companies

All of our operations are looking for ways to reduce or eliminate waste through reuse, recycling and changes in production processes or product formulations. More than half of our operations in Turkey, excluding mining, recycle or reuse over 50% of their waste, for an average recycling/reuse rate of 62%. On the downside, even excluding mining, disposal accounts for 38% of waste management, so there is significant room for improvement in this area.

Notably, two of our largest operations have waste recycling/re-use ratios greater than 90%. One of these is the VitrA sanitary ware operation in Bozüyük, which produces 5 million bathroom ceramic sanitary units annually. In 2014, this operation achieved a recycling ratio of 99%. Solid ceramic waste, which accounts for 62% of the operation's total waste, is purchased by a local cement manufacturing plant.

Sludge from wastewater treatment, which accounts for 35% of its total waste, is used on-site by VitrA Tiles to make porcelain tiles.

İpek Kağıt Tissue Paper has a recycling rate of 66% and a significant share in the Group's total waste. The largest item in this operation's waste is semi-solid sludge comprising pulp fibers. İpek Kağıt reduces the moisture in this sludge to 50% and then gives it away to a company that uses it to produce imitation leather. İpek Kağıt also recycles most of its solid waste, including paper and cardboard from the production process, plastic containers, wire and other metal. In 2015 and 2016, İpek Kağıt hopes to find a recycling solution for the sludge from its wastewater treatment plant and waste glue, which account for most of its disposed waste and represent significant cost factors.

A number of operations invested in new efforts to reduce waste. Eczacıbaşı Girişim has begun recycling 25% of its plastic bottle and container waste in its plastic container production line.

The Artema brand implemented a marketing campaign to collect and recycle old faucets from customers, with the aim of retrieving some 15 thousand tons of brass – enough to produce 14 thousand new faucets.

In 2014, Askaynak began to collect and store separately pure iron oxide waste from its wire drawing processes. Previously, this waste was mixed with the hazardous soapy iron oxide waste left over from the rinsing process. With the new system, Askaynak was able to cut by 60% the amount of hazardous iron oxide waste that needed to be sent to a waste disposal company and create a new waste product with recycling value for the iron and steel industry.

VitrA Tiles repaired and used 410,600 pallets in 2014, preventing the cutting of 29,200 trees for this purpose. VitrA Tiles is just one of several operations repairing and reusing pallets. Last year, seven more operations together reused more than 100 thousand pallets, bringing the combined total of recycled Euro pallets to over half a million.

Social

Women and Equal Opportunities

According to the World Economic Forum's 2014 Global Gender Gap Report, Turkey ranked 125 overall out of 142 countries with a gender equality score of 62%. Iceland, which ranked first overall, has achieved 86% gender equality, while Yemen, at the bottom, has a score of 51%.

This annual study of gender inequalities around the world looks at four main categories – economic participation, educational attainment, health and survival, and political empowerment – and ranks countries in each of these areas and overall. With the notable exception of health and survival, where Turkey ranked at the top of the global list, up from the 85th position in 2006, Turkey falls among the bottom 40 countries. Unfortunately, efforts since 2006 to improve gender equality in Turkey have lagged behind those in other countries, so that overall, Turkey has slipped from 105th position to its current position. This means we still have a long way to go in our society, as well as in the business world.

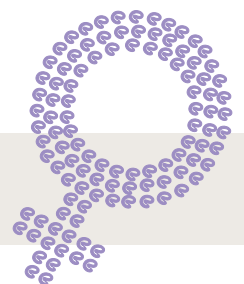
Gender balance in recruitment

At Eczacıbaşı, our equal opportunities policy and practices are key components of our sustainability strategy because we recognize that gender balance, and diversity in general, are key to our Group's long-term business success.

Currently, our primary focus in this area is improving our recruitment of women and empowering them to advance their careers in our operations in Turkey.

To achieve this, we introduced equal opportunity targets in our sustainability key performance indicators (KPIs) for Group operations based in Turkey in 2014. Accordingly, our companies in Turkey will be able to improve their overall performance in any given year by recruiting a higher percentage of women for professional positions than the previous year. As of end-2014, the share of women in new recruits was 43%, up from 37% a year earlier. Of the 13 Group companies in Turkey with recruitment rates for women below 50% in 2013, ten increased their recruitment of women last year. The share of women among professional employees in the Group is 34.4 percent in 2014 and we aim to increase this ratio significantly in the years ahead.

Our equal opportunities KPI strengthens our commitment to a policy we announced on 8 March 2011 of giving priority to women when deciding among white collar candidates of equal strengths and attributes. At the same time, it reaffirms our allegiance to the UN Women's Empowerment Principles, to which we are a party since 2013.



