

Being One



Koç Group

Corporate Social Responsibility Report 2010



Content of the Report:

- Work carried out by Koç Holding;
- Projects and examples of best practices conducted by the Group companies Arçelik, Aygaz, Ford Otosan, Koç Information Technologies Group, Opet, Otokar, Otokoç Otomotiv, Tat, Tofaş, Tüpraş, TürkTraktör, and Yapı Kredi; and
- Joint projects conducted by NGOs supported by the Group, the Vehbi Koç Foundation, Koç University and affiliated institutions.

www.koc.com.tr

For more detailed information about all of our work, and for updated information beginning January 1, 2011 visit the Koç Holding corporate website or those of the individual Group companies, the Vehbi Koç Foundation and Koç University. A PDF version of our Corporate Social Responsibility Report is available on our corporate website.

gc@koc.com.tr

We welcome feedback, suggestions, and criticism, for these are the most important tools we use to improve the efficiency of our reporting work. To contact us, please send an email to gc@koc.com.tr

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The Global Compact

The Global Compact consists of 10 principles of human rights, working conditions, environment and corruption. These principles are based on a guiding perspective for opening up new ways of thinking for business and companies, especially, concerning risk management, increase in efficiency, morale and motivation of employees, increasing fidelity among employees, brand consciousness and creating new markets.

The Global Compact has been propagated by the United Nations since 2000 and has been adopted exclusively on a voluntary basis. All efforts to comply with the principles are made public through reports accessible on the UN website (www.unglobalcompact.org).

According to Global Compact website, by the time this report is released nearly 8,700 participants from 130 countries will have been reached by the Global Compact, 6,137 of them from the business world, and 2,547 from the NGO's, unions, associations, foundations, local administrations, and academic circles.

The 10 Principles of the UN Global Compact

Human Rights

- Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights; and Pg.12-17
- Principle 2:** Make sure that they are not complicit in human rights abuses. Pg.12-17

Labour Standards

- Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Pg.18
- Principle 4:** The elimination of all forms of forced and compulsory labour; Pg.18-25
- Principle 5:** The effective abolition of child labour; and Pg.18-25
- Principle 6:** The elimination of discrimination in respect of employment and occupation. Pg.18-25

Environment

- Principle 7:** Businesses should support a precautionary approach to environmental challenges; Pg.26-37
- Principle 8:** Undertake initiatives to promote greater environmental responsibility; and Pg.26-37
- Principle 9:** Encourage the development and diffusion of environmentally friendly technologies. Pg.26-37

Anti-Corruption

- Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery. Pg.38-39

About the Report



Koç Holding

Our paramount objective at the Koç Group is to substantially enhance the quality of life in our areas of operation. In keeping with this objective, not only do we work to provide products and services that conform to the highest universal standards of quality, but also to ensure the social and economic development of the communities that are impacted by our areas of operation and to fulfil our responsibilities for protecting the environment. We view the sustainable development of the society we live in as the source of our own corporate sustainability. Not only do we try to demonstrate this philosophy at every opportunity, we also view it as synonymous with the personal motto of our founder, Vehbi Koç, who said, "I live and prosper with my country." We consider this to be the guiding principle of our operations and our way of doing business.

In the execution of our operations, we aim for unity with our stakeholders and the creation of an integrated whole that moves towards a common purpose. Therefore, we strive to learn the expectations and opinions of our stakeholders so that we can immediately respond in the most appropriate manner. We understand that the ability to deliver superlative results depends on creating a constructive communication environment founded on the principles of transparency and accountability. For this reason, we want to represent the "best practices" for each sector in which we operate and we are committed to continually improving our practices and processes to achieve better results.

Koç Group, the largest private sector employer with many of Turkey's well-respected industrial organizations, annually publishes the Koç Group Corporate Social Responsibility Report. Since signing the United Nations Global Compact in 2006, we have improved the level of implementation every year, communicating our performance in all relevant social, environmental, and economic areas with our stakeholders. This is the fourth year that we have published this report and we have improved in terms of scope, content and application in comparison with the previous report we produced in April 2010.

In the reports that we published previously, we followed the United National Global Compact COP Reporting procedures with regard to methodology. In this year's report, we improved our application by adding the Global Reporting Initiative G3 Reporting Framework principles to our reporting work on the B application level, as they are the recognized global standard in non-financial reporting activities. We intend to follow this methodological framework for our reporting activities in the future.

As we have done in previous years, our goal was to provide our stakeholders with a general outline of our social, economic and environmental performance, which are the essential elements of corporate sustainability, within the scope of the reporting for this period. In order to achieve this goal with expanded content, we implemented the "Koç Group Sustainability Performance Evaluation and Reporting System" in 2010. This system was created based on the views of Koç Group employees and numerous experts not affiliated with the company. We used this system to identify the most critical sustainability issues around which the activities of the Koç Group revolve, and consequently how our performance should be evaluated and reported. With the information processing infrastructure that we set up to facilitate the functionality of the system, we were able to evaluate and report our sustainability performance in a more systematic way.

The intended audience for our report encompasses each of our stakeholder groups, including our employees, our customers, our shareholders, our investors, our partners, civil society and the professional organizations with which we work. For this reason, we kept the diversity of our target group in mind when formulating the language of communication and structuring the content of our report.

The report covers Koç Holding activities and projects carried out in Turkey between January 1, 2010 and December 31, 2010. This year we have expanded the scope of the report by raising the number of Group companies included in our work from 10 to 18. Therefore, the report covers the practices and performance of the Group companies Arçelik, Aygaz, Ford Otosan, Koç Information Technologies Group*, Opet, Otokar, Otokoç Otomotiv, Tat, Tofaş, TürkTraktör, Tüpraş, and Yapı Kredi in social, economic, and environmental areas. Unless there is a statement to the contrary, apart from the sections which present the general profile for Koç Holding, the performance of all these companies is included in the data for describing the indicators that demonstrate sustainability. The report also encompasses the work of the Vehbi Koç Foundation and Koç University, which is affiliated with the foundation. However, unless there is a statement to the contrary, the performance of these institutions is not included in the consolidated numerical performance data, tables, and graphics presented throughout the report. The content of the report we have generated represents 84.4% of Group employees and 94% of the Group's combined turnover.

* "Koç Information Technologies Group" doesn't represent a legal entity, but a common name for, Koç Group IT Companies, namely KoçSistem, Koç.net, Callus, Bilkom, Promena, Katron, Koç Bilgi ve Savunma Teknolojileri. Within this report, all performance and application information disclosed regarding Koç Information Technologies Group consist of shared data and practices of these 7 companies.

Message from the Chairman

Mustafa V. Koç



Dear Stakeholders,

Despite the vestiges of the global crisis, the performance of the Turkish economy in 2010 reinforces our positive projections for the future. Turkey is becoming an important investment destination both regionally and globally due to its economic potential, its physical infrastructure, its human resources, and its socio-political position bridging East and West.

The links in the chain that secures Turkey's growth potential are the business community, civil society organizations and public institutions. This triad brings Turkey structural strengths with Turkish entrepreneurs led by managers who are well-equipped in terms of knowledge and talent, as well as excellent technological capacity and a qualified workforce. These companies enjoy the environment required for economic growth supported by agile public institutions and effective civil society organizations. In order for this tripartite structure to reach its true potential, both the economic impact of our production and business models, as well as the ensuing social and environmental impact, must be seriously evaluated. We should all be united in purpose when it comes to eliminating the negative effects and strengthening the positive contributions. We must not forget that economic growth only becomes an element of lasting value for the future when it is achieved together with social and environmental improvement. Otherwise, our achievements are nothing more than temporary successes.

The immortal words of our founder Vehbi Koç, "I live and prosper with my country," illuminate our path. As one of the strongest links in Turkey's economic development, the Koç Group has maintained its faith and confidence in this principle in its operations for over 80 years. We have shaped our fundamental business principles based on the fact that our most important duty in maintaining the impressive development of our country is the sustainable development of the Koç Group. Therefore, we have built our approach to corporate sustainability on the establishment of a transparent corporate management structure that is accountable to all shareholders, the development of best practices in each of our sectors by monitoring the social, economic and environmental impact of our work, and the creation of joint projects together with all parties who share these same goals.

Today, we have come to a place where the Koç Group reaches far beyond the borders of Turkey. The Koç Group is a global player active in 28 countries on 4 continents, along with tens of thousands of employees and hundreds of thousands of stakeholders, with products and services that enhance the quality of life. In order to reinforce our commitment to fulfilling the ever-increasing responsibilities that come with our size, we signed the United Nations Global Compact (UNGC) in 2006. We enhanced our performance by developing our management approach in accordance with the principles outlined in the UNGC. The new sustainability management structure we have created aims to improve our performance in this area, above and beyond what we have already achieved.

In 2010, Koç Group companies progressed in all areas of sustainability, especially environmental issues, as a result of the effect of many new initiatives. The creation of a strategic infrastructure in connection with the fight against climate change, is an important asset for us in terms of managing potential risks and opportunities. The efficiency improvement operations performed in 2010 have resulted in significant decreases in energy consumption, CO₂ emissions, the use of natural resources, and the environmental impact of our products. Our Group companies were recognized and awarded for these efforts by various Turkish agencies and institutions. With the practices they implemented in 2010, Koç Group companies continued to provide their employees with a fair and safe working environment where human rights are respected. We also carried out successful community development projects in areas of education, culture, the environment. As an integral part of our measure against excellence, we will continue our progress in all areas of performance - economic, social and financial - as we promptly have in 2010.

I would like to express our gratitude to all of our stakeholders - especially to our employees, our investors, our suppliers and our business partners - for their support and contribution.

Respectfully,

Mustafa V. Koç
Koç Holding A.Ş.
Chairman

Message from the CEO

Turgay Durak



Esteemed Stakeholders,

The “Koç Group Goals and Principles” were passed down to us with the signature of our founder Vehbi Koç and are the fundamental values upon which the Koç Group has been built. These fundamental values begin with customer satisfaction and describe our approach to quality, how we view our employees and action points for new investment, as well as positioning our sphere of responsibility on an axis that encompasses all of the social and economic support required for our country both now and in the future.

What I view as a fundamental product of all these principles and goals, which are shared by all Koç Group employees, is the maxim of our founder Vehbi Koç for adhering to superior work ethics and honest business principles: “Our approach is to be fair in all our relationships, to act in good faith and understanding to ensure mutual benefits and to comply with laws and ethical rules at all times. Another fundamental principle that we have pioneered and which is a non-negotiable for us, is fulfilling our responsibilities to both this and future generations. It is our duty to be sure that our actions reflect the importance of protecting the environment and to spread environmental awareness.”

As an industrial group that operates on a global level, it is our desire to share our goals and principles with all of our stakeholders and support them with practical applications in order to create a multiplier effect in social and economic development. I believe that keeping these principles and values alive and developing them in accordance with the spirit of the age is our most fundamental duty. Recent events have shown us that financial results or legal sanctions defined with the boundary of a single country are insufficient when it comes to measuring the success and sustainability of a company. The global economy and human development indexes have made it necessary to take a fresh look at responsibility and role sharing between the state, the private sector, and civil society organizations. The Global Compact, which was announced in 2000, is a document that we support, and it is the product of an approach that calls on the private sector to be proactive in the process of social development.

In 2010, we published the “Koç Group Code of Ethics and Business Conduct”, which serves as a joint business constitution that combines a number of existing components which shapes our approach to business, most notably our Group values and the Global Compact. Later,

we formed a Sustainability Coordination Committee consisting of executives responsible for managing our areas of sustainability including social, economic, and environmental issues at the Holding level, thus giving us representation in all the individual Group companies. After creating policies and an organizational infrastructure for sustainability management, we created the Koç Group Sustainability Performance Assessment and Reporting System including a new IT infrastructure to effectively manage and report the performance of Group companies regarding issues of sustainability.

During this same time, we developed our approach to climate change, which is of increasing concern, so that we could respond more comprehensively with a risk-opportunity focus. As a result of work that involved active participation from company executives, we formulated the Koç Holding Climate Change Strategy. The goal of this strategic initiative is to ensure that Group companies can respond to the issue of climate change more comprehensively and transform potential risks that may arise into opportunities. The strategy is compiled within a seminal corporate document, which addresses a number of issues ranging from our products and operations to legal compliance and business partnerships.

2010 was a year in which we not only developed our administrative approaches, but also achieved notable successes regarding gains in a number of sustainability performance areas, including the reduction of CO₂ emissions and natural resources consumption, as well as improving the environmental impact of our products. Our work on efficiency reduced total energy consumption by Group companies by 3.35 million GJ, total GHG by 329,507 tons of equivalent CO₂, and total water use by 2.1 million m³ while increasing the amount of recycled water used to meet operational requirements by 33.4%. Our Group companies offered consumers a broader range of environmentally friendly products by significantly reducing the emission of GHG and the use of packaging materials made from natural resources, and decreased the amount of energy used in our products and services thanks to the product development efforts carried out during the year.

As always, we worked not just on our core business operations, but also strived to contribute to the socio-economic development of our country. Our Group companies conducted a total of 236 donation, sponsorship, and social projects during 2010. The projects

received volunteer support from 10,595 Group employees. In 2010, we continued the corporate support we have provided to vocational education in Turkey for years. Vocational training was provided for 35,223 people with a variety of projects developed by Group companies including the 8,000 scholarship recipients in the Vocational Education: A Crucial Matter for the Nation (MLMM) Project. Our MLMM Project graduated its first students in 2010. As a result, the employment phase of the project has begun in addition to the education phase.

The projects carried out by our companies were evaluated by various organizations during the year and recognized with awards in several areas, including product development and energy efficiency. The awards received as a result of these efforts motivate us to achieve even more. For this reason, our aim is to accomplish even greater success in the future on issues related to our sustainability performance.

Progress in long-established companies like Koç Holding, which has 84 years of business experience, is not the result of coincidence, nor is it dependent on a few individuals at the top. The source of this success can only be the result of hard work by everyone, a robust strategic vision, and a cultural heritage of good management. The fact that such huge strides have been made in my first year as CEO, after 35 years of working as a professional within the Koç Group, is not only a source of great joy for me, it is the result of the deeply rooted management legacy present in the organization to which I belong. Therefore, I would like to express my appreciation to all of the Koç Group executives who supported the company with their extraordinary performance; developing our organization and serving as the architects of the success we enjoy today. I have every confidence that we will take the heritage they have provided, expand it and pass it on to future generations. In the final analysis, the source of our confidence is the tradition of the Koç Group, which has grafted onto us a culture of viewing our country, our customers, our dealers, our suppliers, our employees, our shareholders, and all of our stakeholders as one large family.

Respectfully,

Turgay Durak
Koç Holding A.Ş.
CEO

Koç Group in 2010

Koç Group continues its success to be the largest industrial conglomerate of Turkey. 5 Koç Group companies have taken place amongst 10 largest industrial corporations in 2009 500 Largest Industrial Corporations research held by Istanbul Chamber of Industry.

Energy

Main Companies

Tüpraş*
Aygaz*
Opet
Mogaz
Entek
Demir Export

International Alliances

AES Mont Blanc Holding B.V

Automotive

Main Companies

Ford Otosan*
Tofaş*
TürkTraktör*
Otokar*
Otokoç Otomotiv

International Alliances

Ford Motor Co.
Fiat Auto S.p.A
Case New Holland

Consumer Durables

Main Companies

Arçelik*
Arçelik-LG Klima

International Alliances

LG Electronics (in air conditioning)

Finance

Main Companies

Koç Finansal Hizmetler
Yapı Kredi Bankası*
Yapı Kredi Finansal Kiralama*
Yapı Kredi Sigorta*
Yapı Kredi Yatırım Ortaklığı*
Yapı Kredi Koray*
Yapı Kredi Emeklilik
Yapı Kredi Factoring
Yapı Kredi Yatırım
Yapı Kredi Portföy Yönetimi
UniCredit Menkul Değerler
Koçfinans

International Alliances

UniCredit Group

Other

Main Companies

Tat Konserve*
Düzey
Koçtaş
Setur
Setur Marinaları
Mares*
Divan
KoçSistem
Koç.net
Bilkom
RMK Marine

International Alliances

B&Q
Kagome Sumitomo
Kaneka Seeds

* Listed companies

56

Number of Facilities
Certified with
OHSAS 18001

236

Number of Donations,
Sponsorships and
Social Projects

134.6
MILLION TL

Environmental Protection
Expenditures and
Investments

64

Number of Facilities
Certified with
ISO 14001

10,595
EMPLOYEES

Number of Employees
Volunteered for
Social Projects

42,747

Saplings Planted in
Afforestation Practices
in 2010

10% of
Turkey's Total Export

Koç Group has generated a combined
financial turnover **equivalent to 7% of
Turkey's national income.**

Total Taxes Paid

853 million TL*

* Amount of taxes paid by joint ventures has been reflected
to the consolidated amounts with respect to partnership
shares.

8 Koç Group Companies have taken
place in the 2009 **100 highest Taxpayers**
List of Large Taxpayers Office.

World's
273rd
Largest Company

IN **28**
COUNTRIES

73,063
EMPLOYEES

63,426.6
MAN*HOURS

Environmental Trainings
Provided to Employees

273rd in Fortune 500 List

Koç Holding continues to be the only Turkish corporation in Fortune 500 List (according to 2009 end of the year results)

Koç Holding continues to be **the first Turkish corporation** taken place in the World's Most Admired Companies Research held by Hay Group in cooperation with Fortune magazine.

71st Largest Listed Company in Europe

Koç Holding has become the 71st largest listed company in Europe in Handelsblatt List (according to 2009 end of the year results).

World's 506th Biggest R&D Investor

Koç Holding, which has been taking place in the EU Commission's R&D Investment Research for 5 consecutive years, in 2010, came 506th amongst world's biggest investor in R&D companies. Two out of three Turkish companies taking place in the same list are Koç Group companies.

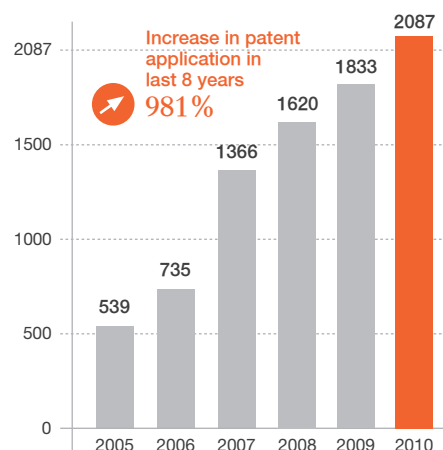
Koç Holding was listed among the top 23 new global challengers on **Boston Consulting Group's "2011 BCG Global Challengers, Companies on the Move: Rising Stars from Rapidly Developing Economies Are Reshaping Global Industries Report"** in which companies have realized 18% annual growth average during 2000 – 2009 period.

Koç Holding was rated as **"one of the multinational companies with the most competitive power in China"** by China International Institute of Multinational Corporations (CIIMC).

