



# 2010

**Eczacıbaşı Group  
Sustainability Report**



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## Joint Statement of the Chairman and CEO

*Our commitment to sustainable development is first and foremost driven by our concern for the future of this planet, but we also recognize that, as a business strategy, it offers the most comprehensive framework for managing our risks and opportunities and ensuring that we remain competitive in the rapidly changing global environment.*

Every day there is increasing evidence that business as usual is no longer an option. Continuing with “business as usual”, as the World Business Council for Sustainable Development points out in its recent study Vision 2050, condemns us to the gradual collapse of ecosystems, accompanied by social unrest, resource-based conflict, and ultimately the failure of our economies and systems of government. The good news in Vision 2050 is that if we make fundamental changes in governance structures, economic frameworks, and business and human behavior, not only can we leave future generations a world worth living in, we can also create new areas of value-added growth for businesses and societies.

Our commitment to sustainable development is first and foremost driven by our concern for the future of this planet, but we also recognize that, as a business strategy, it offers the most comprehensive framework for managing our risks and opportunities and ensuring that we remain competitive in the rapidly changing global environment.

Energy is one of our primary areas of focus in the period ahead because it represents a major cost item in our core businesses and is the chief source of our carbon emissions. This is why we have focused most of our efficiency projects to date on energy and set ourselves two energy targets for the three year period 2011 - 2013: to reduce the per ton consolidated energy consumption of our industrial operations in Turkey by six percent and the total energy consumption in our administrative and commercial buildings in Turkey by 15 percent. We believe that we can achieve both targets.

Achieving energy efficiency not only gives us the opportunity to strengthen our competitive edge in our existing businesses but also to build brand loyalty by demonstrating our commitment to reducing emissions.





New public expectations with regard to the sustainability performance of brands and products represent a whole new window of opportunity for differentiating our products and services. This will be one of the focuses of our new innovation center, which will work on new ideas, processes, products and technologies for our Building Products Division to facilitate sustainable living solutions. Eco-smart products discussed in this report demonstrate the value-add that we have already created in a wide range of businesses by focusing innovation on sustainable development.

Sustainability performance is a growing concern of employees as well. Talented young people in the labor market today want more from their companies than profit and growth: they want to be part of larger efforts to make the world a better place. Focusing on sustainability, therefore, sets us apart in the eyes of our potential recruits enabling us to attract the best and brightest. This is one of the reasons why we are undertaking numerous initiatives to communicate more widely our sustainable development commitment and activities.

We have also taken steps to align our human resource strategies with our sustainable development goals. We have begun to include sustainable development training in our professional programs and to require that incoming recruits have basic knowledge about sustainability issues. We have also initiated a drive to increase the representation of women in the decision-making processes of our companies. As a first step towards achieving this goal, we have instructed our recruitment teams in Turkey to give precedence to women among candidates of equal strengths and attributes. All of these efforts will also advance our continuing commitment to aligning our businesses with the 10 principles set out in the United Nations Global Compact, which we signed in May 2006.

Looking back to our achievements since we established our first sustainable development committee in 2007, perhaps the most important of all is the change in mindset that we are seeing throughout our organization. We set out to introduce sustainable development principles into every area of our business operations, and in the process we are succeeding in embracing them as natural components of our corporate culture. In the years ahead, we are confident that this inspiration and excitement will drive our growth through innovative solutions in our targeted markets.



*Bülent Eczacıbaşı*  
Chairman



*Dr. Erdal Karamercan*  
President and CEO

# The Eczacıbaşı Group

*In line with its mission of improving the well-being of society, the Eczacıbaşı Group is committed to promoting social and economic development, encouraging cultural and scientific activity, and preserving scarce natural resources through responsible business practices.*



## Mission and values

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

### *As members of the Eczacıbaşı Group:*

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

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

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

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

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

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

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

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

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

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

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

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

## Corporate social responsibility

### *Family tradition of community service*

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

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

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

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

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

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





## Eczacıbaşı Group Profile

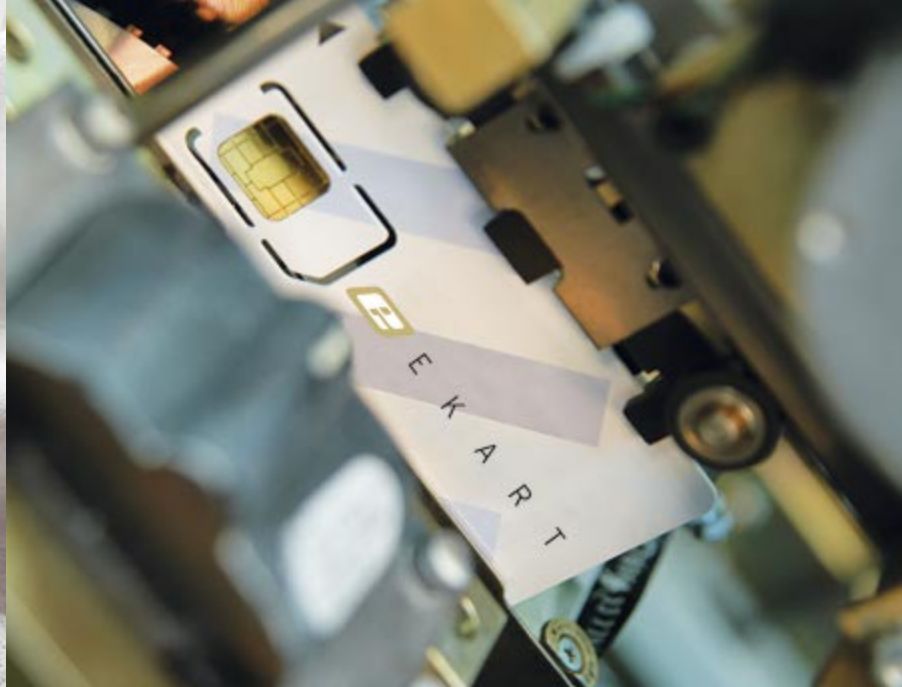
Eczacıbaşı is a prominent Turkish industrial group with 39 companies, close to 10,100 employees and a combined net turnover of € 2.1 billion in 2010.

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

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

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

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



## Division highlights

Long the premier supplier in Turkey of bathroom products and ceramic tiles, our **Building Products Division** is one of the few manufacturing groups worldwide producing every component of the bathroom as well as an expansive range of wall and floor coverings. Supported by eight manufacturing sites in Turkey and eight outside Turkey, our Division is contending for top three ranking in Europe with a powerful portfolio of international and local brands: VitrA, Burgbad, Villeroy & Boch (Tiles), Engers, VitrAFix, VitrA Therm, Artema, and Intema Kitchen. International assets include a majority share of V&B Fliesen, the tile division of Villeroy & Boch, 100 percent of Burgbad, the leader of the European luxury bathroom furniture market, and 100 percent of Engers Keramik, a German tile producer.

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

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

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





## Eczacıbaşı Group at a Glance

### Building Products Division

- Eczacıbaşı Building Products Co.
- Burgbad AG
- Vitra Tiles Co.
- Vitra Tiles LLC (Russia)
- Engers Keramik GmbH & Co. KG
- V&B Fliesen GmbH
- İntema Building Materials Marketing and Sales Co.
- Vitra Ireland Ltd.
- Vitra (UK) Ltd.
- Vitra Bad GmbH (Germany)
- Vitra USA Inc.
- Vitra Bath and Tiles JSC (Russia)

#### JV partners

- Villeroy & Boch

#### Business areas

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

### Healthcare Division

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

#### JV partners

- Baxter
- Monrol Nuclear Products

#### Business areas

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

### Consumer Products Division

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

#### JV partners

- Georgia-Pacific
- Beiersdorf
- Schwarzkopf

#### Business areas

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

### Finance

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

#### Business areas

- Finance investment

### ***Information Technology***

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

#### *JV partners*

- Giesecke & Devrient

#### *Business areas*

- IT
- E-card systems

### ***Welding Technology***

- Eczacıbaşı-Lincoln Electric Askaynak Co.

#### *JV partners*

- Lincoln Electric

#### *Business areas*

- Welding consumables and equipment

### ***Mining***

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

#### *Business areas*

- Industrial raw materials

### ***Other Products and Services***

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

#### *JV partners*

- İş REIT

#### *Business areas*

- Foreign trade
- Property development
- Insurance

## Eczacıbaşı Group Financial Highlights\*

	(€ Million)		
	2009	2010	
<b>TOTAL NET SALES</b>			
Building Products	679.1	811.7	
Healthcare	294.9	283.9	
Consumer Products	396.8	466.7	
Other Products and Services	429.5	546.4	
<b>Eczacıbaşı Group</b>	<b>1,800.2</b>	<b>2,108.7</b>	<b>17.1 %</b>
<b>INTERNATIONAL SALES</b>			
Building Products	400.4	444.9	
Healthcare	3.1	5.4	
Consumer Products	35.0	42.1	
Other Products and Services	52.8	94.9	
<b>Eczacıbaşı Group</b>	<b>491.2</b>	<b>587.3</b>	<b>19.6 %</b>
<b>EBITDA</b>			
Building Products	49.0	64.8	
Healthcare	52.5	55.2	
Consumer Products	32.8	24.8	
Other Products and Services	0.3	20.4	
<b>Eczacıbaşı Group</b>	<b>134.6</b>	<b>165.2</b>	<b>22.7 %</b>

\*Combined results of Group companies



# Eczacıbaşı Group Environmental Highlights

## Statement of Energy Consumption and Carbon Emissions in Turkey

### Energy consumption (MWh)\*

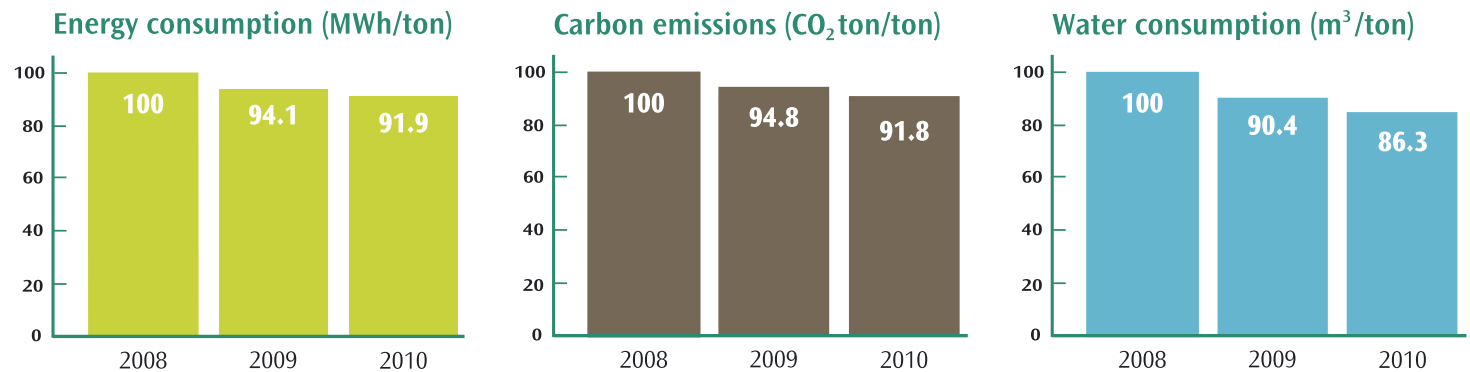
2008	1,175,225
2009	1,059,836
2010	1,281,605

### Carbon emissions (ton)\*

2008	290,331
2009	263,935
2010	322,385

\*Total energy consumed by the Group's 26 industrial sites in Turkey and resulting carbon emissions. Full details of data content and the basis for preparation can be found in the Energy and Carbon Reporting Guidance section of this report. This data, which comprises the "Selected Information", has received limited assurance from PwC, details of which are provided in the Independent Assurance Report on page 50.