Eczacıbaşı Group and equal opportunities: key developments in 2014

Equality at Work platform	Joined the Equality at Work platform , established in collaboration with the World Economic Forum under the auspices of Turkey's Ministry of Family and Social Policies to fight gender-based discrimination and reduce the economic participation and opportunity gender gap in the Turkish economy.	Gender Equality Award	Eczacıbaşı Group placed 6 th among Turkey's "Women-Friendly Enterprises of 2014", a list compiled by Capital, Turkey's leading business magazine.	Equal Opportunities Champions in 2014 are Eczacıbaşı Information and Communication Technologies, Eczacıbaşı-Baxter Hospital Supply and Esan Eczacıbaşı Industrial Raw Materials.	Champions in 2014	Signed the UN Global Compact's ' Women's Empowerment Principles '. The Women's Empowerment Principles are a set of principles for business offering guidance on how to empower women in the workplace, marketplace and community.	Women's Empowerment Principles
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*Eczacıbaşı
Group's nursing
rooms are
equipped with
UniBaby products.*

Since our participation in 2011 in an equal opportunities initiative organized by KAGİDER, Turkey's leading NGO for women, and the World Bank, we have adopted new policies in Turkey to encourage women to join our Group and remain with us, including 'flexible work schedules' and, most recently, a new policy addressing cases of mobbing at the workplace. In 2014, we also created an Equal Opportunities Working Group in our sustainability organization that is designing communication projects about the importance of equal opportunities efforts, encouraging employees to participate in gender equality training programs, coordinating efforts to improve facilities for new mothers, and contributing to an ongoing effort by Human Resources to increase the representation of women in sales teams.

Women on the plant floor

Two of our operations have initiated programs to increase the number of women on their production lines. Eczacıbaşı Building Products now has 95 women working in its ceramic sanitary ware plant, two thirds of whom are the first women ever in their departments. According to new recruits, after an initial period of apprehension about the physical requirements of the work, the work and relationships with co-workers and managers have been rewarding and respectful. Women already on the job are mentoring new recruits. Managers are pleased with women's approach to work, with supervisors specifically noting that women colleagues respond immediately to a suggestion or criticism, so they only have to point out a problem once. To accommodate the rising number of women employees, the company has increased the number of changing rooms and bathrooms for women.

Equal Opportunities Group Companies Highlights

Growing Together with Eczacıbaşı-Monrol: Birlikte Büyüyoruz (Growing Together) is a community of volunteer working parents at Eczacıbaşı-Monrol aiming to enhance the psychology of parents at work. To create a happier working environment for working parents, volunteers provide resources in print and on their website and organize counseling, seminars and social activities.

Women's Club at Askaynak: Our welding products manufacturer, Eczacıbaşı-Lincoln Electric Askaynak, has established a club exclusively for its women employees: Askaynak Flowers. This women's club holds regular meetings to discuss gender-related issues, such as striking a healthy work-life balance, parenting, breaking the glass ceiling, and ways of helping the welding sector become more gender neutral.

Women in Leadership: Eczacıbaşı-Baxter Hospital Supply continues to expand its program to assist women in middle management positions advance their careers. BAKınız Kadın Liderler ("Look, Women Leaders!"), an employee-managed platform established in 2013, organized informal gatherings in 2014 with three women entrepreneurs and two board members who discussed their careers and achievements, and how they overcame challenges and disappointments along the way. BAK's aim is to create an environment in which women become aware of their potential and make the decision to differentiate themselves and become part of the decision-making process.

Equal opportunities in the Consumer Products Division: The Eczacıbaşı Consumer Products Division headquarters in Istanbul created a new nursing room for working mothers using its baby hygiene brand UniBaby's fun and colorful images. This brand new room is equipped with UniBaby products and offers a comfortable and soothing environment for mothers expressing breast milk. The Consumer Products Division headquarters also offers women and men artisan hairdressing services provided by Eczacıbaşı-Schwarzkopf company brands.

Healthy and safe work environments

The Eczacıbaşı Group is committed to establishing healthy, high-quality and safe work environments. Our occupational health and safety targets, policies and programs reflect our priority and strong commitment to excellence in health and safety, not only with regard to our own employees, but also contract workers and other stakeholders impacted by our business operations. In all our operations, we aim to achieve a track record of zero accidents and a significant reduction in the likelihood of occupational diseases.

Our two most critical challenges in OHS are disease prevention, particularly in operations generating significant dust, and improved near-miss and accident prevention programs in operations with injury rates higher than 2.0, which is the injury rate ceiling for the best performers within our Group. To demonstrate

our resolve and push our companies towards the zero accident target, we introduced two occupational health and safety targets in our sustainability key performance indicators (KPIs) for Group operations based in Turkey in 2014. The first requires our companies to go through exhaustive risk assessment audits within the year and prepare action plans for high and medium risk factors. These risk assessments allow our companies to identify their key occupational health and safety challenges and draw up short-to-medium term action plans to improve their accident and disease prevention systems. The second asks them to reduce injury rates by 10 to 30 percent relative to the previous year. Most of our operations in Turkey successfully met these targets in 2014 and are well on their way to forging a culture of OHS excellence.

2014 Occupational Health and Safety Group Companies Highlights:

VitrA Tiles

- Equipment and cabin repairs to prevent dust, noise and humidity
- Extensive OHS training for all employees
- New air vents
- Zero tolerance policy of noncompliance with OHS regulations

Eczacıbaşı-Baxter Hospital Supply

- Awareness-raising workshops and activities organized by the company's Take Care of Yourself team
- Free breast cancer scans for all women employees
- Regular outings, jogging and walking tours
- Regular e-newsletters and posters about healthy diets

Esan Eczacıbaşı Industrial Raw Materials

- Established OHS Council, reporting directly to the general manager
- Fully automated crisis management system
- OHS manuals distributed to all employees
- Apprenticeship Academy to train future OHS leaders on plant floor

Our best performers in occupational safety in 2014, which we recognized at our annual Sustainability Champions award ceremony, were the bathroom furniture plant of Eczacıbaşı Building Products and our electronic card manufacturer E-Kart, both of which achieved an accident-free year. Eczacıbaşı Baxter also received an OHS Champions Award for successfully reducing its injury rate last year.

