



Eczacıbaşı Group Sustainability Report 2016



Eczacıbaşı

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Joint Statement from the Chairman and CEO



The Eczacıbaşı Group became a signatory to the United Nations Global Compact in 2006. Since then, we have continually expanded our efforts to align our business operations and social projects with the principles of sustainable development, to which we are fully and actively committed.

Over the last 10 years, we have worked steadily to improve our environmental and social performance with respect to energy and water efficiency, health and safety, and equal

opportunity. We set three-year performance targets in each of these areas for our operations in Turkey and obtained third-party assurance of our energy consumption and carbon emissions data to help us evaluate our results. We made sustainability a central theme of our corporate strategy and joined national and international initiatives aimed at advancing sustainability goals. In 2016, we revised our activities and action plan to align them with 11 of the 17 Sustainable Development Goals announced by the United Nations in late 2015. To this end, we also extended our assurance process to include other key performance indicators, specifically: water consumption, occupational health and safety and equal opportunity.

2016 was the final year of our second, three-year target period for sustainability performance. In 2014, we set out to improve the per-ton energy and water efficiency of our industrial operations in Turkey by 4%, increase the share of women in new recruitment for professional positions to 50%, and lower accident rates steadily to below 1.0 per 200 thousand hours with the ultimate goal of achieving zero accidents in all our operations. Our success in meeting some of these targets was uneven, most notably in the area of energy efficiency, where significant savings had already been achieved.

Our progress was strongest in the area of health and safety, where we lowered our accident rate by 31%. Here, all of our operations contributed to this result with comprehensive programs to remove risk from the workplace environment through investments in training, advanced risk reduction and accident-prevention systems, and the reorganization of workplace processes.

In the area of equal opportunity, we carried out a rigorous evaluation of our equal opportunities performance in Turkey with McKinsey&Company. During the second half of 2016, we surveyed close to 1,500 employees, conducted one-on-one interviews with top management, and held a number of workshops to analyze our data and determine an action plan for rapidly advancing our performance in this area.

The result of this rigorous equal opportunity review is ALLforALL, a program we launched in Turkey on 8 March 2017, International Women's Day, to reinforce our efforts to increase the recruitment, retention and promotion of women in our Group. At the same

time, we expanded the number of indicators used to measure our equal opportunity performance, so as to demonstrate our resolve and encourage our operations to act more decisively in this area. Through a series of specific measures, such as gender blind application processes, mentoring, leadership programs and anti-bias training, we aim to increase the share of women in recruitment from 43% to at least 50% by 2020, and the share of women in overall professional positions and management positions from respectively 33% to 40% and from 28% to 35%.

In the area of energy and water efficiency, the start-up of large new investments impeded our ability to achieve our consolidated three-year targets. Between 2014 and 2016, our Building Products Division completed the first phase of a new investment in Turkey that will increase its ceramic sanitaryware capacity here by 20% to 6 million pieces, while our Consumer Products Division increased its tissue paper capacity by 65% from 110 to 180 thousand tons with the installment of a fourth paper machine and two new plants for personal care products.

All four investments required substantial testing at less than full capacity, which temporarily lowered our energy and water consumption efficiency and raised our average consolidated per-ton consumption because of the higher rates associated with tissue paper and ceramic sanitaryware manufacturing. Both developments contributed largely to the 5.5% increase in our consolidated per-ton energy consumption over the target period. However, from this new base value, we aim to achieve our 4% per-ton reduction target in the period ahead.

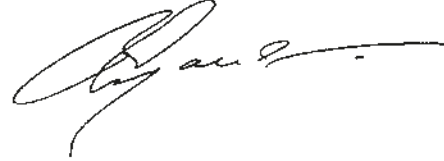
For similar reasons, we were only able to lower our consolidated per-ton water consumption by 1.9% over the full target period, despite a 14% per-ton reduction during the first two years. Here, too, we aim to achieve our 4% per-ton reduction target in the upcoming period.

We believe that innovation is one of our most important tools for advancing our sustainability efforts and performance. Accordingly, we are taking pioneering steps to establish the infrastructure necessary for spurring innovation

throughout the Group. One of these is the VitraA Innovation Center, which we established in 2011 to provide the research and development base for innovation in the Building Products Division.

VitraA Innovation Center is undertaking projects that clearly differentiate us in the building products industry and contribute to the sustainability performance of the entire Group. In 2016, the Center received the Ministry of Science, Industry and Technology's "Most Successful R&D Center" award for its category for the fourth consecutive year and moved up in the Ministry's nationwide ranking of all R&D centers in Turkey from 12th to 7th place.

Through innovation and the many other efforts described above, we believe that we are steadily developing our businesses in ways that advance both the United Nations Sustainable Development Goals and the benefit our companies derive from this process. In our experience, this is the key to making the business world an eager and effective advocate of sustainable development.



Bülent Eczacıbaşı
Chairman

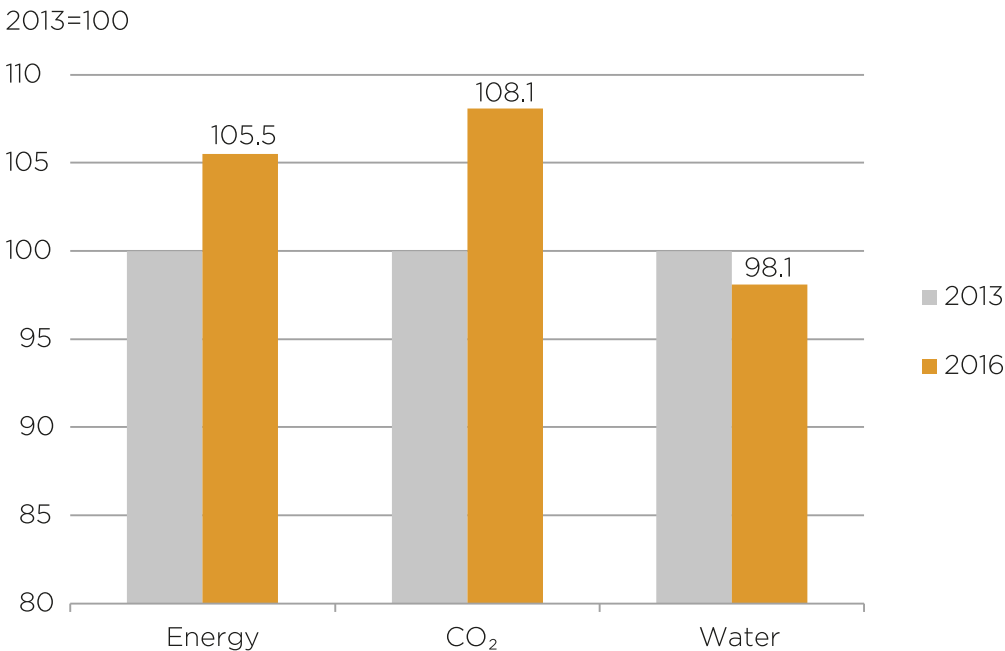


Dr. Erdal Karamercan
President and CEO*

*On 1 February 2017, Atalay Gümrüh, formerly Vice President of the Eczacıbaşı Building Products Division, assumed the position of Eczacıbaşı Group CEO. Dr. Erdal Karamercan continues to make vital contribution to the Eczacıbaşı Group as Vice Chairman.

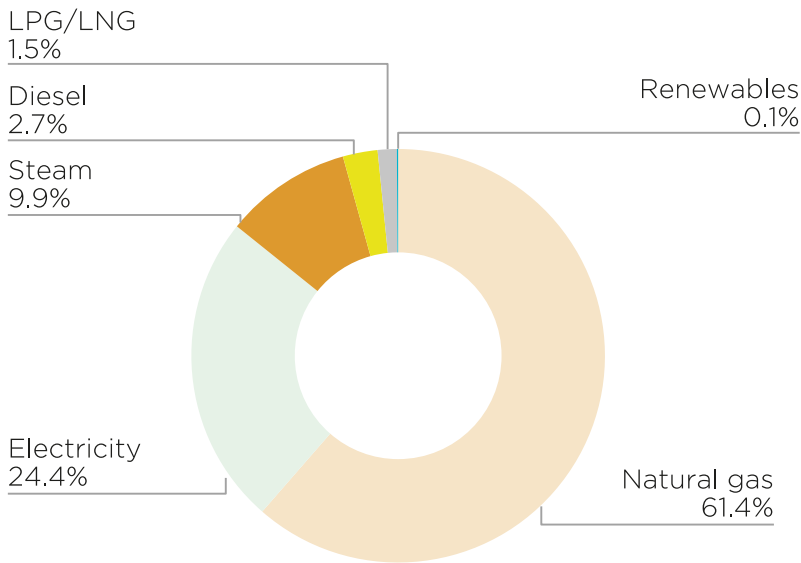
Eczacıbaşı Group Environmental Highlights

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



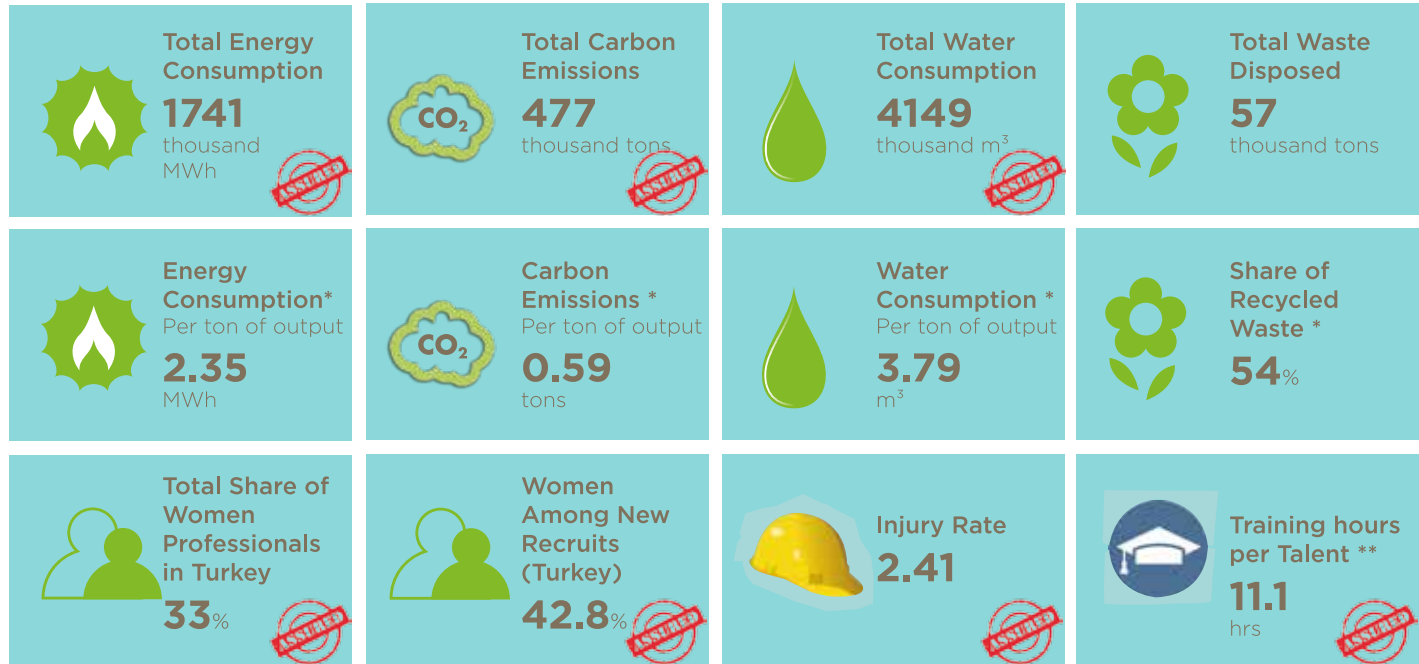
*Per ton data for industrial sites in Turkey do not include Esan Eczacıbaşı Raw Materials because it accounts for close to 80 percent of total output on a ton basis, so small changes in its output can have a disproportionately large impact on per ton data. Per ton data for previous years are adjusted to reflect changes in assets and facilitate comparison between years.