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



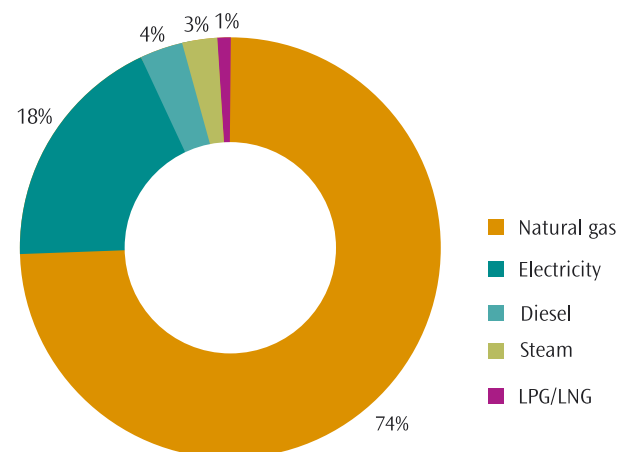
\*Per-ton data for industrial sites in Turkey does not include Esan Eczacıbaşı Raw Materials, which accounts for close to 75 percent of total output on a ton basis. As a result, small changes in its output can have a disproportionately large impact on per-ton data. 2009 production data has been restated to reflect improvements in the methodology for calculating consolidated production on a ton basis.

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

2008	1,952,603
2009	1,651,710
2010	2,788,192

\*Total water consumed by the Group's 26 industrial sites in Turkey.

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



\*Total energy consumed by the Group's 26 industrial sites in Turkey.

## Corporate Governance

The Eczacıbaşı Group is a professionally managed group of 39 affiliated companies directed by our parent company, Eczacıbaşı Holding. The primary functions of Eczacıbaşı Holding are to develop our Group's long-term goals and business strategy and coordinate Group resources and investments accordingly.

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

Among other duties, the Executive Steering Committee approves investments and annual budgets submitted by Group companies, monitors progress in both areas, and recommends measures for ensuring that targets are met. Additionally, it evaluates new business opportunities and submits its recommendations on these to the Board of Directors. It also oversees the implementation of the Group's human resource policies, approves recommendations for executive appointments, and determines the main principles of the Group's organizational structure.

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

Five Eczacıbaşı Group companies are open to the public: Eczacıbaşı Pharmaceutical and Industrial Investment Co., Eczacıbaşı Building Products Co., İntema Building Materials Marketing and Sales Co., Eczacıbaşı Investment Holding Co. and Eczacıbaşı Investment Partnership Co. All of these companies publish their corporate governance principles in their year-end annual reports, which are available through our corporate website. [www.eczacibasi.com.tr](http://www.eczacibasi.com.tr)

## Zero tolerance for corruption

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

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

The Eczacıbaşı Human Resources Handbook also has rules against commercial and financial transactions with relatives of employees, violation of which can lead to termination of employment. Every Eczacıbaşı Group company has an audit and control system that reports to the Head Comptroller and Legal Affairs Office at Eczacıbaşı Holding.

## Stakeholder engagement

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

## Employees

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

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

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

## Customers

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

## Shareholders

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

In addition to corporate websites, all our publicly traded companies have systems in place for responding quickly and accurately to shareholder requests for information. To ensure shareholders' ability to make informed decisions at annual

meetings, we announce our meetings in the main press and the bulletins of the stock exchange and make our annual reports and financial statements available to shareholders at least two weeks in advance. At the annual meeting, shareholders may ask questions and receive answers from our companies' boards of directors and vote on major decisions, such as the division of assets, large purchases and hiring.

## Business partners

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

## Society

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

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

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

## 2010 in Review

*In 2010, we continued to develop our organizational structure for initiating, developing and monitoring sustainable development activities throughout the Group.*

We set ourselves three goals for the period 2007-2010 when we became the first group of companies from Turkey to join the World Business Council for Sustainable Development: measuring and improving our environmental performance starting with highly material variables that are also significant cost factors; integrating sustainable development principles into all our business operations and corporate culture; and taking a leadership role in sustainable development initiatives in our industries and home countries. We believe we made significant headway in all three areas in 2010 through the activities described below.

### *Set energy reduction targets for the three-year period ending December 2013*

Having introduced sustainable development into our strategic plan and performance evaluation criteria in 2009, we set ourselves two energy targets for our operations in Turkey for the three-year period 2011-2013: achieving a six percent reduction in the per-ton consolidated energy consumption of industrial sites and a 15 percent reduction in the consolidated energy consumption of administrative and commercial buildings.

### *Strengthened further our sustainable development management*

In 2010, we continued to develop our organizational structure for initiating, developing and monitoring sustainable development activities throughout the Group. In April, we established the position of Vice President of Sustainable Development reporting directly to the President and CEO. This senior position, responsible for coordinating sustainable development activities throughout the Group, is the first of its kind in Turkey.

In August, we established a new sustainable development working group to analyze the efficiency of the Group's commercial and administrative buildings and develop and implement strategies for improving their energy and water use efficiency. As a result, we now have three working groups focusing on specific areas of sustainable development: environment, product responsibility and building efficiency. We also expanded the number of Group companies represented in our sustainable development working groups from 15 to 26, including representatives from all our industrial subsidiaries in Europe.

Since the second half of 2007, our *sustainable development working groups* have sought to promote sustainable development practices throughout the Group by collecting and evaluating data on the Group's current performance, sharing best practices, recommending ways to improve performance, and enhancing awareness and understanding of sustainable development issues within the Group, particularly among decision-makers.



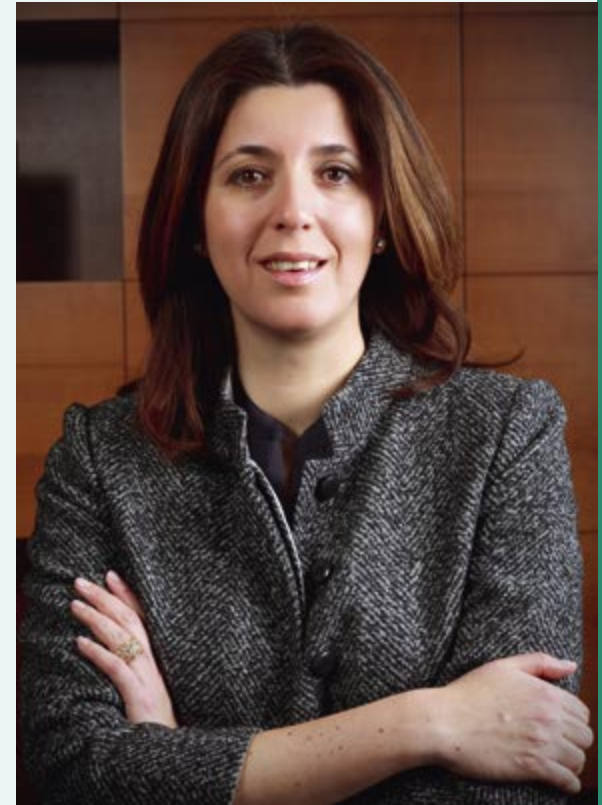


The working groups are also responsible for developing relations with business NGOs working on sustainable development issues and taking an active role in their working groups and initiatives.

**The Environment Working Group** is primarily responsible for determining which environmental indicators are material to the Group's operations, then coordinating with companies to collect and evaluate this data on a quarterly basis. In 2010, the working group began to coordinate with the Group's international subsidiaries with the aim of including them in the data collection and evaluation process in 2011. To facilitate this, the working group is coordinating with Strategic Planning to incorporate environmental data into the electronic performance monitoring data and reporting process.

The four tasks of the **Efficiency in Buildings Working Group** established in the last quarter of 2010 are to evaluate current energy and water use in the Group's administrative and commercial buildings, establish minimum performance levels, determine energy efficiency targets, and undertake training and awareness campaigns. By the end of the year, the working group had collected energy and water consumption data for all administrative and commercial buildings in Turkey, carried out a thorough evaluation of the energy efficiency of seven buildings and determined ways to significantly improve their energy performance.

The goal of the **Product Responsibility Working Group** is to assist the Group develop products and services that contribute to sustainable lifestyles by monitoring consumer and market trends, innovations, and emerging technologies, and communicating this information to relevant companies.



**Okşan Atilla Sanön**

*Vice President of Corporate Communications  
and Sustainable Development*

*We're taking a comprehensive approach to sustainable development: in addition to incorporating sustainable development principles in all our business decisions, we're making them a central component of our corporate culture and, on an individual level, our life philosophy. One of the roles of our sustainable development working groups is to enhance awareness and appreciation of the importance of sustainable development issues. Already, we've begun to sense a change in the mindset of our employees and stakeholders, and I believe we've achieved the critical mass that will drive this transformation forward. One day soon, everyone is going to be an advocate for sustainable development. Our goal is to be the leader in this area and set the benchmarks for our competitors to follow.*

### *Joined new national and international sustainable development initiatives*

In 2010, we expanded our participation in national and international sustainable development initiatives, signing on to the Cancun Communiqué, the Energy Efficiency in Buildings Manifesto of the World Business Council for Sustainable Development, and joining a select group of companies and investors involved in the development of the first Sustainability Index for the Istanbul Stock Exchange.

The Cancun Communiqué, an initiative of The Prince of Wales's Corporate Leaders' Group on Climate Change, calls on governments to reach an "ambitious, robust and equitable global deal on climate change". A year earlier we joined businesses worldwide in signing the Copenhagen Communiqué prior to the Copenhagen Climate Summit.

By signing on to the Manifesto for Energy Efficiency in Buildings of the World Business Council for Sustainable Development in June 2010, we committed ourselves to evaluating, improving and reporting the energy performance of all our buildings.



**World Business Council for Sustainable Development**



**Business Council for Sustainable Development Turkey**



**WE SUPPORT**

### *Commissioned independent assurance of consolidated data for all industrial sites in Turkey*

With the aim of establishing a firm basis for measuring improvements in our sustainability performance, we commissioned PricewaterhouseCoopers to conduct assurance on the 2008, 2009 and 2010 consolidated energy and carbon data of our Group's 26 industrial sites in Turkey. We are the first group of companies in Turkey to assure and report consolidated energy and emissions data for industrial sites, a leadership role that we aim to strengthen by gradually expanding coverage to more sites and data. In this regard, we also began to collect and evaluate data on energy and water consumption at our manufacturing operations abroad and commercial and administrative buildings in Turkey.

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

Many of our companies initiated or completed energy efficiency projects in 2010. Several also achieved major savings in water use, other raw materials used in the production process, and packaging materials.

In the Building Products Division, our manufacturing plant for VitrA-branded ceramic sanitary ware became the first in its industry in Turkey to obtain EN 16001 Energy Management Certification. In addition to installing an innovative natural lighting system on its roof, our ceramic sanitary ware operation adopted a new repair technology that greatly reduces the need for re-firing units with small imperfections. Two of our tile producers, VitrA Tiles and Engers, completed major heat recovery investments to enable them to reuse waste heat from their kilns in other processes. VitrA Tiles also developed a fast-firing method for porcelain pool tiles that greatly reduces firing times, while Burgbad, our luxury bathroom furniture maker, opened a new wing at its plant in Germany specially designed to minimize energy consumption. These and other improvements in the Division's production processes to rationalize the use of electricity will enable us to improve our efficiency in this business field by almost 48,000 MWh.

İpek Kağıt Tissue Paper, our joint venture with Georgia-Pacific in the Consumer Products Division, became the first tissue paper manufacturer in Turkey to obtain ISO 14001 Environmental Management System Certification. In 2010, İpek Kağıt made innovative changes in its large machinery operation that will save more than 2,200 MWh and lowered its water consumption per ton of output by 4.2 percent through continued improvement of its internal water cycles.

In our Healthcare Division, Eczacıbaşı-Baxter Hospital Supply, our flagship manufacturer of parenteral solutions, peritoneal dialysis products, and other hospital supplies, completed five energy projects that are designed to save 750 MWh per year.

E-Kart Electronic Card Systems, our joint venture with Giesecke & Devrient, committed itself to reducing its consumption of non-renewable energy by five percent annually with the aim of becoming a carbon neutral enterprise and obtained both ISO 14001 and OHSAS 18001 certification. Kanyon, our pioneering shopping center in charge of coordinating the Group's efficiency efforts in buildings, completed a major solar water heating investment and signed a protocol with Istanbul Technical University and Türk Philips to determine how to improve the efficiency of its lighting and energy systems.

Group functional divisions also contributed to our energy reduction achievements in 2010, with Information and Communication Technologies completing a virtual data and cloud computing project that reduced the number of our servers from 98 to three for annual energy savings of about 456 MWh per year.

While energy and water consumption were our main focus in 2010, we also made headway in other areas of our environmental performance, such as waste management and recycling.