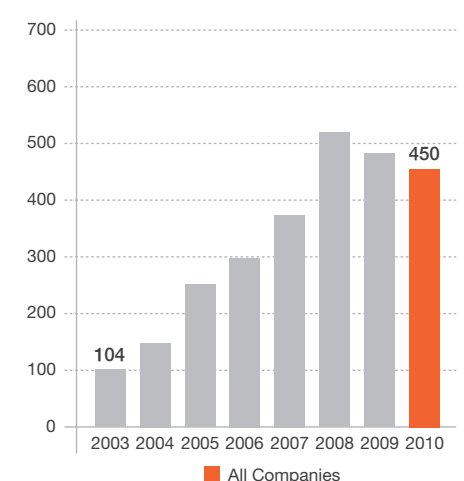
Koç Holding A.Ş. Consolidated Financial Summary

Values (Million TL)	31 December 2009	31 December 2010	Change %
Consolidated Revenues	44,841	53,812	20
Gross Profit	8,876	9,192	4
EBITDA	4,401	5,073	15
Operating Profit	3,476	4,105	18
Profit Before Tax	3,159	3,886	23
Net Income	2,641	3,138	19
Minority Interest	1,211	1,404	16
Equity Holders of the Parent	1,429	1,734	21
Total Assets	66,386	81,143	22
Total Equity	18,782	20,978	12
Shareholders' Equity	11,170	12,574	13

Koç Group's Patent Portfolio (Cumulated Quantity)



Koç Group's R&D Investments (Million TL)



33.4%

Percentage of Recycled
Water in Total Water Usage



3,352,915
GJ

Total Energy
Saved



329,507
TONS

Total GHG Emission
Reduction

Governance at Koç

“My biggest wish for this institution that I have established is to prosper, to create employment, to pay taxes and to build a role model for generations to come.”
Our Founder Vehbi Koç

Corporate Governance at Koç

The well-established and strong corporate identity of Koç Holding and Group companies makes effective corporate governance possible. Integrity, respectability, ethical behavior, and compliance with laws and regulations are the center of Koç Holding's way of doing business and a part of the Group's culture. Koç Holding is one of the first companies to voluntarily take the steps required to achieve the highest standards in the area of corporate governance. Compliance with the four principles of corporate governance – i) transparency, ii) fairness, iii) responsibility, and iv) accountability – are among the fundamental principles of the Holding. Koç Holding's management structure was designed in compliance with regulations in terms of its processes and policies, providing transparency and clarity in terms of decision-making and responsibility. Koç Holding is one of the first Turkish companies to have an independent member on its Board of Directors. Furthermore, it is one of the few Turkish companies to link compensation of senior-level managers with sustainable financial and operational performance.

As the first holding company in the history of the Republic of Turkey and one that truly believes in corporate structure, the Group has adopted the 'Principles of Corporate Management' prepared by the Capital Market Board and these universal principles are to a large extent being implemented. Work is currently being carried out on the principles which have not yet been implemented and the plan is to implement them after the necessary managerial, legal and technical infrastructure projects are completed. The Corporate Governance Compliance Report drafted for the purpose of informing stakeholders of the status of our compliance with the Principles of Corporate Governance is provided to our stakeholders in the annual report every year. Assessments for Koç Holding's involvement in corporate governance rating is ongoing. The following Group companies, which are traded on the stock exchange, have had corporate governance ratings conducted and have been included on the Corporate Governance Index due to the high scores they received: Arçelik, Aygaz, Otogar, Tofaş, TürkTraktör, Tüpraş and Yapı Kredi Bank.

Board of Directors

The structure of our Board of Directors complies with the Principles of Corporate Governance specified by the Capital Market Board. In terms of independent membership, Koç Holding is one of the Turkish companies that pioneered the practice of including professionals with proven achievements in the international arena. Apart from the CEO, who is the head of the executive function, none of the members serve in executive positions on our company's Board of Directors. Three of the 14 members of the current Board of Directors possess the general independence criteria specified in the Principles and one of them meets independence criteria apart from the service term. The functions of CEO and Chairman of the Board of Directors are fulfilled by different individuals.

The members of the Board of Directors do not have weighted and/or veto rights. Every member has a single vote. Members of the Board of Directors are not allowed to vote on resolutions related to themselves or those close to them. Approval must be granted by the General Assembly for the Chairman of the Board or its members to engage, either personally or on the behalf of others, in business that enters the company's sphere of operations and to become partners in companies that engage in these types of business. During this period, no problem was encountered regarding approval given to members of the Board of Directors for these issues. Koç Holding does not get involved in transactions that might lead to conflict of interest such as extending loans to members of the Board of Directors or executives, or providing collateral on their behalf.

The individuals chosen for membership on the Koç Holding Board of Directors are always qualified, possess a high level of knowledge and talent, and have a certain amount of experience. The curricula vitae of the members of our Board of Directors are available on our website and are communicated with the public via our annual report.

Our company has committees that are created to properly discharge the duties and responsibilities of the Board of Directors.

Management Committee

The purpose of this committee is to provide support in terms of filling gaps that might result

from the fact that the Board of Directors cannot meet with the frequency and urgency required and in this manner to properly discharge the duties and responsibilities of the board of directors. The Management Committee consists of five people, namely the Koç Holding Board of Directors Honorary Chairman, the Koç Holding Chairman of the Board, two Vice-Chairmen of the Board and the CEO.

Audit Committee

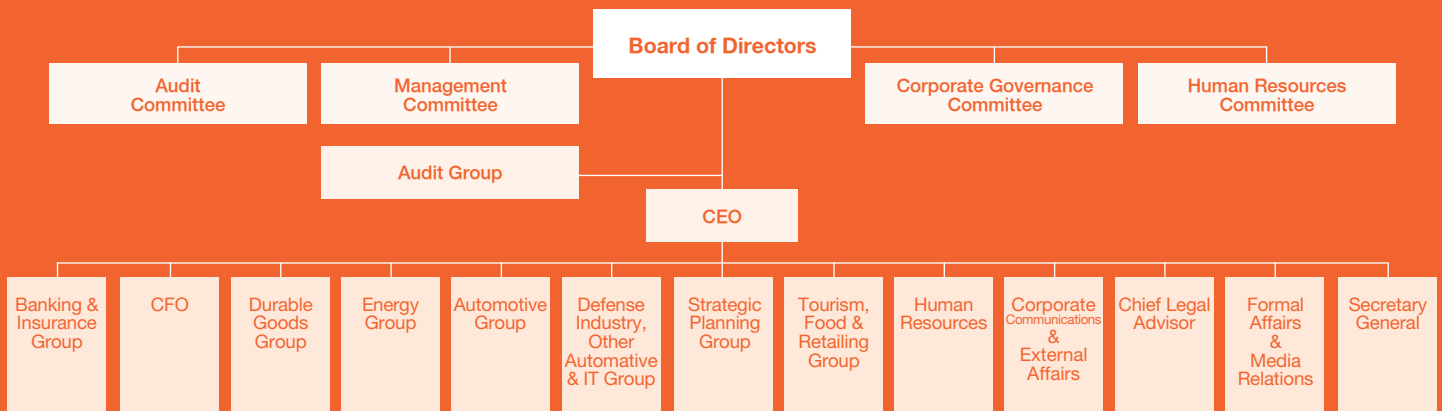
The Audit Committee discharges the duties specified for the audit committee in the Capital Market Regulations. In this regard, the committee oversees the company's accounting system, disclosure of financial information and the operation and effectiveness of the company's internal control system. The committee meets at least four times per year and more frequently when necessary. Together with company management, the Audit Committee is responsible for ensuring that internal and external audits are carefully carried out, and making sure that records, procedures and reports comply with the relevant laws, rules and regulations, and also comply with the principles of the Capital Market Board and the International Financial Reporting Standards. The committee consists of one chairman and members who do not have executive functions.

Corporate Governance Committee

The Corporate Governance Committee monitors the Company's compliance with the Principles of Corporate Governance, reviews the reasons put forward for not implementing certain principles and makes recommendations to the Board of Directors for improving practices. Currently, the committee consists of 2 members, one of which is the chairman. The committee meets at least twice a year and more frequently when necessary. The President of the Strategic Planning Group responsible for relations with stakeholders is a member of the committee.

Human Resources Committee

The Human Resources Committee evaluates total salary packages and monitors application. It evaluates the organization's qualitative and quantitative need for human resources in the future and the Group's senior-level succession planning and development plans. The committee consists of four individuals, one of whom is the Chairman of the Board of Directors.



Sustainability Management at Koç

The Koç Group aims to provide products and services that meet universal quality standards and to achieve healthy development by ensuring the satisfaction of customers and employees alike, thus becoming a symbol of reliability, continuity and respectability for Turkey, its customers, partners, dealers and suppliers. The goals and principles of the Koç Group provide guidance in all of its activities and are shared with the public via its website. The goals and principles of the Koç Group are as follows:

- The Customer is the focus of everything we do.
- To be “the best” is our ultimate goal.
- Our most important asset is our people.
- Creation of wealth for continuous development is our key objective.
- Honesty, integrity, and superior business ethics are the foundations of our behavior.
- We aspire to strengthen the Turkish economy from which we derive our own strength.

The Koç Group has taken the principles it has lived by up until now in terms of social responsibility, corporate governance and ethical rules a step further by signing the Global Compact developed under the leadership of the United Nations. The Global Compact serves as the reference text for sustainability management. The performance exhibited by the Koç Group regarding 10 principles in the areas of working conditions, human rights, the environment and anti-corruption, which are the four main categories in the Global Compact, is monitored and reported, while maintaining a focus on constant improvement.

In 2010, we have institutionalized our sustainability activities in terms of organizational structure emanating from Koç Holding spreading to Group companies. We have established a “Sustainability Coordination Committee” with the participation of managers of social, economic and environmental issues of Koç Holding. Similar structures were

encouraged at Group companies. With 15 group companies participating in the first year, sustainability performance managers are identified at both Holding and company levels. The main aim of this structure is to synchronize the activities of expert units at company levels and inspect and report the related performances.

Management of Social and Economic Issues

The companies in the Koç Group and workplaces operating in affiliation with these companies throughout Turkey have Personnel Guidelines which address issues such as employee benefits and working conditions, as well as occupational health and safety. The provisions of these guidelines reflect the human resources policies of the Koç Group specific to group company sectors. The regulations contain provisions that comply with legal regulations and are updated as needed in keeping with changes in the law.

The Code of Ethics and Business Conduct which is applied in all Koç Group companies and specifies employee relations with customers, the state, shareholders, rivals, suppliers, and dealers, as well as authorized sales and service was published in 2010. The text makes reference to the United Nations Global Compact. In this regard, Code of Conduct Boards have been created to ensure compliance and monitor violations of the code in all companies.

Management of Environmental Issues

The Koç Group has formulated an environmental policy, environmental vision and Climate Change Strategy to serve as a guide for all Group companies with regard to environmental issues. The Environmental Board, Energy Efficiency Board and Environmental Coordination Board, created with participation from Group companies, conduct work related to the implementation and expansion of relevant policies and strategies. Environmental issues are addressed within the process of target distribution for each company in accordance with the environmental policy and vision of Koç Group.

Environmental inspections are made at specified intervals and environmental goals that conform with policy and strategies are assigned to senior-level managers, in order to highlight the importance given to these issues.

Sustainability Performance Management

The fundamental objective of Koç Holding is to ensure the sustainability of Group companies. In keeping with this goal, innovations that enhance our administrative competencies are implemented. In order to improve sustainability management system, we have recently improved our administrative approach in the areas of social, economic and environmental responsibility and we have strengthened our organizational structure. In 2010, we implemented another improvement by introducing the Koç Group Sustainability Performance Assessment and Reporting System. For this purpose, with participation from the managers of the Koç Group, the basic areas of performance were identified the fundamental framework for which is provided by our commitments within the scope of the Global Compact. Then, performance indicators that would serve to assess the working performance of Group companies in these areas were created. In order to facilitate the dissemination of this system among Group companies and to facilitate operational functionality, required IT infrastructure was set up. With this system, which was put into operation at the end of 2010, our aim is to carry out more systematic and efficient target-based performance monitoring and reporting throughout the Koç Group.

With the feedback we obtain as a result of this report, which is the first output of the system and the infrastructure that we have created, we aim to identify areas of improvement and enhance our performance system in the future in terms of its scope, content, and infrastructure.



Strategic Planning

Within all of the Koç Group companies a strategic planning process study is conducted every year. Issues such as technology management and environmental management are part of this process. As part of this process, companies make projections every year regarding market conditions, potential regulatory changes, environmental conditions and competition for the next 5-10 years, predicting possible product and parallel technology developments based on these projections and formulating preventative and proactive action plans. Investments and financial analyses are prepared in light of these action plans. Companies present these plans to the Koç Holding Strategic Planning Presidency in planning meetings held every year.

Risk Management

The responsibility for Risk Management and Reporting is coordinated among Koç Holding Presidents under the leadership of the Finance Presidency. Risks are reviewed in meetings and reports held periodically and evaluated in detail. The primary risks to which Koç Holding is exposed can be divided into four categories: financial risks (foreign exchange, liquidity and capital, credit, counter-parties and interest), strategic risks, operational risks and legal risks.

Our Stakeholders

The Koç Group monitors economic, social and environmental impact as part of its approach to sustainability and not only does it avoid negative impacts, it also aims to bring added value to the community in these areas. The corporate stakeholders in Koç Holding and Group Companies are also defined based on impact analyses conducted within the framework of this approach.

Even though our company does not have direct relations with individuals, such as dealers or customers because of the fact that our company is structured as a Holding company, it does have relations with a wide spectrum of stakeholders through its affiliates. The most prominent groups of stakeholders in our organization are: shareholders, companies, employees, dealers, agencies, customers, civil society organizations and public institutions.

The fundamental principles in identifying corporate stakeholders with which to develop cooperative relations are: honesty, respectability, ethical behavior, and compliance with laws and regulations. In addition to all of these principles, the primary criteria that are considered with regard to cooperative ventures and business to be developed are their sustainability, the extent of innovation and creativity, the potential for creating a multiplier effect and added value in the social arena.

Group companies organize comprehensive meetings with both dealers and suppliers during the year where they have a chance to exchange ideas. After these meetings, activities are initiated on the suggestion of the dealers and suppliers.

Koç Holding takes the results obtained from dealer and customer satisfaction surveys into account in its operations. Improvement targets related to customer and dealer satisfaction are reflected in the performance targets of company management. The importance that Koç Holding places on customer satisfaction is highlighted by the customer satisfaction survey it has had conducted from its headquarters regularly since 2003. This project is the most comprehensive consumer research in 20 different Turkish sectors and includes 26 brands belonging to 12 Koç Group companies and 95 rival brands. The results of this study conducted in 47 provinces representative of Turkey as a whole via approximately 40,000 face-to-face interviews are shared with senior and mid-level managers of Koç Holding and Group Companies and are included in the performance targets of managers.

According to the results of the 2010 Turkish Customer Satisfaction Index, Aygaz was ranked number 1 in the first quarter of 2010 in the bottled gas sector with 81 points.

In accordance with the 2010 results of Turkish Customer Satisfaction Index implemented under the coordination of KalDer (Quality Association), by the licence and project management support of ACSI (American Customer Satisfaction Index), National Quality Research Center and University of Michigan, scoring 80 points OPET Petrolcülük A.Ş. has preserved a title of the company with the highest customer satisfaction in the liquid fuel fuels sector that keeps the intense competition conditions.

OPET, being a leader of the liquid fuels sector for four years since 2006 in customer satisfaction, succeeded in becoming the most preferable brand of customers in 2010. Leaving all brands in the sector behind, OPET has been the only brand taking on the leadership in the sector for 5 years on end.

Koç Holding also monitors how satisfied dealers are with the companies they are affiliated with due to the importance of the company-dealer-customer relationship at the point where Group Companies reach the customer. The Dealer Satisfaction Survey, which was also conducted by an independent research company for the seventh time, encompasses approximately 5,500 dealers in 81 provinces throughout Turkey. Improvement targets related to dealer satisfaction are reflected in the performance targets of company management just as they are with customer satisfaction.

Koç Holding communicates with civil society organizations and public institutions regarding solutions to social problems. Meetings are held with civil society organizations operating in the fields of education, health, the environment, and culture-art by the office of corporate social responsibility. Ideas and experiences are also shared in conferences and workshops; and partnerships are established with the CSOs and public institutions.

Acting in concert with civil society organizations, international initiatives, universities and professional organizations regarding social, economic and environmental issues in the quest for solutions to common problems is an important part of stakeholder engagement activities of Koç Holding. The primary multi-sectoral civil society organizations related to multiple sectors to which Koç Holding and Koç Group companies are members and on whose board of directors they serve are as follows:

TÜSİAD (Association of Turkish Industrialists and Businessmen), YASED (Association of International Investors Board of Directors Membership), TİSK (Confederation of Turkish Employer Unions), MESS (Metal Industrialists Association), TÜYİD (Association of Turkish Investor Relations), ICOC (Istanbul Chamber of Commerce), DEİK (Foreign Economic Relations Board), TURKTRADE (Turkish Association of Foreign Trade).

Arçelik Call Center

**“Best Call Center” and
“Best Working Environment”
awards at the 3rd IMI
Conferences Istanbul Call
Center Awards**

7

**Number of Group
Companies listed in
ISE Corporate
Governance Index**

Aygaz

**According to the results of the
2010 TCSI, Aygaz was ranked
number 1 in the first quarter of
2010 in the cylinder gas sector
with 81 points.**

In addition to the CSOs mentioned, Koç Group companies are also members of Chambers of Commerce and Industry, Exporter Unions and the Sector Councils of TOBB (The Union of Chambers and Commodity Exchanges of Turkey) in all of the areas in which it operates. Koç Group participates actively in or chairs numerous committees and working groups established within the framework of projects conducted by these CSOs.

On the basis of the different sectors in which Koç Group companies operate, their primary memberships in CSOs in different sectors can be summarized as follows:

ENERGY	TLPDG (Turkish LPG Association), ADER (Association of Primary Fuel Distribution Companies), WLPGA (World LPG Association), PETFORM (Petrol Platform Association), SSDGD (Liquefied or Compressed Natural Gas Association)
AUTOMOTIVE	OSD (Association of Automotive Industrialists), ODD (Association of Automotive Distributors), TÜSIAD (Association of Turkish Industrialists and Businessmen), OİB (Uludağ Automotive Industry Exporters Union), OTP (Automotive Technology Platform)
CONSUMER DURABLES	TÜRKBEŞD (White Goods Supplier's Association), TOBB (The Union of Chambers and Commodity Exchanges of Turkey), İMMİB (Istanbul Mineral and Metals Exporter's Association), İSO (Istanbul Chamber of Industry), İSKİD (Air Conditioning and Refrigeration Manufacturer's Association), ECİD (Electronic Device Manufacturer's Association)
BANKING AND FINANCE	TÜSIAD (Association of Turkish Industrialists and Businessmen), TBB (The Banks Association of Turkey), TKYD (Corporate Governance Association of Turkey), KKB (Credit Bureau of Turkey), BKM (Interbank Card Center), İMKB (Istanbul Stock Exchange)
OTHER SECTORS	SASAD (Defense Industry Manufacturers Association), TÜSIAD (Association of Turkish Industrialists and Businessmen), TOBB (Union of Chambers and Commodity Exchanges of Turkey), TİF (Turkish Informatics Foundation), TÜBİSAD (Turkish Informatics Industry Association), TELKODER (Turkish Competitive Telco Operators Association), TURYİD (Turkish Restaurant and Entertainment Association), DTB (Sea Tourism Union), TARMAKBİR (The Turkish Association of Agricultural Machinery and Equipment Manufacturers), RVD (Advertisers Association)

Arçelik won the “Best Call Center” award in its category at the 3rd IMI Conferences Istanbul Call Center Awards, which it attended as one of the largest actors in the call-center sector, thus demonstrating its competitive edge in terms of its technological infrastructure, service, process quality and its customer-oriented approach. It also won the “Best Working Environment Award” at the same event, proving its commitment to providing its employees with the best workplace conditions.