Energy Consumption Source** (% in MWh equivalent)



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

Eczacıbaşı Group Sustainability Highlights



* Excludes Esan Eczacıbaşı Industrial Raw Materials.

** Employees in leadership programs.

Aim

Timeline

Progress

Explanation



Reducing the per-ton energy consumption of our industrial sites in Turkey by 4%

2014 - 2016

Not achieved

Progress inhibited in 2015 by investments. See page 17 for details.



Reducing the per-ton water consumption of our industrial sites in Turkey by 4%

2014 - 2016

Partially achieved

Progress inhibited in 2015 by investments. See page 21 for details.



Creating awareness of green brands and sustainable consumption habits among stakeholders

2012 - ongoing

On Target

Placed 3rd in Sustainability Strategy and 6th in Environmental Sensitivity in Capital Magazine's 2016 "Turkey's Most Admired Companies" survey.



Increasing the share of women among new recruits in Turkey to 50%

2011 - 2016

Partially achieved

New measures and KPIs adopted following comprehensive evaluation of policy performance.



Steadily lowering injury rates to below 1 per 200 thousand work hours

2014 - 2016

On Target

Combined focus on raising awareness and expanding near-miss and accident prevention programs. 31% reduction in injury rates since the base year.



Refurbishing wet spaces at 60 boarding schools around Turkey

2007 - 2020

On Target

18,000 students at 40 boarding schools in 33 cities have benefitted from the project; the goal for 2020 is 60 schools in total.



Training pre-school teachers at schools around Turkey on the Orff approach to musical education

2015 - 2016

On Target

150 teachers at 40 schools in Istanbul, Hatay, Konya and Samsun received training.

Eczacıbaşı Group

Financial Highlights *

| | (TL Million) | |
|-----------------------------|----------------|----------------|
| | 2015 | 2016 |
| TOTAL NET SALES | | |
| Building Products | 3,129.6 | 3,423.1 |
| Consumer Products | 1,543.6 | 1,812.8 |
| Healthcare | 903.1 | 958.5 |
| Other Products and Services | 2,865.7 | 3,434.9 |
| Eczacıbaşı Group | 8,442.1 | 9,629.3 |
| INTERNATIONAL SALES | | |
| Building Products | 1,687.7 | 1,953.7 |
| Consumer Products | 192.9 | 285.4 |
| Healthcare | 71.0 | 64.5 |
| Other Products and Services | 772.0 | 907.3 |
| Eczacıbaşı Group | 2,723.6 | 3,210.9 |
| EBITDA | | |
| Building Products | 206.4 | 240.8 |
| Consumer Products | 67.6 | 71.2 |
| Healthcare | 79.0 | 2.6 |
| Other Products and Services | 256.5 | 203.4 |
| Eczacıbaşı Group | 609.5 | 518.0 |

*Combined results of Group companies

Eczacıbaşı Group at a Glance

Building Products Division

- Eczacıbaşı Building Products Inc. Co.
- Burgbad AG
- Burgbad GmbH
- Burgbad France SAS
- VitrA Tiles Inc. Co.
- VitrA Tiles LLC
- VitrA Fliesen GmbH&Co.KG
- V&B Fliesen GmbH
- İntema Building Materials Marketing and Sales Inc. Co.
- İntema Yaşam Home and Kitchen Products Marketing Inc. Co.
- VitrA UK Ltd.
- VitrA Bad GmbH
- VitrA USA Inc. Co.
- VitrA Bathroom Products LLC
- Eczacıbaşı Building Products LLC
- Eczacıbaşı Building Products Europe GmbH

Business areas

- Sanitary ware
- Sanitary fittings
- Ceramic tiles
- Bathroom furniture
- Kitchen furniture and accessories
- Washing area solutions
- Concealed cisterns

Consumer Products Division

- İpek Kağıt Tissue Paper Co.
- İpek Kağıt Central Asia LLP.
- Eczacıbaşı Girişim Co.
- Eczacıbaşı-Schwarzkopf Professional Hairdresser Products Co.
- Eczacıbaşı Hygiene Products Co.
- Eczacıbaşı Profesyonel Products and Services Co.

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

Healthcare Division

- Eczacıbaşı Pharmaceuticals Marketing Co.
- Eczacıbaşı-Monrol Nuclear Products Co.
- Monrol Poland Ltd.
- Monrol Bulgaria Ltd.
- Monrol MENA Ltd.
- Monrol Gulf DMCC
- S.C. Monrol Europe SRL.
- Radiopharma Egypt S.A.E.
- Eczacıbaşı Shire Health Products Co.
- Eczacıbaşı Health Services Co.
- Eczacıbaşı Occupational Health and Safety Services Co.

JV Partners

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

Business areas

- Rx drugs
- Non-Rx products
- IV solutions
- Hospital supplies
- Biological and biotechnological products
- Radiopharmaceuticals and active ingredients
- Home healthcare services
- Occupational health and safety services

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.

Welding Technology

- Eczacıbaşı-Lincoln Electric Askaynak Co.

Mining and Minerals Processing

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

Other Products and Services

- Kanyon Management and Marketing Ltd.
- Ekom Eczacıbaşı Foreign Trade Co.
- Eczacıbaşı Property Development and Investment Co.
- Eczacıbaşı Insurance Agency Co.
- Eczacıbaşı Medical and Cosmetic Products Co.
- Eczacıbaşı Aviation Co.

JV Partners

- Giesecke & Devrient (Germany)

Business areas

- IT
- E-card systems

JV partners

- Lincoln Electric (U.S.)

Business areas

- Welding consumables and equipment

Business areas

- Industrial raw materials

JV partners

- İş REIT (Turkey)

Business areas

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

Managing Sustainability



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. VPs in charge of shared functions, such as Corporate Communications, Finance and Strategic Planning, Human Resources (HR) and Information Technology (IT), also report directly to 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.

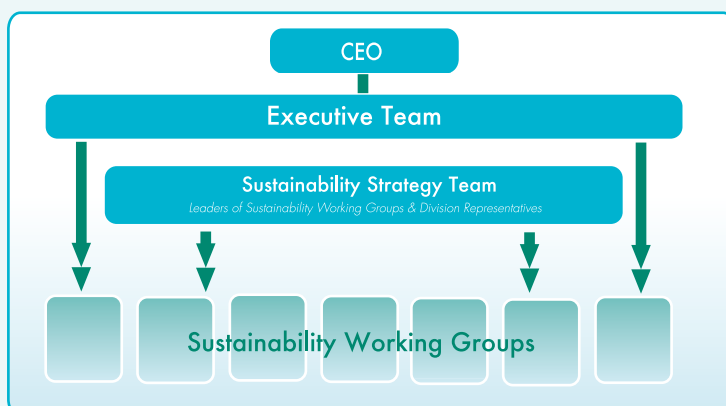
Organizational Structure

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 seven members, including four 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

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.



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 highlights of company activities contributing to our progress.

Life Cycle Management in the Eczacıbaşı Building Products Division

In its drive to differentiate its brands and products, the Eczacıbaşı Building Products Division relies heavily on VitrA Innovation Center. At VitrA Innovation Center, we design and develop products and manufacturing processes that contribute to the sustainability credentials of both our own operations and the users of our products. To this end, we are increasingly focusing our R&D efforts on the lifecycles of products with the goal of reducing their environmental impact at every stage, from raw material use through to disposal.

MANUFACTURING

Heat recovery

- Recycles waste heat from the stacks and cooling pipes of kilns and furnaces in its ceramic sanitary ware, tiles, and faucets plants for other thermal processes.

Energy-efficiency

- ISO 50001 certified energy management systems
- LED and natural lighting
- Plant insulation
- Sensor lighting technology used in all production areas and warehouses
- 100% electricity-powered forklift fleet

Effective use of water treatment systems

- Treats and reuses water used for rinsing chrome plating in faucet production, reducing fresh water consumption for this process by 20%.
- Reuses wastewater from ceramic sanitaryware manufacturing processes, for a 40% reduction in fresh water use in this operation.

RAW MATERIAL

New raw material for toilet seats:

- 37% plant-derived biopolymer created by DuPont
- Environment friendly and biodegradable
- Attractive, ultra glossy surface
- Requires 40% less energy to produce
- Reduces GHG emissions by as much as 60%

New slip formula for large cabinet-top sinks:

- Eliminates use of chamotte (calcined clay), which requires very high firing temperatures
- Reduces GHG emissions by as much as 60%
- Improves product quality by eliminating risk of subsequent cracking
- 50% reduction in cost



DISTRIBUTION

Energy-saving logistics:

- Comprehensively examined international transport routes
- Discussed alternative supply routes and modes of transport with stakeholders
- Developed multi-modal transportation network that reduced carbon emissions by 950 tons and cut transport costs by almost \$1 million.

PRODUCT USE

Eco-labeling

- World's first EPD for ceramic sanitary ware
- Green Bathroom Solutions catalogue for LEED, BREEAM, DGNB certification

Smart water management panel

- Multifunctional interface for concealed cisterns
- Sensor diagnosis of cistern performance
- Easy-to-clean glass surface
- Mobile app management of all features
- Eco Mode saves water
- ChildLock, for restricting access
- Vacation Mode for odor prevention
- AutoFlush for hybrid use

Q-line energy-saving faucet

- 90° left-side rotating loop handle prevents unwanted activation of the hot water boiler
- Cold water flows at lever's central forward position, warm to hot water when moved left
- Special cartridge for programming maximum temperature and flow
- Aesthetic loop-shape design for easy handling and precise control

Rim-ex water-friendly toilet bowl

- Rimless toilet bowl with new wash technology
- Improved hygiene and easy cleaning
- Reduces need for frequent cleaning and harsh chemicals
- Offers complete removal of all hidden parts for thorough cleaning

Powerbox energy saver

- Small, external dynamo powered by the flow of water
- Supplies the energy needed to power as many as five photocell faucets
- Needs no additional battery power or external energy source

END OF LIFE

From waste to new product

- First in Turkey to reuse 100% of wastewater treatment sludge on-site to produce porcelain tiles, equivalent to 13 thousand tons in 2016
- Solid ceramic waste is sold to a local cement manufacturing plant
- Reuses all brass shavings from casting processes to produce new ingots in-house.



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 one of the components 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 60 thousand ideas to date. Submissions have picked up since the launch of the new portlet in January 2015, which enables users to "like" other people's suggestions, add their own ideas to suggestions, or share suggestions with other colleagues via e-mail. In 2016, the system received more than 13 thousand suggestions from 1,500 people in 30 companies, up from 9 thousand the previous year.

Adding to this momentum is the Inocino Mobile Application, which we launched in 2016. Via this application, employees can share their suggestions immediately and location-independently using their cell phones.