OHS governance

A Group-level occupational health and safety manager coordinates the implementation of OHS strategies. In 2014, we added two new organizations to our OHS management structure: an Occupational Health and Safety Advisory Board and an OHS Working Group.

The Advisory Board, chaired by the vice president of the Healthcare Division, comprises medical doctors, safety specialists and senior executives. In addition to overseeing the work of Eczacıbaşı OHS Services, a subsidiary established in 2013 to develop innovative health and safety solutions that comply with international standards and Turkey's labor laws, the Board reviews key OHS indicators at monthly meetings. From time to time, the Advisory Board also works with internal and external experts to address pressing and long-term OHS challenges.

The OHS Working Group, one of our seven sustainability working groups, brings together nurses, doctors and occupational safety experts that

represent our operations in Turkey, Europe and Russia. At its first meeting in October 2014, working group members determined three key priorities and matching targets for the following three years. To realize these targets, members are organizing study tours, carrying out friendly audits of each other's manufacturing sites and holding monthly meetings. The goals of these meetings are to (1) share OHS best practices within the Group, (2) engage in peer-to-peer learning in disease and risk management, accident prevention and other OHS programs applied within the Group and (3) align companies' OHS practices and programs. The leader of the OHS Working Group also sits on the Advisory Board and facilitates communication between OHS Working Group members and the Executive Team.

An important contributor to our Group-level work to ensure health and safety excellence is the Eczacıbaşı Occupational Health and Safety Services company. Founded in 2013 as a division of Eczacıbaşı Health Services, Eczacıbaşı Occupational Health and Safety Services provides occupational physician, health staff and occupational safety specialist services, risk mapping and accident prevention measures, independent monitoring, preventative health and safety services, first aid and emergency treatment, and occupational health and services training. Crucially, Eczacıbaşı OHS Services mobilizes its skilled and experienced healthcare and occupational safety professionals to monitor, assess and offer solutions to Group companies on key aspects of occupational health and safety.

Stakeholder Engagement



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

The Eczacıbaşı Group's Human Resources (HR) vision is to attract, develop and retain outstanding human capital, having in place the best HR management applications.

Recognizing that our Group's success depends on the success and satisfaction of our employees, we strive to ensure that every one of our operations has in place the best human resources recruitment, development and retention programs, provides professional, appealing and healthy working environments, and develops long-term relationships with their employees that begin in their university years and continue 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. To this end, we offer our employees the opportunity to discover and exploit their potential, develop their talents further in view of attaining corporate goals, strengthen their individual motivation and team spirit, and, based on their performance, 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.

Our mission statement and values provide clear guidelines on the Group's policy regarding human rights, freedom of association and corruption, as does its Human Resources Handbook. For more information, please visit the Human Resources section of our corporate website, www.eczacibasi.com

Creating new leaders

Every Group employee is made aware of their individual responsibility to expand and develop their personal abilities as much as possible, and provided management support to achieve this through training,

mentoring and other opportunities for personal and professional development.

Training and development are linked to the current and future goals of the Group and its operations, which are linked, in turn, to the development of individuals. Leadership & Talent, Management, and Soft-Skill Competency Development are the focus of our Group-wide training and development programs.

We offer creative and inspiring training programs to our leaders in order to establish and maintain a management culture that fuels sustainability. Leadership training at the Eczacıbaşı Group focuses exclusively on the empowerment of team members through constructive communication, feedback and delegation.

"Future Fit", our leadership program, won several national and international awards in the past year. This program aims to build a community of qualified, successful and motivated managers with strong leadership skills and Group-wide vision. The program draws from various training modules and styles offered by a handful of leading HR training companies.

Another leadership training program we have developed to meet our specific needs is "Develop Your People". The aim of this program is to establish a common management culture and approach to training new leaders. We want to ensure that they are not only capable of achieving the Group's ambitious growth targets, but also that they support

the Group's innovation and sustainability processes, and provide the opportunities and environment needed for recognizing and developing the talents required by their organizations

Creating "Great Places to Work"

Some of our companies have developed original programs to spur their employees' creativity and enthusiasm. Eczacıbaşı-Baxter Hospital Supply, for example, developed the BAK program to improve innovation skills, transform innovation into a way of life, and encourage employees to transform their workplace into a healthy, energetic and fun environment. The program draws on the creativity and energy of over fifty Eczacıbaşı-Baxter employees in eight project teams focusing on environmental and social responsibility, sustainability, women's empowerment, healthy lifestyles, emerging trends and the Y generation's expectations, and social events. In 2014, for example, the company organized informal gatherings between company managers and young employees, creating opportunities for the both groups to get to know each other better and learn from each other.

VitrA Innovation Center celebrates children's curiosity and creativity

On April 23rd Children's Day in Turkey, VitrA employees and their children, aged between 5 and 12, spent a fun-filled day at the VitrA Innovation Center exploring and playing with the new product designs and different building materials on display. Children and parents wore matching lab coats and safety goggles and accompanied the Innovation Center Director Boğaç Şimşir on a tour of the facility. At the end of the tour, children were given Green Science toys and a playtime snack.



At the Eczacıbaşı Group, employees selected for leadership programs get on average 18 hours of training per year.