Department of Investor Relations answers questions for current or potential shareholders either verbally, in writing or e-mail depending on how the questions are conveyed. Questions are generally related to the operations, shareholder structure and future plans of companies. Furthermore, on the day that the financial results for each quarter are disclosed, an internet broadcast is organized and a presentation is made to investors and analysts. Questions are answered with participation from Senior Management. The records, transcripts and relevant investor presentations from the meeting as well as the questions and answers directed at management during the discussion are published on the Koç Holding website. The information given in these meetings and transcripts for the questions that were conveyed can be accessed at the following link: http://www.koc.com.tr/tr-tr/Yatirimci_Iliskileri/FinansalSonuclar/Web_Yayini/Pages/Web_Yayini.aspx

Customers of the Koç Group companies can share their opinions, recommendations and complaints regarding products and services by contacting the call centers and relevant departments of the companies via telephone, e-mail and the websites. In addition to these avenues, customers may contact Koç Holding via e-mail, telephone or the contact form on the website. The primary issues communicated by customers are opinions, recommendations and complaints about products and services, and these issues are conveyed to and answered by the company's concerned call center, Public Relations, Human Resources and Corporate Communication departments.

Other basic issues communicated to Koç Holding by social stakeholders are requests for personal and corporate support, sponsorship, scholarships and cooperation. These issues are evaluated in light of current support availability and future plans by either the Koç Holding Corporate Communications Directorate or the Vehbi Koç Foundation depending on the subject and the requests are responded to whether the answer is positive or negative.



KOÇ UNIVERSITY

"The purpose of Koç University is to provide superior education for young people. The future of our country will be guaranteed when there are sufficient numbers of them and they attain the leadership positions they deserve... The extent to which we raise up highly qualified individuals will be the measure of our service to the country."
Our Founder Vehbi Koç, 1993

As a non-profit university supported by a foundation, Koç University began providing education at a temporary campus in Istinye in 1993 and moved to its new, permanent campus at Rumeli Feneri in 2000. In order to ensure an integrated 'qualified specialist-qualified human' approach under the umbrella of a "Center of Excellence", Koç University makes a point to provide all students with a general culture curriculum, to set aside a significant portion of its assets to scientific research, development and education and to raise up young people with leadership characteristics who are capable of producing solutions to problems. With 4,077 students, Koç University is one of Turkey's leading academic institutions.

The Mission and Vision of Koç University

To produce the most competent graduates in Turkey, individuals with international and leadership qualities who are creative, independent and can think objectively, to expand the boundaries of science and to serve both Turkey and humanity as an exemplary education and research institution.



Koç University

Schools at Koç University

- College of Social Sciences and Humanities
- College of Administrative Sciences and Economics
- College of Sciences
- College of Engineering
- Law School
- School of Medicine and Nursing

Koç University contributes to the development of science in Turkey and the world with **22 undergraduate programs, 18 graduate programs and 12 doctoral programs.**

Academic Departments Introduced in 2010

Koç University School of Medicine:

The Koç University School of Medicine was founded to bring a new and unique perspective to medical education in Turkey and opened to its first students in the 2010-2011 academic year.

Media and Visual Arts Department:

Koç University's goal from the outset has been to train the media leaders of the future, and in 2010, it founded the Media and Visual Arts Department in the College of Social Sciences and Humanities. The Department, which launched its education program with the first students in September, aims to raise up the future's creative, productive media leaders in the rapidly developing field of media and visual arts.

Distinguished Faculty

The accomplishments of Koç University have been recognized by numerous awards given by the Turkish Academy of Sciences (TÜBA) and TÜBİTAK. Koç University has the largest number of academicians who are members of TÜBA and the work done by its faculty members has received the most TÜBA-GEBİP awards in Turkey.

Twelve faculty members are founding members of the Turkish Academy of Sciences and 4 are associate members. As of January 2011, 33 faculty members had received the TÜBA-Young Scientist Award, 5 faculty members had received the TÜBİTAK Science Award, 13 faculty members had received the TÜBİTAK

Incentive Award, 2 faculty members had received the TÜBİTAK-TWAS Incentive Award and 1 faculty member had received the TÜBİTAK Special Award.

In terms of the percentage of woman academicians, Koç University ranked number one in the Financial Times rating of universities.

Two of every three students at Koç University has a Scholarship

Making the opportunities at Koç University available to needy students, contributing to the progress of science and therefore sharing having a share in the development of society directly correlate with the institution's vision. Sixty percent of the students at Koç University benefit from scholarships with the new scholarship funds launched in 2010, including the Semahat-Nusret Arsel and Suna-Inan Kırac Superior Achievement Scholarships. This percentage is equivalent to full scholarships for 40% of the student body. Achievement scholarships are granted based on university entrance exam scores, and it is also possible to take advantage of financial assistance scholarships. Full, half and quarter scholarships are offered to students studying on scholarships at Koç University based on their university entrance exam scores. Scholarships do not have to be repaid and continue for the duration of the normal education period.

Cooperative Research and Development

The Office of the Assistant Rector Responsible for Research and Development was established in 2010 for the purpose of increasing outside support for research funds at our university and providing the infrastructure necessary to strengthen the university's position. The ARRD office develops and manages strategic cooperative relationships in the field of research with other institutions. For this reason, various public institutions and private companies work in cooperation with our university on research projects at the national and international level.

In 2010, research cooperation protocols were signed with the Information Technologies Communications Agency, Koç Holding Energy Group Companies, the Mechanical and Chemical Industry Agency, the Scientific

4,077

Total number of
students

6+1

Number of colleges
and school

22

Number of
undergraduate
programs

250,000

Number of library
resources

Chemistry Research Laboratory

Research Center of the Czech Republic, Maastricht University and Munich Technical University.

Research Centers

Koç University has established various centers for the purpose of conducting scientific and applied studies in specific fields, recommending policies, and transferring academic knowledge to the community in social, economic and legal fields.

Research centers operating as part of the university:

- Center of Anatolian Civilizations
- Center for Globalization and Democratic Governance
- Center for Immigration Research
- Dr. Nusret-Semahat Arsel International Business Law Center
- Social Policy Application and Research Center
- Center for Computational Biology and Bioinformatics
- Center for Gender and Women Studies
- Photonics Center
- Semahat Arsel Nursing Education and Research Center

Research Centers Established in 2010

Koç University Gender and Women Studies Research and Application Center (KOÇ-KAM) was established for the purpose of conducting scientific research, formulating educational programs, organizing scientific events that will raise awareness and communicating with national and international organizations in this regard.

Koç University Surface Technologies and Research Center (KUYTAM) is the first interdisciplinary initiative that will work on surface science and related technologies. One of the most important objectives of KUYTAM, which was established with funds provided for three years from the State Planning Organization (DPT), is to cooperate with other agencies on the development of new information, products and technology that will have a significant impact on the national and international technology base and contribute to science. Another fundamental purpose of KUYTAM is to create excellent surface science programs for undergraduate and graduate students and to provide continuing education for professionals with workshops and conferences.

The purpose of the **Social Policies Center** is to conduct scientific research and applications on a national and international level in the field of social policy, which encompasses human development objectives and includes issues such as social security, employment, health, social assistance and education, to support these types of studies and applications, to organize panels, seminars, conferences and similar meetings of an academic and social nature, to engage in educational efforts, to develop projects and to cooperate and consult with all relevant agencies and institutions.

Inventram

In Turkey, the Koç Group invests more than anyone else in R&D and the latest examples of its research-oriented philosophy is Inventram, which was founded in cooperation with Koç University. Inventram is the first and only example in Turkey of a business partnership between industry and universities and its purpose is to discover innovative technologies with market potential and to work towards converting this intellectual capital into products and services that raise society's standard of living.

Accreditation

EQUIS: Koç University College of Administrative Sciences and Economics and the Business Institute have received the European Quality Improvement System accreditation from the European Foundation for Management Development. Koç University is the first and only school in Turkey to receive EQUIS accreditation. There are 115 business schools with EQUIS accreditation in 33 countries around the world.

PRME: Koç University has signed the Principles for Responsible Management Education, which is an initiative of the United Nations Global Compact. Therefore, Koç University is committed to educating its students within the framework of corporate citizenship and sustainability principles.

ANCC: In 2010, the American Nurses Credentialing Center (ANCC) certified the quality of education at Koç University Nursing Graduate School. As a result, the nursing education provided at Koç University has been accredited on an international level and recognized as an important center of education in this field.



Koç University

Human Rights at Koç

“There is democracy in countries where the economy is strong.
There is a private sector in countries where there is democracy.”
Our Founder Vehbi Koç

Because of our respect for human rights and our philosophy of maintaining universal human rights, we continue to preserve our reputation as a pioneer on these issues. Respect for human rights is a fundamental part of all our operations. In keeping with this philosophy, we are united with all of mankind, and as a group, we share the vision for moving forward together with regard to human rights.

The actions of the Koç Group reflect respect for human rights as specified in national legislation and international agreements. The Group does not permit human rights violations in its places of business. It works to institute behavior patterns that are modern and comply with human rights in its relations with suppliers, customers, service centers and dealers, but particularly with its employees while contributing to the development of awareness in this regard.

Discrimination based on language, race, gender, political opinions, philosophical beliefs, religion, denomination and similar grounds is not practiced in business relationships within the Koç Group. Unless required due to reasons related to the nature of the job, such as biological grounds or the risk entailed by the job, employee safety or legal obligations, people are not treated differently either directly or indirectly due to gender or pregnancy in the conclusion of employment contracts, or in the formulation, application or termination of conditions. Lower salaries are not determined for equal or equivalent work due to gender.

There is no discrimination in hiring as specified by the Labor Law. Individuals who are qualified for the job are hired by evaluating their competencies and measures are taken to ensure that throughout their careers they are afforded equal opportunities. During the hiring process, both the competencies expected of all employees and the knowledge and experience required by the position are essential.

An employment contract is concluded with all employees when they are hired into the Koç Group, where employee rights are observed and respected. This contract outlines the general framework of reciprocal company and employee responsibilities and defines relevant working standards. All work-related processes are shared with employees via the content of this contract.

The work performed and the responsibility assumed by the employee is important in the determination of compensation. The compensation levels of non-union employees are evaluated with a system used globally by many companies taking into consideration the difficulty of the job being performed, the level of knowledge and skill used in the performance of the job and the responsibilities that are assumed. Because of the comparative compensation studies conducted every year, competitive compensation is provided in keeping with company means. The salaries and other financial benefits of union employees are specified in the Collective Bargaining Agreement signed at the conclusion of collective bargaining conducted with the union that the employee is a member of.

In accordance with article 32 of the Convention on the Rights of the Child accepted by the General Assembly of the United Nations in 1989, Koç Group does not employ child labor. Written commitments are obtained from suppliers as well at the beginning of the relationship and compliance with this issue is strictly monitored.

Furthermore, in accordance with the Koç Group Code of Conduct “Compliance with all relevant laws, guidelines and regulations in countries where operations are conducted or are to be initiated” is mandatory. Legal regulations in our country prohibit child labor. Pursuant to the principle found in article 3.8.2 of the Koç Group Code of Conduct which states, “Acting in accordance with the principles specified in the United Nations Global Compact, and being an example of corporate citizenship with our employees, dealers, suppliers and authorized service centers,” this matter is strictly monitored.

There is absolutely no forced/compulsory labor in the Koç Group. Suppliers are strictly monitored for compliance with this issue.



Employee Security Practices in Marmara Terminal Filling Islands

56

**Number of Facilities
Certified with
OHSAS 18001**

1,497,973.3
MAN*HOUR

**Total Amount of
Trainings Given to
Employees**

35,223

**Total Number of
People Received
Vocational Training**

Occupational Health and Safety at Koç

Occupational health and safety is an important priority in our Group because of our belief that human resources are our most important asset. The Occupational Health and Safety Coordination Board has been established to ensure that occupational health and safety procedures are monitored at Koç Group workplaces, that best practices are expanded and that review work is performed. Each workplace has an independent Occupational Health and Safety Board and the work conducted at the workplaces are followed up with meetings held at regular intervals. The health and safety of employees in Group companies is guaranteed with a variety of procedures.

The philosophy of guiding the right person to right work is one of the fundamental principles of Koç Group companies' human resources processes. As a reflection of this understanding employees are expected to have not only necessary education, skill and experience but also be capable of physical and psychological states of work done. If employees are assigned positions inconvenient to their physical and psychological states, this would risk both occupational health and safety processes and employees. This situation is not acceptable for any Koç Group companies. As a result of this understanding, Group companies stipulate that every candidate should have extensive health exam required by their work activities before employment. Depending on qualifications required by the work, candidates are expected to prove their suitability to work with reports taken from authorized official health institutions. These documents are supported by additional examination and analysis performed by company's health personnel. There are highly qualified health service units available at most of group companies. In these cases, health checks could be done within company.

The structure of the health and safety committees that facilitate the monitoring of occupational health and safety programs and make recommendations in this regard is provided below:

Holding Companies	Number of Active OHS Committee Members	Representative for Employees Working on OHS Committees	Total Number of Active OHS Committee Members
ARÇELİK	10	18	190
AYGAZ	14	12	80
FORD OTOSAN	4	6	65
OPET	4	7	43
OTOKAR	1	4	15
OTOKOÇ OTOMOTİV	21	21	172
TAT	4	3	12
TOFAŞ	9	9	95
TÜPRAŞ	5	6	97
TÜRKTRAKTÖR	1	4	22
YAPI KREDİ	0	0	0
KOÇ INFORMATION TECHNOLOGIES GROUP	1	10	10

Risk assessment is conducted with special attention given to the prevention of job-related accidents at our places of business, and the necessary preventative measures are taken based on the results of the assessment. Technology and ways of doing business are reviewed and training is provided for employees.

Statistics are kept for job-related accidents at Group workplaces and data, such as accident frequency, accident severity and lost workdays, is monitored in comparison with previous years.

Fifty-six of the eighty-three facilities* belonging to companies included in this report possess OHSAS 18001 "Occupational Health and Safety Management System" certification. In 2010, sixty-seven percent of our facilities possessed OHSAS 18001 certification.

The Occupational Health and Safety Guidelines established for relevant health and security issues throughout the Koç Group identify areas of improvement by evaluating processes. Group employees and union representatives are asked for feedback and opinions in order to enhance measures that can be taken regarding occupational health and safety and to improve processes.

* Yapı Kredi Facilities are not included in this calculation.



Arçelik encourages all employees to communicate with each other and with their managers regarding occupational health and safety. Indicators of occupational health and safety are monitored as part of the Performance Management System. A Job-related Accident Monitoring Program is extensively used within the company.

Employees are given health check-ups during the hiring process. Periodic examinations, preventative medicine and treatment services are provided to employees by workplace health units every weekday between the hours of 08:00 and 18:00. Health employees/nurses are available on all other shifts operated by the business.

There is Group Health Insurance for company employees. Flu vaccinations are procured for employees and their families and administered to employees. In addition, services for employees, such as counseling to quit smoking, as well as educational pamphlets on personal hygiene, HPV and "Quitting Smoking" for employees and families, are provided.

Participation is ensured with periodic Union Representative meetings and Occupational Health and Safety Board meetings.

Aygaz began working on an occupational health and safety system in 1995, and today it has developed a working systematic as well as expanding its work area. Aygaz brings specialist experience and know-how to its practice due to the Occupational Health-Safety Experts Platform that was established in 2008 and continues today.

A medical exam that specifies workplace conditions is given during the hiring process and general health check-ups are provided once every 6 months to protect worker health pursuant to articles 54 and 55 of the collective bargaining agreements concluded with the Turkish Metal Union. There are also procedures in place for X-rays to check for tuberculosis in the dispensary once a year, transfer of employees to health clinics during job-related accidents and the provision of protective materials, clothing, and cleaning materials at the workplace.

Opinions related to occupational health and safety are evaluated as employee problems and suggestions are brought to the board by union representatives.

Ford Otosan publishes an internal magazine every month that has a health column entitled "My Family and Me", which contains current health information. The company also has a "Healthy Days" bulletin that focuses on occupational health issues. The optional flu vaccine campaign is conducted routinely every year and counseling and guidance on all types of health-related issues are provided for employees and their families. Women and disabled employees who are encouraged for employment undergo an exam once every six months and other employees are given one per year. Ford Otosan has been nominated for "Baby Friendly Workplace" as a result of the establishment of nursing room and trainings given to working mothers about the importance of breast milk. Routine trainings on women health were repeated on reporting period.

To establish corporate culture on ergonomics "Ergonomics Booklet" and leaflets including hand&foot health issues were distributed within the company. Pandemic plan, emergency plans, first aid&first aid stations projects and ergonomics board and committee projects were carried out. Modular, flexible occupational health automation project is continued. On İnönü Plant, employees receive psychological support pursuant to the stress map constructed by psychosocial support unit in company with an industrial psychologist.

The MESS – Turkish METAL Group Collective Bargaining Agreement covers issues such as Employee Health, Job Safety Materials, Cleaning Materials, Individuals with Medical Reports that can Perform Light Work, and Leave of Absence related to Social Security Insurance.

Union representatives are invited to participate in committees that address Occupational Health and Safety issues. An effort is made to produce solutions regarding issues that are placed on the agenda and the Board of Directors supports these decisions.

In addition to the services provided for employees, Ford Otosan also conducts health screening for elementary students at the Koç Elementary School as part of health services for the community.

With the participation of specialists "Healthy Life Seminars" are conducted for employees, their families and public on a regular basis.

63

Total Number of Active Health and Safety Committees



Otokar Factory

Koç Information Technologies Group has normal and periodic examinations for all its employees. Procedures include flu vaccinations, vaccinations for cervical cancer, auditory testing, ear-nose-throat examinations, vision screening and informational health education on a variety of topics.

All new recruits of **Opet** pass primarily a health exam. Periodical health controls of employees working in terminals and facilities are conducted by workplace healthcare personnel. All Opet employees are subject to groupwide insurance policy.

Furthermore, in October of every year, flu vaccinations are administered to employees at the Central Office and in every region on a voluntary basis.

As part of the Clean Toilet Project that has been conducted since 2000, thirty-two hours of educations were provided to 12,500 people in a total of 12 schools in 2010 by Opet. In Amasya, 2000 teachers were given cleanliness and hygiene training, thus providing an opportunity for teachers to convey the information they learned to their students and expand the reach of the project.

Beginning at the end of 2009, a project entitled "To Love is to Protect" was launched, thus taking the Clean Toilet Campaign one step further in 2010. Common use areas and toilets in all OPET stations were protected with an application of BioShield disinfectant, which prevents the reproduction and spread of microbes for 90 days. Later, the same project was brought into schools disinfecting the toilets in schools where the cleanliness and hygiene education was given by applying BioShield here as well.

Otokar employees were asked to provide workplace healthcare personnel with extensive data including medical history and records before beginning work. Through taking these records into consideration health check-ups are conducted by the workplace physicians prior to starting work. Periodic exams are conducted and necessary actions are taken for all employees. The necessary laboratory tests, audiometry exams and respiratory function test are given to employees who work in risky areas.

Issues related to Occupational Health and Safety are evaluated within the scope of the MESS Turkish Metal Group Collective Bargaining Agreement. An OHS Board Meeting is held once a month. The requests and opinions of Worker Representatives are heard at this meeting. Furthermore, Union Labor representatives and Human Resources Specialists hold routine meetings every week to discuss these issues.

Koç Foundation Group Private Health Insurance can be obtained for employees and their families if the employee requests it.

Otokoç Otomotiv requires a "Report Demonstrating Suitability for Heavy and Dangerous Work" from those who work in the service department. Individuals who will begin working in other departments must provide a health report and the results of a chest X-ray. Practices related to occupational health and safety can be summarized as follows: hiring examination, periodic check-up, vocational diseases check-up, peripheral smear, eye exam, audio testing, chest X-ray, tetanus vaccination, and examination for performing heavy and dangerous work.

Personnel may, if they so desire, obtain Koç Foundation health insurance.

Relevant ideas are evaluated via the monthly Occupational Health and Safety Boards, which contain employee representatives chosen on a branch basis.

Tat requests a report that employees obtain from the relevant health institutions during the hiring process. Health insurance service is provided for employees who request it.

Practices related to the occupational health and safety issues that fall within the scope of the collective bargaining agreement concluded with TEK Foods are implemented. Discussions are held with union representatives on relevant issues.