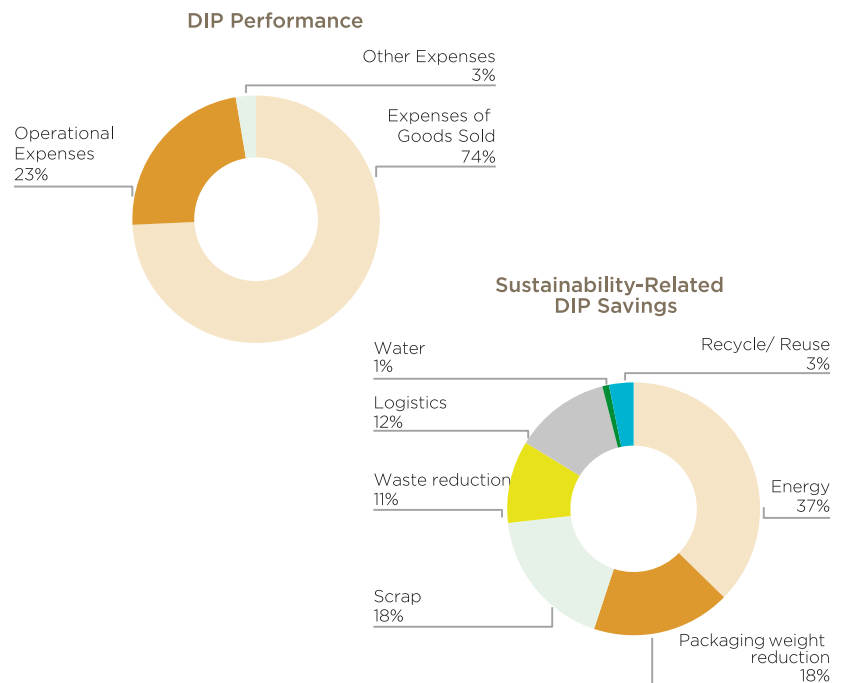
DIP Value Improvement Program

In 2014, we launched our Group-wide Value Improvement Program (DIP), which aims to spur people to review every expense in their business processes for ways 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 DIPomats (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 the organizations of Group companies: each company is represented by a Company DIPomat, On Site DIPomat, and Department DIPomats who actively communicate DIP to all the employees and help generate new projects in their companies. DIPomats are also responsible for organizing annual workshops on DIP theory and best practices.

In its third full year of operation, over 1,400 DIP projects generated savings equivalent to 2% of the Group's total expenditures, a figure well above target. Every year, the target is distributed to companies according to their operating expenses.

DIP

DIP projects contributing to the Eczacıbaşı Group's environmental sustainability performance accounted for about 11% of both projects and total savings.



VitrA Innovation Center

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 2016, for the fourth consecutive year, the Center received the Ministry of Science, Industry and Technology's "Most Successful R&D Center" award in the Glass and Refractory industries and moved up in the Ministry's nationwide ranking of all R&D centers in Turkey from 12th to 7th place.

VitrA Innovation Center made 57 building product patent applications in Turkey in 2016, up from 21 in 2015. During the year, it completed 31 projects and launched 13 new ones: eight on product development, four on R&D, and one on cost improvement. As of end-2016, the Center had 36 ongoing projects.

In 2016, the Center also submitted 14 different projects to national and international incentive programs. Four of these are directly related to sustainability issues. Two are focused on reducing energy use and CO₂ emissions during firing processes for ceramic sanitary ware and tiles through lower temperatures and reduced firing times. The third aims to develop a more eco-friendly production process for faucets and fittings, and a fourth – submitted to Horizon 2020 – aspires to produce a compact and cost-effective unit that enables domestic and commercial establishments to recycle wastewater and waste heat.

| Projects in National and International Incentive Programs, 2016 | | |
|---|---|--|
| National | 7 | 6 projects are run by TÜBİTAK - TEYDEB*, 1 is an industrial cluster project. |
| International | 7 | All projects are run by Horizon 2020, the EU's largest research and innovation funding program |

*TÜBİTAK-TEYDEB: Technology and Innovation Grant Programs Directorate of the Scientific and Technological Research Council of Turkey

The Center also began a project with Boğaziçi University in 2016 to prepare lifecycle assessments of WC pans and faucets produced with polymers in place of ceramic and metal to compare their environmental impact. The project emerged from an earlier one in 2015, in which the Building Products Division collaborated with Dupont to produce an eco-friendly bio-polymer toilet seat containing 37% plant-derived renewable material. According to independent research, producing toilet seats from this material uses 40% less energy and creates 60% fewer greenhouse gas emissions than those made from standard plastic.

| Funding Institutions | Completed Projects | Ongoing Projects | Applications Submitted in 2016 | Applications Accepted | Under Evaluation |
|----------------------|--------------------|------------------|--------------------------------|-----------------------|------------------|
| TÜBİTAK-TEYDEB | | 2 | 6 | | |
| TÜBİTAK-BİDEB | | | 1 | 1 | 6 |
| BOREN | | 1 | | | |
| EUREKA | 1 | 1 | | | |
| HORIZON 2020 | | | 7 | | |
| SANTEZ | 1 | | | | |

TÜBİTAK: Scientific and Technological Research Council of Turkey
TEYDEB: Technology and Innovation Funding Programs Directorate
BİDEB: Scientist Support Directorate
BOREN: National Boron Research Institute
SANTEZ: Industrial Theses Program

In 2016, just one year after we established a smart connected technologies lab at the Istanbul Technopark to develop IoT (Internet of Things) applications for smart products, VitrA Innovation Center launched the first two products developed at this lab: a smart connected panel and smart mirror.



Smart Control Panel

- Concealed cistern interface
- Sensor diagnosis of cistern performance
- Mobile app for remote management
- Eco Mode, ChildLock, Vacation Mode, AutoFlush functions

Smart Mirror

- Personalized visual assistant
- Customized widget interface with choice of: Audio / Traffic information / Social media Weather updates / News / Ambient light
- Single display for all smart gadgets and VitrA Smart Connected Products
- Mobile app for remote management



VitrA Innovation Center staff are also involved in broader theoretical work. In 2016, they presented some of this research in speeches and poster presentations at five international congresses and published four articles in scientific journals included in the Science Citation Index.

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 five main categories: Innovative Products and Services, Innovative Efficiency Projects, Innovative Communication, E-Transformation and Sustainability. At the end of the day, the winners receive their awards.

In 2016, 16 Eczacıbaşı Group Companies submitted 46 innovative projects in related categories that together contributed \$84.2 million to Group's performance. To date, 407 projects have competed for these awards and collectively contributed as much as \$337 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 and funding institutions in Turkey and abroad.

VitrA Innovation Center currently has 20 projects with 11 universities, among them Koç University, Sabancı University, Boğaziçi University, Middle East Technical University, and Yıldız Technical University in Turkey, and Sheffield Hallam University abroad.

Additionally, nine of our companies partnered with one international and 25 local universities on 58 projects involving the development of new products, materials and product design in 2016. Esan has the most ongoing projects with universities -30 in all with 20 universities, among them Istanbul Technical University, Sabancı University, Koç University, Middle East Technical University, and Yıldız Technical University. Four are collaborative projects with TÜBİTAK.

In 2016, Esan completed a TÜBİTAK-funded project with Sabancı University to incorporate halloysite nanotubes into packaging to increase the shelf-life of food products and kicked off 25 new projects in a wide variety of fields with industrial partners, including projects to reuse waste, increase efficiency, develop new products and create new product formulations.

2016 Innovation Award Winners



| Category | Company | Project Name |
|----------------------------------|------------------------------|---|
| Innovative Products and Services | Eczacıbaşı Professional | New Selpak Professional Dispenser Series |
| Innovative Efficiency Projects | Eczacıbaşı Building Products | Development of an Alternative to Chamotte in FFC Formulas (Vitra Clay Bodies) |
| Innovative Communication | Eczacıbaşı Girişim | Okey Tenn |
| E-Transformation | Building Products Division | Automation of Purchasing and Invoicing Operations |
| Sustainability | Eczacıbaşı Building Products | Greenware Surface Finishing in Ceramic Sanitary Ware |

Targets, Projects & Performance



In 2016, the Eczacıbaşı Group completed its second three-year performance period for sustainability targets.

Energy

Energy use in production processes

For the three year period starting in 2014, the Eczacıbaşı Group set itself the goal of reducing per-ton energy consumption in its industrial operations in Turkey by 4%. Despite progress by individual companies, it was unable to achieve its consolidated target, largely due to the start-up of several major investments by some of its largest energy-consuming operations. Instead of falling, per-ton energy increased 5.8% between 2013 and 2016.

Energy consumption (kWh per ton of output) 2013-2016

| 2013 | 2014 | 2015 | 2016 |
|------|------|------|------|
| 2.22 | 2.17 | 2.21 | 2.35 |

In 2016, the energy consumption of new investments under testing or in their initial phases of operation continued to put upward pressure on the Eczacıbaşı Group's per-ton energy consumption for industrial use. These pressures are expected to ease in 2017, when new plants and machinery operate at optimal capacity. At the same time, all Group companies continued to undertake studies aimed at pinpointing areas for energy efficiency improvement and at improving the performance of problem areas.

VitrA Tiles, one of the Eczacıbaşı Group's three largest energy consuming operations, implemented three energy savings projects in 2016 that will prevent some 3,800 MWh of energy consumption in the years ahead. VitrA Tiles' largest project in this area extended one of its kilns from 76 meters to 95 meters to expand the tile volume of each firing batch. By increasing the kiln's capacity, VitrA Tiles is saving just over 1,600 MWh annually.

VitrA Tiles' second energy-saving project involved the replacement of its existing shrink-wrapper, which used natural gas to heat and bind the plastic, with a new generation machine that stretches the plastic to achieve the same result. Not only has the new machine saved energy, it has also reduced the risk of damaging tiles during the packaging process. In its third energy-saving project, VitrA Tiles replaced old motors used in the milling process with new generation high-efficiency ones.

EYAP-Artema, the Building Product Division's faucet and fittings producer, undertook 20 energy savings projects in a wide variety of areas that will save the operation about 1,100 MWh of energy annually in the years ahead. Virtually all of these projects required simple changes or small upgrades in equipment (insulation, replacement of low-efficiency motors), proving yet again that major energy savings can be found by examining production processes and identifying small, but cumulative sources of energy loss.

İpek Kağıt Tissue Paper, the largest production operation in our Consumer Products Division and one of the highest energy-consuming operations per ton of output, completed a project to heat the interior of its plant and administration buildings with waste heat from a cogeneration plant located at its Yalova plant rather than steam. This new heating system will save the company roughly 700 tons of steam annually and prevent 110 tons of CO₂ emissions.

Another Consumer Products Division company, Eczacıbaşı Profesyonel, achieved energy savings equivalent to 7% of its total energy consumption at its 22-thousand ton cleaning chemicals plant through two efficiency projects. The first moved the heated room for melting raw materials to the main plant building. By changing the location of this room to an interior space with greater insulation and switching from independent electrical heating to the plant's main heating system, Eczacıbaşı Profesyonel was able to reduce energy costs and expand the capacity of this process. A second project tackled the cooling system of the machine producing packaging material. Previously, the cooling system of the machine relied on the main chiller system used to cool the interior of the plant. This meant that the chiller system needed to operate at night even when lower temperatures in the plant interior made this unnecessary. By investing in a separate chiller system for the packaging machine, Eczacıbaşı Profesyonel was able to achieve savings equivalent to 3% of its total energy consumption in the first six months of use.

Esan, our mining and mineral processing company, completed 14 projects in 2016 that will generate more than 4,500 MWh of energy savings, roughly twice the level of savings the company achieved in 2015. The largest of Esan's projects involved the installation of new bentonite kiln with a capacity 2.5 times greater than its previous model, enabling it to reduce its per-ton natural gas consumption during the bentonite drying process. Additionally, Esan constructed a covered depot for storing bentonite before it enters the kiln, this way reducing its exposure to ambient humidity and reducing the amount of energy needed for the drying process.

Including these projects, our manufacturing operations in Turkey completed over 43 major projects in 2016 that will save them close to 10 thousand MW of energy annually, an amount equivalent to 0.6% of their total energy consumption in 2016.

Energy management systems

As described in the "Sustainability Management" section, the Energy Efficiency Working Group is one of our seven sustainability working groups. One of the primary goals of this 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: Eczacıbaşı Building Products (VitrA and, since 2015, Artema); VitrA Tiles, Eczacıbaşı Professional, and İpek Kağıt.

Esan, one of our most active companies in Turkey in the area of energy management, joined the first round of participants in an advanced training course for Energy Management System experts organized by Turkey's Renewable Energy Directorate in collaboration with the United Nations Development Program (UNDP) and funded by the United Nations Industrial Development Organization (UNIDO).