Eczacıbaşı-Lincoln Electric Askaynak, our welding technology company, signed a waste management agreement with a recycling company enabling it to use non-dangerous waste to produce energy. Eczacıbaşı Building Products initiated a recycling project for PE plastic and increased the ratio of regenerated sand in its foundry processes from five to seven percent. Eczacıbaşı-Baxter began to re-use waste carton trays as separators for glass bottle cases.

Esan Eczacıbaşı Industrial Raw Materials, our mineral and mining operation, has developed a unique formula for substituting a portion of the expensive and high emission Portland cement it uses in the concrete support systems of its underground mining activities with waste material from the same operation.

*Details of these and other projects can be found in the section "Improving our Relationship with the Environment" on page 20.*



**Sedat Birol**

*Executive Vice President - Healthcare Division  
and Head of Environment Working Group*

*In 2010, we began cooperating with our international subsidiaries on data collection, best practices and eco-efficiency targets. We now have representatives from all of our international manufacturing operations in our environment working group, and our goal is to incorporate their energy and emissions data in our consolidated accounts. With two years of assurance behind us, we've learned a great deal about the data evaluation process. For our 2011 assurance process, we hope to have in place new reporting systems that will facilitate the inclusion of more sites and indicators. We also aim to expand our initiatives in occupational health and safety, which we began last year with the support of representatives in our working group from the Group-wide OHS unit.*



### Launched new products with improved sustainability features

Eczacıbaşı Girişim, our manufacturer of away-from-home cleaning products, developed and launched a new line of industrial washing powder in 2010 that does not contain phosphates or petroleum-based products, has a vegetable-based active ingredient, and is packaged in a recyclable cardboard box.

E-Kart Electronic Card Systems launched Turkey's first fully biodegradable credit card.

Eczacıbaşı-Lincoln Electric Askaynak developed two welding consumables that reduce the volume of pollutants emitted during the welding process and introduced a range of fume extractors to improve the welding experience. It also upgraded its most popular welding machine to increase users' energy efficiency by as much as 25 percent.

Eczacıbaşı Building Products designed the entire 2010 collection of VitrA-branded WC pans so as to be compatible with its ultra water-saving 2.5/4 liter dual flushing system.

*Details of these products and packaging innovations can be found in the section "Promoting Sustainable Consumption Choices" on page 30.*

### Created websites to promote our brands' sustainable development activities, products and services

Two of our flagship brands – VitrA and Selpak – launched websites in 2010 dedicated fully to explaining their sustainable development approach and practices. The two websites aim to create awareness among stakeholders of the brands' sustainable development commitments and achievements. Additionally, our tissue paper company, İpek Kağıt, established a website promoting its eco-smart hygiene solutions for away-from home customers.

### Began to align our HR policies with sustainable development strategies

In 2010, we began to align our human resource policies with our sustainable development goals, focusing first on learning opportunities for members of our Sustainable Development Working Groups. Apart from including sustainable development in performance indicators, we added knowledge about sustainability issues among the criteria expected of new candidates for management positions.

Importantly, we also prepared the groundwork for a broad new initiative, which we launched at the beginning of 2011, to recruit more women and strengthen their representation in the Group.

*More information on this initiative can be found in the section "Enhancing women's recruitment" on page 41.*



Yaşamın başlangıcı...  
Bizi yaşatan mucize...

**Nefessiz kalmamak için yüzde 100 dumanlı bir dünya...**

**BIRAKIN HAYATINIZ DEĞİŞSİN!**

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

Detaylı bilgi ve destek için işyeri sağlık birimlerine başvurunuz.

**Eczacıbaşı**



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

**Alır mıydınız?**

**BIRAKIN HAYATINIZ DEĞİŞSİN!**

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

Detaylı bilgi ve destek için işyeri sağlık birimlerine başvurunuz.

**Eczacıbaşı**



### Implemented internal awareness campaigns

One of the primary focuses of our sustainable development activities in 2010 was communication and training to increase corporate-wide awareness and appreciation of sustainability issues. Campaign topics included recycling, video-conferencing, tobacco use and health, traffic safety and cancer risks for women.

Several Group companies carried out their own internal communication campaigns on energy and water efficiency featuring booklets and videos for employees and suppliers and training for employees and corporate customers.

### Created a sustainable development award

To encourage the development of eco-efficiency projects and innovative products and services that contribute to sustainable development, we established a new category in our annual Innovation Awards: Sustainable Development Award. In addition to creating a measurable financial benefit for the company, the winning project must make a unique contribution to the environment by improving the lifecycle of a product or service and/or contributing to the efficient use of resources and minimization of waste and emissions.

In addition to a specific award for sustainable development, we included “contribution to sustainable development: economically, socially and environmentally” among the key criteria for determining the winners of our other five innovation awards.

### Expanded our hygiene program for primary boarding schools

The Eczacıbaşı Hygiene Project, our Group-wide social responsibility project to ensure that children at Regional Primary Boarding Schools have modern, high quality and healthy environments, renovated the washing areas of six more schools in 2010, raising to 11 the number of schools and 5,500 the number of students benefitting from this project since 2007. We also continued to provide personal hygiene classes to primary school students around Turkey in 2010, increasing the reach of this program to almost six million students in 7,360 primary schools in 50 cities around Turkey since 2002.

*Details of our social responsibility projects can be found in the section “Sustainable social responsibility” on page 44.*

**Alır mıydınız?**

akciğer kanseri kalp krizi gırtlak kanseri

nefes darlığı mide ülseri cilt hastalıkları

ağız, diş sorunları astım şeker hastalığı

**BIRAKIN HAYATINIZ DEĞİŞSİN!**

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

Detaylı bilgi ve destek için işyeri sağlık birimlerine başvurunuz.

**Eczacıbaşı**

*“Quit. Change your life!” is the slogan of our new anti-smoking campaign, which offers free medical treatment, psychological and social support to all Group employees in Turkey who decide to quit smoking.*

# Improving our Relationship with the Environment

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

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

## Reducing the resource footprints of our manufacturing operations

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

### *Improving the efficiency of our manufacturing processes*

In 2010, our industrial operations in Turkey and internationally continued work on numerous energy efficiency projects. Together these are designed to save close to 48,000 MWh of energy and a corresponding 13,000 tons CO<sub>2</sub> over the years ahead. As a point of comparison these savings represent 3.3% and 3.6% of our 2010 energy consumption and carbon emissions respectively.

### *VitrA: Turkey's first EN 16001 certified ceramic sanitary ware plant*

In December 2010, VitrA's ceramic sanitary ware plant became the first in its industry in Turkey to receive EN 16001 Energy Management System certification, which provides the systems and procedures for systematically monitoring, evaluating and continuously improving energy efficiency.



The Bozüyük production plant, our Building Products Division’s largest production complex in Turkey, has significantly reduced the amount of energy and water used to produce one unit of ceramic sanitary ware. In addition to using treated waste water, it reuses all fine fired clay scrap in new mixes and recycles an increasing share of its sludge to make firing trays for semi-finished products.

**Solid ceramic sanitary ware waste recycled in the cement industry (tons)**

2007	18,500
2008	22,500
2009	16,500
2010	20,000
TOTAL	77,500

Through an innovative project with the cement industry, all the remaining solid waste – including sludge, scrap and plaster moulds – is used by cement makers as alternative raw materials, enabling us to achieve 100 percent recycling of all solid waste. In 2010, building on this pioneering record, our ceramic sanitary ware plant became the first in its industry in Turkey to receive EN 16001 Energy Management Certification. Similarly, our faucet and fitting operation at the same plant is continually improving its electricity, natural gas and water efficiency as well as its use of recycled scrap metal and foundry sand in its production processes.

**VitrA switches to fast-firing production of porcelain pool tiles**

VitrA Tiles has developed a fast-firing method for porcelain pool tiles that enables it to lower the firing time from 18 hours to 1.5 hours while improving the durability of these tiles. The new process, which won a 2011 Eczacıbaşı Innovation Award in the “efficiency” category, has increased the production capacity of this tile line by 11.3% while reducing the amount of natural gas required per tile by 58%. Overall, the project is expected to save 67,800 m<sup>3</sup> of natural gas, an amount corresponding to 136.3 tons of CO<sub>2</sub> emissions per year.

**-67,800  
m<sup>3</sup> natural  
gas**

**VitrA adopts new repair technology for glaze imperfections**

**-9,900  
MWh**

In 2010, Eczacıbaşı Building Products-VitrA began using CeramiCure® acrylic solutions and laser technology to repair minor glaze defects in ceramic sanitary ware in place of re-glazing and re-firing them at high temperatures. In 2010, we estimate that this new technology reduced the need for re-firing by 20 percent, enabling us to achieve natural gas savings of 9,900 MWh in the years ahead while maintaining our high standards of quality.

**-17,454  
MWh**

**Artema further optimizes energy and water use in faucet production**

Rationalization measures in Eczacıbaşı Building Products-Artema’s polishing and plating units, improved insulation, and recovery of waste heat from compressors to heat the building lowered the amount of electricity and natural gas needed to produce one faucet by respectively 20 and 32 percent (total 17,454 MWh) in 2010. Water consumption per faucet also dropped 25 percent (2,800 tons) with the installation of small pressure baths at each workbench and the recovery and reuse of overflow water from the plating tank.

**-2,800  
tons  
water**

**VitrA installs natural lighting system at ceramic sanitary ware plant**

VitrA’s new generation lighting system at its ceramic sanitary ware plant uses GPS-controlled reflective mirrors to maximize sunlight intake throughout the day and distribute it uniformly throughout the building. The new system is projected to reduce annual electricity consumption and CO<sub>2</sub> emissions by almost 20 MWh and 10.3 tons respectively.

# Sustainability Features of the Bozüyük Production Complex

## *All units*

- Local sourcing of major raw materials
- Solid waste separated at source

## *Ceramic Sanitary Ware*

- Waste heat from tunnel kilns used in boilers
- Closed water loop in the glazing mill
- 100% recycling of scrap ceramic products, sludge and plaster molds
- Fine fire clay scrap reused in clay production
- GPS controlled natural lighting system
- Recycling station repairs 50,000 palettes and 35,000 separators
- Reuses treated water (40% of total)





## *Tiles*

- Waste heat from kilns used in spray driers

## *Faucets and Fittings*

- Solvent-free washing system for sanitary fixtures
- Regenerates and reuses core sand for the casting process (7% of total)
- Reuses scrap from the casting process (68% of total)
- Reuses treated water from the plating process
- Localized dust collectors

## *Awards - Certifications*

- ISO 9001 Quality Management (all operations)
- ISO 14001 Environmental Management (all operations)
- OHSAS 18001 (Ceramic sanitary ware)
- EN 16001 Energy Management (Ceramic sanitary ware)
- 1997 Istanbul Chamber of Industry Environment Incentive Award (Ceramic sanitary ware)
- 1998 TÜSİAD-KALDER National Quality Award (Ceramic sanitary ware)
- 1999 Ministry of Labor and Social Security OHS Award (Ceramic sanitary ware)
- 2000 EFQM European Quality Prize winner (Ceramic sanitary ware)
- 2000 TÜSİAD-KALDER National Quality Award (Faucets)
- 2005 Named “Most Successful Plant in Reducing Electricity Intensity for the 2002-2004 Period” by the General Directorate of Electrical Power Resources (Ceramic sanitary ware)
- 2007 Japan Institute of Plant Maintenance TPM Excellence 1<sup>st</sup> Stage Award (Faucets)

## *Heat recovery projects at Vitra Tiles and Engers*

Vitra Tiles and Engers both completed heat recovery projects that enable them to recycle waste heat from their kilns in the spray drying process. With the addition of three new systems in 2010, Vitra Tiles now has six heat recovery systems at its plant in Bozüyük providing natural gas savings of 1,484,000 m<sup>3</sup> annually. Engers' new system is expected to save 90,000 m<sup>3</sup> of natural gas per year, for total annual savings of 16,747 MWh. Vitra Tiles' heat recovery project won the 2011 Eczacıbaşı Innovation Award in the "sustainable development" category.