Tofaş meets its goals of developing the capacity of its employees for occupational health and safety, minimizing human error in the relevant processes, achieving its "Zero" accident target, and raising health and safety levels in production and facilities as high as possible via the WCM Safety (World Class Safety) business standard. Employees are given a comprehensive entrance check-up when they are hired. This exam is a complete physical examination and the candidate's chest X-rays, respiratory function tests, audiometry tests and ECGs are all evaluated as well as fasting blood sugar, liver enzymes, total blood count, blood type and a urine analysis.

Every year an audiometry test is given to our employees in the Press Production department with check-ups and controls compared with the results from the previous year. Respiratory function tests are given every year to our employees in the Paint Production department, employees in the purification facilities and to employees who work in jobs that involve welding, and the results are monitored in comparison with results from previous years.

The MESS – Turkish METAL Group Collective Bargaining Agreement covers issues such as Employee Health, Job Safety Materials, Cleaning Materials, Individuals with Medical Reports that can Perform Light Work, and Leave of Absence related to Social Security Insurance.

Assessment of relevant issues includes risk notifications and recommendations for improvement, as well as improvement conducted via SMAT audit, job-safety captain and Kaizen studies.



Workers at the Metallic Oils Department of Tüpraş İzmir

Tüpraş conducts independent HSE audits as a part of its HSE-Q Management System. Detailed observations and inspections are performed as a result of these audits on issues related to occupational health and safety and future corrective actions are identified based on the results of the audit.

Employees are required to provide a report from a general hospital health board during the hiring process. Blood and urine tests are conducted as well as an audiogram and chest X-ray are taken. A hiring/periodic examination form is filled out for employees who will perform heavy or dangerous work.

Periodic health check-ups are conducted annually for the employees. These check-ups include hemogram, biochemical analyses, chest X-ray, ECG (if necessary) and specific blood and urine tests for employees in risk groups. Additionally, Operations and Maintenance department employees are vaccinated for tetanus.

When an employee or their family is ill, exams, tests and treatment are provided at the workplace clinic. Furthermore, in September and October of every year employees receive a flu vaccination free of charge and their families may receive one for a fee. Health education is provided to employees and to families living in employee housing. Bacterial analysis of drinking water and utility water is conducted once a week in the offices and operations area.

Health and safety issues are assessed within the scope of the relevant article of the collective bargaining agreement concluded with the Turkish Petroleum Chemical Rubber Workers union. The opinions/suggestions/complaints of union and employee representatives are noted in the minutes of the board and so they are taken into consideration by the Board of Directors. Following an assessment of the opinions/suggestions and complaints, all employees are notified of the conclusions that are reached via the intranet portal, or for those employees without access to a computer, they are sent to a common unit/facility e-mail account or posted on bulletin boards related to Safety Environment and Quality.

TürkTraktör had "New Hire Examinations" conducted for a total of 631 people in 2010. The examinations included a Respiratory Function Test, a Chest X-ray, Audiometry Test and a Physical Exam.

In 2010, detailed, periodic health screenings were conducted for 1,193 employees of TürkTraktör. Fasting Blood Sugar (FBS) tests, Total Cholesterol, Triglycerides, LDL Cholesterol, and Physical Exams were given to employees during the health screening.

In 2010, a health improvement program began to be implemented for TürkTraktör employees. The targets of the program are as follows:

1. Achieving measurable improvements in health and help employees acquire healthier eating habits
2. Achieving a reduction in the number of people who use tobacco and in the number of cigarettes smoked per day
3. Acquiring the habit of physical activity at the workplace and an increase in the number of days on which physical activity is engaged in as well as the amount of time spent in daily physical activity
4. Acquiring the ability to cope with stress and developing psychological resources
5. Achieving improvements in sound health behavior
6. Conducting personal risk assessments and developing a personal follow-up program.

The company possesses a Collective Bargaining Agreement signed between the Turkish Metal Union and MESS valid from September 1, 2010 to August 31, 2012. The current Collective Bargaining Agreement includes provisions for the availability of dressing, undressing and shower areas, conducting general health check-ups once every six months, tuberculosis screening once a year, protective gear provided by employer, keeping as many health personnel as necessary on hand and provision of a transfer ambulance in the event that more than 1000 personnel are employed.

There are five blue-collar employees on the board that evaluates issues of occupational health and safety.

Yapı Kredi requires a committee report from a general State Hospital for Call Center Supervisor positions indicating that the candidate has no impediment to work at night.

In the hiring of handicapped individuals a health report obtained from a state hospital indicating the status and degree of disability is required.

Employees, their spouses and the children for whom they are responsible are covered by private group health insurance. Medical expenses not covered by the Private Group Health Insurance are paid for by the Bank Retirement Pension Foundation. Furthermore, a health certificate is issued by the Bank Retirement Pension Foundations for parents not covered by social security if this is documented with official papers and they can take advantage of health services under this coverage.

The company's Collective Bargaining Agreement includes provisions for death and disability resulting from job-related accidents.



TürkTraktör Employees

42,857

**Total Number of
Employees covered by
Collective Bargaining
Agreements**

Labor Union Rights at Koç

Maintaining peace at work is a priority issue for the entire Koç Group. To the extent that it does not contradict with local laws and regulations in the countries where it operates, Koç Group protects the rights of individuals to be members of trade unions in accordance with article 23. (4) of the United Nations Declaration of Human Rights and articles 2, 3 and 4 of the Convention on the Freedom of Association and Protection of the Right to Organize adopted by the United Nations in 1948. The Koç Group respects the freedom of employees to be a member of labor union and sign collective bargaining agreements.

Today, the most important aspect of industrial relations is constant, healthy and constructive social dialogue between parties. A review of the content of the Turkish legislation, EU regulations and the UN Global Compact, to which Koç Holding is a signatory, demonstrates that great importance is placed on relations with unions.

Collective bargaining agreements specify the salary levels, wage differentials and relevant policies for union employees.

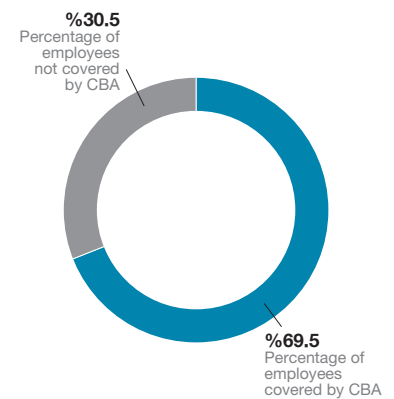
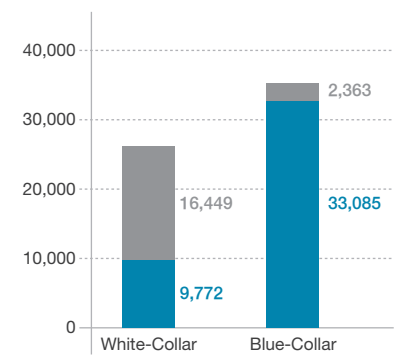
At the more than 32 workplaces of 18 companies within the group, 42,857 people are union members and collective bargaining agreements are signed after negotiations with authorized unions at these workplaces. Furthermore, employees can be elected to management bodies in labor and employee organizations; they can also be members of their own professional organizations (medical chamber, bar, chamber of engineers-architects, etc.). In addition, some of our employees serve on Provincial Employment and Vocational Education Boards, Chambers of Commerce and Industry, and in civil society organizations where they contribute to employment, the national economy and social life.

Even though it may seem that an increase in services purchased from suppliers poses a risk to the freedom of unions to organize, our companies, particularly in the automotive group, purchase these types of services from the suppliers that also have labor union organizations. The employees at these workplaces are also covered by collective bargaining agreements. These types of processes in our suppliers are monitored to prevent violations.

On the other hand, freedom of organization in Group companies is also guaranteed in foreign investments. For instance, there are labor union organizations at the Arçelik factory of Romania and the Grundig factory in Germany. The employees at these workplaces are also covered by collective bargaining agreements.

The Koç Group contributes to the development and strengthening of relations with unions both at home and abroad, thus establishing a lasting social dialogue.

Number of employees covered by CBA



Work Environment at Koç

“Our most valuable asset is our human resources.”
Our Founder Vehbi Koç

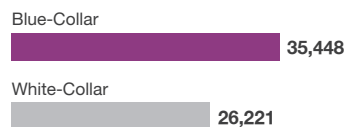
We are aware of the fact that the most important factor that enabled the success we have achieved today as a Group is our human resources, which are our most valuable asset. As a result of this philosophy, the Group has adopted the goal of working with successful professionals that create added value and aims to be a preferred, model company at which people are proud to work. In order to take this success we have achieved together with our employees to even greater heights, as a Group we have adopted the following principles:

- To attract to the Group the young people and professionals best qualified to carry Koç Group into the future
- To reward success with fair and competitive salary policies and superior performance standards
- To retain these people by creating a pool of competitive talent
- To invest in personnel development with a philosophy of continuing development
- To increase employee loyalty to the company by ensuring equal opportunity in career development and compensation
- To ensure the continuity of our labor peace.

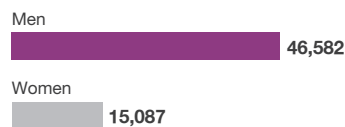
In the Turkey operations of the 18 companies covered by the report, there were a total of 313 senior executives, 12 of whom were foreigners while 301 were Turkish citizens. During the same period, there were 51 foreign citizens employed in the Turkey operations and 57,294 Turkish citizens.

2010 employee demographics in the companies covered in the report are as follows:

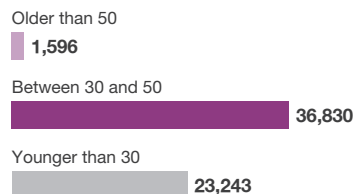
Employee Breakdown by Employment Category



Employee Breakdown by Gender



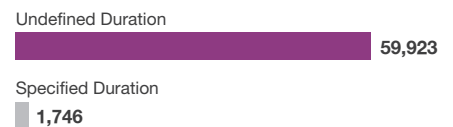
Employee Breakdown by Age



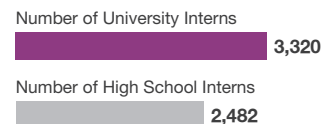
Employee Breakdown by Employment Type



Employee Breakdown by Contract



Number of Interns



Total number of interns in 2010: 5,802.



Aygaz Gebze Facility

61,669

Total number of employees in the companies covered by this report in 2010

46,582

Total number of male employees by the end of 2010

15,087

Total number of female employees by the end of 2010

5,802

Total number of interns in group companies by the end of 2010

Recruitment

Among the principles that the Koç Group holds as important are recruiting the most talented employees into the group and objectively evaluating candidates when making this acquisition with the awareness that human resources are the most valuable asset. The most qualified candidates for the job are hired from among the many candidates that apply to Group companies based on objective assessment of their qualifications. All applicants are treated equally during this process and there is absolutely no discrimination.

Competencies play an extremely important role in recruiting the most talented candidates into the Group. All candidates are expected to possess these competencies regardless of which department or job they are being evaluated for.

Koç Group Competencies:

- Direction Setting
- Teamwork
- Communication
- Cooperation
- Result Orientation
- Innovation and Entrepreneurship
- Improving Colleagues and Self
- Adaptation and Managing Diversity
- Customer Orientation

Whether or not candidate possess the competencies and technical qualifications necessary for the job is evaluated and then a job offer is made to suitable candidates by the relevant Koç Group company. An Orientation Program is organized so that employees joining the Group can quickly adapt to the Koç Group. This program provides information about:

- Group vision, strategy and goals as well as an introduction to the Group
- Human Resource strategies and practices
- Company vision, strategy and goals as well as an introduction to the Company
- An introduction to functions and positions.

The companies in the Koç Group and workplaces operating in affiliation with these companies throughout Turkey have Personnel Guidelines which address issues such as employee benefits and working conditions, as

well as occupational health and safety. The provisions of these guidelines reflect the human resources policies of the Koç Group, and group companies make and implement specific adjustments based on their sector. The regulations basically reflect Koç Group policies and contain provisions that comply with legal regulations. They are updated as needed in keeping with changes in the law.

Similarly, there is a Code of Ethics and Business Conduct which are applied in all Koç Group companies and specifies employee relations with customers, the state, shareholders, rivals, suppliers, and dealers, as well as authorized sales and service. The text makes reference to the United Nations Global Compact and protecting the environment. In this regard, Code of Conduct Boards have been created to ensure compliance and monitor violations of the code in all companies.

Minimum Notice Period

During work life several changes occur in employees' work conditions; they could be assigned to new work units, the organization they work for could be shut down as a result of regulations or collective redundancy could occur. Our fundamental principle is to minimize the effects of these circumstances and inform our employees in advance about related processes. Within the framework of legislation currently in effect, when wide-scale layoffs or a workplace shut down is required due to economic, technological, structural or similar operational, workplace or business requirements, union workplace representatives will be informed of the situation in writing at least 30 days (at least 4 weeks) in advance and it will be announced at the workplace.

In negotiations that will take place between workplace union representatives and the employer after the announcement, the following issues will be addressed: preventing the layoffs or reducing the number of employees who will be laid off, as well as minimizing the negative impact of the layoff on the workers. A report will be drawn up at the conclusion of the negotiations demonstrating that the meeting took place.

Koç Academy and Training in our Companies

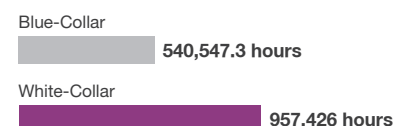
Koç Academy is a platform for training, development and sharing where activities that will encourage the development of Koç Group employees are planned and executed, taking into consideration the needs of the Group/Company/Individual. Its services can be broadly categorized as preparing, monitoring and evaluating development plans for Koç Group employees.

First of all, areas in which the employees are expected to demonstrate development in the upcoming period are identified based on the development requirement as a result of integrated HR practices. Based on specified development needs, a development plan is created in consultation with guidance and feedback from the relevant supervisors. The process of implementing the developmental plans is followed throughout the year and evaluation meetings are held at the end of the year. The end-of-year evaluation meetings are followed by meetings to plan the following year.

Training is provided for the employee at every level both internally and externally based on the needs that have been identified in HR system. The fundamental purpose of this practice is the improvement of personal development within the framework of corporate development.

In companies that utilize the system, there are 11,496 employees for whom development plans are prepared. A total of 35,529 developmental activities were assigned with reference to these plans and 88.3% were executed during the plan period. These results demonstrate that the Koç Academy program is one that has been very well received by Group employees.

Training Provided to White and Blue-Collar Employees (man*hour)





Koç Compensation System

The compensation and remuneration process in our Group is managed with the Koç Salary System. The primary factors that determine wage policy are the results of the analysis of market conditions and competition in the sector. Differences in employee salaries are derived from the responsibility assumed and the work performed. There is no difference between men and women in terms of salary levels.

Although the minimum wage which is currently in effect in our country is taken into consideration from a legal perspective, there are no employees in the Koç Group companies who are actually paid the minimum wage. In addition to the monthly gross salary, employees are paid a bonus and given a social payment package monthly. In most of our places of business, there are job categories determined by regulations or collective bargaining agreements and created based on the knowledge, experience and education of the employee as well as the risk entailed by the job they perform. These job categories have a salary structure implemented by taking into consideration equivalent wages in the market and the unique circumstances of each job.

In most Group workplaces, the salary paid to newly hired individuals is different from the minimum wage as required by collective bargaining agreements. For example, in our companies that employ the Metal Sector Job Evaluations System, different starting salaries are outlined at different levels depending on the size of the job. At the lowest level, this percentage is 7.3% higher than the minimum wage and it is 9% on average. Similar new-hire wage scales are employed in our other industrial workplaces, and when the impact of bonuses and social payment is taken into consideration, the wages actually paid in Group companies are significantly above minimum wage.

Koç Holding is one of the few Turkish companies to link compensation of senior-level managers with sustainable financial and operational performance. The majority of the compensation for senior-level Group managers consisting of salaries and bonuses is paid depending on performance. Performance coupled with the scope of the business is the most important criteria in income management. The method used to determine performance is the Balanced Score Card, where business

results and economic profitability are significantly weighted on score cards. The score cards also contain strategic goals.

Bonuses for Senior Executives in our Company are calculated according to company performance, individual performance and bonus basis. Information related to these criteria is summarized below:

1) Bonus Basis: The Bonus Basis is updated at the beginning of every year and varies depending on the extent of the executive's job. Trends in the wage market and the company's economic position are taken into consideration as part of the update.

2) Company Performance: Company performance is determined by measuring, at the end of the period, the financial and operational targets (market share, exports, foreign operations, efficiency, etc.) set for the companies at the beginning of the year. The sustainability of success and implementation of improvements over previous years are important principles taken into consideration when setting company goals.

3) Individual Performance: In the determination of individual performance, goals related to the employee, customer, process, technology and long-term strategy are taken into consideration along with the company goals. In the measurement of individual performance, the principle of long-term sustainable improvement is considered in parallel with company performance and apart from financial considerations.

All of the white-collar personnel who work at the Koç Group are subject to annual performance evaluations. The performance of our employees is monitored via a web-based software system. The performance evaluation is conducted based on score cards which are created using the Management by Objective approach with suggestions and consent from the employee.

In mid-level management positions, there are 1,400 managers for whom performance evaluations are conducted. The number of performance evaluations conducted for senior executives is 300.

The "Discretion" points which employees may give on their social, environmental and ethical evaluation as part of the annual performance

evaluation process are taken into consideration by their immediate superiors. Furthermore, the Code of Conduct which applies to all of the companies in the Koç Group defines the social and ethical guidelines that our employees are subject to at every level. Employees are expected to conduct themselves in accordance with these guidelines.

Work Environment Assessment Survey

As a group, we consider it very important that our employees are satisfied with our companies and are committed to the work they perform. One result of this philosophy is the Work Environment Assessment Survey which is conducted every year in our companies for the purpose of ensuring continual improvement. This survey is a practice through which the views of our employees in categories like satisfaction, recommendation, sense of belonging and repeated preference are obtained, group companies set goals based on the results and the results are monitored.

In 2010, 41,504 surveys were evaluated as part of the Work Environment Assessment process.

Suggestion Systems

Koç Group companies are committed to continually improving and developing practices and processes. One of the most important resources for achieving improvement and development are the views of employees. Group companies not only ensure employee participation in management with the suggestion systems they implement, but they also improve organizational efficiency in accordance with their views and suggestions.

Arçelik employs suggestion boxes set up at specified locations within the enterprise. The suggestions dropped in the suggestion boxes using the forms provided are collected at specified intervals, read by preliminary evaluators and conveyed to the concerned individuals. The person who receives the suggestion decides whether or not it can be implemented and forwards it to the Human Resources department indicating his assessment on the form. Feedback on the status of the suggestions is provided to the person who made it. Implementation of accepted suggestions is monitored and recognized as part of a reward system.

Results of Work Environment Assessment Questionnaire



In 2010,
177,039
of the
295,188
suggestions received from
employees in the companies
covered by this report
were implemented.

Aygaz employees fill out a Personal Suggestion Form, detailing their suggestion, what it pertains to and place it in the suggestion box. Suggestions are entered into Electronic Personnel Suggestion System (PSS) by facility representatives. Location managers, after their review submit approved suggestions to the PSS Evaluation Committee. PSS Evaluation Committee evaluates the entries in the system and informs suggestion providers on results within two weeks.

At **Ford Otosan** employee suggestions are conveyed to Improvement Directorate for analysis via forms available online. Suggestions appropriate for practice are conveyed to Improvement Board and the owner of the suggestion demanded to be rewarded. All suggestion owners are informed about the evaluation results. For the group suggestions, work group leader writes a suggestion made as a result of a group effort on the Improvement Notification Form and sends it to the Work Group Engineer. The process is evaluated by the Work Group Engineer, the Work Group Team Leaders and the Site Manager. Suggestions that are deemed acceptable are sent to the improvement coordinator to be recognized.