Industrial Energy Efficiency Projects in 2016

| | Number of Projects | MWh Savings |
|-----------------------------|--------------------|-------------|
| Building Products Division | 22 | 4,750 |
| Consumer Products Division | 6 | 264 |
| Healthcare Division | 1 | 137 |
| Other Industrial Operations | 14 | 4,628 |
| Grand Total | 43 | 9,779 |



VitrA Wins Energy Efficiency Award

VitrA wins third prize in the 17th Energy Efficiency in Industry Project Competition organized by the Ministry of Energy and Natural Resources for its project to reuse waste heat in ceramic sanitaryware production.

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 now has the system up and running at its three plants in Germany. It plans to have the system fully in place at its fourth plant in France by end-2017.

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.

Still, until Esan, our mining operation, installed 500 kilowatts of photovoltaic panels to power its new storage depot in Güllük, Milas, Turkey, we had not harnessed sunlight for energy production. The largest solar-based auto production investment of its kind in the region, this project is providing all the electricity needed to run the depot's tripper belt conveyors and power related equipment. These panels reduced Esan's consumption of electricity generated from non-renewable fuels by 708 MWh in 2015, with a corresponding reduction in carbon emissions of 398 tons. In early 2016, this project earned Esan a "Low Carbon Hero" award at the third Istanbul Carbon Summit organized by the Sustainable Production and Consumption Association of Turkey in collaboration with the International Emissions Trading Association. Esan's project was one of 19 to receive this award from among 58 entries submitted by Turkish and global companies.

In 2015, Esan completed a second solar energy project with a fixed capacity of 2,350 kW, the

largest solar energy auto-production facility in Turkey, which produced close to 1.0 thousand MWh of electricity in 2016. In 2017, its first full year of operation, the plant is expected to generate as much as 3.8 thousand MWh of energy, which – in combination with the Güllük project – will prevent about 2.5 thousand tons of carbon emissions per year. Esan is using this energy for its new plant in Eskisehir, Turkey's first and Europe's only primary magnesium metal production facility.

The new plant clearly demonstrates the competitive power of investing in energy efficiency and renewable energy. Esan has adjusted its primary magnesium smelter to be much more efficient and environmentally friendly while producing higher quality metal compared to other producers using the same process. This factor, along with its use of renewable energy and close location to the European Union, offers customers there the opportunity to significantly reduce the carbon footprint of their products, according to a Life Cycle Assessment prepared by the German Aerospace Center.

To encourage more companies to follow in the footsteps of Esan, the Eczacıbaşı Group is generating awareness about the growing potential of renewable energy for electricity production as a result of falling costs and changes in Turkey's legal framework. It is also creating opportunities for companies to learn from experiences and best practices in this area and encouraging them to evaluate the feasibility of renewable energy in electricity production for new and existing operations.

Another option is finding an electricity company that offers power generated from renewable sources. Many electricity companies have a choice of suppliers and energy sources, and customer demand determines their offering. This was the case of our bathroom furniture producer in Germany, Burgbad, which encouraged its electricity supplier to offer electricity from renewable sources. Via this "green energy option", Burgbad was able to slash its CO₂ emissions by more than 40% in 2016.

Energy use in buildings

Energy use in buildings was the first area where we achieved our energy reduction goals. With the support of specialist consultants and a team of representatives from our largest administrative and commercial buildings, we 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. During this period, members of our working group on Energy Efficiency in Buildings, now part of our Energy Efficiency Working Group, 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 150,000 m².

Since 2013, we have extended these practices throughout the Group as regular components of our energy efficiency management systems. We are also continuing the process of switching all buildings to LED lighting systems, which we will continue until the transition is completed. In 2016, two more companies switched their lighting infrastructure in production areas to LED, for annual energy savings about 152 MWh.

Logistics and Transportation

Since 2014, another sustainability working group focused on logistics and transport has overseen efforts to calculate the carbon emissions of all outgoing shipments from industrial operations in Turkey, including both shipments abroad and in Turkey; created an inventory of our vehicle park in Turkey; and established an electronic system for collecting and calculating the carbon emissions associated with our vehicle fleet's business travel. It has also begun to 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.

In 2016, according to the calculations of the Sustainable Logistics and Transport Working Group, carbon emissions generated by shipments originating in Turkey amounted to 49.2 thousand tons, an amount equivalent to roughly 10% of all emissions generated by our

industrial operations in Turkey, including our mining operation, Esan. This figure represents a 10% reduction relative to 2014, the first year for which we have data. However, emissions from shipments increased slightly, while total emissions, including those generated by our vehicle fleet in Turkey, declined by 3%, thanks to a new policy introduced in 2016 requiring companies to purchase vehicles with smaller engines. As a result of this policy, our average engine size and total vehicle fleet have declined by 2.3% and 1.4% respectively since 2014.

To date, the primary solutions we have found for reducing carbon emissions from shipments involve multi-modal transportation routes, reorganizing factory layouts and business operations to reduce distances between processes, and working with logistics partners who offer sustainable transport solutions, such as low-emission vehicles.

We are also exploring diverse alternatives for offsetting carbon emissions from logistics operations, with the mid-term aim of achieving carbon neutral status in this area. Since the start of 2016, all Group companies are using DHL's GoGreen program for international shipments of documents and product samples. This program enables customers to offset the greenhouse gas emissions associated with their shipments with carbon credits by calculating the greenhouse gas emissions generated by the transport and handling of a shipment and either purchasing carbon credits from recognized climate protection projects or retiring carbon credits of the same amount. In 2016, we offset 730 tons of CO₂ emissions from shipments with climate neutral GoGreen products and services.

Business travel and meetings

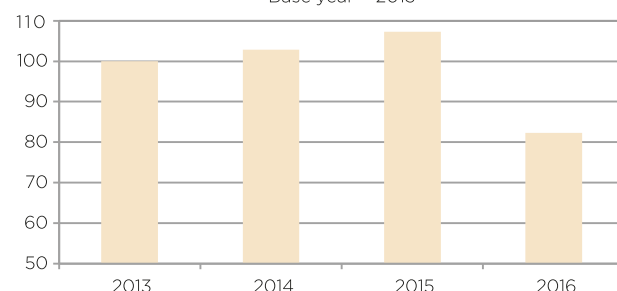
The growing number of Eczacıbaşı Group operations abroad has led to a parallel increase in the demand for international travel. To minimize this need, the Group has developed and installed video conferencing systems in all of its operations and encouraged employees to take advantage of the Group's internal instant messaging and communications systems.

Carbon Emissions from Transportation, Thousand tons*

| | 2014 | 2015 | 2016 |
|-------------------------------|-------------|-------------|-------------|
| Logistics in Turkey | 13.8 | 14.2 | 14.9 |
| Logistics Abroad | 40.7 | 34.7 | 34.4 |
| Total Logistics | 54.5 | 48.8 | 49.2 |
| Vehicle fleet in Turkey | 7.3 | 8.5 | 6.5 |
| Total Carbon Emissions | 61.7 | 57.3 | 55.8 |

* Results are based on carbon conversion factors, assumptions and reporting guidelines and procedures developed in 2014 in collaboration with My Climate.

Business Travel Expenses/ Net Sales
Base year = 2013



Although the Group does not yet calculate its emissions from commercial travel (airplanes, trains etc.), the ratio of travel expenses to net sales. For Group operations in Turkey, this ratio declined 23% between 2014 and 2016. Another indicator is the number and duration of audio visual (A/V) conferences. In 2016, the number and duration of A/V conferences held by Group companies in Turkey increased by 18% and 19% respectively relative to 2015, the first year for which we have full-year data.

Water

As with energy, the Eczacıbaşı Group set a water efficiency target for its operations in Turkey for the three-year period 2013-2016 that specified a 4% reduction in water use per ton of output. After greatly exceeding this target on a consolidated basis in 2015, we were unable to maintain our progress in 2016. This was largely due to a substantial increase in the production level of İpek Kağıt Tissue Paper, one of our top two water-consuming operations. İpek Kağıt has a water consumption rate more than twice as high as our Group average, so the faster it grows relative to other operations in our Group, the greater the upward pressure on our average consumption per ton of output.

In 2016, with the start-up of new capacity, İpek Kağıt increased its output by 37%, substantially more than any other operation in our Group. Although İpek Kağıt reduced its own per-ton water consumption by 4.3% in 2016, this increase in output, multiplied by the operation's higher consumption rate, contributed to a 14% increase in our Group average. Additional upward pressure came from the Building Products Division, which increased its per-ton water consumption by 0.6% on average, and from Eczacıbaşı Hygiene Products, which moved to a new production facility that purifies process water on site, a function that increases its water consumption. The move also required significant testing of machinery, temporarily raising water

consumption per ton of output. As a result, the 14% improvement in average water efficiency that we achieved during the first two years of our target period slipped to 1.9% in 2016.

On a company-by-company basis, five of our 11 operations in Turkey achieved our water efficiency targets for the period 2013-2016. İpek Kağıt achieved the best performance overall with a strong 28.3% reduction in per-ton water use over the three years, a performance that reflected its 2015 investments in a water and energy-saving turboblower and improved treatment systems for its three paper machines at its Yalova plant. Together, these investments save the company about 100 thousand cubic meters of fresh water consumption per year. Esan, our mining and mineral processing company, which vies with İpek Kağıt in terms of the amount of water it consumes, reduced its per-ton water use by 17% over the same period. The other three companies (Eczacıbaşı Baxter, Eczacıbaşı Girişim and Kanyon), which consume significantly less water, lowered their usage rates by amounts between these two figures.

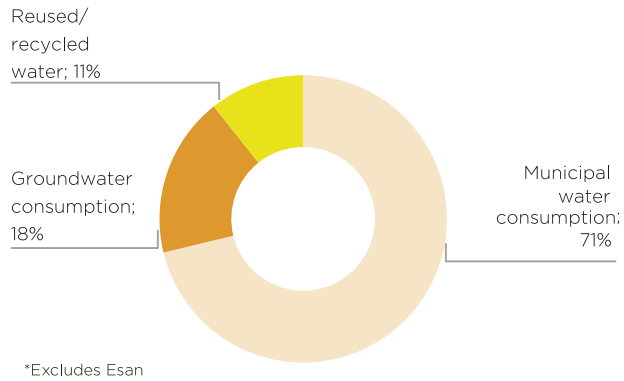
In 2016, several companies also initiated new water-saving projects.

Esan undertook two investments at its Milas, Yeniköy and Çine facilities that enables it to reuse a volume of water equivalent to 6% of its fresh water consumption in 2016. The first is a biological treatment unit for domestic wastewater. The treated water from this unit is being used to keep down dust and water the grounds. The second is a concrete holding tank for water for collecting and recycling process water.

Eczacıbaşı Hygiene Products became our second operation in Turkey to begin collecting rainwater for use on its new plant grounds. It has also begun to recycle wastewater from its production process, which is categorized as "gray water", as flush water in its bathrooms.



Water sources



Eczacıbaşı Profesyonel is our first operation to use rainwater on a regular basis. By routinely keeping its roof clean, the company has increased the percentage of collected rainwater that it can use for different functions from 74 to 97%.

In 2016, we expanded the annual assurance process we undertake with PwC for energy to include water as well. Accordingly, all water consumption data stated in this report for the year 2016 has passed PwC's rigorous evaluation for limited assurance.

As in previous years, our operations in Turkey primarily relied on municipal water, which increased its weight from 69% to 71% in 2016. This shift largely reflected the termination of operations at Eczacıbaşı-Baxter Hospital Supply, our IV and parenteral solutions plant, which had a recycling rate of 50%.