Attracting young talent

The Eczacıbaşı Group's flagship graduate recruitment program, "Career Test Drive", has been attracting new talent from Turkey's colleges and higher education institutions for seven years. Career Test Drive recruits "pilots", undergraduate students in their senior year and graduate students in their freshman year, for exclusive internship programs in the marketing, sales, new business development, finance, supply chain management, production, quality control, R&D, human resources and information technologies departments of Group companies.

Career Test Drive program openings are advertised in campus job fairs and via lectures, talks, consultations, the social media accounts of the Eczacıbaşı Group, and print and online advertisements.

Career Test Drive assigns a mentor and a project to each new "pilot". The drive begins with an orientation program for new groups of "pilots", continues with the project design and implementation phases, and ends with project presentations by the "pilots" to their mentors, relevant managers including general managers and EVPs. Career Test Drive participants are assisted and provided opportunities to enrich their learning at every step of their program in the form of training and exclusive and one-on-one mentoring. Those "pilots" that perform well throughout the program are offered permanent positions in companies within the Group.

Promoting sustainable lifestyles

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, and enlist the support of all our employees in promoting and implementing solutions.

"Be Green", our Group's online and offline sustainability communications project, encourages all our employees to lead the drive towards greener lifestyles by setting excellent examples themselves. In addition to leaflets and visuals located in high traffic areas of our office buildings and plants, Be Green has a dedicated portlet in our corporate portal with up-to-date information on sustainable development issues, green consumption and environment friendly lifestyles; interactive tools and games, a discussion forum, and links to reliable sources of information on a variety of related issues.

Through our social media accounts on Facebook, Twitter and LinkedIn we also share informative and interactive graphics and written content all year round with our stakeholders and the general public and celebrate significant days dedicated to environmental, social and economic sustainability.

In 2014, Be Green won the prestigious IPRA Golden World Award in the Internal Communications In-house category, outperforming hundreds of competing projects. The award comes on the heels of a Finalist Award in the "Employee Communications" category of the international PR News Digital PR Awards for digital projects involving public relations, marketing or communication.

The Eczacıbaşı Group's flagship graduate recruitment program, "Career Test Drive", has been attracting new talent from Turkey's colleges and higher education institutions for seven years.



Customers and Business Partners

The Eczacıbaşı Group's interaction with customers and business partners is based on sustainable and long-term mutual benefit, underpinned by ethical business principles. One of our principal commitments is finding high quality solutions that address our customers and business partners needs and values while also meeting key sustainability benchmarks. Honest communication, fair competition, and full compliance with environmental, social and legal regulations are other fundamental components of our approach.

Sustainable Marketing

Sustainable marketing is the concept that we believe best reflects our commitments above. By sustainable marketing, we mean the sustainability of marketing-related activities, and, more generally, the design and marketing of products and services with strong sustainability credentials.

To support our ongoing efforts in both areas, we have established a working group on Sustainable Marketing in 2014 that will become a know-how and communication center for sustainable marketing. The working group is sharing best practices, developing guidelines, and creating projects that deal with sustainability issues associated with the four "P"s of marketing: Product, Price, Place and Promotion. It has also prepared a protocol laying out the Eczacıbaşı Group's principles of responsible, eco-conscious and ethical marketing. The GreenPs Manifesto, as the protocol is called, offers adaptable and applicable solutions for making companies' marketing communication and activities socially and environmentally sustainable.

E-Kart's Promise

In 2011, E-Kart Electronic Card Systems decided to contribute to the battle against global warming through systematic efforts to reduce its own carbon footprint. The name it has given to these efforts is "We Promise".

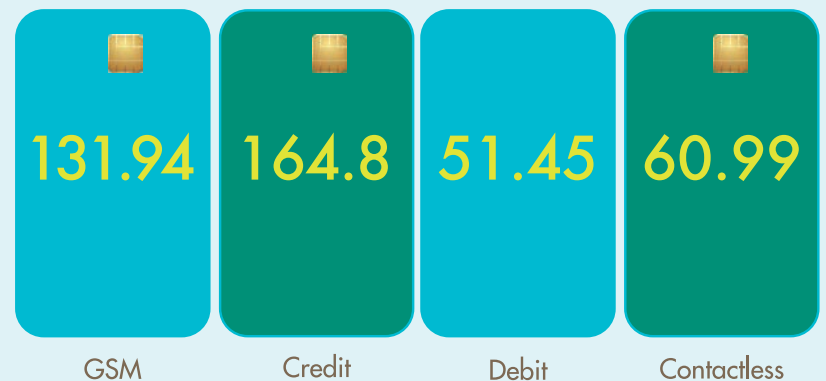
After becoming the first in its industry and the Eczacıbaşı Group to obtain ISO 14064 Greenhouse Gas Accounting and Verification certification in 2011, E-Kart planted enough trees to offset its annual emission, thereby becoming a carbon-neutral operation.

ISO 14064 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.

Between 2010 and 2013, E-Kart significantly reduced the carbon dioxide equivalent emissions of processes under its direct control. Unfortunately, due to a sharp increase in exports, emissions caused by transport jumped in 2013. The company will calculate and post on its website its emissions for 2014 during the summer of 2015.

In March 2013, in another first for its industry, E-Kart certified the greenhouse gas emissions of four of its product groups – credit cards, debit cards, GSM cards and contactless card to PAS 2050:2011 specifications. E-Kart's goal is to reduce these footprints gradually in the years ahead and to offset immediately through the planting of trees. To maintain its certified carbon-neutral status, E-Kart has planted close to 12 thousand trees in the last four years.