Opet has initiated a practice known as Recommendation Days, which it holds on Wednesdays, to understand employee expectations, hear their perspective and receive suggestions. Opet employees come together and discuss new suggestions, creative ideas and different points of view at meetings held as part of Recommendation Days.

The **Otokar** Suggestion System (OSS) begins when suggestion forms are filled out via e-woom or Portokar. OSS Suggestion Forms are first evaluated by the first supervisor of the person who made the suggestion and if he is positive about it, points and gains are calculated.

At **Otokoç Otomotiv** employees either fill out Suggestion Forms or use Personal Suggestion System software to convey suggestions. Suggestion System Supervisor regularly reviews submitted suggestions and checks to see if the suggestion has been properly outlined and whether or not it is related to a subject that has been previously submitted, tried or researched. The Suggestion System Supervisor submits the suggestion for approval.

Suggestions which pass the first round of approval are filed by the Suggestion System Supervisor and submitted to the Suggestion Evaluation committee. Suggestions that have been evaluated and accepted are followed up on by the suggestion system supervisor quarterly.

The **Tat** Suggestion System encompasses all Tat employees, the employees of subcontractors and interns, excluding only managers. Employees may convey their suggestions either over the intranet or by filling out a suggestion form and putting it in the suggestion box. Suggestions are evaluated by the Enterprise Suggestion System Supervisors and the Decision-Making Committee.

Tofaş continues to increase employee participation every year with its Personal Suggestion System. All employees are expected to participate in this practice in parallel with Tofaş goals. The World-Class Production System has had a positive effect on the practice.

The **Tüpraş** Refinery Suggestion program allows employees to fill out Suggestion Forms at their facility or unit and communicate their personal or original ideas since 2007. Suggestions can be conveyed directly to management through a box that is easily accessible to the employees. All Tüpraş employees convey suggestions as both individually or as a team under categories of energy and resource efficiency, work safety, environmental services and process improvements. Suggestions that are received through the Suggestion System are evaluated by the suggestion system board. Suggestions that are found to be applicable are announced with their rewards within the company. The system also operates in company intranet.

TürkTraktör has a suggestion system that was launched at the beginning of 2010. Suggestions boxes were placed in all of the departments to implement the system and suggestion supervisors were appointed. The suggestion supervisors in each department check these boxes at specified intervals. The suggestion supervisor speaks with an officer from the department in which the suggestion would be implemented and enters it into the system. If the suggestion is appropriate, the suggestion supervisor notifies the person who submitted the suggestion and gives them an estimated time of completion.

Yapı Kredi uses the Suggestion Management System located under Applications on its intranet for the submission of employee suggestions. The suggestions that are received are shared with teams, and the individual who submitted the suggestion is informed of the results.

Leader Development Programs

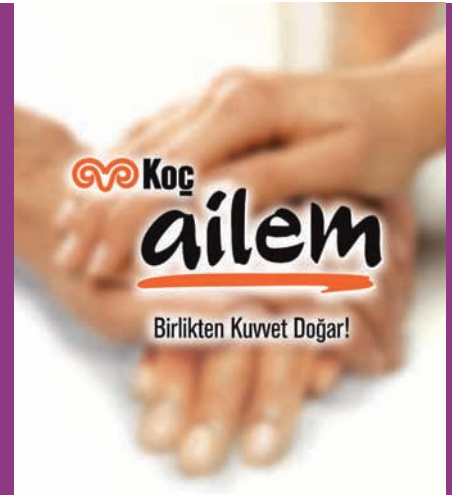
KoçAcademy Leader Development Programs, are composed of training designed for the development of Group Company's executives. Programs differentiate for several management levels are carried out with the support of Koç University, specialists and institutions. Main aim of the program is to establish common management and leadership culture throughout Group. Programs are also valuable development opportunity to share knowledge and experience for executives attending from different companies and cultures.

In 2010, 826 executives took part in these programs and total of 3,844 executives have participated since 2003. In 2010, predominantly "Leader and Strategy", "Leader and People", "Leader and Work" "Leader and Effective Management" and "Leader and Efficient Performance" trainings were carried out.

When programs finish, development process continues with several projects and follow-up trainings. Participants of "Leader and People" program carry out social responsibility projects with TEGV and as a result of this collective work two different projects are accomplished in a year. Some of our executives participated in 2010 program have organized closing ceremony of TEGV's activities continued across summer. Other executives organized a festival within the scope of "Our House İstanbul" Project -European Capital of Culture event- in Kartal.



Yapı Kredi Banking Academy



Most Successful Koç Employees

The Most Successful Koç Employees Award System is a recognition system that encourages Koç Group employees to develop their competencies. The system operates in three categories: Cooperation, Creative Innovations and Customer Satisfaction. The purpose of the reward system is to increase employee loyalty, motivation and productivity throughout the group, to make a contribution towards a learning organization and to discover and promote the best practices in the Group in this regard.

The primary categories in the most successful Koç Projects Reward system are provided below:

Cooperation

This category includes projects that suggest ways to facilitate the achievement of goals for the individuals involved, act and take ownership in accordance with target objectives and provide common benefit.

Creativity – Innovations

This category includes projects that suggest creative, alternative solutions that will improve the current situation by constantly staying abreast of innovations, approach circumstances with a fresh perspective, identify important and priority fields of business, find and implement creative, innovative solutions to problems and opportunities.

Customer Satisfaction

This category includes projects that immediately meet expectations with regard to requests for internal/external customers, exhibit the proper approach to customers in unexpected situations, solve problems by quickly responding to customer needs and take advantage of opportunities that could exceed customer expectations.

To date, a total of 48 companies and 535 projects have been included in this system, which has been employed since 2003 and 426 people have been rewarded.

The projects and companies that were recognized in 2010 are provided below based on categories:

Category	WC / BC	Company	Projects
Creative Innovations	White Collar	Tüpraş	Diesel Sulfur Removal Unit – Efficiency Enhancement Project
	Blue Collar	Arçelik	Work on a Mesh that Removes Polyurethane Gaps in Refrigerators
Cooperation	White Collar	Tüpraş	Project to Reduce EII (Energy Intensity Index) Values
	Blue Collar	Aygaz	Scrap and Repair Cylinder Preparation Machine
Customer Satisfaction	White Collar	Opet	Work Performed to Rank Number One for the 5th Time in a Row by Scoring Above the Sector Average in the Fueling Station Category According to 2010 Results on Opet's Turkey Customer Satisfaction Index
	Blue Collar	Tofaş	Y Doblo Quality Enhancement Project
Special Award	Blue Collar	Tüpraş	Theatre Club

Koç My Family Program

The Koç My Family Program launched in 2005 encompasses all of the benefits and practices which contribute to raising the quality of life for Koç Employees who are members of the Koç Group Family and are there for them at every stage in their lives.

The members of the Koç Family program include employees, relatives of employees, authorized service centers, dealers, retirees and Koç University students.

**At the end of 2010,
the program had a total of**

**83,000
members.**

Koç Holding Retirement Pension Foundation

Since 1967, the Koç Holding Retirement Pension Foundation has invested the savings of Koç Group employees so that when they retire they can receive their savings in a lump sum or over their lifetime and can take advantage of group health insurance for themselves and their family members. In addition to the employees' own savings, the accumulated savings of employees is increased as both employee and company make a 6% contribution of the salary on which the deduction is based. At the end of 2010, the Koç Holding Retirement Pension Foundation had 46,948 members. Foundation assets are invested in the financial markets, providing foundation members with a return that exceeds inflation every year.

Yapı Kredi provides a unique opportunity for its employees in this regard. Yapı Kredi supports secondary financial guarantees for its employees at retirement and has contributed to the Group Individual Retirement Plan since 2006. At the end of 2010, 68% of bank employees were taking advantage of the Group Retirement Plan. Yapı Kredi employees, along with their spouses and children are covered by Group Health Insurance.

The total number of employees rewarded in 2010: **36** White-collar **27** Blue-collar



The Aygaz-Opet Turkish Music Choir

Professional and Personal Life Balance at Koç

A 45-hour work week is implemented at Group workplaces in accordance with the limits set by the law. Generally, these working hours are completed during the 5 weekdays in companies operating in the service sector and employees are off on Saturday and Sunday. In companies involved in industrial production, on the other hand, there is generally a shift-work system and those who complete a 45-hour work week have at least one day a week of uninterrupted rest. Shift employees work in the daytime for one week and at night the following week in accordance with the law and provision is made for them to spend time with their families.

In addition, work is not performed on religious and official holidays or New Year's, all of which are very important in Turkey, so that personnel can spend time with their families. Furthermore, employees are given the opportunity to use more paid annual leave than the law requires. The human resource departments in our companies follow modern human resource policies and are careful to protect the balance between career and personal life of our employees.

Employee Volunteering

Many of the social activities carried out by Koç Holding companies are based on the principle of employee volunteerism. Numerous projects have been implemented in diverse fields ranging from education, the environment, art, health, sports and many others as the volunteer effort of our employees.

Employees in different numbers from all of the companies included in this report participated voluntarily in the projects entitled "I am Donating Blood for My Country", "Vocational Education: Crucial Matter for the Nation", and "The Koç Sports Festival."

The **Koç University** Volunteers Club has operated under the auspices of the Koç University Student Dean's Office since 2001. The number of KU Volunteers continues to grow every year and it has developed projects and collected donations for numerous projects in various parts of Istanbul, primarily the district of Sarıyer, and throughout Turkey. KU Volunteers placed 2nd in the Social Responsibility category of the Most Active Club

Competition organized in 2010 throughout Turkey by Üniaktivite. KU Volunteers continued to grow in 2010 with more than 250 active volunteers, making it the largest club at Koç University. It consists of 7 different sub-groups and conducts a variety of short-term projects. These projects include the Koç University Tiny Hearts Project, the Teeth are Fine Project, KET (Koç University Education Club) Children Who Can Think, Share Your Dream Project, KU Volunteers Awareness Group, and KUYAT (Koç University Summer Workshop).

Arçelik drew students' attention to protecting the dwindling natural resources on our planet and conserving water and energy in the competition entitled "Let's Protect the Environment and our Natural Resources", which was held for the second time in 2010 as part of Arçelik Volunteer Family activities in the "Standing United for Education" with Arçelik Program in 2010. The employees who participated in the project were volunteers.

Arçelik employees voluntarily set up social clubs and enable persistence of practices. In this context, amongst these active groups and clubs Photography Club, Turkish Music Club, Dance Club, Theatre Club, Nature Sports Club and Travel Club can be listed. As a part of these club activities concerts, touristic and nature trips, theatre performances are organized.

Aygaz employees give lessons at high schools and universities to inform young people in their areas of expertise. In 2010, Aygaz executives and employees met with students at Koç High School, Koç University and Yıldız Technical University to share their experience.

The Aygaz My Social Activity Club consists of 15 volunteer members working on a purely voluntary basis not connected with any department or directorate and conducting their activities and work outside of business hours. The purpose of the club is to bring together people who work in the same business environment for activities outside of work such as tours, tournaments, cultural and artistic events to relieve stress, enhance internal communications at the company, and improve motivation and solidarity. Activities in 2010 included Dragon Fest, participation in a rowing competition, three theater events, a book collection campaign, two cultural outings and a bowling tournament.

Aygaz and **Opet** employees participate in the Aygaz-Opet Turkish Music Choir, established in 2004 for the purpose of bringing together employees with a heart for Classical Turkish Music and creating an opportunity to engage in their hobbies. The Aygaz-Opet Turkish Music Choir not only helps employees develop team spirit and cooperation, but also makes a very positive impact on their professional life by bringing employees together under the same roof outside of the workplace.

Koç Information Technologies Group has provided employee volunteers for the "We Are Volunteers" project for LÖSEV, the Foundation for Children with Leukemia. During reporting period employees voluntarily participated in "Green Information Platform" social responsibility project as "Green Information Embassadors" with different projects and practices. With the voluntarily participation of employees Photography Group, Diving Group, Sailing Group and Carting Groups were established. Netkulüp, a social activity club for Koç.net employees, arranges visits to Child Protection Institution and planting visits to Koç.net Biri Memorial Forest in Ankara.

Opet has social activities clubs established and continued by the volunteer participation of employees. These clubs are involved in music, diving, motor sports, basketball, volleyball, extreme sports, dance, sailing, photography, cooking, swimming, theater and bowling. All Opet employees volunteer to participate in social responsibility projects.

Otokoç Otomotiv, is conducting a social responsibility project with the Üsküdar Hasan Tan Day Care. The project is called "Tiny Supervisors at Work", and we host the orphan children attending this day care center at our company headquarters one Saturday every month. Employees participate in this project on a volunteer basis. Together with Otokoç Otomotiv employees children play, make cookies and celebrate birthdays of their friends who born at that month. The aim of this project is to develop their productivity via an applied activity, to have fun, make feel themselves and support their individual development. Addition to this, in each branch there are volunteer Otokoç Otomotiv employees, called BIZ teams, perform several projects.

In 2010, a total of **15,342** people,
10,595 of which were employees and
4,747 of which were volunteer participants,
 took part in volunteer activities carried out by Group companies.

Tüpraş carried out numerous activities in which employees participated on a volunteer basis during the reporting period as part of the “Umbrella Movement – 100 Smiling Faces” in Aliağa and İzmit, “MEGEP” and “We Produce the Oxygen We Consume” in Kırıkkale, “The April 23rd Festival”, “The Clean Tüpraş, Clean Environment”, “TEMA & Tüpraş Tree Planting” and “TEGV Activities” in Batman, as well as the “Happy Waste” project in Aliağa.

As a result of an employee suggestion, in every refinery Tüpraş Employee Social Activity Clubs were established by volunteer employees. There are 8 different branches of activities within these clubs including seek and rescue, nature activities, photography, travel-gourmet, music, underwater, theatre and sailing. These clubs, with nearly 1,300 members, continue to perform activities such as trainings, performance shows, exhibitions and cultural travels.

While Batman and İzmit Photography Clubs open three exhibitions, İzmit and İzmit Theatre Clubs put two representations. İzmit Theatre club reached a total of 2,000 people with a cooperation of 29 different groups including ÇYDD, TEGV, TEV, TEMA, Turkish Petroleum Chemical Rubber Workers Union, Child Protection Association, İzmit Directorate of Education, interns and students. Additionally, within Music Clubs there are Turkish Music ensembles composed of employees from Batman, Kırıkkale, İzmit and İzmit. There is also folk music ensemble in Batman and chorus composed of employees’ children in İzmit and İzmit. Bands named Stones and Parçalı Bulutlu -established by İzmit and İzmit refinery employees- and percussion group RitmoRafino -established by İzmit refinery employees- take place in social responsibility projects.

TürkTraktör has implemented the kaizen system with the aim of eliminating losses from the use of energy, labor, materials and equipment with constant improvement and this system includes efforts to remedy negative aspects related to the environment and the health and safety of employees. Employees volunteer to participate in these kaizens, which continue to generate significant interest.

With the TürkTraktör Solution Teams, employees conduct continuous improvement activities on a volunteer basis related to the areas in which they work.

These individuals are knowledgeable about the environment, familiar with legislation and legal requirements and qualified to identify environmental accidents and environmental deficiencies and they support projects conducted in our company for this purpose.

The Yapı Kredi Volunteers Platform allowed Yapı Kredi to bring the volunteer projects conducted by employees for many years all together under one roof in 2009. The Yapı Kredi Volunteers Platform was established with the slogan “A Social Responsibility Project for Each Department”. All of the projects included in the Yapı Kredi Volunteers Platform have a structure and address issues determined by volunteers and the civil society organizations that they work with and which moves forward with resources that volunteers create with their own budgets. Corporate Communications Management supports project teams with communication and coordination (establishing connections with the proper business partners). In this regard, the coordinating teams for the pilot projects came together with the leading civil society organizations in Turkey for a two-day “Awareness Meeting”. They also received training in volunteerism at the Awareness Meeting.

In 2010, the Yapı Kredi Volunteers Platform increased the number of management departments/affiliates that carried out projects to 10. At the end of 2010, **154 Yapı Kredi employees** were supporting projects as volunteers as part of the Yapı Kredi Volunteers Platform. In addition, 130 Yapı Kredi employees takes place in “Read Think Share” program-with corporation of Young Guru Academy-within the leadership development training framework of Yapı Kredi Banking Academy.

Koç Employees and Sports

In addition to the social clubs and sports opportunities provided to employees in each of our Group companies, sports festivals are organized with the leadership of Koç Holding for the purpose of bringing Koç Group Companies and employees closer together and improving the Group’s image, contributing to the physical and psychological health of personnel and utilizing their free time. The festivals, which last for five weeks beginning in the first week of May, have become an annual tradition where approximately 3,200 employees come together for sports.

The Festival began in 1989 and has been held every year since in the months of May-June. This year it was organized in five regions: Istanbul, Ankara, Bursa, İzmir and Adana. The festival is organized by the Central Organization Committee, and the Regional Executive Committees handle follow-up in different regions.

Approximately 3,200 amateur athletes from among our employees participate in matches conducted by official referees supplied by provincial referee committees in the following sports: mini-football, basketball, volleyball, table tennis, tennis, chess, swimming, track and field and bowling. Throughout the festival, our employees, whether they were participating as athletes or spectators, had the opportunity for some fun with their families, who were also invited to the games.

After the games, which last approximately 5 weeks according to the fixtures that are drawn up, ceremonies are held in each region to the teams and individual athletes from Group Companies and cups are presented to the top three teams in each sport and also to the teams chosen as best sportsmen, while medals are presented to the individual contestants. Senior executives from Group companies also attended the ceremonies and in the ceremony held in Istanbul, which is where participation is the greatest, Koç Holding CEO Turgay Durak presented the medals and cups to the recipients.



Koç Group Sports Festival

Arçelik provides indoor and outdoor sports facilities where its employees can engage in fitness, tennis, basketball, football and table tennis activities as an attempt to maintain a healthy balance between work and personal life and to enhance communication between employees. Furthermore, activities, such as skiing and bowling tournaments, are also organized off-site.

The **Aygaz** Headquarters contains a facility where employees can engage in sports. In other locations, there are facilities available for football, volleyball and ping pong activities. Several sports tournaments are organized during the year for employees.

Ford Otosan has an Outdoor Basketball Court, Outdoor Tennis Court and a Fitness and Aerobic Salon that can be used 24 hours a day. Furthermore, facilities were rented in some cities to ensure that the practice schedules of all of the teams were not disrupted in 2010. In addition to the football, basketball, volleyball, track and field, table tennis, bowling, chess and swimming teams, there were some participating in the individual sport of tennis. The activities organized and participated in during the reporting period are as follows: Ford Otosan 50th anniversary race, the Çayırova Track and Field Competition, the Ford Otosan İsmail Hakkı Uzunier indoor football tournament, the karting tournament and bowling tournament.

Koç Information Technologies Group has a fitness salon that is open to employees. A total of 33 employees participated in diving and sailing clubs during the reporting period.

Opet provides opportunities for employees to participate actively in basketball, diving, swimming, sailing, volleyball, bowling, nature and extreme sports.

Otokar offers employees the opportunity to take advantage of the sports facilities such as basketball courts, football fields, sports salon and tennis courts.

Tat employees can take advantage of the fitness salon at the company. The company organizes sporting events in a variety of fields throughout the year.