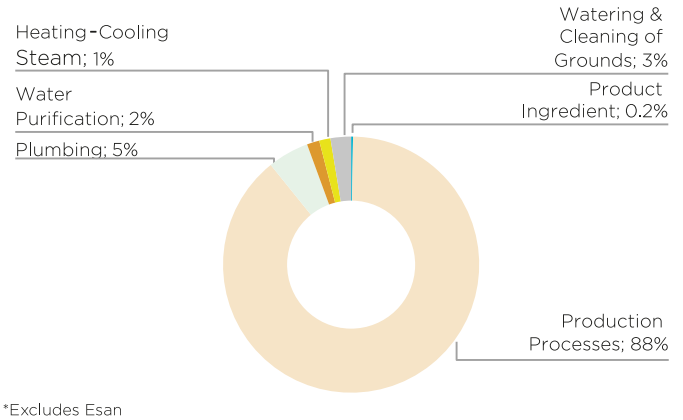
In 2016, our Water Efficiency Working Group completed an assessment of water usage by Group operations in Turkey and subsequent disposal of wastewater. The results for of this study are presented below.

Water Use

On a Group-wide basis, most water is used for production processes. Included in this category is water used for washing production equipment and products as well as water used as a transporting medium. Included in the latter definition is water used for paper production and in the preparation of ceramic slurry.

Water as an ingredient in the final product, such as cleaning products produced by Eczacıbaşı Profesyonel or personal care products manufactured by Eczacıbaşı Hygiene Products, are classified under "Product Ingredient" which accounted for the lowest volume of water consumption in 2016.

Water use detail

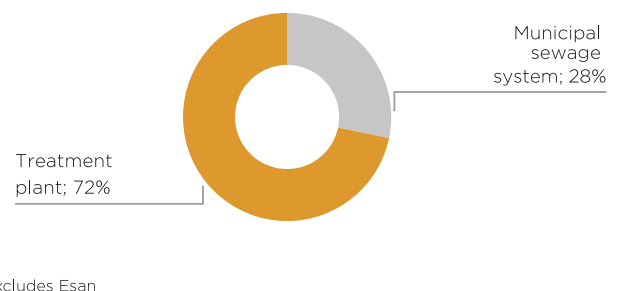


Wastewater Discharge

The majority of wastewater created by our operations is treated on-site, either at our own treatment facilities or at the treatment facilities of the industrial zones where our plants are located. Only 28% of our wastewater – all of it domestic – is discharged into the municipal sewage system.

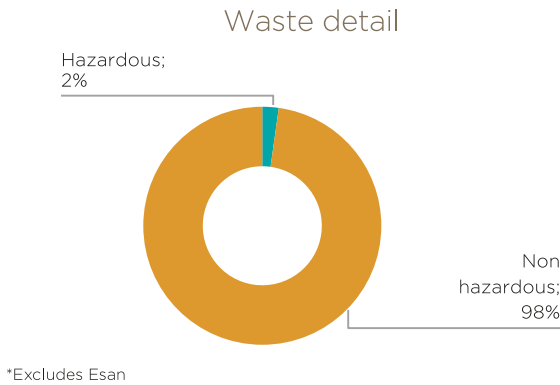
All our companies in Turkey are systematically studying how to increase their treatment and reuse of wastewater and rainwater in the years ahead.

Wastewater discharge detail

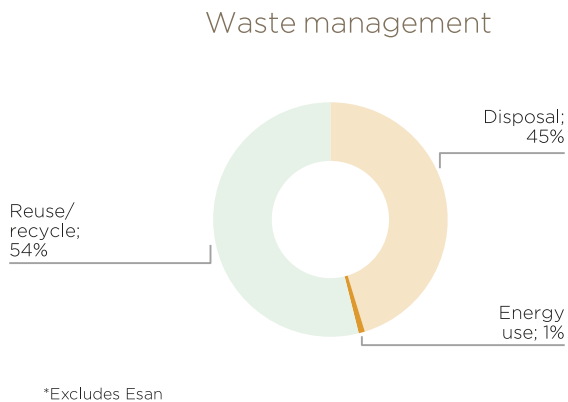


Waste

The Eczacıbaşı Group is increasingly focusing its environmental sustainability efforts on waste management as well as on energy and water consumption. Esan is the largest producer of waste in the Group, followed by the Building Products Division's ceramic sanitary ware and tile companies, Eczacıbaşı Building Products and VitrA Tiles, and our tissue paper manufacturer İpek Kağıt. These three operations produced 120 thousand tons of waste in 2016. Excluding Esan, Eczacıbaşı Group operations in Turkey produced just over 126 thousand tons of waste in 2016. Of this amount, 10 categories of waste accounted for 93% of the total volume.



98% of the waste produced by our manufacturing operations in Turkey is non-hazardous, 54% of which we recycle or reuse. The largest volume of non-hazardous waste is created in ceramic production processes prior to thermal processing (44%) and is currently disposed. This is followed by ceramic scrap created during the thermal process (31%) and sludge created by the production process for ceramic sanitary ware (11%), both of which are reused by Building Products Division companies. The remaining non-hazardous waste comprises molds for the casting process, pulp



fiber sludge, domestic waste, wood and wood dust, and scrap iron, most of which is recycled or reused both on site or through licensed waste intermediaries.

Waste market

With the establishment of a Working Group on Waste Management, we aim to transform company best practices into a Group-wide drive to make waste disposal a thing of the past. This means reducing, reusing 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 is also organizing opportunities for production and marketing teams to share best practices.

The Working Group Management on Waste is overseeing the development of an online directory of waste products with a description of each product and the selling (or offering) price. Currently, the main waste product transferred between Group operations in Turkey is the treatment sludge of Eczacıbaşı Building Products' VitrA ceramic sanitary ware plant, which amounted to roughly 13 thousand tons in 2016. VitrA Tiles is using this sludge in its porcelain tile manufacturing process located at the same production site. The aim is to find more opportunities of this kind within the Group or involving 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. Most of our operations in Turkey recycle or reuse more than half of their waste, so our average recycling/reuse rate, excluding our mining operations, is 54%. On the downside, disposal is still a significant component of waste management, so there is significant room for improvement in this area.

In this regard, several Group companies made changes aimed at reducing waste and/or waste disposal in 2016. Eczacıbaşı Profesyonel replaced the aluminum-plastic composite caps for its cleaning product containers with plastic ones, this way reducing the weight of each cap and total volume of waste to be disposed by 45%.

It also began to reuse flawed containers previously disposed as raw material for new containers, for savings of about 1 ton of polyethylene annually.

Askaynak reduced the amount of sludge produced by its cleaning bath by 25% on a per-ton basis, by lowering the amount of lime used to balance the bath's pH. Another effort by Askaynak demonstrated the importance of developing a waste inventory and sharing best practices between companies. Through a supplier, Askaynak learned that the contaminated packaging it had been disposing through a licensed waste management intermediary could be reused with the correct treatment process, and switched its intermediary accordingly.

İpek Kağıt also reduced the amount of waste being disposed by switching its licensed waste intermediary. In the second half of 2016, the new intermediary found a customer in another industry who was able to use the croft sludge as an input in its packaging production process.

In 2016, Kanyon, the Group's shopping center, began operating its new on-site composting machine for domestic waste generated by the its restaurants and produced 10 tons of compost-considerably higher than the 6.5 tons it had anticipated at the start of the year. With this project, Kanyon also enabled customers to contribute to waste management and be a part of a sustainable solution.

At 83%, Vitra's ceramic sanitary ware plant in Bozüyük has the highest recycling/reuse rate while producing more than 5 million bathroom ceramic sanitary units annually. Solid ceramic waste, which accounts for 33% of the plant's total waste, is purchased by a local cement manufacturing plant. Sludge from waste water treatment, which accounts for another 31% overall, is used on-site by Vitra Tiles to make porcelain tiles.

Esan, our mining company, has made a significant contribution to our Group's "zero waste" efforts in recent years. In 2015, the company implemented a project that has enabled it to use all "waste" materials, which are economically worthless and extracted during underground mining operations, for backfilling the underground. With this project, the company has minimized filling operation and fuel consumption costs and reduced its carbon emissions. Two smaller projects that Esan started in 2016 use container-bags to reduce

packaging waste and pallet use and replace disposable valve jackets with reusable ones to cut constant jacket disposal.

Alongside these company efforts to reduce waste, we are encouraging companies to rethink the design of their products so as to facilitate reuse or recycling and to imagine new business models that reduce or eliminate product disposal at the end of their useful lifespans.

Social

Women and Equal Opportunities

According to the World Economic Forum's 2016 Global Gender Gap Report, Turkey ranked 130 overall out of 144 countries in gender equality with a score of 62%. Iceland, which ranked first, had a score of 87%, while Yemen at the bottom scored 52%.

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 once again placed first globally, up from 85th in 2006, Turkey ranks among the worst performing countries in terms of gender equality.

In the business world, Turkey's gender equality performance is relatively better, at least among its largest companies. According to McKinsey&Company's 10th annual survey of the top 102 companies in the EU and Turkey, women have a 40% share of professional positions in Turkey's top companies (36% in the EU), and a 25% share of senior management positions (20% in the EU). However, most of the senior

LIFE stories on women and equal opportunity



management positions held by women are in finance and other support functions: marketing, human resources, corporate communications, and legal affairs.

Numerous studies show a strong correlation between the share of women on executive committees and corporate performance, and many companies, recognizing this, have taken measures to increase the presence of women in leadership positions. But progress continues to be slow in the EU as well as in Turkey.

Equal Opportunity Initiatives in the Eczacıbaşı Group

At Eczacıbaşı, improving our equal opportunity performance is a key component of our sustainability strategy because we recognize that gender balance, and diversity in general, are essential for our Group's long-term business success and our country's wellbeing. That is why we decided to ask McKinsey&Company, one of the global consultancies most involved in gender balance research, to help us review our efforts thus far and advise us on how to accelerate our progress. Accordingly, in the second half of 2016 we carried out a comprehensive evaluation of the Group's equal opportunities performance that began with a funnel analysis and self-evaluation exercise of 11 human resources functions and outcomes, an online survey of employees in Turkey that received close to 1,500 responses, and one-on-one interviews with more than 25 members of Eczacıbaşı's top management team. In October 2016, the action team leading the project organized a mirror workshop to share the results of the data obtained and in November 2016, an action prioritization workshop.

The result is ALLforALL, a program we launched in Turkey on 8 March 2017, International Women's Day, to advance our efforts to increase the recruitment, retention and promotion of women throughout our Group. Through a series of specific measures such as gender blind application processes, mentoring, leadership programs and anti-bias training, we aim to

increase the share of women in recruitment from 43% to at least 50% by 2020, and the share of women in overall professional positions and management positions from respectively 33 to 40% and from 28% to 35%.

ALLforALL is a "good to great initiative" that reflects both the strength and continuity of our commitment to achieving greater gender diversity through equal opportunities. Our efforts to advance this commitment began in 2011, when we joined the first wave of companies in the FEM "Equal Opportunities Model" Project launched by the Women Entrepreneurs Association of Turkey with the support of the World Bank, and introduced a new policy in Turkey of giving priority to women in recruitment for positions when deciding among candidates of equal strength and attributes. In 2012, we passed the FEM audit and joined the "Equality at Work Platform" established in collaboration with the World Economic Forum and Turkey's Ministry of Family and Social Policies. In 2013, we adopted "flexible work schedules" to make it easier for working parents to balance work and home responsibilities, introduced "Gender Equality training programs", and became a signatory to the UN Women Empowerment Principles. In 2014, we introduced equal opportunity targets in our sustainability key performance indicators (KPIs) for Group operations based in Turkey, and in 2015, we began a project to make our workplaces in Turkey more comfortable for working mothers with young babies by renewing lactation rooms at all our operations.

In 2016, aside from the comprehensive evaluation we carried out in the second half of the year, we continued to raise awareness within our companies of the significant contribution women do and can make to our Group's performance and to communicate our commitment to increasing the presence of women at every level of our operations. In February 2016, our Group President and CEO at the time, Dr. Erdal Karamercan, became the first man to join KAGIDER, Turkey's leading NGO for women's empowerment, because, in his words, "men are central to the problem and thus must be involved in the solution." We also published cover stories in the Spring and Fall 2016 issues of our corporate magazine, LIFE, on Eczacıbaşı women working in jobs normally considered "men's work", in order to breakdown stereotypes, highlight their unique contribution, and encourage other women.