Grams of CO₂ emissions per card



Certified Eco-Friendly Products

İpek Kağıt Tissue Paper procures 100% of its pulp from certified suppliers who can prove that their wood pulp derives from sustainably managed forests, uses elemental chlorine-free or total chlorine-free bleaching processes that pose no risk to human health or the environment, and packages its products in material that biodegrades within five years.

İpek Kağıt communicates its sustainability pledge on its product packaging and related materials with the statement, "Committed to the Future".



Eczacıbaşı Profesyonel launched a biological cleaning product series under the brand name, Maratem Bio. Each biological cleaning product features the bacteria best suited for the cleaning job at hand.

Our building product brands have also taken the lead in eco-labeling. Globally, VitrA was the first brand in the ceramics industry to publish an Environmental Product Declaration (EPD) for ceramic sanitary ware. An EPD is a standardized tool for measuring the environmental impact of a product or service throughout its lifecycle. In Turkey, VitrA was the first to publish an EPD and receive the EU Ecolabel and Greenguard certification for tiles, and the first to earn the right to use the Forest Stewardship Council (FSC) logo on bathroom furniture. It is now in the process of preparing Turkey's first EPD for bathroom furniture.

The Eczacıbaşı Building Products Division and its brands have taken the lead in Turkey and Europe in developing and certifying bathroom and tile products that require fewer natural resources throughout their lifecycles.



İpek Kağıt Tissue Paper and its leading brands, Selpak and Solo declare their commitment to the future by sourcing its raw materials from sustainably managed forests.



*2.5/4 L WC pan
The world's most water-saving WC pan*

Cartridge preventing excessive water use



Burgbad increased the share of wood certified by PEFC, the world's largest forest certification system, to 70% in 2014.

Encouraging sustainable choices throughout the value chain

Eczacıbaşı Profesyonel provides complete professional cleaning and hygiene solutions and a selection of food products to more than 10,000 B2B customers in Turkey's fast-growing tourism, restaurant-catering, shopping mall, education and health industries. In addition to offering a wide range of products under several prominent brands, Eczacıbaşı Profesyonel Akademi (EP Akademi) provides customized training and consultancy services to help customers achieve high standards of cleanliness and hygiene, employee safety, and resource efficiency.

In 2012, recognizing the emergent opportunity for sustainable solutions in the away-from-home sector, the company launched "Eco-Touch", a marketing platform for environment-friendly hygiene and cleaning products. Working closely with both its suppliers and customers, Eczacıbaşı Profesyonel is developing hygiene and cleaning product portfolios that help professional customers reduce their water consumption, eliminate their use of harmful chemicals and encourage sustainable forest management. The Eco-Touch product portfolio includes paper products made by İpek Kağıt Tissue Paper, Maratem Bio, biological cleaning product range and Green Care, a sub-brand of Werner-Mertz that is certified as meeting the rigorous environmental performance and reporting standards of the EU Ecolabel and Nordic Ecolabel. In 2014, Eczacıbaşı Profesyonel launched a catalogue of all Eco-Touch products and the points they can contribute to customers wishing to obtain "green certification" of their businesses. A central component of the Eco-Touch marketing platform is communication of customers' commitment

to sustainable hygiene and cleaning practices. Here, Eczacıbaşı Profesyonel offers customized labeling and signage for rooms, bathrooms, dining halls and other public spaces that express customers' commitment and invite end-users to use resources more sustainably as well. To further strengthen communication with its customers, Eczacıbaşı Profesyonel launched a loyalty program for its key accounts, which together account for a considerable portion of its sales revenue.

EP Exclusive Club, as the program is called, is the first of its kind in Turkey's away-from-home market and one of a handful in Turkey's B2B markets. The aim of the program is to strengthen relationships with business partners via organizing creative and attractive social activities outside work hours.

Promoting green architecture, eco-labeling

The Eczacıbaşı Group is collaborating with the Turkish Green Building Council (ÇEDBİK), of which it is a founding member, on enhancing awareness in the building industry about "green building" design applications.

In 2013, we published an easy-to-use catalogue of green bathroom solutions for architects and builders aiming for high sustainability ratings from international "green building" assessment systems. The catalogue provides comprehensive information about all VitrA bathroom products that qualify for sustainability points from LEED, BREEAM and DGNB, the world's leading assessment systems, including the points they receive in each assessment category and the variety of product options and specifications available. In 2014, we sponsored a training program for architects on LEED Version 4.

We are also collaborating with the Turkish Business Council for Sustainable Development (SKD), of which we are a member of the Board, on several projects, including, most recently, the publication of a catalogue on eco-labeling. The purpose of the catalogue is to raise awareness in Turkey of the growing importance of eco-labeling in a wide range of sectors and the different ecolabels used and recognized internationally.

Artema demonstrated its commitment to sustainability by collecting used faucets and reusing them to design a corporate gift.



Expanded communication through video conferencing

In 2014, Eczacıbaşı-Baxter Hospital Supply launched its latest generation treatment for hemophilia, a Factor VIII preparation called Advate, through an on-line live video conference with health professionals in 17 provinces around Turkey. Last year, it also collaborated with the Turkish Neurologists Society in expanding the reach of the association's training modules to assistant neurologists throughout the country by providing video-conferencing technology to the program. Additionally, Eczacıbaşı-Baxter provides live web broadcasting and archiving of Immune's "Immune System Encounters", making it possible for this information to reach a much broader range of physicians than would have been possible with conventional communication tools..