Tüpraş has a total of 4 Fitness Salons set up according to the Body-Building Federation's Private Sports Salons guidelines, taking into consideration the number of people in all of the refineries who would use them, and there are swimming pools constructed to specific measurements and depths. The dimensions of the İzmit Refinery Indoor Sports Salon are suitable for basketball, volleyball and tennis. Furthermore, the Indoor Sports Salon also has Ping-Pong tables. All of the refineries have lighted tennis courts with Rebound Ace Grand Slam surfacing constructed in consideration for the users. The İzmit Refinery and the Kırıkkale Refinery have lighted, artificial turf football fields and miniature football fields. The İzmit Refinery also has a jogging track that is approximately 2 km long featuring the Tartan Track. There are squash courts at the İzmit and Kırıkkale refineries and a billiard hall at the Kırıkkale Refinery. Throughout the year, sporting events in a variety of fields are organized at the refineries.

Tofaş has a fitness salon at its Bursa plant. Employees can take advantage of an indoor basketball court, 2 tennis courts, an outdoor basketball court, and 13 Ping-Pong tables in the workshops. Employees at the İstanbul office may use the fitness salon and the billiard tables.

TürkTraktör has been organizing the TürkTraktör sports festival for eight years for a total of 13 different sports, namely basketball, football, volleyball, table tennis doubles, table tennis singles, backgammon, chess, darts, pin ball doubles, pin ball singles, checkers, badminton doubles, badminton singles. In addition to the activities organized during the festival, which lasts for more than 2 months, a special festival magazine called "Gentlemen" is published together with employees. Employees are also given the opportunity to use our indoor sports salon, outdoor football field, and the showers, heating and equipment free of charge so that they can continue their sports activities after business hours.

The **Yapı Kredi** Sports Club Association was established in 2007 for the purpose of making social activities possible and all employees under the Koç Financial Services umbrella can become members and their spouses and children can take advantage of it as well. The Club can participate in all of the sports accepted by the Directorate of Youth and Sports. Employees who join the association as well as their spouses and children can participate in numerous sporting activities, including football, sailing, tennis, track and field, volleyball, basketball, water sports and skiing. The Yapı Kredi Sports Club Association organizes a variety of activities, such as a skiing festival, basic and advanced sailing, and rafting trips. Furthermore, every summer there is a Yapı Kredi Sports Club Summer School for the children of employees. There is also a Yapı Kredi Search and Rescue Team (YAKUT) operating under the auspices of the Yapı Kredi Sports Club Association. YAKUT is a team consisting of volunteers whose mission is to provide information about all emergency and disaster situations, as well as information about what should be done prior to, during and after an earthquake, and to conduct the search and rescue activities needed after a disaster.

Since 2005, Yapı Kredi has conducted an internal sponsorship project for the purpose of supporting and encouraging employees in their sports activities. In 2010, Celal Altunbaş and Bayram Kuytan competed individually in swimming and mountain climbing, supported by internal sponsorship from Yapı Kredi, which contributes to the personal development of employees and sports activities. As part of this sponsorship, the achievement of employees involved in sports activities are announced on internal communications channels and shared with all employees.

Environmentally-Friendly Practices at Koç

It is our duty to protect natural resources, use them in the most efficient way while minimizing the creation of waste at the source and maintaining effective recycling.

The world meets the needs of all living things due to an incredible balance that is difficult to comprehend or explain even with today's scientific knowledge. However, at present, nature is experiencing difficulty in the resources currently required by living organisms. This disruption to the balance of nature is beginning to manifest itself in a number of areas that directly affect our daily lives, beginning with the problems caused by climate change.

In the recent past, the dilemma which the global community faced was the fact that industry had a destructive impact on the environmental conditions necessary for life while at the same time it provided the production necessary to sustain life. Today, it is obvious that a common perspective has been developed regarding a solution to this dilemma in the light of both social and scientific developments. The business world not only functions as the provider of a certain living standard, but it has also assumed responsibility regarding environmental sensitivity.

Here at Koç Holding, we have made environmental sensitivity a top priority ever since our foundation. In accordance with founding principles, we have always been an example of the best in the areas we operate in. As it does in every area, the leadership of our founder Vehbi Koç guides us in this area as well. The fundamental motto of Koç Holding and all of its subsidiaries is: "I live and prosper with my country", which demonstrates our stance regarding environmental sensitivity. In our opinion, without a physical environment in which nature maintains its own balance, our own existence would be impossible. In terms of our own corporate sustainability, it is essential that we achieve harmony not only with our social environment, but with our physical surroundings as well. This is the only way that our efforts to produce the goods and services that will enhance the quality of life for societies in our areas of operation can have true significance.

As one of the largest corporations in the world, the Koç Group is proud of the fact that the operating principles we have adopted are becoming the general norm on a global scale. However, expecting the business world to shoulder all of the responsibility for environmental sensitivity will make it more difficult to achieve our goals. Therefore, not only companies but all stakeholders should assume some responsibility in this regard, and then a working culture that produces collective solutions to common problems should be

created. Therefore, in addition to its own activities, Koç Holding participates in joint initiatives with public agencies, professional organizations, civil society organizations, the community and all concerned national and international parties for the purpose of promoting environmental awareness in the business world and society in general.

With regard to our own activities, minimizing the environmental impact of operations is the number one priority for Koç Holding and all of its subsidiaries, and it is an essential part of ensuring our own corporate sustainability. For this reason, we manage our environmental impact with ambitious goals, sophisticated systems and processes and an integrated management approach that also addresses these issues separately at Group and company levels. Furthermore, we rigorously monitor performance in this regard. Legal compliance with all of the aspects of environmental management is not for us a goal to be attained, but a minimum standard for continuing operations.

Environmental Management

Koç Holding is an enormous organization consisting of dozens of companies operating in numerous sectors that are very dissimilar to one another. Koç Holding's environmental management is organized to manage this multi-faceted structure in the most effective manner. Koç Holding has formulated guiding policies in order to handle the environmental management of all its subsidiaries. The Koç Group Environmental Vision, Koç Group Environmental Mission and Koç Group Environmental Policy documents were created within the framework of this understanding and they shape the administrative approach that should be taken in the operations of all Group companies. The details of Koç Holding's approach to environmental management are available on the corporate social responsibility page at www.kocholding.com.tr.

Koç Holding's environmental performance is the consolidated performance of its subsidiary companies. Therefore, environmental management also begins with the Holding and is provided with a powerful organization that extends to the operational areas of subsidiary companies. A fundamental principle is that participation of subsidiary companies be ensured at every level in the organization of environmental management handled at the Group level. Therefore, the highest level body

created in the Group pertaining to environmental management is the "Environmental Coordination Council", which consists of the most senior-level executives responsible for group companies' environmental management. The basic duties of the council are to identify long-term strategies related to environmental management and to formulate plans for their implementation. The "Group Environmental Council" consists of environmental specialist in Group companies, and its basic duties are to support the formulation of strategic plans and to implement them. Furthermore, the Group Environmental Council is also responsible for coordinating efforts to comply fully with changing environmental regulations and handling the periodic environmental audits in cooperation with the Audit Group. The audits that are performed ensure that environmental sensitivity is maintained in Group companies and that potential risks are identified in advance. The results of environmental audits and the improvement targets that emerge are submitted to the Koç Holding CEO. As a result of the audits conducted in 2009, all Group companies have been assigned goals inline with audit results for 2010. Group companies have been assigned the goal of establishing a GHG emission system and some of them for obtaining certification of this system by 2011.

For the management of the basic elements that constitute climate change in order to respond effectively to the increasing importance of the issue with our operations in terms of both subsidiaries and the corporation, specialist organizations have been created. The "Energy Efficiency Working Group", which consists of energy executives from Group companies have been formed in order to ensure the most productive management of energy consumption because this is the source of the GHG emissions which are the primary cause of climate change. By setting up expert sub-committees, the Energy Efficiency Working Group works on planning improvements as well as developing joint projects and sharing best practices in order to capitalize on the progress that has been achieved. Climate change is a complex phenomenon that encompasses many different dimensions and not just energy efficiency. In order for companies to gain a comprehensive understanding of the issue and to execute the necessary operations in harmony with Group goals, the Koç Group Climate Change Strategy document was published during the reporting period.

134.6
MILLION TL

Environmental
expenditures and
investments from Koç
Group companies
in 2010

3,352,915
GJ

Reduction Achieved in
Energy Consumption
in 2010

64

Number of our plants
with ISO 14001
Certificate in 2010

42,747

The number of
saplings planted
as a result of the group's
forestation works
in 2010

The strategic plans formulated by the Group's environmental management organization are converted to performance targets on a company basis. In order to emphasize the importance of this issue, the company targets were disseminated starting from the highest-level company executives down to those responsible for environmental management in the lowest-level departments. An expert organization has been created for environmental

management in all Group companies for the purpose of working on the achievement of these targets. In companies that operate in sectors that are sensitive to energy consumption or have a certain operational capacity, units specializing in energy management are also being organized. The basic duties of the environmental management organization created at the company level is to minimize the impact of operations on the

environment in keeping with Koç Holding business principles and performance goals and to quickly comply with changes to environmental regulations. Group companies stay abreast of and implement the latest management systems, both in general and for their sector, in order to achieve efficiency in environmental management.

Management Systems in Group Companies

Koç Group companies aim to formulate the most modern management approach in every area as they conduct their operations. We place a great deal of importance on management standardization efforts in this area. For this reason, Group companies stay abreast of management systems with general features and those unique to the sector in order to strengthen their management structures. They also implement standards recognized both domestically and internationally into their management methods and conduct periodic external audits. The generally recognized management standards among Group companies are ISO 14001 Environmental Management, ISO 9001 Quality Management and OHSAS 18001 Occupational Health and Safety* management systems.

In 2010, we achieved a significant improvement in Group company performance related to ISO 14001 documentation. 64 of the 82** facilities belonging to companies that fall within the scope of this report possess ISO 14001 certification. This is equivalent to coverage of 78% and this rises to 83% in companies engaged in manufacturing operations. In the last reporting period of 2009, 76% of the companies included in the report possessed ISO 14001 certification while in 2010 the percentage rose to 82.6%.

Apart from general practices, Group companies also implement management efficiency and product compliance standards and methodologies appropriate to the characteristics of their sector.

Arçelik conducts its operations in compliance with numerous systems, standards and methodologies related to compliance with product standards and working conditions. Beside ISO 14001 and ISO 9001, Arçelik possesses ISO 17025 Laboratory Quality Management certification as well as 37 national and 7 general product compliance documents related to product standards for a variety of countries. Arçelik also complies with all of the relevant product regulations adopted by EU countries, which constitute an important export market. Compliance has been achieved with the Waste Electrical and Electronic Equipment (WEEE) Directive, the Restriction of Hazardous Substances (RoHS) Directive and the Eco-design Requirements for Energy-Using Products Directives. Arçelik, holder of EFQM and KalDer Quality Grand Awards, with regard to managerial efficiency, follows EFQM, 6 Sigma and Total Productive Maintenance (TPM) methodologies.

Aygaz complies with TPED, the Transportable Pressure Equipment Directive, and PED, the Pressure Equipment Directive, in its operations, and it follows the TPM Total Productive Maintenance methodology in terms of administrative efficiency.

Among the companies operating in automotive sector, **Ford Otosan** employs the 6 Sigma and Kaizen methodologies with regard to managerial efficiency while **Otokoç Otomotiv** follows the EFQM model and 6 Sigma. Since 2008 Otokoç Otomotiv also operates in accordance with ISO 9001, ISO 14001 and OHSAS 18001 Standards as integrated management system. **Tofaş**

guarantees that its vehicle parts do not contain lead, mercury, cadmium or chrome+6 in accordance with the IMDS program while it came second amongst 180 FIAT factories by applying WCM (World Class Manufacturing) simple production models.

Otokar guarantees management of information security with ISO 27001 certification. **TürkTraktör** achieved an important first in 2010 among its CNH factories by creating an integrated management system that places the ISO 9001, 14001, 27001 and OHSAS 18001 standards under a single umbrella.

Koç Information Technologies Group complies with ISO 27001 Information Security Management, ISO 20000 Information Technologies Service Management, and ISO 10002 Customer Satisfaction and Complaint Management systems in its operations.

Tüpraş provides complete compliance with specifications determined by official institutions for all of the products that it processes in addition to complying with the EN 12591 standard for bituminous products. Tüpraş has completed the ISO 17025 accreditation for its laboratories and employs the EFQM model for managerial efficiency.

Yapı Kredi launched its 6 Sigma work in 2010.

In addition to these, all related Koç Group companies comply with REACH, EU Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals.

* You may find performance values regarding OHSAS 18001 Occupational Health and Safety Management System in Human Rights section.

** Yapı Kredi facilities are not included in this calculation.



Tüpraş İzmit Refinery

Environmental activities carried out by Koç Holding and group companies are conducted in three areas that have equal priority. All companies that are part of the Group perform the following:

- Control the environmental impact created by their activities and work on improvements that will reduce this impact.
- Monitor the environmental impact created by manufactured goods and services for the whole life-cycle, from the design and planning stage until the end of their economic life; work on reducing these impacts by developing environmentally friendly products.
- Carry out educational activities to increase knowledge and awareness about protecting the environment. The focus of these activities is the general public, in particular the company's employees, customers, dealers, suppliers, contractors and other operational stakeholders; develop field projects in their areas of operation that protect and promote biodiversity.

Environmental Management and Investment Expenditures

Koç Group companies set aside a significant amount of financial resources to environmental management in order to achieve the environmental improvement goals set forth in the Environmental Policy and Vision. A portion of these funds are used for administrative operations directed at environmental management while a large portion is employed in investment and R&D projects to develop products and processes as well as trainings. A significant portion of the Group's total R&D budget of approximately 450 million TL was employed for projects aimed at reducing the environmental impact of products.

Environmental expenditures and investments from Koç Group companies in 2010 added up to 134.6 million TL. **Tüpraş** accounts for 87% of these expenditures with an environmental management budget in 2010 of 14 million TL, and it invested 103.5 million TL in 27 different units and technologies in four refineries.

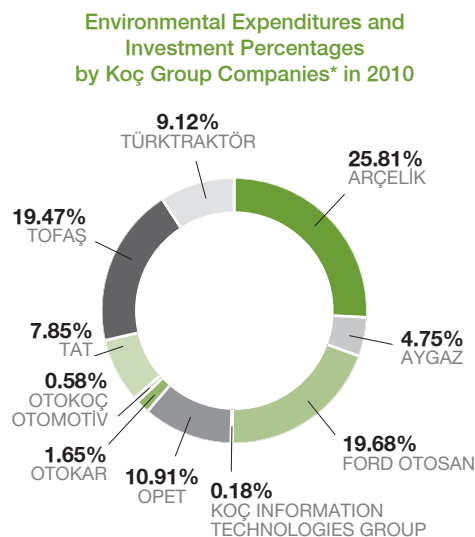
Arçelik's environmental expenditures in 2010 were 4.44 million TL, of which 2.28 million TL consisted of investments in environmental and energy management.

Opet spent 1.9 million TL on environmental expenditures, 1.7 million TL of which was for waste management projects. **Tat** spent 1.4 million TL and a significant amount of this was physical investment in waste water management.

Tofaş spent 3.4 million TL on environmental expenditures in 2010, more than half of which consisted of structural improvements while 1.3 million TL of the 1.6 million TL spent by **TürkTraktör** was for investment expenses.

Climate Change and Emission Management

One of the most serious environmental problems our world is faced with today is climate change caused by global warming resulting from the release of greenhouse gases. Scientific studies indicate that a continued increase in global warming will result in severe consequences not just for nature but also with regard to social and economic issues. At Koç Holding, the problem of climate change is taken very seriously. We are identifying our responsibilities in these areas, designing solutions and rapidly implementing them. The activities and investments we make in the area of combating climate change are not viewed as the items that increase our operating expenses. To the contrary, as the philosophy of a "low carbon economy" becomes more widespread, this issue is viewed as an area of investment that has significant potential to create important new business and job opportunities. As a result, formulation of the "2020 Greenhouse Gas Strategic Plan" was begun in 2009 outlining the emission projections and emission reductions in Group companies for 2020 and the projects that would have to be implemented to achieve these targets. In 2010, the work on these issues has been taken even further. First of all, the strengths and weaknesses of Group companies with regard to the problem of climate change have been identified and the risks and opportunities posed by the issue have been specified in workshops held in collaboration with Group companies. At the conclusion of these efforts, the "Koç Group Climate Change Strategy", which involves aspects related to operational and production processes, products, innovation, suppliers, customers and contributions to the formulation of environmental policy has been created in order to mentor Group companies in their approach to the issue of climate change.



* Tüpraş performance is not included in this chart.



Aygaz Yarımcı Marine Terminal

In 2010, management approach development practices have been conducted implementing the climate change strategy. The most important activity we conducted in this regard was starting to implement the "GHG emission management program." Thanks to this program that will begin operation at the beginning of 2011, the process of monitoring the performance of climate change and company strategies will be based on more precise data because GHG emissions will be calculated more accurately by all of the companies with a common methodology. At a future stage of the program's development, it will be integrated with the Koç Group Sustainability Performance Management System. The details of Koç Holding's approach to climate change and emissions management are available on the corporate social responsibility page at www.kocholding.com.tr.

As a result of the improvement efforts implemented in 2010, the total amount of GHG emissions produced by the companies within the scope of this report experienced a decline of 329,500 tons equivalent CO₂. This amount is more than 10 times greater than the reduction achieved in 2009.

Arçelik reduced total GHG emissions by 6,929 tons of equivalent CO₂ with the more than 100 projects it conducted in 2010.

Ford Otosan achieved GHG emission reductions of 3.99 tons of equivalent CO₂ with its efforts during the year and 1,513 tons of this performance was achieved by optimizing the automation programs of the heating system in the workshops.

Otokoç Otomotiv managed to prevent the creation of 151 tons equivalent CO₂ emissions per year by converting the energy used for heating at 5 locations from fuel oil to natural gas while total reduction in GHG emissions have reached to 763 tons equivalent CO₂ in 2010 thanks to reduction of energy consumption.

Tat reduced the amount of emissions by 1,334 tons of equivalent CO₂ through efficiency efforts it conducted in 2010 even though production levels rose compared to the previous year. Because of these efforts, the amount of total emissions rose only 0.05 tons compared to the previous year.

Tofaş managed to reduce GHG emissions by 8,172 tons of equivalent CO₂ with 25 projects it completed during the year.

In 2010, **Tüpraş** reduced emissions by 308,599 tons equivalent CO₂ with the efficiency projects it implemented during the year, which constitutes 93.7% of the total emission reduction achieved by Koç Group companies. Isolation and maintenance against steam leaks projects realized in İzmit and İzmir Refineries are the practices contributed most to this performance by an annual reduction of 59,115 tons CO₂.

Protecting the Quality of the Air

Koç Group companies approach emission management not only from a climate change perspective but also in terms of protecting the quality of the air. In this regard, Group companies comply with the parameters and quality values specified in emission permits issued by the Ministry of Environment and Forestry as they conduct their operations. Emission values are measured with continuous or periodic sampling using methods specified on the basis of parameters pursuant to the Industrial Air Pollution Control Directive. Emission values are subject periodically to independent audits by accredited institutions as specified in government regulations. Furthermore, these values are periodically monitored by the Ministry of Environment and Forestry and the Provincial Environment and Forestry Directorates. As a result of these measurements and evaluations, it is observed that, company-based values are under the emission limits specified for the concerned companies and parameters.

Koç Group Climate Change Strategy:

Products:

- The Koç Group will emphasize environmental sensitivity on all of the products it manufactures, will be transparent regarding the impact of these products on the environment, and will contribute to the development of environmentally-friendly product technologies.
- The Koç Group will carry out projects to develop innovative products and create technologies that are more sensitive to the environment and more compatible with a low-carbon economy in the areas it focuses on.

Operations and Production Processes:

- The Koç Group will reduce GHG emissions and the negative impact on the environment in parallel with developments in the sector pursuing a continuous improvement approach by measuring the environmental impact of all of its operations and production processes. It will also be a national pioneer in this regard.
- It will analyze "The Best and Most Feasible Technologies" and make its production processes compatible with these technologies within the framework of a specific plan.
- It will carry out projects to increase the use of renewable energy resources in its production processes.