**-16,747  
MWh**

## *Vitra Tile optimizes colored paste preparation process*

Vitra Tiles has optimized the preparation process for colored paste used in tile design so as to reduce the required number and volume of pigments, paste base, mediums and glazes and improve the quality and uniformity of colored paste batches. The newly developed system, which is fully automatic, eliminates the use of spray dryers and ensures that all paste fully meets customer color requirements. Through this project, Vitra Tiles has improved the efficiency of its pigment use by 21% and mediums by 50%, lowered the number of required paste bases and pigments by respectively 50% and 67%, reduced the milling time of paste bases by 31%, and increased the speed of the product development process by 33%.

**-21%  
pigment and  
-50% medium  
consumption  
per tile**

Ceramic tile manufacturing is one of our most energy-intensive manufacturing activities, accounting for over half of our consolidated energy consumption and, where natural gas is concerned, an even larger share. Small improvements in the energy efficiency in these operations, therefore, can have a major impact on our Group-wide performance, which is why we are working hard to find ways to improve our energy efficiency in this area. Some of the projects we are undertaking involve rationalization of our operational processes; V&B Fliesen, for example, is saving an estimated 720 MWh per year by reducing its use of pre-kiln driers in hot weather and automatically shutting off dust suction filters during idle time. Other projects involve major investments in new technologies, such as heat recovery systems for recycling waste heat from kilns in other production processes, and electric vehicle fleets.

## *V&B Fliesen earns EMAS certification in 2010*

EMAS (the European Union Eco-Management and Audit Scheme) is a voluntary testing system for companies wishing to improve their environment performance beyond the relevant statutory requirements. It calls for a continuous, performance-oriented and above all measurable optimization process, in which employees also need to be integrated. V&B Fliesen has set itself the goals of reducing per-ton energy and water consumption by five percent, and ceramic waste by 10 percent between 2010 and 2013.

## *Reduced emissions, improved safety at V&B Fliesen*

V&B Fliesen completed a major logistics, technology and purchasing project in 2010 that involved the renewal and modernization of around 100 appliances and vehicles, including forklift trucks and its entire fleet of electrical pallet trucks, electrical, gas and diesel stackers, and reach trucks. The new fleet is safer, easier to use and more environmentally friendly. The new electrical vehicles will help V&B Fliesen to meet the European EMAS environmental targets, as they use high frequency loading technology that provides energy savings and a reduction in CO<sub>2</sub> emissions.

In the Consumer Products Division, İpek Kağıt Tissue Paper, our joint venture with Georgia-Pacific, continued to improve its resource efficiency in 2010 with four major projects to optimize its electricity use and further measures to improve its internal water cycles.

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

İpek Kağıt was also the first in its industry to sell sludge from its water treatment plants to prefabricated housing panel manufacturers and is recycling scrap from tissue paper production and converting processes into pulp.

As a result of all these efforts, İpek Kağıt has received Georgia Pacific's first Sustainability Award, which recognizes company performance in a wide variety of areas: compliance with regulations, internal and external communication; quality, environment, product stewardship and occupational safety management systems; resource and waste management; energy and carbon management; continual improvement in these areas; and environmental, social and economic achievements.

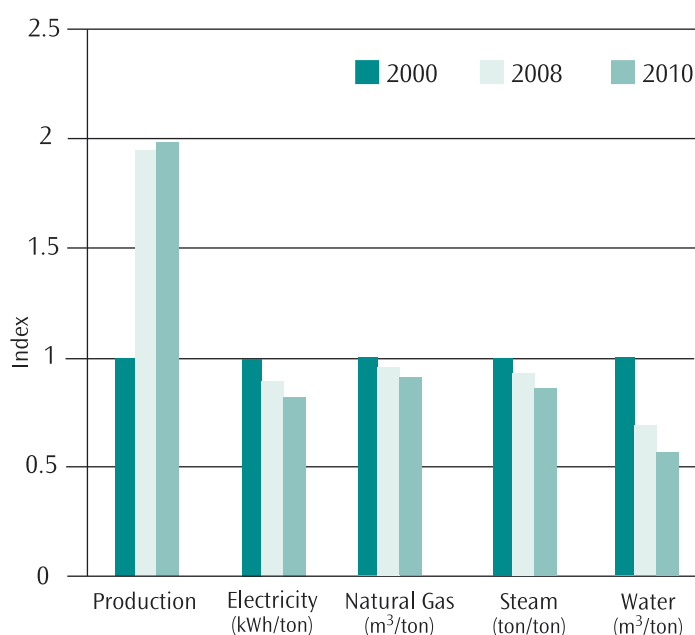
Sixteen Georgia-Pacific plants in 11 European countries competed for the award; İpek Kağıt won with the highest score possible. In addition to the criteria listed above, Georgia-Pacific jury members were impressed by İpek Kağıt's systematic approach to sustainable development and senior management's strong support and leadership of this approach.

## Variable speed technologies improve energy efficiency

İpek Kağıt implemented a number of projects in 2009 and 2010 that reduced the energy demand of tissue paper production by 8,700 MWh and prevented the release of 4,470 tons of CO<sub>2</sub> emissions. Four of the largest projects of this kind optimized the speed of paper machines, pumps and compressors using variable speed technologies, reducing electricity consumption by a combined 2,238 MWh and CO<sub>2</sub> emissions by 1,151 tons. One of the variable speed projects uses cascade communication to adjust paper machine speed to pulp consistency – a first in the industry.

**-2,238 MWh**

Steady improvement in the resource efficiency of our tissue paper plant



## First Turkish tissue paper manufacturer with ISO 14001 certification

In 2010, İpek Kağıt became the first tissue paper producer in Turkey to obtain ISO 14001 Environmental Management System Certification. The certification encompasses both of İpek Kağıt's plants in Turkey.

In our Healthcare Division, Eczacıbaşı-Baxter Hospital Supply, our joint venture with Baxter International and Turkey's leading manufacturer of parenteral solutions, peritoneal dialysis products, and other hospital supplies, continued to move forward with

its Lean Energy Program, completing five major energy efficiency projects. As of end-2010, Eczacıbaşı-Baxter had entered the fourth and final stage of this eco-efficiency program.

## Wide range of energy efficiency investments at Eczacıbaşı-Baxter

In 2010, Eczacıbaşı-Baxter completed five major energy efficiency projects that are expected to achieve annual electricity consumption savings of 748 MWh.

**-748 MWh**

Eczacıbaşı-Baxter replaced the fluorescent lights in its mixing room, which consumed 60 watts per hour on average, with new LED lights that consume about one-third of that amount for annual energy savings of close to 25 MWh. The active life of an LED lamp, if used 24 hours every day, is five years as compared to one year for fluorescent lights, resulting in further savings in lighting costs and labor.

A water chilled cooler project completed in 2010 replaced existing inefficient air-cooled train chillers for energy savings of 330 MWh per year. Additionally, the new system enables Eczacıbaşı-Baxter to save cooling-related water and chemical consumption.

New energy efficient pumps replacing existing booster pumps will lower electricity consumption in this operation by 75 MWh per year and are easier to maintain.

The installation of a variable speed converter to adjust the speed of the reverse osmosis unit according to load variation is expected to reduce annual energy consumption by 83 MWh. The fifth project improved the insulation of a warehouse through the installation of double glass windows and is expected to save 235 MWh per year.

## ISO/EN Certification of Eczacıbaşı Group Companies

	9001	14001	18001
Eczacıbaşı Building Products-VitrA <sup>1</sup>	1994	1998	2008
Eczacıbaşı Building Products-Artema	1994	1999	
VitrA Tiles	1995	2009	
V&B Fliesen <sup>2</sup>	1995	2010	
Eczacıbaşı-Baxter Hospital Supply	2001	2002	2007
Eczacıbaşı-Monrol Nuclear Products	2002	2002	
RTS Renal Therapy Services	2006		
İpek Kağıt Tissue Paper	1994	2010	2011
Eczacıbaşı Girişim	2008	2009	2009
E-Kart Electronic Card Systems	2004	2011	2011
Eczacıbaşı-Lincoln Electric Askaynak	1995		
Eczacıbaşı Esan <sup>3</sup>	1994		

<sup>1</sup> In 2010, this operation also obtained EN 16001 Energy Management System certification and ISO 17025 Competence of Testing and Calibration Laboratories certification.

<sup>2</sup> This operation has EMAS certification, which encompasses 14001 standards.

<sup>3</sup> In 2010, this operation also obtained ISO 17025 Competence of Testing and Calibration Laboratories certification.

## Turning welding waste into value

Eczacıbaşı-Lincoln Electric Askaynak collects and reuses the powdered coating material from its production process in the manufacture of new welding consumables: in 2010 this represented 350 tons of powdered coating material.

In 2009, Askaynak signed a protocol with a local recycling company to take the non-dangerous sludge from its waste treatment plant to use as an energy source; in 2010 this represented 258 tons of sludge. Askaynak recycles all packaging materials through the packaging recycling foundation, ÇEVKO. Since Askaynak began to cooperate with the foundation, it has collected and recycled 850 tons of packaging waste.

**850 tons of  
recycled  
waste**



### *Promoting eco-efficiency through new plant design*

In recent plant investments, we have incorporated water and energy-saving features as well as new processes aimed at optimizing resource use and reducing waste. Some of these features are simple architectural designs that make more use of natural lighting and air circulation to cut down on electricity use. Others involve simple technologies for collecting and treating rainwater or process water for re-use in manufacturing processes or gardens, or using solar energy to heat water for personnel use. Some are unique technologies developed by our employees especially for our businesses – such as the central bath system for plating and lubricant baths at our welding technology plant. Eczacıbaşı-Lincoln Electric Askaynak, our equal share joint venture with Lincoln Electric, has significantly improved its resource efficiency by constructing a plant specifically designed to reduce the use of water, chemicals and energy in the production process.

Developed in-house, the architectural structure of the plant uses daylight for interior lighting, solar energy for water heating, and natural air circulation for ventilation. These features alone reduce electricity requirements by about 772 MWh per year. The plant's most innovative feature, however, is a central bath system that increased the productive life of plating and lubricant baths three-fold and drastically cut water, sulfuric acid, copper sulfate and soap use. Other features of our plant include highly efficient ovens, and treatment and recycling systems for water and powdered raw materials.

### *Esan's unique concrete formula replaces cement with mining waste*

Esan Eczacıbaşı Industrial Raw Materials, the Group's mineral and mining operation, has developed a unique formula that enables it to replace 10 percent of the Portland cement it uses to support the spaces created by its underground mining activities at Balya with waste material from the same operation. The resulting concrete far surpasses the required standards, is non-toxic and harmless to the environment, and significantly lowers both the carbon footprint and costs of the operation. It also reduces the space required for storing waste, and thus the impact of the operation on the surrounding environment. In 2010, we estimate that this new formula lowered Esan's carbon footprint by 585 tons and waste by 650 tons.

Over the next three years, we expect to substitute 11,570 tons of Portland cement with our special mix, reducing this way our mining operation's carbon footprint by 10,400 tons.

**-585  
tons of  
indirect  
CO<sub>2</sub>**

**-650  
tons of waste**

Eczacıbaşı-Lincoln Electric Askaynak received the Chairman's EHS Award in 2009 from Lincoln Electric, which has adopted our central bath and waste treatment system as a model for its new plant in India.

The sharing of best practices between business divisions has enabled our companies to incorporate manufacturing systems and architectural features that have worked well for other plants. Eczacıbaşı Girişim's industrial cleaning and personal care products plant, which began operating in May 2008, incorporates several innovative features of our welding technology plant to optimize energy and water consumption and reduce our impact on the environment. Solar energy, treated rain water, and cleaning in place steam-based sanitation systems cut water use and waste by half compared to similar facilities. Additionally, the cooling system incorporates a magnetic bearing chiller that reduces energy requirements in this system by about 35 percent.

### *Burgbad's new furniture plant incorporates energy efficiency principles*

In 2010, our luxury bathroom furniture maker, Burgbad, completed the construction of a new 3,900 square meter production hall at its Greding-Grafenberg plant that incorporates a number of important sustainable design principles. The new hall is designed to minimize the consumption of energy and natural resources during all phases of its life cycle: from the planning and construction stage through operational and modernisation stages and eventually its dismantling and disposal. In order to keep its impact on the ecosystem as low as possible, the plant optimises lighting technology and light management to provide energy savings of up to 32 percent. One way it is doing this is through the intelligent use of daylight on the northern side of the structure. This orientation avoids undesired overheating during the summer and makes sun protection unnecessary. Warmth is provided through ceiling-mounted radiant panels fuelled by wood chips produced at the plant and controlled by energy-saving room sensors.