The logo for 'allforall' is displayed in a bold, sans-serif font. The word 'all' is in purple, 'for' is in orange, and 'all' is in purple. The 'f' in 'for' is stylized with a vertical line through it.

Healthy and Safe Work Environments

Vision and targets

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.

| | 2013 | 2014 | 2015 | 2016 |
|----------------------------------|------|------|------|------|
| Accident rate* | 3.51 | 3.48 | 2.98 | 2.41 |
| Companies with accident rate < 1 | 5 | 4 | 6 | 5 |

*Accident rate= $\frac{\text{Accident number} \times 200 \text{ thousand hours}}{\text{Working hours}}$

Our two most critical goals in occupational health and safety (OHS) are disease prevention and highly effective near-miss and accident prevention programs in operations with relatively high operational risks. To demonstrate our resolve, we introduced an occupational health and safety target in our sustainability key performance indicators (KPIs) for Group operations based in Turkey that requires them to reduce injury rates by 10 to 30% each year until they are well below 1.0 on a consistent basis. Seven of our operations in Turkey successfully reduced their accident rates in 2016, for an overall drop of 19% in our accident rate relative to 2015 and 31% relative to end-2013, the start of our target period.

Moreover, five operations achieved accident rates below 1.0 in 2016. Our best performing operations in this area were our acrylic bathtubs plant and tissue paper manufacturer, which achieved accident rates below 1.0 for three consecutive years. Four other operations lowered their accident rates by between 12% and 77% in 2016.

These improvements reflect Group-wide efforts to raise employee awareness of occupational and health and safety issues and determine the sources of occupational risks, so as to implement preventative measures, adjust workplace behaviors and reorganize business processes. They also reflect the comprehensive nature of our OHS governance system and the effectiveness of our occupational health and safety operation, Eczacıbaşı OHS Services, which assists companies all over Turkey develop innovative health and safety solutions that comply with international standards and national labor laws and improve the workplace environment and quality of life of employees.

In addition to the comprehensive measures mentioned above, all our companies are developing their own projects and measures aimed at raising awareness and reducing risks. Many are also investing in robotic and pneumatic lifting equipment to minimize and eventually eliminate the need for employees to lift weighty objects.

The Building Products Division, which succeeded in reducing its accident rate by 43% in 2016 alone, credits much of its success to a new OHS training hall for new employees where it has created prototypes in miniature of typical risks in the plant environment. Using these prototypes, OHS staff demonstrate the importance of wearing personal protective equipment, and how to use it and store it properly. They also demonstrate the proper techniques for safe lifting and carrying.

Previous plant entrance



New “safety awareness” entrance



Toolbox session

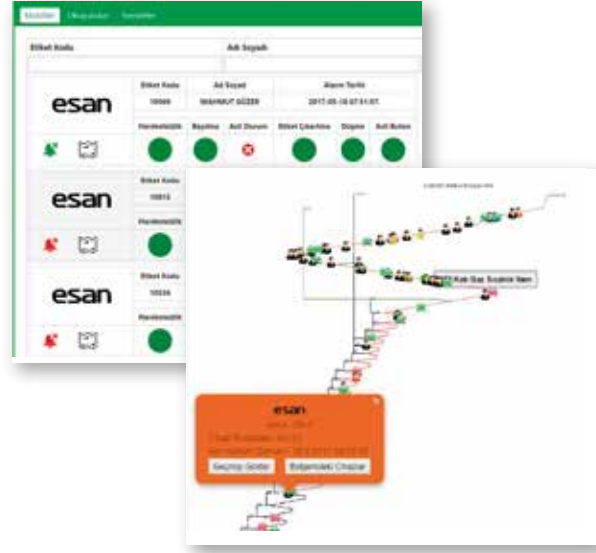


Additionally, the Building Products Division launched on-the-job (Toolbox) talks and single-point training sessions to highlight risks in specific functions and demonstrate the best behavior for reducing them. As part of this process, the Division has introduced a Risk Report for reporting near misses. In another effort to strengthen the OHS culture in its operations, the Division established an “Occupational Health and Safety Tunnel” in the entrance corridor of the plant complex to remind employees about the importance of using their personal protective equipment at all times and respecting safety rules.

The Building Products Division also continued to expand its use of pneumatic systems for lifting heavy objects in 2016, with the aim of soon eliminating all tasks requiring employees to lift heavy objects. Other companies also investing in pneumatic lifting systems in 2016 were İpek Kağıt Tissue Paper and Eczacıbaşı-Lincoln Electric Askaynak. To this end, Askaynak also lowered the maximum weight of packaged products to 25 kg.

Askaynak additionally undertook a number of projects in 2016 to raise employee awareness of OHS issues and improve the work environment. To strengthen the company’s OHS culture, Askaynak created “meeting points” in each production unit around OHS information boards, organized a health and safety slogan, photograph and cartoon contest for its first Health and Safety Week, and established a training room at the entrance of the plant for communicating safety rules to visitors and subcontractors. Aside from measures to reduce the weight and frequency of lifting, Askaynak installed new dust aspiration systems to improve the work environment and fencing around machinery to reduce structural risks.

Eczacıbaşı Hygiene Products and Eczacıbaşı Profesyonel improved their fire prevention measures and systems with automatic fire extinguishing systems. Eczacıbaşı Hygiene Products installed new systems on the extractor hoods in its cafeteria, and Eczacıbaşı Profesyonel, in its electrical panels. Eczacıbaşı Profesyonel also added protective cages to its forklifts in the production materials unit to protect forklift operators and initiated on-the-job (Toolbox) talks.



Esan continued to strengthen its OHS systems in 2016 with new tracking and communication projects. One of these is a traffic signal system for underground traffic. Previously, all traffic in the mine shafts was directed through a wireless radio system. Now, Esan has traffic lights on the most travelled routes as well as speed radars to check speeds and report back violations. Another investment enables Esan to track the movement of every employee underground and pinpoint their location at any moment. The system also connects wireless systems at different points to ensure communication at all times in the event that one or more points are cut off from the main system. With these projects, Esan won two IDC awards in 2016: “Best IoT Project of the Year in Production” and “Best Innovation Project of the Year”. Last year, Esan also continued its efforts to install dust reduction systems at all its operations.

Technology Awards for Safety Systems



In 2016, E-Kart introduced a weekly audit system for its environmental OSH, quality and safety systems that enlists the support of all employees. Each week, employees from different departments are provided a questionnaire related to one or several of the management systems above and asked to audit another department. At the end of the month, E-Kart shares the results of these audits and each system's performance with all employees. Every employee is asked to take part in this audit process, giving each one the opportunity of taking part in another department's continual improvement process. This way, E-Kart aims to overcome "business blindness", engage employees on the management system, and raise awareness about its management systems.

Eczacıbaşı Occupational Health and Safety Services is another important contributor to our Group-level work to ensure health and safety excellence. A subsidiary 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 Occupational Health and Safety Services mobilizes its skilled and experienced healthcare and occupational safety professionals to monitor, assess and offer solutions in key aspects of occupational health and safety to Group companies.



Occupational Health and Safety Governance

A Group-level Occupational Health and Safety Manager coordinates the implementation of occupational health and safety strategies. The Eczacıbaşı Group's OHS management structure comprises two organizations: an OHS Leaders Group and Eczacıbaşı Occupational Health and Safety Services.

The OHS Leaders Group, chaired by Corporate HR, comprises OHS Leaders from each division. In addition to overseeing the work of Eczacıbaşı Occupational Health and Safety Services, a subsidiary established in 2013 to develop innovative health and safety solutions that comply with international standards and Turkey's labor laws and improve the workplace environment, the OHS Leaders Group reviews the key OHS issues in each division at regular meetings.

Stakeholder Engagement



Through communication and engagement, we strive to make all our key stakeholders active participants in our sustainability strategy.

Employees

Recognizing that our Group's success depends on the success and engagement 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 and potential, advance their career.

Through performance evaluation, open-door access to management, strategy meetings, innovation teams, and our Group-wide suggestion 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.

Developing our talents

Training and development activities 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, while technical training is coordinated by each company according to its needs.

The Eczacıbaşı Group views every employee as a talent. One of the Group's basic principles in the area of people management is investing in people. 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.

We offer creative, inspiring and internationally acclaimed training programs to our talents in order to establish and maintain a management culture that fuels sustainability.

Both "Future Fit", our talent development program, and "Manage To...", our management development program formerly called "Develop Your People", aim to build a community of qualified, successful and motivated managers with strong leadership skills and Group-wide vision. We want to ensure that they are not only capable of achieving the Group's ambitious growth targets, but that they also 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.



Since the launch of "Manage To..." in 2012, 492 employees in Turkey have taken part in this program. In 2016, the Eczacıbaşı Group extended this program to employees in Russia and German, and in 2016, it plans to expand it with other modules and trace programs.



2016 Future Fit participants develop value-creation projects for the Eczacıbaşı Group

In 2016, 24 participants in the Eczacıbaşı Group's talent development program, Future Fit, developed four projects targeting a variety of opportunities for new economic, social and environmental value. Teams of 6-7 people from diverse business functions sponsored by an executive vice-president or vice president worked together over the course of eight months to develop their projects, which they then presented to senior executives for discussion and evaluation. Since the launch of Future Fit in 2011, there have been five sessions –each one lasting for 2.5 years. To date, 241 employees have taken part in these sessions and completed 18 projects. Another five projects are due for completion in 2017.

2016 Future Fit Projects

3D Printing: Determine areas in Group businesses where 3D printing can add value and encouraging its use.

Local Renaissance: As a leader in the field of culture, organize culture and art projects in regions of Turkey where there are few or no activities and events of this kind so as to spur interest in them.

Angel Investor: Establish a company or department to support or invest in small or mid-scale entrepreneurial projects/companies outside of the Eczacıbaşı Group.

Eczacıbaşı Entrepreneurs: Develop a model for encouraging/supporting entrepreneurial initiatives within the Group.

Retaining our talent

Aside from professional development programs, we are developing and adopting measures that improve employee motivation and satisfaction with their work. In 2016, following on the success of a 2013 measure to allow for flexibility in work schedules, we launched a new policy in Turkey enabling employees to work out-of-office one day a week. The response has been wholly positive, with 92% of respondents to an online survey saying they were very satisfied with the new arrangement, 80% reporting that they felt more productive and focused, and about 75% feeling both more motivated and more efficient in their use of time.

Attracting young talent

The Eczacıbaşı Group's flagship graduate recruitment program, "Career Test Drive", aims to attract young talents from Turkey's colleges and higher education institutions by recruiting "pilots", undergraduate students in their penultimate 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 (CTD) 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.

CTD assigns a mentor, a copilot (i.e. a buddy) and a project to each new "pilot". The drive begins with an orientation program for new groups of CTD drivers, continues with the project design and implementation phases, and ends with project presentations by the "pilots" to their mentors, relevant managers including general managers, executive vice presidents and the CEO. CTD participants are assisted and provided opportunities to enrich their learning at every step of their program in the form of training and exclusive one-to-one mentoring. In 2016, the program also introduced an online coaching platform. Those "pilots" that perform well throughout the program are offered permanent positions in companies within the Group.

Student interest in this unique program is growing steadily. In 2016, Career Test Drive received more than 10,000 applications from university students, up from 7,000 the previous year. This year, the number of talented students invited to participate also increased from 43 to 53.

Since the program's launch in 2009, Career Test Drive has received more than 35,000 applications and provided internships to 233 university students under the mentorship of 177 managers. One out of every four interns participating in the program have been recruited to career positions in Group companies. Follow-up research has shown that "pilots" who become full-time employees perform better, are more engaged, and have greater potential than other new graduate hires.