Suppliers and Customers:

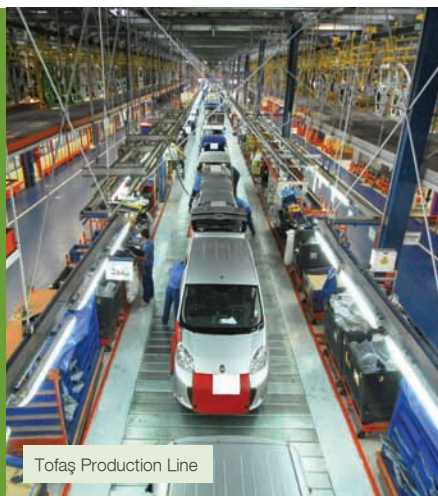
- It will work to increase environmental awareness among suppliers, customers and society.
- All types of technical support will be provided to suppliers for production and products that are environmentally friendly.
- The Koç Group's goal is to employ environmentally sensitive purchasing criteria in its purchasing systems.

Contribution to the Formulation of Environmental Policies:

- It will work actively with CSOs and government institutions, sharing knowledge and supporting the formulation of national environmental and climate change policies.
- It will contribute to developments by actively participating in constructive international policy platforms.

Innovation:

- In order to develop creative and innovative methods that reduce climate change impacts and are environmentally sensitive in terms of products, manufacturing technologies, operations and business models, Koç Group will work together with Koç University, other universities, relevant R&D organizations and centers, and it will contribute to an increase in the knowledge in our country regarding low-carbon economy technologies.
- It will work to develop new business models and new fields of business activity that are innovative, creative and compatible with a low-carbon economy.



Tofaş Production Line



Opet Marmara Terminal

Efficiency at Koç

Efficiency projects not only contribute to the companies' environmental sustainability performance, but they also make a significant contribution to economic sustainability due to the cost advantages they provide. Therefore, many companies in recent years have begun to view environmental management projects as more important not only for eliminating impact but also for their cost advantages. Koç Group companies approach efficiency improvement operations in terms of energy efficiency, resource consumption, waste management, recovery and recycling. Operations in all of these areas are managed with organization structure and performance targets specified at the Group and company level in accordance with the Koç Group environmental policy and vision. Energy management has a unique administrative structure due to the consequences of its environmental impact. The Energy Efficiency Working Group created at the Group level plays a significant role in creating synergy for enhancing energy efficiency performance among Group companies with the 7 sub-committees created in various areas of expertise. The details of Koç Holding's management of efficiency issues are available on the corporate social responsibility page at www.kocholding.com.tr.

Koç Group companies carried out efficiency enhancement projects in 2010, improving performance on energy, resource utilization, waste management and recycling. Especially performance with regard to reducing energy consumption improved by 46% compared to the previous year and achieved a level of 3.35 million GJ. This performance accounted for 329,507 tons equivalent CO₂ in our total GHG emissions reduction performance. These values are extremely significant in terms of emphasizing the importance of energy efficiency in connection with work to prevent climate change.

Reduction in Indirect Energy Consumption

Like many companies, a significant portion of the energy consumption portfolio of Koç Group companies is comprised of indirect energy consumption. Part of indirect energy consumption arises from purchased energy while another part consists of the energy consumption arising from the production of sub-contractors, business travel and personnel commuting. In 2010, Koç Group companies worked on efficiency projects to improve performance in these areas.

At the end of 2009, **Otokar** personnel commuting shuttles travelled an average of 2.2 km per person, but in 2010, the length of the drive per person was reduced to 1.8 km through optimization efforts, even though there was an increase in the number of personnel and vehicles. As a result, CO₂ emissions arising from personnel transportation were reduced by 2.6 tons of equivalent CO₂ and annual energy consumption fell by 34.75 GJ. Due to these efforts, Otokar also achieved cost efficiency in its personnel transportation service. Even though this enhanced performance may

appear to be modest in terms of scope, the project is important as it serves as an example to other companies.

Koç Information Technologies Group is another of Group companies that worked on reducing energy consumption arising from personnel transportation in 2010. The increase in the number of personnel requiring commuting service in the operations area in 2010 compared to the previous year, and the increase in the amount of energy consumed per person transported forced Koç Information Technologies Group officials to consider implementing a project that would enhance efficiency in this area. The project, which will be conducted jointly with the personnel commuting service provider company, was designed in 2010 and will be implemented in 2011. It includes optimization of routes and the number of vehicles in personnel transportation services and the use of vehicles that consume less fuel. This project aims to reduce fuel consumption in 2011 from 155 liters per person to 100 liters.

Reduction Achieved in Energy Consumption (GJ)

1,692,430	2,302,740	3,352,915
2008	2009	2010

329,507
TONS

**GHG emission
reduced in 2010 by
Koç Group companies**

12.6
MILLION M³

**The amount of recycled
and reused water in 2010
by Koç Group companies**

273,000
TONS

**Total amount of recycled
waste in 2010 by
Koç Group companies**

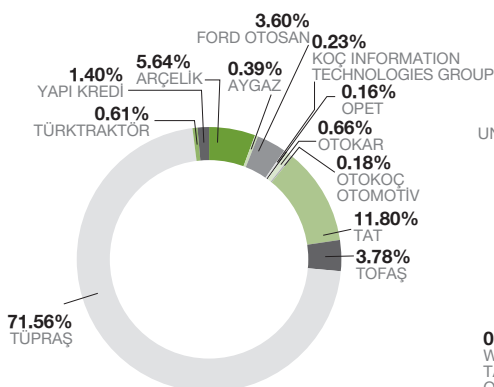
Hundreds of different resources are used in order to continue the operations of Group companies and these vary depending on the sector involved. The most important of these resources and one that is common to all of these companies is water. For that monitoring performance regarding water consumption is extremely important. Group companies are developing projects that will reduce water consumption as they do every year. In terms of the sustainable use of water resources, diversifying the sources being used and increasing the amount recycled to reduce the amount withdrawn from a resource are important areas of performance. After the reduction of 3.5 million m³ which we achieved in water consumption in 2009, during this

reporting period we achieved a reduction of 2.1 million m³ and decreased in 2010 to 25.2 million m³. This is equivalent to 66.6% of the total amount of water required. 33,4% of the water required is provided by recycling of used water. In 2010, a huge improvement has been achieved in performance compared to last year when it comes to increasing the amount of recycled water. Due to the improvements implemented by Group companies, 5.5 million m³ of water recycled in 2009, has been raised by 129% to 12.6 million m³ in 2010. We have also succeeded in significantly reducing the use of this natural resource in meeting our needs.

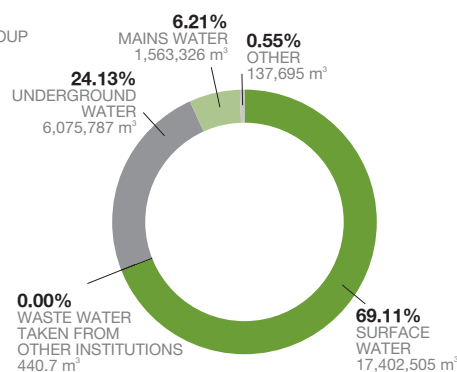
Waste Water Disposal

The most fundamental goal regarding management of the waste water that results from operations is reclamation of this resource for production through recycling. In 2010, 12.6 million m³ of water was reclaimed for production. However, it is impossible to reclaim 100% of the waste water produced. The waste water that is created in the facilities of Group companies undergo either chemical or biological treatment processes depending on their pollution values and after it attains the quality norms specified in the discharge permits issued by government organizations, it is discharged either to the receiving environments specified on these same permits or into municipal waste water systems. If there is no receiving environment that is suitable for the discharge of waste water near the business, the waste water is stored according to the terms specified for waste water in government regulations and transported to discharge sites at periodic intervals. By paying special attention to the quality parameters of the waste water that is discharged, a negative impact on the biodiversity of the receiving environment and on the organisms living in the environment is prevented. In this regard, approximately 14.9 million m³ of waste water arising from the operations of Group companies in 2010 was processed by treatment units and discharged after complying with quality norms.

Total Water Withdrawal by Group Company



Total Water Withdrawal by Source





Pursuant to the Koç Group Environmental Policy, Group companies aim to reduce waste arising from operations at the source and recycle as much as possible. In accordance with this policy, our Group companies succeeded in recycling 93.5% of the 292,026 tons of waste produced in 2010.

Operational Entry and Decommissioning Practices

Koç Group companies engage in certain pre-determined actions when opening a new operational site or decommissioning an existing one. A number of companies perform this work using a check list. Our fundamental principle is not to create a negative impact on the existing environmental, social and economic value of an operational site when launching an operation; and when it is time to exit an operational site, to leave it only after restoring the natural features that were there when we took over, and preventing the decommissioning from having any environmental impact. Our operations may have both an environmental impact as well as a social and economic impact. For example, thousands of people are employed at these operational sites, making a contribution to the local economy. Consequently, the social and economic impacts are evaluated as well as the environmental impacts when initiating an operation or terminating one and an attempt is made to avoid all negative impacts. Naturally, the general principles of the work that is performed in this regard are common, but the type of practice is shaped by the nature of the sector in which the company is involved. Because Koç Holding is a growing and developing organization, start-up operations are experienced frequently while decommissioning of operations is rare and does not generally apply to an area but to units.

Efficiency Practices of Group Companies

In 2010, **Arçelik** achieved energy savings of 61,462.2 GJ as a result of the 115 practices and projects it carried out, thus preventing 6,929 tons of CO₂ emissions. By practices aiming usage of treated waste water in Cooking Appliance Plant, Arçelik realized annual water savings of 2,400 m³, plus another 3,084 m³ by deionizing and reusing waste water from anolyte tank in the Dishwasher Plant and 15,600 m³ by improving paintshop rinse bath waste water. Furthermore, by using treated waste water on paintshop phosphate line in Washing Machine Plant, annual water saving of 42,000 m³ has been realized.

Aygaz has consumed 4,774 GJ less energy by changing lighting fittings, the use of frequency converters in cooling towers, replacing low efficiency engines with high efficiency EFF1 engines, preferring equipments that would enhance heating control efficiency in administrative buildings, replacing the boiler heated paint curing ovens on the household tank production lines with infrared ones.

Ford Otosan realized annual energy savings of 25,914.2 GJ with a project optimizing automation programs for workshop boiler units that it implemented at its Kocaeli Factory and annual savings of 8,294.4 GJ with its bottom cushion on the press lines. It also reduced energy consumption by 23% while increasing illuminance level by 34% with efforts to improve building automation and lighting systems. Energy consumption in the İnönü Factory decreased 11% as a result of reducing energy consumption in the presses, providing energy savings of 4,603.6 GJ.

Opet realized annual energy savings of 20.9 GJ in 2010 by adding invertors to 3 pumps used in the Mersin Terminal. It also achieved a recycling rate of 45.2% by using the discharge water in the terminals to meet its need for water in pig operations, for site washing and water reserves for firefighting. In terms of operations, on the other hand, it achieved waste water recycling in 2010 of 100% at the Körfez Terminal, 41% at the

Aliağa Terminal, 51% at the Marmara Terminal and 35% at the Giresun Terminal.

During the course of the year, **Otokar** realized annual savings of 369.7 GJ by choosing more efficient fixtures in outdoor lighting and implementing partial lighting practices in administrative buildings and timed lighting in its plants, annual savings of 600.7 GJ by automating the inside of the primer and final coat trailer paint shop and annual savings of 332.6 GJ by choosing more efficient air compressors on its trailers.

Tat realized annual natural gas savings of 268,077 m³ with a project reclaiming energy from surface blowoff and flash steam from the steam boiler at the Mustafakemalpaşa Operation in 2010. The Mustafakemalpaşa Operation recovered 432,000 m³ of water coming out of its tomato sorting tanks while water savings totaling 184,561 m³ was realized from the reuse of unit cooling water at the Sek Milk Operation. During this period, Tat contributed 1,356 GJ of this performance by replacing the cooling pumps used in cold storage depots with more efficient models and selecting frequency-adjusted invertors on the motors that were used.

Tofaş realized an optimization by connecting 2 cooling towers to a central system in 2010, resulting in annual water savings of 52,950 m³.

Thanks to the improvements and investments realized in 2010, **Tüpraş** has reduced its energy consumption by 3.2 million GJ and water consumption by 3.6 million m³.

Yapı Kredi realized annual water savings of 17,600 m³ by using the water recycled in the Banking Headquarters treatment facility for watering the grounds.



Ford Otosan İnönü Factory

Biodiversity and Environmental Development Practices

All Koç Group companies are responsible for preventing our operations from having a negative impact on the physical integrity of natural areas located on or near operational sites and on the living organisms found there. All Group companies conduct risk assessment projects in order to fulfill this responsibility, taking precautions against these risks, measuring and monitoring their environmental impact in a multi-dimensional fashion. Because the majority of the Group companies are industrial organizations, operational areas are located in places suitable for industrial activity in accordance with the criteria specified in government regulations. Therefore, the operational areas of Group companies are not located on protected natural areas, special environmental preserves or RAMSAR sites as specified by the law or international agreements.

Ford Otosan is the only Group company with a wetland located on its operational site. The wetland on the 5.4-acre plot inside the Gölcük factory site is important in terms of biodiversity because it is located on a bird migration route. For this reason, the plot was put under protection by Ford Otosan to prevent it from being affected by operations and to ensure that the migration routes of these birds are not changed. An 8.6-acre site created on a nearby site as a result of settling that occurred after an earthquake was rehabilitated in cooperation with the TEMA Foundation. It was converted into a park open to visitors and employees after reforestation and landscaping were conducted.

In 2010, **Arçelik** planted grass on 40.05 km² within its operational areas, converting them to green space and placing them under protection.

For Koç Group companies, making a positive environmental impact is as important as reducing negative environmental impact. For this reason, the most basic type of activity is reforestation projects. Forests serve as our greatest assistants in our fight against climate change by eliminating the harmful effects of GHG emissions. However, we lose many square kilometers of forest every year due to a rising population, the need for resources and fires. In order to replace these lost forests, Koç Group companies have instituted projects to plant saplings. The importance placed on performance in this area has been reinforced adding it to the sustainability performance evaluation system. Group companies' interest in the issue is strived by reforestation campaigns that are organized periodically on the Group level. Our largest project partner with regard to reforestation both on the Group level and company level is the TEMA Foundation. The last large-scale campaign organized within the framework of joint projects was the Forests for My Country project in 2008. As a result of this campaign, 1,194,020 saplings have been planted in forests created in 7 geographical regions in Turkey.

In 2010, Group companies continued with their reforestation projects, planting a total of 42,747 saplings.

The use of special occasions to motivate and increase participation in reforestation projects has proven very effective. This approach ensures the support and participation of employees. For example, **Aygaz** planted saplings on behalf of employees at the Tekirdağ Memorial Forest, which was created as a joint project with the TEMA Foundation. **Tüpraş** also encourages its employees to plant trees with their families on various special occasions and organizes tree-planting activities in the memorial forests created for this purpose. Group companies have embraced these reforestation projects so enthusiastically that they have even begun to produce their own saplings so that they can continue with these activities. For example, the project to plant saplings launched by **Ford Otosan** at the İnönü Factory in 2010 has produced 3,000 saplings for planting next year.

The Group company that worked the most on reforestation in 2010 was **Tofaş**, which planted 18,000 fruit trees during the year. **Opet**, on the other hand, was also one of the highest performing companies in this regard, planting 16,210 saplings at 32 different locations this year as part of the award-winning "Green Road" project it has continued to expand since 2004.

Number of Saplings Planted per Year

63,952



2007

1,194,020



2008

65,000



2009

42,747



2010



Arçelik Ankara Factory

Environmentally Friendly Products at Koç

The life-cycle of products and services encompasses the period of time from the process of production and consumption until they lose their economic value and are recycled. The impact they have during this time is an important element in the environmental management of companies. Koç Group companies conduct research-development and investment activities every year in order to enhance the environmentally friendly characteristics of their products and services. Our basic goal is to minimize the environmental impact of our product and service portfolio throughout their life-span using the best that technology to offer and to exceed these limits by focusing on innovation.

As in previous years, Koç Group companies have achieved significant improvements in 2010 with regard to reducing the environmental impact of products and services.

The LPG products released by **Aygaz** have significantly more environmentally friendly features in terms of structure when compared with equivalent petroleum products. The Advanced Formula Aygaz Euro LPG+, which was released to the market in the autogas segment, saves energy and reduces emissions. Aygaz Euro LPG+ provides energy savings of 3.9% at a constant speed of 120 km/hour with 20.2% less HC emissions and 33.5% less CO₂ emissions. The use of Aygaz products provided energy savings totaling 697,604.6 GJ in 2010.

The V227 Transit Connect vehicle released by **Ford Otosan** was brought up to Stage V fuel consumption and emission standards in 2010, which is a 7% increase in fuel efficiency over Stage IV. R&D initiated during the year focused on achieving emissions reductions and better fuel economy for a number of models.

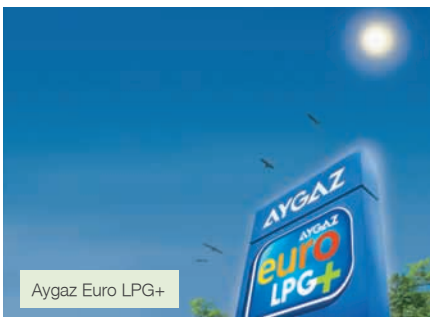
Use of the Adblue product released by **Opet** improves fuel economy by 2% and reduces the creation of hazardous emissions. According to calculations conducted on sales made in 2010, Adblue resulted in energy savings of 80,356.6 GJ in 2010.

The vehicles Sultan, Navigo, M2010, and Land Rover Defender, manufactured by **Otokar**, were equipped with motors that create less emissions, thus reducing their environmental impact and providing an advance, especially in terms of particulate matter. We introduced our customers to more environmentally friendly alternatives by implementing the EEV and CNG motor options in our KENT Low Floor vehicles. R&D work was also initiated in Otokar for the usage of CNG and hybrid motors in new vehicle models.

Tat has made it possible to reduce tanker traffic to the Sek Milk Operations to one-third with a process it developed to transport raw milk to the factory in a concentrated form. Concentrated milk was used to produce 2.7% of the products made in 2010 so emissions were reduced by 176 tons CO₂ by saving 100 tanker trips.

Tofaş reduced fuel consumption by 8-10% in gasoline vehicles and 4-6% in diesel vehicles by integrating the start/stop system in all of the motor options for the Doblo and the Fiorino 1.3 Mjet version in 2010. By equipping the Doblo 1.4 16V and Fiorino 1.4 8V gasoline motors with CNG capacity, emissions were reduced approximately 25%.

Tüpraş introduced products conforming to the EU reduced-sulfur Euro V norm, thus achieving a reduction in emissions arising from the consumption of fuel.



Aygaz Euro LPG+



Ford V227 Transit Connect

In 2010, **Arçelik** has invested 12,300,630 TL in R&D in order to enhance environmental performance of products and these efforts resulted major improvements in all product groups and development of new products constituting best case examples world-wide in terms of eco-friendly features.

Dish Washers:

In order to comply with EU Commission' Ecodesign and Energy Labeling regulations, in 2010, new products have been developed in various segments. These efforts resulted with production of the world's least water consuming dish washer, Arçelik Kaktüs. In order to use 100% recyclable aluminum as isolation material instead of bitumen based non-recyclable materials causing air and water pollution in production phases, a patented technique Alumination™ has been developed.