The new building was constructed using regional materials that were selected as far as possible to be reusable or recyclable. We avoided, for example, composites that are difficult to recycle at the end of their lifecycle and used glued laminated girders, which are renewable resources. By constructing the new building adjacent to the existing building, we reduced the number of new exterior walls and optimized the flow of materials between buildings and minimize transportation. The building also contains an advanced extraction system for woodchips that is 17 percent more energy efficient than traditional systems.

# Enhancing the efficiency of our buildings

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

All administrative and commercial buildings in Turkey of the Eczacıbaşı Group consumed 27,906 MWh of electricity in 2010, an amount representing 10 percent of the electricity consumption of our industrial operations in Turkey. Natural gas and water consumption, at just over 580,000 m<sup>3</sup> and 50.8 tons respectively, are relatively small overall but represent important cost factors for our buildings.

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

- Building system design
- Peak operational hours
- Lighting systems and electrical appliances
- Insulation problems
- Energy consumption data
- Efficiency, workload and capacity of all motors
- Efficiency of automation systems
- Efficiency and technologies of lighting systems, and
- Alternative energy options, such as solar energy or cogeneration systems, and
- Efficiency of humidifiers.

With the support of specialist consultants, the working group has drawn up and begun to implement numerous projects that are projected to lower the electricity and natural gas consumption of Group buildings in Turkey by respectively 11 and 28 percent.

## Projected savings of planned building efficiency projects\*

	2010 energy consumption <sup>1</sup>	Projected savings <sup>2</sup>	% Improvement
Electricity (MWh)	27,906	3,067.3	11
Natural Gas (MWh equivalent)	6,192	1,761	28
<b>Total Energy (MWh equivalent)</b>	<b>34,098</b>	<b>4,828.3</b>	<b>14</b>
Water (Tons)	50,861	6,430	13

\*The numbers represent the projected annual savings of planned projects upon their completion.  
1. 2010 energy consumption of all commercial and administrative buildings in Turkey  
2. Based on the minimum savings projections of independent consultants and equipment manufacturers.

Many of the projects the working group has developed, apart from improving insulation, involve the replacement of less efficient lighting, heating and cooling systems with newer, more efficient ones, such as condensing boiler cascade systems in place of central furnaces, VRV systems in place of split ACs, and LEDs in place of fluorescent lights, and the installation of solar water heaters to the roofs of several buildings.

Other projects include the replacement of inefficient automation systems with manual controls based on sensors, and the installation of frequency converters on selected pumps and motors. On a building-by-building basis, we project that savings will range from five percent to a high of 42 percent in the case of our former headquarters with rates of return generally within five years and often less than one.

## Virtual data storage and cloud computing

In 2010, our central Information and Communication Technology Division completed a major project to outsource a large portion of the Group's data storage and computing operations to virtual data centers. Through this project, the Group reduced the number of servers at its headquarters from 98 to three, for electricity savings of 456 MWh per year. Aside from substantially lowering carbon emissions, the project has opened up new office space for other functions, lowered maintenance and repair costs, and greatly increased the capacity, effectiveness and efficiency of our Group-wide ITC systems.



## Kanyon installs solar water heating system

Kanyon, our prestigious shopping, business and residential center in Istanbul, has carried out numerous projects and research in collaboration with NGOs, universities, and public and private institutions to improve its energy, water and waste performance since 2008. Measures have included installing water-saving faucets, toilets and urinals in all public restrooms; designing an efficient watering system for indoor and outdoor gardens; improving the efficiency of cooling towers and reusing cooling tower water in bathrooms; rationalizing escalator and elevator systems; and achieving year-round heat recovery at air conditioning power stations.

In 2010, Kanyon added 100 solar panels to provide hot water for restaurant kitchens and commercial establishments. This system is expected to supply 35 percent of the shopping center's hot water demand and reduce natural gas consumption and carbon emissions by respectively 67,000 m<sup>3</sup> and 127 tons per year. Kanyon also signed a protocol with Türk Philips and the Department of Energy Planning and Management of Istanbul Technical University's Energy Institute to evaluate the lighting and energy efficiency of its shopping center and office tower and propose improvements. As a result of this study, which was completed in the first quarter of 2011, Kanyon management will undertake nine projects in 2011 that will reduce the electricity used in lighting the public areas of the Kanyon shopping center by 821 MWh, an amount equivalent to six percent of the electricity consumed for this function in 2010.

Kanyon has a waste management system with collection points for glass, paper and other recyclable materials, waste food from restaurants and cafes, and electronic waste – a first in Turkey. In recognition of all these efforts, Kanyon was selected to represent Turkey for the Ruban d'Honneur in the "Environmental Awareness" category of the 2010 European Business Awards.

**-67,000 m<sup>3</sup>  
natural gas**



**Tuncer Kınıklı**

Operations Director-Kanyon  
Head of Efficiency in Buildings  
Working Group

*We established the Efficiency in Buildings Working Group in August 2010, soon after signing the Manifesto for Energy Efficiency in Buildings of the World Business Council for Sustainable Development. Our first priority is to evaluate the electricity, natural gas and water consumption of the Group's administrative and commercial buildings and develop efficiency projects in these areas. In countries like Turkey, where limited local energy resources mean we are highly dependent on energy imports, ensuring sufficient, reliable and economic sources of energy needs to be a priority. Energy efficiency is one of the easiest ways of tackling this issue because, generally speaking, energy accounts for as much as 82 percent of the total cost of an investment during its 10-year lifecycle, as opposed to eight percent for the initial purchasing cost.*

## Developing sustainable communities

The Ormanada project, located on 220,000 m<sup>2</sup> of land in a wooded suburb to the north of Istanbul in Zekeriyaköy, aims to create a low rise, moderate density gated community that is highly sensitive to the surrounding environment and wildlife.

The design principles of the project were developed by Torti Gallas and Partners, one of the leading master planning and urban design firms in the United States, Kreatif Mimarlık, and Rainer Schmidt Landscape Architects. Ormanada offers a blend of tranquility, comfort, healthy living, sustainability, unambiguous design, lifestyle quality, and originality to create a "living community".

Shaped by a "sustainable life" philosophy, Ormanada's 188 villas and 71 townhouses incorporate environment-friendly materials that are long lasting and do not need special care. Home interiors use Vitra and Artema branded "Blue Life" products, which minimize the consumption of natural resources and increase eco-efficiency. Exteriors use long lasting natural materials that require very little maintenance. The exteriors of residences incorporate many details that demonstrate sensitivity to health and environment issues: insulation systems that are safe and environment-friendly, awnings, water treatment systems that reuse wastewater in the gardens, solar lighting for roads, and more.



## Promoting sustainable consumption choices

*We are committed to serving customers who want to contribute to the environment by choosing products designed to reduce resource consumption and pollution during production, transport and use.*



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

## Products that contribute to sustainable lifestyles

In the Building Products Division, where our main businesses involve bathroom spaces and wall and floor coverings, our primary goal is designing products that help customers save water, such as extra low water flushing systems, waterless urinals, flow-regulating faucets and self-cleaning tiles. We are also designing products that cut down on material consumption, by reducing, for example, the depth of washbasins and bathtubs, and thickness of tiles. To communicate our Division's longstanding commitment in this area, Vitra, our global bathroom and tile brand, has articulated a production, design, and management philosophy called "Blue Life".

"Blue Life" for us means striving to reduce the use of non-renewable resources in the production process, making significant investments towards boosting eco-efficiency, and developing products that promote energy and resource conservation by end-users, driven by a concern for the environment and our collective future. Blue Life reflects our belief that efficient management of our resources today is critical for the future of our blue planet and that good design takes responsibility for natural resource conservation. Blue Life also means contributing to a better society through long-term social responsibility projects targeting children, hygiene and education.

Our Consumer Products Division is also undertaking many initiatives to promote sustainable consumption choices.

In 2009, İpek Kağıt Tissue Paper launched Eco-Promise, committing itself to proactively ensuring full compliance with new environmental legislation and regulation; procuring 100 percent of its pulp from certified suppliers who can prove that their wood pulp derives from sustainably managed forests; supplying tissue products manufactured from non-bleached or bleached pulp produced by elemental chlorine-free or total chlorine-free processes that pose no risk to human health or the environment; contributing to sustainable living by encouraging employees, suppliers and other stakeholders to take part in health, educational, work safety and other social projects that improve people's lives; and giving priority to R&D and innovation projects that create low cost, high value-add products responding to consumers' desires.



# Blue Life

## **Blue Life** **bathroom and tile products**

Our Building Products Division has developed more than 240 water-saving products for homes and commercial spaces that meet the needs of customers in a wide range of segments. By choosing Blue Life products for their bathroom spaces, a family of four can conserve up to 190,000 liters of water per year. Many of these products are also designed to reduce material use during production, with consequent savings in energy use for production and transport.

We are also designing better insulation materials for building exteriors. Good insulation can cut back energy consumption by buildings – which are estimated to account for 40 percent of total energy use globally – by 30 to 50 percent, offering significant savings to users as well as contributing to lower greenhouse gas emissions. Here, too, we are taking the lead with a growing array of external thermal insulation composite systems that can help save up to 50 percent of the energy used for heating, self-cleaning wall and floor tiles that also remove stale odors from the air, and slim tiles that require fewer resources to produce, package and transport. New projects in the pipeline incorporate advanced technologies that will further expand the contribution of tiles to sustainable living.



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

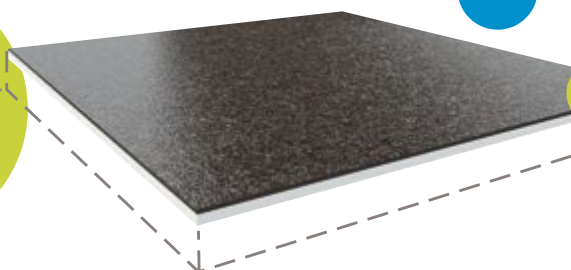
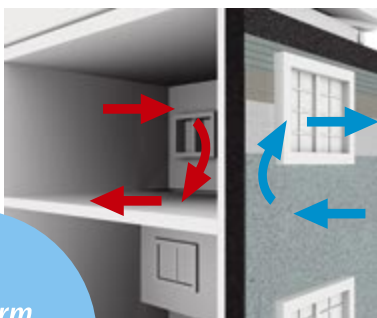
Hygienic  
water-free  
urinal

Water-saving  
bathtub

Cartridge  
preventing  
excessive  
water use

VitrA Therm  
standards in  
heat insulation

Slimetric  
Slim, stylish and  
eco-friendly tiles





## ***Phosphate-free industrial detergent***

Eczacıbaşı Girişim, our industrial hygiene product manufacturer and fast-moving consumer goods marketing company, is developing cleaning products and packaging that use fewer resources and are better for the environment. One of these is the Maratem brand of phosphate-free powder detergent, m640, which it launched in 2010. This industrial-duty product not only contains no phosphates or petroleum-based ingredients, all its active ingredients are derived from renewable plant-based sources.

Another new cleaning product with a lower environmental impact is “foamy soap”. Because of its foamy texture, this new soap provides four times as much cleaning power as normal soap of the same weight, so it uses less packaging and creates less waste. It also promotes better hand-washing practices among children, as it is easier and more fun to use.

## ***Biodegradable credit cards***

E-Kart Electronic Card Systems launched Turkey’s first biodegradable credit card in 2010. The card offers all the technical advantages of PVC without the disadvantage of slow decomposition. E-Kart’s biodegradable card will decompose within 39 months in both aerobic and anaerobic environments.

## ***Cleaner and more energy-efficient welding products***

Eczacıbaşı-Lincoln Electric Askaynak launched a gas metal arc welding consumable in 2010 that uses less copper and chemicals and prevents the emission of copper fumes during the welding process. It also reformulated its stick electrode coating recipes so as to reduce the amount of particles emitted during the welding process.

Another major product upgrade in 2010 involved the re-launch of a popular welding machine to eliminate harmonic current emissions and increase users’ energy efficiency by as much as 25 percent. Askaynak aims to re-launch all of its models with this upgrade in 2011 and 2012.

## ***Eco-smart tissue paper and dispensers***

Every new İpek Kağıt product not only aims to offer consumers their best choice, it also strives to promote smart tissue paper use and resource conservation.