Employee thoughts about the new away-from-office policy



Eczacıbaşı companies garner seven international human resources awards in 2016

Art of Presence: Eczacıbaşı Pharmaceuticals Marketing

Gold Brandon Hall Excellence Award in “Best Results of a Learning Program” category

Developed by a Future Fit team, this project focused on strengthening the company’s corporate culture through 312 hours of team-building events, training seminars and other activities with 213 employees in nine cities over the course of 39 days.



Talent Hero

Silver Brandon Hall Excellence Award in “Best Use of Simulations and Games for Learning” category

Launched in 2016, Talent Hero is an interactive, game-based program for managers that aims to raise awareness about their essential role in human resources development and the impact it has on business performance. Every manager in Turkey participated in 2016, resulting in a 20% increase in awareness of HR roles and responsibilities and 100% satisfaction rate according to a subsequent survey. Eczacıbaşı plans to extend the program to lower middle-management and launch a follow-up program for senior managers.



Career Test Drive

Silver Brandon Hall Excellence Awards in the “Best Unique or Innovative Talent Acquisition Program” and “Best Sourcing & Assessment Strategy” categories

Now in its eight year, Career Test Drive is an internship-based recruitment program that is increasingly contributing to the Group’s talent pool. See “Career Test Drive” in this section for more details.



eczacibasikariyer.com

Bronze Brandon Hall Excellence Award in the “Excellence in Technology” category

eczacibasikariyer.com is the Group’s online recruitment portal. Now in its 10th year, eczacibasikariyer.com is a one-stop portal for the entire recruitment process, starting with the submission of application forms and CVs.



Kanyon-ca (A Whole New Language for a Revitalized Workforce)

Bronze Stevie Award in the “Achievement in Employee Engagement” category

Gold Stevie Award for “Employer of the Year” in the Real Estate Industry

After seven steady years of growth, the Kanyon shopping center began to lose momentum in 2014, and employee motivation began to decline. Kanyon’s comprehensive employee engagement program successfully revitalized the energy and commitment of support staff through a combination of measures that improved employee on-the-job satisfaction, reinforced their feeling of community, and enhanced their awareness of the important contribution they make to business results. The project led to a turnaround in employee productivity, retention and satisfaction and contributed to an abrupt improvement in Kanyon’s business performance.



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. “Be Green” also organizes social events that are related to sustainability, such as bicycling tours and day trips to organic markets and farms.

Employees may learn more about sustainability issues on our internal sustainability portal, which provides terminology, definitions, reading material, resource links, and examples of best practices both within the Group and worldwide. We publish essays on sustainability issues and trends and numerous articles on our own sustainable development activities and investments in our semi-annual corporate magazine, LIFE. We also have a “Lunchbox” series of talks at our headquarters on sustainability, innovation and future trends that is open to all employees. 2016 topics included women and equal opportunities, big data, entrepreneurship, trends in communication, and sustainability talks with Y generation. All employees are able to watch these talks via a live broadcast on the corporate portal.

Our annual Sustainability Meeting, attended by senior Group executives as well as all members of our sustainability working groups, has become a platform for recognizing successful sustainability practices and company performance. In recent years, we have also invited prominent members of the business and NGO community to speak about their approaches to sustainability issues and practices at this event.



Through our social media accounts on Facebook, Twitter and LinkedIn, we 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.

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 established a working group on Sustainable Marketing in 2014 that is developing expertise and tools for promoting sustainable marketing throughout the Group. One of the first projects of the working group is the development of guidelines for sustainable marketing based on the four marketing “P”s: Product, Price, Place and Promotion. The Eczacıbaşı Group Sustainable Marketing Guide, as the draft document is called, summarizes the basic concepts of sustainable marketing, explains how and why sustainable marketing is gaining importance, and provides a checklist for ensuring that sustainable marketing campaigns are both effective and add value to the company’s performance.

In the longer term, the working group aims to establish Eczacıbaşı Group companies as leaders in the area of sustainable marketing.

Certified eco-friendly products

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. To enable customers to evaluate the sustainability features of its products, the Division has invested time and resources in obtaining certifications that measure and rate the environmental impact of a product or service throughout its lifecycle, such as environmental product declarations (EPDs) and EU Ecolabels, or which measure chemical emissions, such as Greenguard and the new emissions labeling system of the German Quality Assurance Association.

Bathrooms and Tiles: New Vitra and Artema WC pans, urinals and faucets can save a family of four over 190 tons of water a year by reducing water consumption for flushing, showering, hand washing and cleaning. Many of these products also have energy-saving features built into their design and some also require fewer resources to produce. Eco-friendly tile solutions include low-maintenance tiles, self-cleaning tiles, and extra-slim tiles.

One of the Group’s newest bathroom products to help users reduce their water and carbon footprint is Rim-ex, a WC pan that reduces the need for harsh chemicals and constant cleaning by removing the rim and all hidden channels and parts from the toilet bowl. In addition to making the toilet bowl easier to clean, the design improves hygiene. Vitra is gradually extending this technology to all new WC pan series.

An even newer product developed in 2016 is a slim WC seat and cover that requires 40% less energy to produce and generates 60% fewer greenhouse gas emissions during its lifecycle. The seat is produced with an eco-friendly bio-polymer developed in collaboration with DuPont that contains as much as 37% plant-derived renewable material.

The new control panel for WC pans help users to reduce their water use while providing improved hygiene. Vitra’s Smart Connected Panel is a concealed system interface that reports cistern performance and offers a range of flushing modes (Eco, ChildLock, Vacation, Autoflush) that can be managed on a mobile app to save water and improve hygiene.

Vitra was the first brand worldwide to publish an EPD for ceramic sanitary ware, and the first in Turkey to receive the EU Ecolabel and Greenguard certification for tiles. Vitra is also the first in Turkey to publish an EPD for bathroom furniture.

Artema is the first faucets and fittings brand in Turkey to publish an EPD and register its products with the European Water Label system, which asks that manufacturers openly display the water consumption performance of their products on packaging. It is also the first to receive the Turkish Standard Institute’s “Double Star” certificate for products greatly exceeding the standard requirements. In 2016, Artema launched PowerBox, an external dynamo powered by the flow of water that can supply the energy needed by as many as five photocell mixers.



“Powerbox” external dynamo



Eco-friendly toilet seat



Smart Connected Panel



Bathroom Furniture: In 2015, Burgbad increased the share of wood certified by the Programme for Endorsement of Forest Certification (PEFC), the world's largest forest certification system, to over 80% of its overall procurement. Furniture carrying the PEFC certificate verifies that the wood used in manufacturing is not derived from illegal logging. Also in 2015, Burgbad received the best possible classification -A- in the emissions labeling system for furniture launched by German Quality Assurance Association (DGM). The world's first emissions label for furniture, the DGM label provides consumers comprehensive and concise information on emissions of harmful substances.

Other Eczacıbaşı Group operations and brands have undertaken similar initiatives to develop products that contribute to sustainable development goals and to communicate their sustainability features to consumers through transparent certification programs.

Cleaning products: In 2014, Eczacıbaşı Profesyonel launched Maratem Bio, a biological cleaning product series that eliminates bad odors in toilets and bathrooms; helps maintain grease traps, septic and grey water tanks; prevents odors; and reduces manual cleaning frequency without containing any ingredients that are harmful to the environment and living things.

Tissue paper: İpek Kağıt Tissue Paper procures 100% of its pulp from suppliers that are certified by either the Forest Stewardship Council (FSC) or PEFC (Programme for the Endorsement of Forest Certification) as producing their wood pulp from sustainably managed forests. The company also 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".

In 2016, İpek Kağıt launched two innovative products with improved sustainability features. The Solo Giant Roll Paper Towel (three times larger than the standard size) reduces glue and carton consumption to one-third the amount normally used and polythene packing consumption to three-quarters the usual amount. The Selpak Professional V-folded napkin, designed exclusively for the Selpak dispenser, delivers napkins one at a time, improving hygiene and reducing consumption by at least 10% compared to traditional dispensers. In 2015, İpek Kağıt launched an innovative series of single-dose automated towel and bathroom tissue dispensers for commercial venues that reduce paper consumption by 33% relative to conventional systems and energy use by as much as 60%, thanks to a special sleep mode.

Baby care products: Eczacıbaşı Hygiene Products is the frontrunner of Turkey's wet wipe market with the popular Uni brand. Uni Baby, Uni's special line for infant skin care, aims to ensure that all its products contribute to babies' healthy development. For this reason, Uni Baby wet wipes, diaper rash creams, shampoos and, most recently, laundry detergents and softeners do not use alcohol, parabens, dyes, Sodium Lauryl Sulfate, Sodium Laureth Sulfate and other chemicals that could irritate or be unhealthy for infant skin. The company communicates this information to consumers with a registered icon and statement that focuses users' attention on the unhealthy chemicals that will never be found in Uni Baby products. This way, the brand aims to differentiate its products and raise awareness among new parents of the chemicals it should look for, and avoid, in newborn and baby products. Thanks to the success of this marketing strategy, competitors have launched similar products and communication campaigns, to the benefit of consumers.



Smart cards: E-Kart, the largest supplier of smart card based digital security solutions in Turkey and its region, is the first Turkish company in its industry to certify that CO₂ emissions generated during its daily operations are measured and offset through climate protection projects meeting ISO 14064 standards. In 2011, the company decided to contribute to the battle against global warming through systematic efforts to reduce its own carbon footprint. It calls these efforts “We Promise”. In another first for its industry, E-Kart has certified the greenhouse gas emissions of four product groups –credit cards, debit cards, GSM cards and contactless cards– to PAS 2050:2011 specifications.

Encouraging sustainable choices throughout the value chain

“Eco-Touch” cleaning products for commercial establishments

Eczacıbaşı Profesyonel provides complete professional cleaning and hygiene solutions and an expanding selection of food products to roughly 12,000 B2B customers in Turkey’s fast-growing tourism, restaurant-catering, shopping mall, education and health industries. In addition to offering more than 800 products and 10 brands, the company 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 Ipek Kagit Tissue Paper, and Green Care, a sub-brand of Tana Professional 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 its communication with large customers, Eczacıbaşı Profesyonel launched a loyalty program for its largest accounts in Turkey, which together account for about one-third of its sales revenue. EP Exclusive Club, as the program is called, is the first 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 communication with business partners doing fun and creative activities together outside of work.

Promoting green architecture, eco-labeling, and circular economies

The Eczacıbaşı Group is collaborating with the Turkish Green Building Council (ÇEDBIK), of which it is a founding and board member, on enhancing awareness in the building industry about “green building” design and certification.

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.

We are also collaborating in several areas with the Turkish Business Council for Sustainable Development (SKD), of which we are a member of the Board. We are a co-leader of SKD’s working group on eco-labeling, which has published a catalogue on the different eco-labels recognized internationally and is raising awareness in Turkey’s business community of the

growing importance of eco-labeling. We are also leading the SKD's working group on the "circular economy", an emerging concept that more businesses are embracing. Although practical examples of circular economies are still infrequent, visionary businesses have begun to find ways to use the principles involved to develop new business models and market share.

In addition to the institutions listed above, the Eczacıbaşı Group is an active member of the board of Global Compact Turkey.

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 conserve, enrich, and promote Eczacıbaşı Group values not only through our business operations but also through our social initiatives in culture and the arts, science, education and sports. We found or support social initiatives that draw on the expertise of our businesses and create opportunities for our brands and employees to be part of long-term, sustainable solutions.

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.

Arts and Culture

Istanbul Museum of Modern Art

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

At its 8,000 square meter site on the shores of the Bosphorus, Istanbul Modern hosts permanent and temporary exhibitions of paintings, sculpture, photography and new media, as well as educational programs, cinema programs, a research library, cafe and restaurant, and a 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 more than 6.5 million visitors, organized 122 exhibitions -including 17 abroad- and introduced more than 650 thousand children and adults to its educational programs and events.