Sustainability Benchmarks for Suppliers

In 2014, Burgbad developed a code of conduct for suppliers, with 15 rules covering the four issues tackled by the UN Global Compact: human rights, labor, environment and corruption. Burgbad's code also asks suppliers to offer alternative, eco-friendly products when possible, such as products free of harmful substances or made from recycled materials; deliver them on reusable Euro pallets; and ask their suppliers to commit themselves to this code of conduct as well. Burgbad integrated this code of conduct in the standard agreement for suppliers, which is negotiated once a year.

Uni Baby, the flagship baby skin care brand of Eczacıbaşı Hygiene Projects, organizes newborn skin care symposiums twice a year in cooperation with the Association of Pediatric Nurses. Nurses working in hospitals are generally the first people to take care of newborn babies' skin. The aim of the project is to communicate the best evidence-based newborn skin care practices to hospital nurses and the most suitable Uni Baby products for skin care. The symposiums also provide an opportunity for nurses to test Uni Baby products

Community

Inspired by our founding values, we continue to prioritize and strengthen our bonds with the communities we serve. We do this through employee volunteer efforts, company projects, social media campaigns, and Group-level sponsorship of organizations and initiatives that enrich society. We also 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.

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.

Sports

Women's Volleyball and the Eczacıbaşı Sports Club

The Eczacıbaşı Sports Club is home to the Eczacıbaşı Vitra Women's Volleyball Team, World Champion of 2015 FIVB Volleyball Women's Club World and Champion of the 2015 CEV DenizBank Volleyball Champions League. One of Europe's strongest teams, Eczacıbaşı Vitra has also won 28 National Championships since its establishment in 1968, as well as three President's Cups, eight National Cups, and two Super Cups. Additionally, it has played 11 times in the European Cup Final Four, winning the "European Cup Winners' Cup" in 1999.

Volleyball for women and girls is the main focus of the Eczacıbaşı Sports Club, which the Eczacıbaşı Group established in 1966 to fuel young people's interest in sports; contribute to the development of world-class, fair play athletes; and provide opportunities for these athletes to demonstrate their skill in international competitions.

Over the next four decades, the Eczacıbaşı Sports Club single-handedly trained many of Turkey's best sportsmen and women in the fields of basketball, volleyball, gymnastics, table tennis and chess before focusing its resources exclusively on women's volleyball. Over that 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 Chess Championships.

In addition to its Women's Volleyball 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.

Education

Volunteerism

Eczacıbaşı Volunteers is a volunteer initiative established by Group employees to carry out projects that advance the welfare of children,

primarily with respect to education, health and the environment. 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 2008, Eczacıbaşı Volunteers have carried out close to 100 projects that have directly benefited 20,000 children in regional boarding schools involved in the Eczacıbaşı Hygiene Project 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 600 primary schools around Turkey requiring assistance. In 2014, Eczacıbaşı Volunteers focused most of their efforts on enriching the academic environment of several boarding schools through the establishment of music rooms, science and technology labs, and other projects of this kind.

Eczacıbaşı Gönüllüleri

Eczacıbaşı Volunteers carried out a fun and educational project with 10 students from a regional boarding school in Aksaray to support and encourage their participation in the Turkey chapter of the FIRST® LEGO® League. Motivated by the support of the Eczacıbaşı Volunteers, the team of 10 young contestants were named the "Rising Star" team in the FLL tournaments.



Group companies' voluntary and charitable work highlights:

Eczacıbaşı Profesyonel

- * Blood donations to the Turkish Red Crescent.

Eczacıbaşı-Baxter Hospital Supply

- * Volunteers raised 25 thousand lira in donations through various charity runs.
- * Supported Young Guru Academy's (YGA) garage sale to raise funds to support social projects targeting visually impaired people.

Eczacıbaşı Hygiene Project

Healthy and child-friendly learning environments greatly enhance the academic success and well-being of children.

The Eczacıbaşı Group aims to ensure that Turkey's public school children, educators and families have equal access to high-quality and hygienic learning environments. In 2002, the Eczacıbaşı Group laid the foundations of its Hygiene Project, which targets k8 students in public schools, with a special emphasis on Regional Secondary Boarding (YBO) schools. Spearheaded by three Group brands – Vitra, Artema and Selpak – this Group-wide social responsibility project is renovating the bathrooms and showers of Regional Secondary Boarding School dormitories and school buildings, teaching students about good personal care and hygiene practices, ensuring that schools have the hygiene products they need, and organizing social projects that enrich children's emotional and intellectual environments.

Within the Eczacıbaşı Group, a growing 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, Eczacıbaşı Profesyonel, and Eczacıbaşı Volunteers. The Selpak brand sponsors Primary School Personal Hygiene Training classes at all the regional boarding schools that have been renovated. Eczacıbaşı Girişim prepares gift sets of personal hygiene products for students receiving personal hygiene training. Eczacıbaşı Profesyonel supplies the schools with all the general cleaning products they need for the three months following the renovation. Eczacıbaşı Volunteers undertake special projects to enrich the intellectual and social environment of the schools, such as establishing music rooms, science and technology labs, and recreational rooms as well as organizing trips to Istanbul and other cities.

Also partnering in the project is the Ministry of Education, which is helping to determine the neediest schools and ensuring they have the required plumbing infrastructure. To date, 14,000 students at 35 schools in 29 cities primarily in eastern Turkey have benefitted from the project.