İpek Kağıt is designing a growing range of tissue paper products and dispensers that promote eco-smart consumption. Some of its newest products of this kind are Selpak 1-Sheet Bathroom Tissue, Turkey’s first and only bathroom tissue with a special patented technology that encourages consumers to use a single sheet at a time; Solo Squeezed Bathroom Tissue, which requires 15 percent less storage space, Solo Double Roll Bathroom Tissue and Kitchen Towel, which helps to decrease packaging, logistics and warehouse costs; Selpak Paper Cloth, the first and only kitchen towel in Turkey that is durable enough to wash and reuse several times; and Selpak, Solo and Silen “half-sheet” kitchen towels. In the away-from-home market, Lotus Professional branded enMotion towels, Smart One bathroom tissue, and Reflex Towels reduce paper consumption by at least 30 percent with their patented technology.

At the same time, İpek Kağıt is expanding its range of products made from recycled paper, substituting recycled cardboard cores for white ones made from virgin fibers, using recyclable materials as much as possible in packaging, and packing products in cardboard boxes made from recycled paper.

## ***Sustainable development communication***

Two of our brands have developed communication campaigns for their sustainable development initiatives. Vitra’s communication campaign for Blue Life aims to raise awareness among all Vitra stakeholders of the growing scarcity of natural resources and the importance of resource conservation. To this end, Vitra has published information on sustainable development issues on a dedicated website—[www.bluelife.com](http://www.bluelife.com)—prepared printed brochures and catalogues, and highlighted all its water and energy-saving products with the Blue Life label to help consumers make better choices. It has also provided training to all Vitra employees and distributors on conservation issues.



İpek Kağıt Tissue Paper communicates its commitment to sustainable development on the packaging of Selpak-branded tissue paper and kitchen towels, which carry its Eco-Promise logo, and provides detailed information on its sustainable development activities and products on its Eco-Promise website. İpek Kağıt also has a website for away-from-home customers that provides detailed information in Turkish and English on eco-smart products.

Our Consumer Products Division is educating away-from-home customers on resource efficiency and hygiene issues through a new marketing organization exclusively for this segment. Eczacıbaşı Industrial Hygiene, as the new marketing organization is called, creates logistical and marketing synergy between away-from-home brands in different businesses so as to provide complete hygiene solutions for away-from-home customers. One important component of this initiative is Maratem Academy, a training and consultancy operation for away-from-home customers. In 2010, this service provided training to roughly 700 cleaning professionals on how to use cleaning chemicals safely and efficiently and assisted customers develop, implement and monitor customized cleaning and hygiene plans; HACCP guidelines and planning; food hygiene practices; health audits and more.

## “Less is better” packaging

Packaging is an important sustainability issue both in terms of its environmental impact and cost for many of our businesses, particularly our fast-moving consumer goods businesses. This is why we are continually looking for ways to reduce our packaging material use and switch to environmental-friendly alternatives, such as biodegradable or recycled material. In 2010, many of our companies found ways to improve their performance in this area.

### *First biodegradable packaging in Turkey's tissue paper market*

*İpek Kağıt is working hard to reduce the impact of its packaging on environment, an important concern in the fast-moving consumer goods industry. In early 2011, it launched biodegradable packaging for Selpak-branded bathroom tissue. Made with a patented technology that is the first of its kind in Turkey's tissue paper sector, Selpak's biodegradable packaging goes through molecular breakdown into methane, CO<sub>2</sub> and inert and harmless humus with the help of bacteria in both aerobic and anaerobic environments in less than five years. It can also be recycled to make new packaging.*



## Reducing and recycling packaging materials

Many of our companies use PE (polyethylene) plastic for packaging, but are trying to find ways to reduce their use of this material, which can take as long as a 1000 years to decompose.

Eczacıbaşı Building Products-VitrA began sending all PE plastic used to wrap palettes to a recycling company in 2010, preventing about 100 tons of this material from going to the dump last year. For the first time it also used recycled PE in place of new material. In 2010 this accounted for close to 19 percent of total PE consumption for packaging; in 2011 we aim to increase this to 30 percent.

İpek Kağıt Tissue Paper succeeded in considerably reducing the thickness of its PE-based product packaging in 2010, lowering its annual consumption of this material by 16.3 tons per year.

Eczacıbaşı Girişim reduced the thickness of its high-density polyethylene canisters by 10 percent, for savings of 25 tons per year.

Eczacıbaşı-Baxter Hospital Supply began to reuse the cardboard trays used as packaging by its bottle supplier as separators for IV bottles in 2010, reducing its cardboard waste by 40 tons per year. Previously, this waste cardboard was sent to the municipality recycling center; now, it goes to a cardboard packaging supplier, which cuts and reshapes the material as bottle separators.

Eczacıbaşı Pharmaceuticals Marketing reduced the thickness of its cardboard packaging for pharmaceutical products by about 50 grams on average. This change is expected to lower its annual consumption of cardboard packaging by 105 kg in 2011.

**-141**  
tons of PE

**-40** tons of  
cardboard

# Eco-innovation

*Sustainable development is probably the most powerful conceptual tool we have for ensuring that our innovation efforts achieve long-term business success.*

To increase our Group-wide value and competitive edge, we must continually anticipate our customers' expectations with products and services that respond to their values and differentiate us from our competitors.

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

To understand these concerns, we need to listen to our customers and our own people; we need their insights and help in designing our products. This is what we are aiming for with our Blue Ocean and Inocino innovation programs, and our quality circles, brainstorming teams, and focus groups.

Since 2007, when we started our Blue Ocean innovation program with a group of 30 people, we have provided basic training on innovation and Blue Ocean methodology to all our employees in Turkey. Now, Blue Ocean project development is a central part of our innovation efforts. In 2010 alone, 300 employees from 12 companies were involved in the development of 14 outstanding Blue Ocean projects that were selected from among hundreds of new ideas for products and services.

We know that we need thousands of customer-need focused ideas if our innovation program is to be successful and that our best source of ideas is our own employees. This is the purpose of our Inocino suggestion and evaluation system, which we established in 2009. In 2010, this system received 2,600 suggestions from our employees, no less than 14 percent of which have passed the initial approval stage and are being worked on further.

As we progress, we are adapting Inocino to our needs. In 2010, for example, we adjusted the system so that companies are able to invite employees to suggest solutions to specific problems and employees are able to comment on and evaluate suggestions logged into the system. We are currently developing mechanisms for incorporating the views of our stakeholders, especially those of our customers.

Coordinating these multiple activities is our Innovation Coordinator, responsible for directing our innovation drive and working with senior management to make innovative thinking a fundamental component of our corporate culture.

We want our innovation initiatives to have a balance between incremental and disruptive innovation: while looking for new opportunities and ways of improving our competitive advantage through small but effective incremental innovation, we are also investing in disruptive innovation. Developing innovative





technologies and designs is one of the aims of the Vitra Innovation Center we are constructed at the Bozüyük production complex and which coordinates all the research and development activities of our Building Products Division.

## Innovation Awards

One of the ways we measure the success of our innovation efforts is through international recognition of the innovative features of our new products and services. In 2010, new Group products received 10 design awards, including some of the world's most prestigious design awards.

At the same time, we are encouraging and rewarding innovative design through our own innovation awards, which we started just over 10 years ago. During this period, Group companies submitted close to 300 high value-add projects, many of which have contributed significantly to our operations' eco-efficiency and sustainable product and service portfolios. This year we received a record number of applications for the Eczacıbaşı Innovation Awards. A total of 16 Group companies, including – for the first time – our international enterprises, submitted 53 projects: 14 in the “Product” category, 11 in the “Efficiency” category, eight in the “Communication” category, six in the “E-Transformation” category, and no less than 14 in our new “Sustainable Development” category.

### *Inocino projects under development\**

Efficiency and cost reduction	33 %
New products and services	31 %
Communication	5 %
Business development	5 %
Human resources	4 %
Sales and marketing	4 %

*\*Total of 614 projects*



**Ata Selçuk**

*Innovation Coordinator*

*We're doing everything we can to create excitement among our colleagues about innovation. We're creating numerous opportunities for learning about innovation through training, communication, and the sharing of best practices. We're establishing systems and mechanisms to engage employees at every level of our organizations in the innovation process, and recognizing and rewarding innovative ideas. Sustainable development principles add a new and inspiring direction to our innovation efforts. Most people want to be a part of something that is bigger than profits and market share: they want to contribute to a better world and find solutions to pressing social and environmental problems. By linking innovation to sustainable development, therefore, not only are we strengthening our operations' competitive edge, we're unleashing a whole new energy and excitement about innovation.*

# Promoting Healthy Workplaces and Lifestyles

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

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

## Ensuring a safe and healthy workplace

We aim to achieve the best environment, health and safety record in Turkey and one of the best internationally. To help us coordinate the health and safety efforts of our individual companies, we have established an occupational health and safety (OHS) unit to carry out joint projects with occupational health and safety experts throughout the Group, starting with a compilation of statistics to locate areas of best practice and others that need to be strengthened.

For this, the unit has developed an IT application to monitor health and safety data on a Group-wide basis. The application can find correlations between employee health and environmental indicators, thus generating critical information for locating OHS risks and preventing workplace-related illnesses, and can be used to monitor the health and safety performance indicators of our subcontractors.

Our OHS unit has also established a field team with occupational doctors and safety experts from the Group trained specifically for OHS field visits by the Turkish Standards Institute. The goal of this team is to examine the OHS practices of Group companies and develop a database of "best practices" to share with Group companies. The team is also providing support to Group companies that want to obtain OHSAS certification. Five of our industrial operations have OHSAS 18001 certification and one more aims to obtain it in 2012. Employees at these establishments represented just under half of all employees working at our industrial sites in Turkey.

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

	2008	2009	2010
Work-related deaths	0	0	0
Lost time injury per million work hours	19	13	13

\* All 26 industrial sites in Turkey



## Industrial Operations with OHSAS 18001 Certification

Eczacıbaşı-Baxter Hospital Supply	2007
Eczacıbaşı Building Products-VitrA	2008
Eczacıbaşı Girişim	2009
E-Kart Electronic Card Systems	2011
İpek Kağıt Tissue Paper	2011

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

### İpek Kağıt Safety Awards\*

- 2004 Georgia Pacific President's Award for Safety<sup>1</sup>
- 2004 Georgia Pacific Chairman's Award for Safety<sup>2</sup>
- 2005 Georgia Pacific President's Award for Safety (twice)<sup>1</sup>
- 2005 Georgia Pacific Chairman's Award for Safety<sup>2</sup>
- 2008 Georgia Pacific EMEA Safety Excellence Award<sup>3</sup>
- 2010 Georgia Pacific EMEA Safety Excellence Award<sup>4</sup>
- 2011 Georgia Pacific EMEA Safety Excellence Award<sup>5</sup>

\*250,000<sup>1</sup>, 500,000<sup>2</sup>, 350,000<sup>3</sup>, 400,000<sup>4</sup>, 600,000<sup>5</sup> hours  
w/out lost-time incident

## Mobile employee safety

In 2010, we evaluated the traffic safety record of our corporate vehicle fleet in Turkey with the aim of improving our performance in this area. Drawing on best practices, we developed a manual for corporate vehicle use and traffic safety that we will distribute in 2011 to all employees who use Group-owned vehicles alongside training and communication of our performance targets. All drivers are expected to familiarize themselves with the manual and to maintain it in their vehicles at all times. The new guidelines put responsibility for unsafe or unlawful driving squarely on the shoulders of users and incorporates disciplinary measures – even termination of employment – for certain traffic violations.