Istanbul Foundation for Culture and Arts (IKSV)

The Eczacıbaşı Group is the Leading Sponsor of the Istanbul Foundation for Culture and Arts (IKSV), founded in 1973 on the initiative of Dr. Nejat F. Eczacıbaşı.



IKSV 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 the International Art and Architecture Exhibitions of la Biennale di Venezia and coordinates an artist residency program at Cite International des Arts, France.

Aside from organizing cultural and artistic events, including those hosted at its performance venue, Salon, IKSV conducts studies and prepares reports on cultural policies in Turkey. The Foundation also supports artistic and cultural production through awards presented at its festivals; the commissioning of works; participation in international and local co-productions; the Aydın Gün Encouragement Award, presented annually to a young musician working in the field of classical music; and the Talât Sait Halman Translation Award, presented to the author of an outstanding literary translation into Turkish.

VitrA Ceramic Arts Studio

Dr. Nejat F. Eczacıbaşı established the VitrA Ceramic Arts Studio in 1957 with the goal of encouraging ceramic artists and public appreciation of this medium. Over the years, the VitrA Ceramic Arts Studio has opened its doors to a large number of young and talented ceramic artists, organized public exhibitions of their work, and hosted master classes, conferences, slide shows and workshops on ceramic art.

In 2012, VitrA signed a protocol with the Division of Ceramic and Glass Design at Mimar Sinan University of Fine Arts (MSGSU) that aims to

contribute to the artistic development of university students and enrich their perspectives by providing them opportunities to work side by side with internationally acclaimed ceramic artists. As part of the agreement, MSGSÜ and VitrA invite several national and international guest artists every year to work at the studio, run workshops, and exhibit their work at the end of the year. The VitrA Ceramic Arts Studio is a member of the Geneva-based International Academy of Ceramics (IAC).

Education, Health and Hygiene

Eczacıbaşı Hygiene Project

This international award-winning project aims to secure modern, high quality and healthy environments for children at Regional Boarding Schools in Turkey.

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 with VitrA and Artema products, teaching students about good personal care and hygiene practices through the Selpak personal hygiene program for schoolchildren, and organizing projects that enrich children's emotional and intellectual environments.

The Group's volunteer association, Eczacıbaşı Volunteers, is contributing in the latter area by establishing computer and music rooms, libraries and recreational spaces, and by organizing special events like painting competitions and day trips.



Partnering in the project is the Ministry of Education, which is helping to determine the neediest schools and ensuring that they have the required plumbing infrastructure. Other Eczacıbaşı Group companies also contributing to the success of the project are Eczacıbaşı Girişim and Eczacıbaşı Profesyonel, which are providing cleaning materials and basic supplies.

To date, more than 18,000 students at 40 schools in 33 cities primarily in eastern Turkey have benefitted from the project, to which the Group's building products companies have contributed more than 149 thousand square meters of tile and close to 58 thousand bathroom components. According to the cooperation protocol that the Eczacıbaşı Group signed with the Turkish Ministry of Education in March 2015, a total of 60 schools will benefit from this project by end-2020.

Selpak additionally organizes personal hygiene classes at primary schools all around Turkey. Since 2002, more than 6 million students at 8,500 primary schools in 66 cities have benefitted from this program.

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.

Reproductive Health Hotline

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

Partner in the Turkish Vocational School System

Eczacıbaşı-Lincoln Electric Askaynak, the Eczacıbaşı Group's welding consumables and equipment company, is a regular contributor to the Turkish vocational school system. Since 2005, when Askaynak signed a protocol with the

Ministry of Education's Vocational Education Directorate, Askaynak has published and distributed, free of charge, more than 40 thousand copies annually of supplementary educational material for students in the metal technology, infrastructure technology and shipbuilding departments of vocational high schools around Turkey, provided consumables and state-of-the-art welding equipment for free or at very economical prices, and donated special glass to technical high schools to build more than 320 welding workbenches.

Askaynak also organizes seminars and daylong events on new developments in welding technologies for students and faculty at universities around Turkey. Since 2005, Askaynak has organized 722 seminars of this kind at the sites of customers and at its own plant for 14,558 participants.

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.

"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. Launched in early 2015, the program is a collaborative effort between the Ministry of Education and the Dr. Nejat F. Eczacıbaşı Foundation.

During the first two years of the project, 150 teachers from 40 schools in Istanbul, Konya, Samsun and Hatay received training on the Orff approach to musical education and were provided the Orff instruments needed to implement this educational method in their schools. To date, close to 4,000 students have benefited from the project. Dancing notes will continue in 2017 in collaboration with the Ministry of Education.

Sports

Eczacıbaşı Sports Club

The Eczacıbaşı Sports Club is home to the Eczacıbaşı Vitro Women's Volleyball Team, Champion of the 2015 CEV Denizbank European Champions League and first ever back-to-back Champion of the FIVB Women's Club World Championship (2015 and 2016). One of Europe's strongest teams, Eczacıbaşı Vitro 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 in 12 European Cup Finals, winning the "European Cup Winners' Cup" in 1999 and the CEV Volleyball Champions League championship in 2015.

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.

Eczacıbaşı Sports School

The Eczacıbaşı Sports School aims to contribute to the physical and emotional development of young girls and the quality of their future by helping them develop their motor and coordination abilities, as well as self-confidence, leadership and teamwork skills, and the fundamentals of good volleyball. Due to growing interest in the program, the Eczacıbaşı Sports School expanded its program at the site of the Eczacıbaşı Sports Club to three more facilities in Istanbul and two facilities in Bursa for the 2016-2017 season.

Public Policy and Scientific Research

Dr. Nejat F. Eczacıbaşı Medical Awards

The Eczacıbaşı Group established this fund in 1959 to promote high-caliber medical research. To date, the Fund has supported 176 medical research projects and presented 87 awards to Turkish scientists for valuable research in health and medicine. Since 2002, the Scientific Research and Medical Award Fund is also providing support for promising research carried out by medical students.

Turkish Informatics Foundation (TBV)

The Eczacıbaşı Group is a corporate sponsor of the Turkish Informatics Foundation, 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.

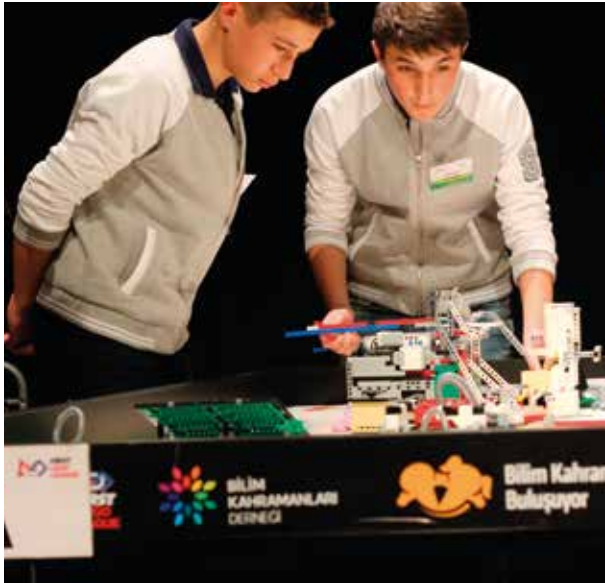
Eczacıbaşı Volunteers

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 168 projects that have directly benefited 62,000 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 943 primary schools around Turkey requiring assistance. In 2016, 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.

Additionally, they also sponsored a science team from one of the project schools that wished to compete in the nation-wide "Science Heroes Meet" tournament. The team won the award for its district and a ticket to the national competition.



Eczacıbaşı Group Reporting Guidance

This Reporting Guidance (“Guidance”) document supports the preparation and reporting of energy consumption, carbon emissions, total share of women professionals, women among new recruits, injury rate and training hours data by the Eczacıbaşı Group (hereafter “Group”). It is the responsibility of the Group management to ensure that appropriate procedures are in place to prepare the indicators mentioned above in line with, in all material respects, the Guidance.

All data up to and including FY16 (financial year ending 31 December 2016) only comprises the relevant operations in Turkey (as detailed on page 44), 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.
- ‘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).

- ‘Total Share of Women Professionals’ means the number of white collar woman employees (permanent and full time) divided by the total number of white collar employees (permanent and full time) exist on the last day of the reporting year (31 December).
- ‘Women among new recruits’ means the number of white collar woman employees hired (permanent and full time) divided by the total number of white collar employees hired (permanent and full time) during the reporting year (1 January to 31 December).
- ‘Injury rate’ is calculated by considering the number of lost time injuries and working hours during the reporting year (1 January to 31 December). Working hours are calculated via HRIS software which keeps data of time of entrance and departure of employees:
Injury rate: $\text{Accident number} \times 200 \text{ thousand hours} / \text{Working hours}$
- ‘Training hours per talent’ is calculated by considering the total hours of training that have been provided by the Group or any third party training institution to “talents” during the reporting year (1 January to 31 December). ‘Talent’ refers to employees in leadership programs.
Training hours per talent: $\text{Training hours} / \text{Number of talents}$
- ‘Water Consumption’ consists of all kinds of water used at the facilities including municipality water and groundwater. The water consumption value is presented during the reporting year (the period between 1 January and 31 December). The water consumption data includes water used for product ingredients, heating-cooling steam, water purification, plumbing, water cleaning of grounds and production processes.

Water consumption data is obtained from supplier invoices and meters for the production facilities except for the facilities of Esan. Esan is the Group’s mining and mineral processing company. Esan’s water consumption is calculated with a general formula, which indicates that the amount of water that would be used in one unit of feed at a rate of 1/5. This rate is derived from the fact that the floatation process is realized at rate between 15%

and 20% based on the applications taking part in literature. The Group defined the rate of 1/5 as optimum considering the structure of operation. In the scope of assurance, well water consumption m³ (in thousand) is provided.

Scope of reporting

For FY16 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 “2010 Guidelines to Defra / DECC’s GHG Conversion Factors for Company Reporting” provided by the UK Government. Electricity conversion factors listed within “Annex 10 - International Electricity Emission Factors” for year 2006 and Turkey are used.

These conversion factors for electricity and steam have been used instead of the factors detailed within the GHG Protocol calculation tool because they include transmission and distribution losses.

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 2016 Statement of Energy Consumption and Carbon Emissions.

Building Products Division

Eczacıbaşı Building Products (ceramic sanitaryware, 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 Profesyonel (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 sanitaryware 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 the Selected Information contained in the Eczacıbaşı Group Sustainability Report for the year ended 31 December 2016.

The Selected Information subject to limited assurance consists of the data marked with (“Assured”) consisting of Statement of Energy Consumption, Carbon Emissions, Water Consumption, Total Share of Women Professionals, Women among New Recruits, Injury Rate and Training hours per Talent for the year ended 31 December 2016 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 Reporting Guidance (hereafter “Reporting Guidance”, see pages 42 and 43 of the Eczacıbaşı Group Sustainability Report).

Our responsibility is to form a conclusion, based on limited assurance procedures, on whether anything has come to our attention that causes us to believe that the Selected Information has not been properly prepared in all material respects in accordance with the 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 2016, 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.

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”) and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements 3410 - ‘Assurance Engagements on Greenhouse Gas Statements’ (“ISAE 3410”) 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 and ISAE 3410. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

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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 2016, the Selected Information has not been properly prepared in all material respects in accordance with Eczacıbaşı Group's 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, 15 June 2017

Reference Guide to the UN Global Compact Principles

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; (pp. 2-3) and

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

Labour

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

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

Principle 5: the effective abolition of child labour; (p. 29) and

Principle 6: the elimination of discrimination in respect of employment and occupation. (p. 29, pp. 24-25)

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges; (pp. 2-3, 17-24)

Principle 8: undertake initiatives to promote greater environmental responsibility; (pp. 12-13, 17-24) and

Principle 9: encourage the development and diffusion of environmentally friendly technologies. (pp. 12-13, 17-24)

Anti-Corruption

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



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