According to the cooperation protocol that the Eczacıbaşı Group signed with the Turkish Ministry of Education in January 2010, the project will be extended to 25 more schools by end-2020. The Eczacıbaşı Hygiene Project was the recipient of the International Public Relations Association's 2009 Golden World Award in Social Responsibility and an Honorable Mention in the associated Special United Nations' Award competition. It also received two Honorable Mentions from the US, one in the "Best Social Responsibility Project of Europe" category of the 2009 Stevie International Business Awards and the other in the "Community Relations" category of the PR News Platinum Awards.



Öğrenciler bilgili, banyo-tuvalet yepyeni!

Eczacıbaşı Topluluğu, Hijyen Projesi ile on yılı aşkın bir süredir Yatılı Bölge Ortaokulları'nın tuvalet ve banyolarını yeniliyor, öğrencilere hijyen eğitimi veriyor.

Gelecek kuşakların daha sağlıklı büyümesine destek oluyor.

ECZACIBAŞI HİJYEN PROJESİ

Vitra ARTEMA Selpak Eczacıbaşı Profesyonel Eczacıbaşı

The Eczacıbaşı Hygiene Project

- Improves the comfort, care and academic success of students.
- Raises community awareness of good hygiene practices.
- By offering the best possible hygiene experience at school, the project equips students with the experience and knowledge to trigger a change in their families' hygiene practices and lifestyles.
- Enriches the educational and social lives of students and promotes academic success by creating opportunities for art and theatre, music, and scientific exploration.

Dr. Nejat F. Eczacıbaşı Foundation Music Scholarships

These scholarships enable outstanding young Turkish musicians to pursue graduate musical studies abroad. To date, the Foundation has provided financial support to over 100 musicians studying a wide range of instruments as well as orchestration, direction and composition.

The Foundation also supports excellence in medical research through its prestigious Dr. Nejat F. Eczacıbaşı Medical Awards.

“Dancing Notes” Musical Training for Pre-School Teachers

“Dancing Notes” is a musical training program for pre-school teachers that aims to instill the love of music in young children, enhance their sense of rhythm, create experiences that develop their musical skills, and provide opportunities for discovering talented children at a very early age. The program

is a collaborative effort between the Ministry of Education and the Dr. Nejat F. Eczacıbaşı Foundation.

During the first year of the project, 60 teachers from 10 pilot schools in Istanbul will receive training on the Orff approach to musical education. The project will then provide their schools with the Orff instruments needed to implement this educational method.

Askaynak supports green transportation technology

Our welding manufacturer, Eczacıbaşı-Lincoln Electric Askaynak, is supporting Istanbul Technical University's (ITU) Solar Boat and Solar Submarine Teams. Askaynak offers welding equipment and trains team members to effectively utilize welding techniques to build stronger boats with better performance.

The ITU Solar Boat and Solar Submarine Teams are student run and work towards designing, building and racing solar-powered vessels. The ITU Solar Boat Team was one of the top three finalists in several consecutive rounds of the intercollegiate solar boating championship, the International Solar Splash Championship.

Askaynak also supports the BikoMobil project, a special-needs bicycle designed and manufactured in Turkey, by donating welding equipment and parts used in the manufacturing of these vehicles.

Eczacıbaşı Profesyonel raises hygiene awareness among students in vocational high schools

In 2014, EP Akademi organized three exclusive hygiene training sessions targeting vocational training students. Aiming to raise awareness to best hygiene practices and the sustainable and responsible use of cleaning and home-hygiene products, these training sessions reached out to students in Ortaca and Fethiye Vocational Colleges and in prestigious and prolific culinary institutes, such as Murat Bozok's Kitchen and Istanbul Kitchen Academy.

EP Akademi gave basic hygiene training courses to students and parents, coming from economically disadvantaged households, in a joint effort to help create healthier and safer homes.

“Dancing Notes” is a musical training program for pre-school teachers that aims to instill the love of music in young children.



Culture and the Arts

Istanbul Music, Film, Theatre and Jazz Festivals, Istanbul Biennial, and Istanbul Design Biennial

We support the Istanbul festivals through our leading sponsorship of the Istanbul Foundation for Culture and Arts, İKSV, founded in 1973 on the initiative of Dr. Nejat F. Eczacıbaşı.

İKSV organizes the Istanbul Festivals of Music, Film, Theatre and Jazz, as well as the Istanbul Biennial, the Istanbul Design Biennial, Leyla Gencer Voice Competition, autumn film week Filmekimi, and one-off events throughout the year. The Foundation also organizes the Pavilion of Turkey at la Biennale di Venezia and coordinates an artist residency program at Cité International des Arts, France. Aside from organizing cultural and artistic events, including those hosted at its performance venue, Salon, İKSV conducts studies and prepares reports on cultural policies in Turkey.

As the Leading Sponsor of the Istanbul Foundation for Culture and Arts, the Eczacıbaşı Group supports all the festivals and biennials organized by İKSV.

Istanbul Modern

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, which opened its doors in December 2004.

Istanbul Modern is committed to advancing the public's appreciation of modern and contemporary art in Turkey, contributing to the production of new work, and sharing Turkey's artistic creativity and cultural identity with global audiences.