### Eczacıbaşı-Baxter Safety Awards

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

\* 1 mn hours w/out lost time incident

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





## Awareness-raising campaigns

### Anti-smoking

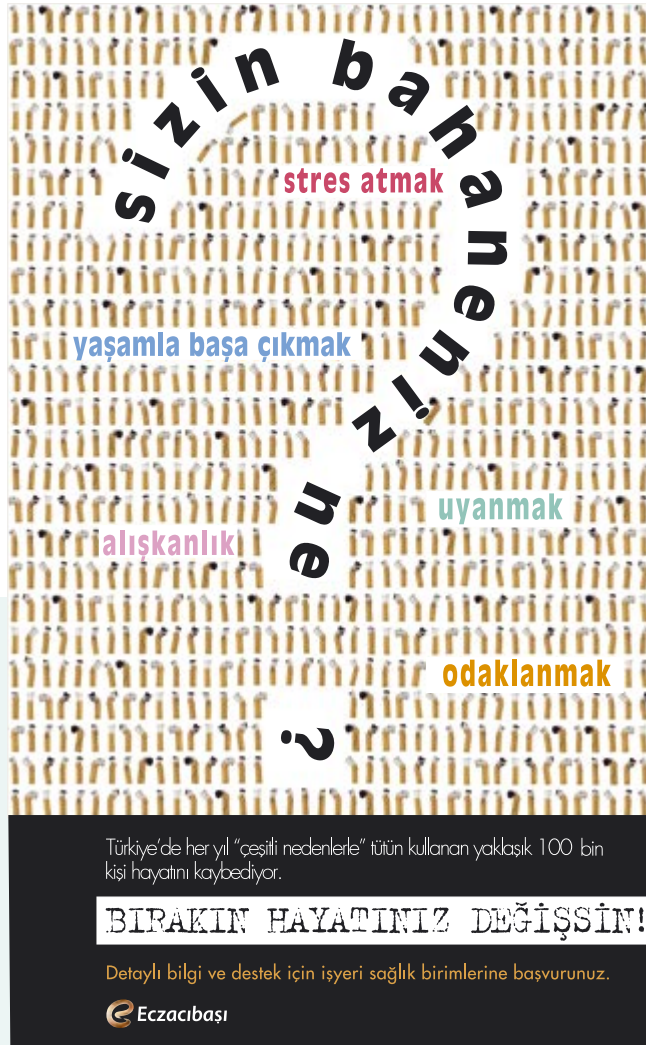
“Quit. Change your life!” is the slogan of our new anti-smoking campaign, which offers free medical treatment, psychological and social support to all Group employees who decide to quit smoking. Every Group company in Turkey is taking part in the campaign, coordinated and implemented by our Group’s OHS unit.

The initiative also brings two major changes to the workplace: starting in September 2011, Group employees will no longer be allowed to take “smoking breaks” during work hours. For this reason, Human Resources has added “ability to work in a non-smoking environment” to the list of criteria in our recruitment process.

We initiated the campaign on 1 March 2011 with a letter from Eczacıbaşı Group President and CEO Dr. Erdal Karamercan on explaining Eczacıbaşı’s long-running campaign against tobacco use and commitment to improving the life of smokers and ensuring a healthy and safe working environment for non-smokers.

### Women’s health

As health issues of particular concern to women, cervical and breast cancer are two other areas where we have focused our health awareness campaigns in the last two years. Our activities in this area have included seminars, communication campaigns and, in response to requests by employees, at-cost provision of HPV vaccines.



**Sizin bahanelerinizi ne?**

- stres atmak
- yaşamla başa çıkmak
- alışkanlık
- uyanmak
- odaklanmak

Türkiye’de her yıl “çeşitli nedenlerle” tütün kullanan yaklaşık 100 bin kişi hayatını kaybediyor.

**BIRAKIN HAYATINIZ DEĞİŞSİN!**

Detaylı bilgi ve destek için işyeri sağlık birimlerine başvurunuz.

 Eczacıbaşı

“Quit. Change your life!” is the slogan of our new anti-smoking campaign, which offers free medical treatment, psychological and social support to all Group employees in Turkey who decide to quit smoking.



## Recycling

With the aim of integrating sustainable development principles into our corporate culture and promoting sustainable lifestyle choices at home and work, we carried out a number of communication campaigns in our buildings, plants, corporate magazine and corporate portal pointing out ways to save water and energy, encouraging the use of stairs in place of the elevator, and promoting the recycling of glass bottles, batteries, and other recyclable or toxic waste.

## Video-conferencing

Recognizing the impact of air travel on greenhouse gas emissions, we initiated a long-term effort to promote the use of video-conferencing over flying, using the Group's 47 video conference facilities. These facilities hosted more than 1500 meetings in 2010, 80 percent of which involved offices in different countries. Using widely accepted international formulas, we estimate that by using video conferences in place of travel we prevented the emission of 900 tons of CO<sub>2</sub> in 2010.



By not taking  
the elevator one floor,  
you can prevent  
**22 kg \*** of carbon  
emissions every year.



\* Equivalent to the amount of carbon emissions absorbed by one tree over two-months.



**Don't take  
the elevator one floor...**

Lead a healthier life  
and prevent **22 kg\*** of  
carbon emissions per year!



\*About the amount of carbon emitted by a car traveling the 1,700 km distance between Turkey's eastern and western borders.

## Eczacıbaşı kadınlara meme sağlığı seminerleri



Meme hastalıkları  
ve kanser cerrahisi  
uzmanı Dr. Meral Demirel,  
8 Ekim 2009 Perşembe  
günü Kanyon Ofis'te  
bizlerle olacak.

Tarih 8 Ekim 2009 Perşembe  
Yer Kanyon Ofis 22. kat toplantı odası  
Saat 8:15-9:15 veya 9:15-10:15

Seminerlere katılmak isteyen ve  
Kanyon Ofis Binası ve  
Eski Holding Binası'nda görev yapan  
kadın çalışanlarımız,  
saat tercihlerini belirterek  
Kurumsal Portal üzerinden  
başvurularını yapabilirler.



Meme sağlığıyla ilgili merak edilen tüm bilgilerin ve meme kanserinde hayat kurtaran erken tanı yöntemlerinin paylaşılabileceği seminerde, özellikle "yanlış bilinenler" üzerinde durulacaktır. Eczacıbaşı Toplu Sağlık Grubu'nun katkılarıyla gerçekleştirilecek seminerler karşılığında, Türk Eğitim Derneği'nin sürdürdüğü ve Dr. Meral Demirel'in de destek verdiği "10.000 Genç Neşale, Daha Aydınlık Türkiye" kampanyası kapsamında bir Tıp Fakültesi öğrencisine burs verilerek eğitim görmesi sağlanacaktır.

Kontenjan sınırı nedeniyle başvuruları geciktirmeden yapmak ve seminerlerin mesai saatleri içinde gerçekleştirilecek olması nedeniyle başvuru öncesinde yönetici onayını almış olmak önemlidir.

Dr. Meral Demirel hakkında bilgi için: [www.meraldemirel.com](http://www.meraldemirel.com)

Women's  
health  
seminars

It takes the life span of  
**one tree**  
to absorb the carbon emissions of  
a **single airplane trip**  
to Europe.

**Let's choose video  
conferencing over flying!**



# Aligning HR Policies with Sustainability Principles

*We announced a new policy in March 2011 that instructs our human resource teams in Turkey to give priority to women in the recruitment process when deciding among candidates of equal strength and attributes.*

The primary objectives of our human resources policies are to attract, develop and retain outstanding human resources and to ensure that our companies have dynamic organizational structures that are aligned with their strategic plans and objectives. To achieve this, we strive to ensure that we have in place the best human resources management applications and educational programs, provide a professional and appealing work environment with continual opportunities for professional and personal development, and develop a long-term relationship with our employees that begins in their university years and continues into and through their retirement. We understand “outstanding human resources” to mean well educated and well prepared individuals who are open to innovation and change, entrepreneurial and energetic; who actively seek personal and professional development, who train other personnel and who share our understanding of respect, participation, initiative, quality, innovation, and sense of responsibility towards our jobs, community and environment.

## Transparent recruitment, selection and promotion processes

We select the most suitable applicant for every job based on a clear set of criteria and a transparent recruitment and selection process that is described in detail in our Recruitment and Selection Handbook. This process includes well-defined tests for each position, workplace simulations, and face-to-face interviews with a number of people from different levels of the organization. Empirical methods are used throughout to rank candidates, and every time someone is refused, the reasons for the refusal are recorded, monitored and evaluated. This system aims to prevent applicants from being denied employment for discriminatory reasons, such as gender, religion, or race.

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

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

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

## Speaking out and being heard

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

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

## Enhancing women’s recruitment

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

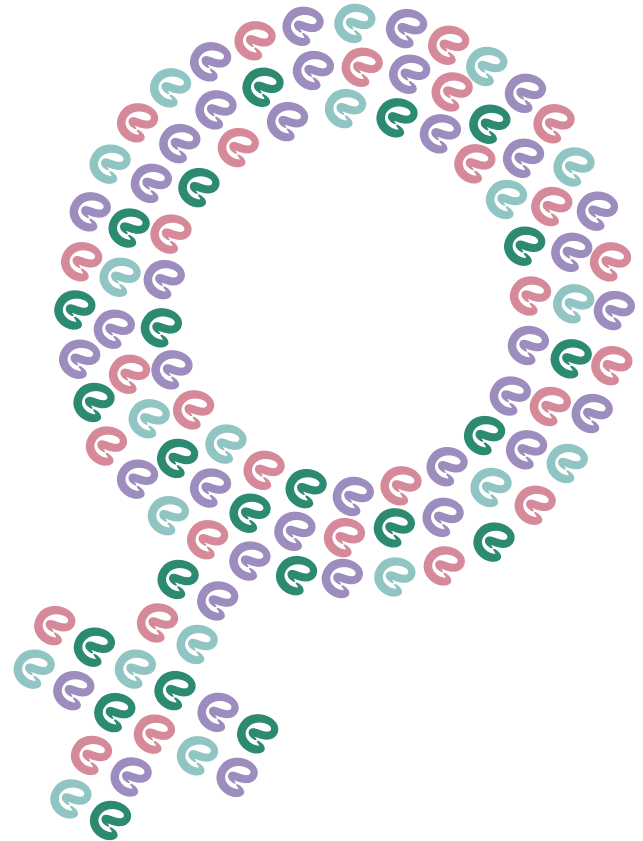
Although women already play an important role in the management and implementation of our operational strategies, we know we must increase their representation further in the years ahead. Currently, women represent 34 percent of all our professional employees, 30 percent of all lower and middle managers, and 13 percent of senior management. These figures tell us that we have almost equalized the promotion rates of women and men to mid-level management positions, so if we increase the percentage of women recruited into our organization, we will rapidly equalize their presence in mid-level management. In this regard, we announced a new policy in March 2011 that instructs our human resource teams in Turkey to give priority to women in the recruitment process when deciding among candidates of equal strength and attributes.

In the longer term, we must do more to ensure greater representation of women at senior levels of the decision-making process in Turkey. One mechanism already in place for improving women’s role in executive management is our competency assessment program for management trainees. Here, women represent a high 47 percent of program participants, a development that will gradually increase the representation of women in upper management as their average age and seniority increase.

### Women in the Eczacıbaşı Group\*

	% Women
Overall, including industrial employment	21
Professional Employees	34
Department Heads	30
Managers	30
General Managers and above	13
New Recruits	40
Competency Assessment Program (for management trainees)	47
Average age of men/women	37.3/34.0
Average seniority men/women	9.82/7.46

\* Data as of end-December 2010



## Promoting personal and professional development

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

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

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

## Freedom of association

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

## Protecting employee rights

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

## *Building new competency in sustainable development*

*In line with our sustainable development strategies, we are creating opportunities for our employees to learn about sustainable development issues and asking them to build competencies in these areas. In 2010, we sent key members of our working groups to a sustainable development certification program organized by the Regional Environment Center-Turkey and Bosphorus University and our entire sustainable development team to two training seminars on ISO 14064 Greenhouse Gas standards and Carbon Emissions Reporting. We have also prepared an e-learning module on sustainable development that all employees will be required to complete in 2011 and included sustainable development among the general knowledge criteria expected of new candidates for management positions.*



Under no circumstances do we employ children or force a person to work. All new employees are explained their rights during the orientation stage and directed to the Human Resources Handbook in the corporate portal. They are also informed immediately of changes to this handbook and to their rights and obligations through internal communication tools – most and encouraged to review these changes.

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



# Sustainable Social Responsibility

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

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

## Children, health and education

### *Eczacıbaşı Hygiene Project*

The Eczacıbaşı Hygiene Project is an international award winning project that aims to secure modern, high quality and healthy environments for school children attending Regional Primary Boarding Schools.

In partnership with the Ministry of Education, which is determining the neediest schools and ensuring they have the required plumbing infrastructure, three of our flagship brands – Vitra, Artema, and Solo – are renovating the bathrooms and showers in the dormitories and buildings of these schools with Vitra and Artema products and teaching students about good personal care and hygiene practices. Within the Eczacıbaşı Group, a growing number of Group companies and employees are contributing to the success of the project, including Eczacıbaşı Building Products, İpek Kağıt Tissue Paper, Eczacıbaşı Girişim Marketing, and Eczacıbaşı Volunteers. To date, 5,500 students at 11 schools primarily in eastern Turkey have benefited from the project. According to the protocol the Eczacıbaşı Group signed with the Ministry of Education in January 2010, 30 Regional Primary Boarding Schools will benefit from the project.

*New washing  
areas for  
5,500 students  
at 11 schools  
Target: 30 schools*

Apart from partnering in the Eczacıbaşı Hygiene Project, our Solo tissue paper brand has organized personal hygiene classes for almost six million students at 7,360 primary schools in 50 cities around Turkey since 2002. This project received a prestigious World Business Award in recognition of its contribution to the UN Millennium Goals.

The Eczacıbaşı Hygiene Project has also received international awards, including the International Public Relations Association's





Golden World Award in Social Responsibility, an Honorable Mention in the associated Special United Nations' Award competition and two Honorable Mentions from the US: one in the "Best Social Responsibility Project of Europe" category of the Stevie International Business Awards and the other in the "Community Relations" category of PR News Platinum Awards.

### *Reproductive health hotline*

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

### *Dr. Nejat F. Eczacıbaşı Foundation music scholarships*

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

### *Partner of the vocational school system in Turkey*

Eczacıbaşı-Lincoln Electric Askaynak is contributing to the sustainable growth of the welding technology industry through training seminars and the provision of consultancy, equipment, textbooks, and supplies to state-run vocational schools, universities, public education centers, and prisons.

In 2005, we signed a protocol with the Ministry of Education's Vocational Education Directorate to provide refresher courses at Askaynak's plant to technical teachers at state-run vocational schools, print and distribute a welding technology textbook prepared by Askaynak to technical teachers and senior students at vocational schools, provide equipment to vocational schools at cost, and act as a sponsor/partner/shareholder for EU-funded vocational training projects in the welding sector.

Since 2005, we have provided refresher courses to 300 teachers at state-run vocational schools; distributed close to 60 thousand copies of its textbook – which it has also made available for free on its website – donated electrodes for practice labs, and provided state-of-the-art welding equipment for free or at very economical prices to a number of training centers.

Aside from helping to establish a welding training center that facilitates the training and certification of 115 welders a year, we have provided equipment and consultancy to welding programs organized by municipalities, industrial zones, and shipyards. Overall, these training seminars benefited more than 1,400 people from 76 institutions in 2010, raising the total number of people to which we have provided this training since 2005 to over 5,000.

**Trained  
1,400 people  
at 76  
institutions  
in 2010**



## Culture and the arts

### *Istanbul Museum of Modern Art*

Over three  
million  
visitors since  
December  
2004

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

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

Since Istanbul Modern opened in the fall of 2004, over 3,000,000 people have visited the museum and some 340,000 children and young people have attended art workshops and classes.

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

We are a staunch supporter of the Istanbul International Festivals through our sponsorship of the Istanbul Foundation for Culture and Arts, founded in 1973 on the initiative of Dr. Nejat F. Eczacıbaşı, our Group's founder. In 2006, after more than three decades of direct patronage of selected festivals, we became the Leading Sponsor of the Istanbul Foundation for Culture and Arts. In our new role, we are contributing to

the International Istanbul Music, Film, Theatre and Jazz Festivals as well as the International Istanbul Biennial, this way enhancing our involvement in the Foundation and broadening our communication with the public. Istanbul festivals are admired and followed by a large art-loving community. In 2010 alone, almost 349,000 people attended these events.

### *VitrA Ceramic Arts Studio*

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

## Public policy and scientific research

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

We established this fund in 1959 to promote high caliber medical research. Since then, the fund has supported 172 medical research projects and presented 67 awards to Turkish scientists for valuable research in health and medicine. In 2002, the Scientific Research and Medical Award Fund also began supporting promising research carried out by medical students.

172 medical  
research  
grants,  
67 awards

### *Turkish Economic and Social Studies Foundation (TESEV)*

We are an active supporter of the Turkish Economic and Social Studies Foundation, an independent, non-profit think-tank





dedicated to conducting and supporting research on public policy issues. TESEV is the successor of the Economic and Social Studies Conference Board, which Dr. Eczacıbaşı founded in 1961.

### *Turkish Informatics Foundation (TBV)*

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

## **Sports and leadership**

### *Eczacıbaşı Sports Club*

Established in 1966, the Eczacıbaşı Sports Club single-handedly trained many of Turkey's best sportsmen and women in the fields of basketball, volleyball, gymnastics and table tennis before focusing its resources exclusively on women's volleyball in the early 1990s. During this period, the club won 13 National Championships in table tennis, eight National Championships in men's basketball, 12 National Championships in men's volleyball, and three National Championships in chess.

**27 national championships**

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

### *Eczacıbaşı Sports School*

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

## **Eczacıbaşı volunteerism**

### *Eczacıbaşı Volunteers*

We support the efforts of Eczacıbaşı Volunteers, a volunteer initiative established by our employees in 2007 to carry out projects that benefit children. In principle, Eczacıbaşı Volunteers focus on projects that complement the social responsibility projects of Group companies and contribute to children's mental, physical and emotional wellbeing. Since 2007, Eczacıbaşı Volunteers have carried out 25 projects that have directly benefited 2,500 children in five regional primary boarding schools in Turkey and two pediatric wings at university hospitals in Istanbul. They have also organized eye exams for 1,500 children in a local neighborhood and collected school and student supplies for 241 schools around Turkey requesting assistance.

**25 projects for 4,000 children at schools and hospitals**

### *İpek Kağıt Volunteers*

İpek Kağıt Tissue Paper employees established a volunteer program in 2007 called "Let's Hold a Hand" in partnership with a local NGO. Funded entirely by volunteers, the program aims to contribute to the quality of life of children at the Karamürsel Gazi Vakfı and Gazanfer Bilge Children's Orphanage, which is located near İpek Kağıt's plant, through educational, health, sports, cultural and social activities. In 2010, volunteers carried out 20 different activities that directly benefited more than 100 children.



# Eczacıbaşı Group's Energy and Carbon Reporting Guidance

This Energy and Carbon Reporting Guidance ("ECRG") document supports the preparation and reporting of energy consumption and carbon emissions data by the Eczacıbaşı Group (hereafter "Group"). It is the responsibility of Group management to ensure that appropriate procedures are in place to prepare its energy consumption and carbon reporting in line with, in all material respects, the ECRG. All data up to and including FY10 (financial year ending 31 December 2010) only comprises the industrial sites in Turkey (as detailed on the next page), excluding non-industrial sites in Turkey and all international sites. The data for these years, therefore, do not represent the entire Group.

## General reporting principles

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

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

## Key definitions

For the purpose of this report, the Group defines:

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

## Scope of reporting

For FY09 and FY10, 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 site gate. For example, transport from suppliers, to customers, in between Group locations, or business travel (even if they involve vehicles belonging to the site), and employee commuting;
- Energy consumed in non-industrial operations;
- Energy used by third parties in the manufacture / production of purchased raw materials, products and other supplies;
- Energy used in the use / consumption and disposal of manufactured products;
- Energy in respect of outsourced and contracted operations / manufacturing (i.e. activities contractually performed by third parties);
- Energy supplied to third parties; and
- Carbon equivalent emissions arising from other greenhouse gases on the basis that these are not material.

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

## Data preparation

### Energy consumption

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



The Group has used the following published conversion factors:

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

### Carbon emissions

Carbon emissions are calculated by the Group using published conversion factors. Conversion factors enable the determination of the amount of carbon released into the atmosphere per unit of energy consumption. Different types of energy sources have different conversion factors reflecting their carbon intensity. In future periods, conversion factors may be updated to reflect changes/improvements in published data.

The following conversion factors are used:

- For fuels (such as natural gas, diesel, LPG, residual fuel oil), conversion factors are obtained from the calculation tool provided by the GHG Protocol (July 2009), which uses data provided by the IPCC (Intergovernmental Panel on Climate Change). Refer to IPCC 2006 Guidelines for National Greenhouse Gas Inventories ([www.ipcc-nggip.iges.or.jp/public/2006gl/vol2](http://www.ipcc-nggip.iges.or.jp/public/2006gl/vol2) [www.ipcc-nggip.iges.or.jp/public/2006gl/vol2](http://www.ipcc-nggip.iges.or.jp/public/2006gl/vol2)); and
- For electricity and steam, conversion factors are obtained from the "2010 Guidelines to Defra / DECC's GHG Conversion Factors for Company Reporting" provided by the UK Government. Electricity conversion factors listed within "Annex 10 - International Electricity Emission Factors" for year 2006 and Turkey are used. These conversion factors for electricity and steam have been used instead of the factors detailed within the GHG Protocol calculation tool because they include transmission and distribution losses.

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

## Restatements

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

### *Eczacıbaşı Group's industrial sites in Turkey*

*All of the Eczacıbaşı Group's 26 industrial sites in Turkey, listed below by company, are included in our Statement of Energy Consumption and Carbon Emissions.*

#### *Building Products Division*

- *Eczacıbaşı Building Products (ceramic sanitary ware, faucets, bathroom/kitchen furniture, acrylic bathtubs and shower trays) 4 sites*
- *VitrA Tiles (ceramic tiles) 2 sites*
- *Eczacıbaşı-Koramic Building Chemicals (building chemicals) 2 sites*

#### *Healthcare Division*

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

#### *Consumer Products Division*

- *İpek Kağıt Tissue Paper (bathroom and facial tissue, napkins, kitchen towels) 2 sites*
- *Eczacıbaşı Girişim (away-from-home products and selected cosmetics) 1 site*

#### *Other Products and Services*

- *Esan Eczacıbaşı Industrial Raw Materials (industrial raw materials for ceramic sanitary ware and tiles) 8 sites*
- *Eczacıbaşı-Lincoln Electric Askaynak (welding consumables and electrodes) 1 site*
- *E-Kart Electronic Card Systems (magnetic stripe and smart cards) 1 site*



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

We have been engaged by the Directors of Eczacıbaşı Holding A.Ş . (the “Company”) to perform an independent assurance engagement in respect of Selected Information contained in the Eczacıbaşı Group [1] Sustainability Report for the year ended 31 December 2010.

The Selected Information subject to limited assurance consists of the Statement of Energy Consumption and Carbon Emissions for the year ended 31 December 2010 in page 10 of the Eczacıbaşı Group Sustainability Report.

### **Respective responsibilities**

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

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

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

This report, including the conclusion, has been prepared for the Directors of the Company as a body, to assist the Directors in reporting Eczacıbaşı Group’s energy and carbon performance and activities. We permit the disclosure of this report within the Group Sustainability Report for the year ended 31 December 2010, to enable the Directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors as a body and the Company for our work or this report save where terms are expressly agreed and with our prior consent in writing.

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



**Assurance work performed**

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

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

Our limited assurance procedures included:

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

**Limitations**

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

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

**Conclusion**

Based on the results of our procedures, nothing has come to our attention that causes us to believe that, for the year ended 31 December 2010, the Selected Information has not been properly prepared in all material respects in accordance with Eczacıbaşı Group Energy and Carbon Reporting Guidance.

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

Ediz Günsel  
Partner

Istanbul, 13 June 2011

# Reference Guide to the UN Global Compact Principles

## Human Rights

*Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; (Pg. 3-5, 42-47) and*

*Principle 2: make sure that they are not complicit in human rights abuses. (Pg. 43)*

## Labor Standards

*Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; (Pg. 42-43)*

*Principle 4: the elimination of all forms of forced and compulsory labor; (Pg. 42-43)*

*Principle 5: the effective abolition of child labor; (Pg. 42-43) and*

*Principle 6: the elimination of discrimination in respect of employment and occupation. (Pg. 3, 40-42)*

## Environment

*Principle 7: Businesses should support a precautionary approach to environmental challenges. (Pg. 2-3 / 14-19 / 20-33)*

*Principle 8: undertake initiatives to promote greater environmental responsibility. (Pg. 14-19, 20-33)*

*Principle 9: encourage the development and diffusion of environmentally friendly technologies. (Pg. 14-19 / 20-33)*

## Anti-corruption

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



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