At its 8,000 square meter site on the shores of the Bosphorus, Istanbul Modern hosts permanent and temporary exhibitions of paintings, sculpture, photography and new media, as well as educational programs, a research library, cinema, cafe-restaurant, and gift store. Through a wide variety of events, the museum aims to encourage visitors of all ages and segments of society to engage actively with the arts. To date, Istanbul Modern has hosted 5.5 million visitors, 108 exhibitions, and more than one thousand artists' work. Additionally, over 550 thousand children and adults have benefited from the museum's educational programs and events.

NGOs we have founded and support



We support the Istanbul festivals through our leading sponsorship of the Istanbul Foundation for Culture and Arts, İKSV, founded in 1972 on the initiative of Dr. Nejat F. Eczacıbaşı.



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, which opened its doors in December 2004.



The Foundation provides music scholarships to young Turkish musicians pursuing graduate programs in music abroad. The Foundation also supports excellence in medical research through its prestigious Dr. Nejat F. Eczacıbaşı Medical Awards.



We are a corporate sponsor of TBV, established in 1995, through the efforts of our Group's Vice Chairman, Faruk Eczacıbaşı.



We are an active supporter of TESEV, an independent and non-profit public policy think tank established in 1961 on the initiative of Dr. Nejat F. Eczacıbaşı.

For more information on our Group's support for civil society organizations, please visit the Social Responsibility section of our corporate website, www.eczacibasi.com.

An Informed Society

In 2014, more digital natives joined our workforce than ever before, and we recognize that a growing mass of our customers are also active participants of the Information Age. At the Eczacıbaşı Group, one of our core values is to inspire and cater to modern lifestyles, so the healthy development of an informed society is a top priority for us. We help build an informed society by communicating effectively on vibrant, evidence-based and data-sourced platforms with our stakeholders.

Online community

We strive to maintain a proximate and multi-way communication with our followers on social media and we value the opinions and contributions of the global online community. Each year, our corporate communications teams draw up new and innovative strategies to engage with our online audiences through our Group accounts on Facebook, Twitter, Instagram, LinkedIn, and our channels on YouTube. Eczacıbaşı Group brands are also among the most active in Turkey on popular social media sites, particularly Facebook.

Turkish Informatics Foundation

We are a corporate sponsor of the Turkish Informatics Foundation (TBV), established in 1995 through the efforts of the 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.

Over the past 20 years, TBV has successfully delivered short and long-term projects on legal, administrative, foreign policy and local-to-national development aspects of ICT in Turkey, with special focus on Turkey's e-transformation (e-Turkey). TBV hosted the leading IT summit in Turkey and engaged actively in all key ICT-related national and international events, including the 2014 Internet Governance Forum in Istanbul.

In June 2014, TBV founded Turkey's first Information Society Institute, now located in Karakoy, Istanbul. The Information Society Institute will become an ideation space for ICT enthusiasts, scholars, activists, policymakers and business leaders not only in Istanbul but also globally. It is also on a fast track to become the chief platform for a conversation on how to mobilize a freer, more technologically-capable, creative and engaged information society.

Turkish Economic and Social Studies Foundation

We are an active supporter of TESEV, an independent and non-profit public policy think tank established in 1961 on the initiative of Dr. Nejat F. Eczacıbaşı.



Social media highlights in 2014

Facebook

- 26% increase in followers in one year
- 203 new pieces of content posted
- Over 200 thousand followers

Twitter

- Close to 90 thousand followers
- 40% increase in followers in one year
- Close to 4 thousand mentions

IKSV coordinates the first Turkey Pavilion at the Venice Biennale

In its debut year, the Pavilion of Turkey is co-sponsored by Schüco Turkey and Vitra, with the production support from Häfele and contributions from the Istanbul Mineral Exporters' Association and Promotion Fund of Turkey's Prime Ministry.

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 FY14 (financial year ending 31 December 2014) 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 the entire Group.

General reporting principles

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

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

Key definitions

For the purpose of this report, the Group defines:

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

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 FY14 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/); and
- For electricity and steam, conversion factors are obtained from the "2012 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 2009 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.

Restatements

The measuring and reporting of carbon emissions data inevitably involves a degree of estimation. Restatements are considered where there is a change in the data of greater than 5 percent at a Group level.

Eczacıbaşı Group's industrial sites in Turkey

All of the Eczacıbaşı Group's 27 industrial sites in Turkey, listed below by company, are included in our 2014 Statement of Energy Consumption and Carbon Emissions.

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) 7 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*

*Eczacıbaşı Hygiene Products
(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) 7 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 2014.

The Selected Information subject to limited assurance consists of the Statement of Energy Consumption and Carbon Emissions for the year ended 31 December 2014 in page 5 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 42-43 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 2014, to enable the Directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors as a body and the Company for our work or this report save where terms are expressly agreed and with our prior consent in writing.

*For the 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 2014, 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, SMMM
Partner

Istanbul, 18 June 2015

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. 2-3) and

Principle 2: make sure that they are not complicit in human rights abuses. (Pg. 2-3)

Labor Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; (Pg. 29)

Principle 4: the elimination of all forms of forced and compulsory labor; (Pg. 29)

Principle 5: the effective abolition of child labor; (Pg. 29) and

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

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges. (Pg. 2-3, 18-24)

Principle 8: undertake initiatives to promote greater environmental responsibility. (Pg. 18-24)

Principle 9: encourage the development and diffusion of environmentally friendly technologies. (Pg. 18-24)

Anti-corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery. (Pg. 2-3)