63107 New Ecologist Dishwasher

New Ecologist is the world's least water consuming dish washer by its 6 lt. consumption in Eko6L program while it is also the world's least energy consuming A+++ class* dish washer by consuming 30% less energy compared to A energy class. Thanks to Alumination™** technique, which is used for the first time in the world for acoustic isolation instead of bitumen and applied with a cohesive having high damping factor, 10% of energy saving is realized. Furthermore, thanks to patented lock and hinge design, door is automatically opened after the program is finished and by that, 15% energy is saved. By using recovered heat which would be vented, for warming the washing water, 5% of energy use is saved. By storing the final rinse water for reusing it in the next washing, 14% of water consumption is saved. If all the dish washers used in Turkey were replaced by New Ecologist 1.25 million GJ of energy and 10.08 million m³ of water could be saved.

* A+++ represents the most efficient energy class according to new EU energy classes directives came into force by the end of 2010.

** Registered trademark of Arçelik A.Ş.

Refrigerators:

In 2010 a significant number of projects aiming improvement of energy classes of products have been realized. In this context, 41 different basic models have been upgraded to the energy levels upper than A class and all B class models have been upgraded to A class. In the same period, the design of A+++ class refrigerator has been completed. Besides significant projects are conducted in order to reduce noise levels of refrigerators.

5088 NF A+++* Refrigerator

As the world's least energy consuming refrigerator by its 60% less consumption, 5088 NF can work 2.5 years with the annual energy consumption of its A class rivals. 5088 NF, in production of which 5 different patented technology are employed, contains environmentally friendly R600a as refrigerant gas. Thanks to the motor applied, acoustic impacts of this product has been reduced.

* A+++ represents the most efficient energy class according to new EU energy classes directives came into force by the end of 2010.

Washing Machines:

Arçelik Ekonomist model, which has been produced as a result of product performance booster projects realized in 2010, displayed even better performance, by reaching A-50% energy efficiency level, than the most efficient class A+++*. Thanks to its water jet feature, Ekonomist consumes less water and its acoustic impact is also reduced.

* A+++ represents the most efficient energy class according to new EU energy classes directives came into force by the end of 2010. For washing machines, A+++ energy class represents 30% less energy consumption compared to A energy class.

Cooking Appliances:

In 2010, thanks to the improvement work realized for cooking appliances, production of world's least energy consuming ovens has been started by reaching to the energy level of A-30% for mid/large sized ovens. In case of total usage of these ovens in 15 European countries where these products are released for sale, an annual energy saving of 16 million GJ could be achieved. Besides, in all cooking appliances, 100% recycled plastic material is used and packaging materials are also reduced. By easy to clean platings applied on ovens, consumption of cleaning materials is reduced.

Televisions:

11% of total household energy consumption is made by devices on stand-by mode. Thanks to the R&D realized in 2010, all products have been redesigned that their stand-by mode energy consumption would be less than 1 W. By redesigning documents which are given to consumers with products such as manuals, warranty certificates, a significant paper saving has been realized.

Compressors:

By improving MTS compressors applied on refrigerators, an annual energy saving of 0,053 GJ per refrigerator has been realized. By shifting to a new packaging system according to which packaging materials would be reclaimed after transportation instead of employing single use packaging, material usage has been totally eliminated and packaging volume has been significantly reduced.

Tumble Dryers:

By the Ares Platform Project realized in 2010, production of 7, 8 and 9 kg. B class tumble dryers have been started. In 2010, portfolio share of B class tumble dryers, which are 12% more energy efficient compared to C class dryers, has been raised from 14% up to 37%. All products' stand-by energy consumption has been reduced to less than 1 W. The project for production of A class dryer, which is 60% more efficient than B class, has been started. The Ares Platform Project also resulted to a reduction of products' acoustic impacts from 69 dBa to 65 dBa and of packaging material consumption.

Electrical Motors:

Industrial Motors:

In 2010, 0.75-45 kW range IE1 series (standard efficiency*) motors have been upgraded to IE2 (high efficiency) energy class while 0.75-7.5 kW range motors have been upgraded to IE3 (premium efficiency) level. By the end of 2010, 25% of the production has been consisted of IE2 class motors.

* Energy classes for electrical motors, from least efficient to the most, are IE1, IE2, and IE3.

White Goods Motors:

Thanks to the Quadro motors, which have been produced as a result of R&D work worth 860,000 Euros, energy consumption of asynchronous motors applied on dishwasher machines has been reduced from 120W to 55W. Through the motors, 150,000 units of which has been planned to be produced in 2011, an annual energy saving of 21.8 million GJ has been aimed. A substantial reduction realized, thanks to the Quadro motors, in acoustic impacts of products resulted with the production of world's most silent dishwasher machines.



Environmental Training Provided in 2010

	Trainings for Company Employees	Trainings for Contractor Employees	Trainings for Social Responsibility Purposes
Number of Attendants	10,198	10,289	20,179
Total Training Hours (man*hour)	63,426.6	29,731.8	73,122

Environmental Protection at Koç

In addition to projects and investments aimed at minimizing the environmental impact that results from its operations, Koç Group companies also provide training to increase the knowledge and skill levels of employees, subcontractors and suppliers regarding environmental management and to develop an environmental culture in society at large.

We believe that the development of environmental protection activities is a subject that must be addressed to society at large through going beyond the projects for the company. Therefore, our Group companies carry out environmental projects directed towards all of society starting with the local communities in areas of operation.

2010 Environmental Awards

As a consequence of their environmental concerns, Koç Group companies earn the recognition of various institutions and are rewarded every year for the improvements they make, the products and services they develop and the environmental management performance they exhibit. In 2010, Group companies won numerous awards for their environmentally friendly practices.

Arçelik made its way to the finals in the Europe Program's management category as it won first place in the management and product categories of the 2010 EU Environmental Award Turkey Program. In the SENVER Project Competition organized by the Ministry of Energy and Natural Resources, Arçelik won first place in the energy efficient products, projects to improve energy efficiency in industry and energy efficient industrial facilities categories. Arçelik not only won numerous awards from various organizations for the environmentally friendly products it developed in 2010, it also won a total of 16 awards with various brand names as part of Plux X, one of Europe's most prestigious technology and design competitions.

Ford Otosan developed two of the 5 projects that made it to the finals of the Environmental Leadership Awards, which was held for the first time throughout Europe, and it won first place for the Treatment Facility Sludge Drying Project. Ford Otosan also won the Şahabettin Bilgisu Environmental Award organized by the Kocaeli Chamber of Industry.

The Green Information Platform from **Koç Information Technologies Group** was awarded with the Friend of the Environment Certificate by the Global Warming Council organized under the leadership of the Association of Economic Reporters for its operations in 2010.

Tofaş won second place in the Energy Efficient Industrial Facility category in competition organized by Ministry of Energy and Natural Resources, in 2010. Tofaş has won the second prize in the general classification of the "Industrial Energy Efficiency" competition held during the 2. National Energy Efficiency Forum organized by Electrical Power Resources Survey and Development Administration (EİE), while it also entitled as the "Turkey's most efficient automotive plant" as a result of being one of the companies which improved most their energy intensity in last three years compared to their turnover.

In 2010, **Tüpraş** has been awarded with Environmental Projects Encouragement Award in the large scales companies category of Şahabettin Bilgisu Environment Awards organized by Kocaeli Chamber of Industry, while as a result of their energy efficiency projects, in the competition held by EİE İzmir Refinery in SEVAP 3 category and Batman Refinery in SEVAP 2 category have been awarded with the first prize.

Kağıt, metal, plastik, cam...
Geri dönüşüm
buradan başlıyor!



Çevremizi korumak, sürdürülebilirlik için bir fırsat. Sürdürülebilirlik, her şeyi korumak değil, her şeyi kullanmak. Kullandığımız her şeyi geri dönüşüm sürecine sokarak geleceğe taşıyoruz.

Koç

Koç Group Recycling Projects

Revaluating wastes through recycling is effective for preventing air and environmental pollution beside the economic value generated. In 2010, through the Recycling Project started in Koç Group, raising awareness for recycling throughout primarily Group employees, collection and recycling of paper, glass, metal and plastics according to a certain standard, and a raise in volume of waste collected have been aimed. Within the project, a recycling training document has been created and activities in order to provide all Group employees with training have been started. In the company sites, different recycle boxes, on which information on type and environmental impact of the waste could be found, have been placed.

Group companies are controlling the volume of their wastes, supervising the recycling companies and becoming member of Global Recycling Network. Amount of the waste recycled and equivalent contribution to CO₂ emission reduction of Group companies are followed through a common database.

What Will the Weather Be Like Tomorrow?

Aygaz implemented a comprehensive environmental project in 2010. The purpose of the project is to raise awareness regarding climate change and to make a contribution to promoting responsible consumer habits. On this project, Aygaz worked in cooperation with the Ministry of Environment and Forestry and the Regional Environmental Center, known as REC.

"What will the weather be like tomorrow" has been created as a result of researches evaluating societal awareness on environment and the climate change. In every destination that the "Sky Trailer" has visited, effectiveness and memorability of trainings have been assured by a mobile planetarium and a global simulation device. High school and university students have been determined as the intended audience for these trainings.

With this project, Aygaz visited 11 cities in 2010. The project, starting with Sivas and just after visiting Urfa, Van, Kars, Trabzon, Samsun, Kastamonu, Eskişehir, Antalya and İzmir, has ended in Tekirdağ. 4,058 people were trained in 186 sessions in which students from 92 schools also participated.



Tekirdağ / Çerkezköy For My Country Forests Tree Planting Ceremony

Project to Create and Raise Awareness for Protecting the Environment

As part of the project to create and raise awareness regarding protecting the environment, **Tofaş** made it a priority in 2010 to fulfill its corporate environmental responsibilities. A work plan that would encourage environmental practices and raise the environmental awareness of dealers and service departments was drawn up within this framework.

The goal of the project was to work with an independent environmental audit firm regarding the following:

- Conducting audits at all of the dealers and service centers beginning in the pilot region
- Identifying areas that would provide environmental sustainability and energy savings
- Dissemination, inspection and reporting of the improvements in environmental practices at all dealers and service organizations
- Providing environmental education for dealers' human resource trainers and the Environmental Supervisors at dealers and service centers.

In 2010, as part of the Dealer and Service Center Improvements, an audit of the pilot region was conducted, and an assessment and recommendations for development were made. A total of 3,000 dealers and service personnel received training and 110 primary dealers and service centers scattered throughout Turkey underwent environmental audits. It was decided that the issue of the environment would be integrated with dealer HR training and that this would be conducted as e-training. As a result of the audits completed in the final quarter of 2010 at dealer and service centers, 395 improvements have been realized. Efforts for assuring persistence of ecologist approach will be also continued in 2011.

Boundless Blue education was given to 665,306 students in 2,610 schools in 2010 as part of this project. By the end of 2010, almost 5 million students had received education within the scope of this project.

Paper Conservation Project

As part of the Paper Conservation project that **Yapı Kredi** has conducted for 3 years, a decision was made not to produce paper-based promotional material, thus saving 165,000 trees from being cut down over 3 years. Yapı Kredi continued its efforts to protect nature in 2010 and thanks to the electronic statement instructions it has obtained, it saved 17,961 trees from being cut down this year.

Banking Packages

Yapı Kredi launched an environmental responsibility movement with the Pine, Oak, Sycamore Mortgage, Cedar and Juniper banking packages it offered to its customers in 2010. Yapı Kredi planted one sapling through the TEMA Foundation on behalf of each customer who purchased its bank packages, creating 4 forests of saplings with a total of 150,000 trees in the provinces of Antalya, Tekirdağ, Konya and Urfa. With the forests created in four different regions of Turkey, Yapı Kredi has turned its customers into partners in a significant social responsibility project.

During the celebration activities for 2010 World Environment Week, **Ford Otosan** has organized a painting contest on environment theme with the participation of employees' children and students from surrounding schools and "Finest Bird Nest Contest" with the participation of İnönü Factory employees and their families. It also supported model making contest named "Nature's Resistance" held by Eskişehir Provincial Directorate of Environment and Forestry.



The Green Information Platform

The Green Information Platform is a corporate social responsibility platform operating under the leadership of **Koç Information Technologies Group** companies. The purpose of the Platform, which was launched in 2008, is to raise the awareness of society at large on the environmental problems and to disseminate knowledge about the environment. The Green Information Platform is a "network of projects" consisting of many projects and capable of producing many different projects because of the multi-stakeholder engagement model it possesses. Civil society organizations with which the Green Information Platform works include TEMA, Turkish Marine Environment Protection Association-TURMEPA, ÇEVKO, the Buğday Association, the Doğa Association, TÜRÇEK, and WWF-Turkey.

Within the scope of the project, all Koç Information Technologies Group companies are implementing the measures necessary to ensure that their consumption is recyclable and environmentally friendly. Waste collected in waste bins placed on campuses and in buildings is sent to the relevant organization for recycling or disposal in a way that is least harmful to nature. The Green Information Constitution, which defines the Group's sensitivity to the environment, has been signed by all company employees. The project website, www.yesilbilgi.org, operates with a crowdsourcing business model for the purpose of creating the most comprehensive environmental portal in Turkey.

The Green Information Platform became the social partner this year for the 4th Risk Management Summit organized by Active Academy and was held in February 2010. The

Green Information Platform organized a short environmental film competition based on a concept called Before Nature Takes it Back, to coincide with World Environment Day on June 5th and Environment Protection Week. More than 50 short films from all over Turkey entered the competition. By the end of 2010, the Green Information Platform had reached 2.5 million people with its activities, projects and applications. The Platform, which sustains its continuous efforts on awareness raising on environmental issues and drawing attention with its activities, in addition to its activities aiming dissemination of information to the society at large on various environmental issues such as forest fires and global warming, is the winner of 3 awards. Moreover, Platform trained 276 employees on environment in 2010.

The Happy Wastes: Packaging Waste Parsing Movement at Aliğa

Within the Happy Wastes Project launched by **Tüpraş** in order to support parsing and recovery of packaging wastes in İzmir Refinery site, 13.5 tons of packaging waste has been collected. This amount is equivalent to the recovery of daily water consumption of 300 houses by 325,000 lt of water, 1,500 m² of forest field, 120,000 lt petroleum product and 161,000 w/h energy saving which can work a television for 6,000 hours. By this project, 1,220 students have been trained on packaging waste parsing, 10 activities have been held, 1,000 kids have participated in coast cleaning, waste paper and kite workshops and kite flying fest, 477 housewives have been reached in order to raise awareness on environment, 9 packaging waste containers have been placed to Aliğa Kazım Dirik District.

Boundless Blue Project

Since 2006, **Yapı Kredi** has continued its "Boundless Blue" project, which is an awareness raising project aimed at primary and high school students. In cooperation with TURMEPA and with support from the Ministry of National Education, the project aims to raise awareness in students regarding the conservation of natural resources.

The project, which will end in April 2011, aims to reach at least 6,600,000 primary and high school students with education given to one teacher and administrator from each school in 28 coastal provinces and in Van. The long-term goal of the project is to have Boundless Blue education integrated with the curriculum of primary and high schools. Discussions with the Ministry of National Education regarding the realization of this goal are ongoing.

Ethical Values at Koç

“Our principle is to be fair in all our relationships, to act in good faith and understanding to ensure mutual benefit and to comply with the law and ethical rules. Another fundamental principle that we have pioneered and which is a non-negotiable for us is fulfilling our responsibilities to both this and future generations.”
Our Founder Vehbi Koç

The fact that the Koç Group is the largest taxpayer in Turkey coupled with the importance Group companies place on transparency is a reflection of our unwavering commitment to the law of the countries we operate in and the standards required of international trade. This commitment is maintained by the processes and control procedures that are standard in all of the Group companies.

In addition to the preventive approach of the procedures created within the scope of the control system, special audits are conducted with reference to the risk of all types of misconduct in our companies. The centralized audit process for Koç Group companies is conducted by the Koç Holding Audit Group Presidency, which reports directly to the Chairmanship of the Koç Holding Board of Directors. Most of the Group companies also have their own internal auditing function.

Koç Holding and internal company audit departments essentially perform five basic auditing processes in all Koç Group companies.

Risk Management - Process - Financial Statements - Regulations and Compliance - Misconduct

Koç Holding Audit teams conducted 32 audits related to corruption as part of the 2010 audits.

Other processes, implemented throughout the Koç Group for the purpose of preventing misconduct in addition to the audit processes are:

- Company results are monitored by conducting analytical reviews with the Koç e-Audit software developed by Koç Holding.
- Personnel working in the financial departments of the Group companies are constantly increasing their knowledge of regulations, best practices and Koç Group principles through applications such as the Audit Portal and Koç Audit software.
- The audits and reviews conducted routinely by independent audit companies give Group companies an outside perspective regarding international auditing and risk management standards.
- Our companies with global partners benefit from and implement not only our Group's principles, but also the knowledge and

experience of foreign partners in terms of codes of ethics.

Major reference in terms of fighting corruption is the “Koç Group Code of Ethics and Business Conduct”. All newly-hired employees are informed of this code of conduct which is an attachment of the personnel guidelines.

Implementation of the Code of Conduct and monitoring the process of compliance with the code is handled by the Koç Holding Ethical Behavior Board and the Ethical Behavior Boards formed separately in our companies. In the event that there is a need for amendments to the Koç Group Code of Conduct, the Koç Holding Ethical Behavior Board submits necessary update and amendments to the Koç Holding Board of Directors for approval.

Behavior that is deemed suspicious can be reported to the Koç Holding Audit Team managers by contacting them via their direct lines. The goal is to ensure that company employees can give information directly and without being affected about corruption.

Actions to be taken in the event of any possibility of corruption in the Group companies have been specified in Koç Group procedures. According to our procedures, when there is any suspicion of corruption, the manager of the concerned department informs the company's General Manager of the situation. The company's General Manager then immediately informs the Business Unit Presidency and the Audit Group Presidency that they report to at Koç Holding. Corruption that most likely involves material damages of less than 10,000 USD is investigated and reported by company internal audit teams while other instances of corruption are reviewed by the Koç Holding Audit Group Presidency. The results of the corruption review are conveyed to concerned senior management.

The following issues are of the utmost importance in the process of researching suspicion of corruption:

- Gathering all of the facts surrounding the issues as soon as possible
- Maintaining confidentiality
- Following the necessary legal process
- Informing public authorities or stakeholders if necessary.

There are two people certified in misconduct (Certified Fraud Examiner-CFE) employed at Koç Holding to enhance the efficiency with which cases of corruption are handled. Support is also given to our auditors so that they can obtain a CIA (Certified Internal Auditor) certificate and gain international know-how and experience. The Koç Holding Audit Group Presidency employs the following certified personnel: 7 CIAs, 4 CPAs and 2 IFAs.

The Koç Group has the principle of not developing relations with any political movement either national or internationally and not having any tangible or intangible communications with political institutions or individuals. Koç Group companies do not have communication with public officials in the countries where it operates unless it is connected to business or social responsibility projects.

Business Ethics in the Supply Chain

Koç Group Companies support the sharing and promotion of the ethical values they are committed to with their value chain. For example, Arçelik has incorporated the Code of Business Ethics into the quality specifications for suppliers. The contracts that are signed guarantee compliance with the Code of Business Ethics. The quality specifications are located on the supplier portal and can be accessed at any time. In addition to this practice, a self-assessment document is sent to suppliers during the supplier selection process asking the suppliers to evaluate themselves on the issues of Quality, the Environment and Business Ethics. In 2010, 208 suppliers were evaluated at Arçelik with a self-assessment, which includes questions about business ethics.

32

Number of audits related to corruption as part of the 2010 audits.



2

Number of employees certified in misconduct (CFE) at Koç Holding

Responsible Advertising and Marketing

Koç Group companies have a significant market share both at home and abroad in the sectors that they operate in, so advertising and other marketing communication vehicles, as well as their proper utilization, are extremely important.

In this regard, our Group acts in accordance with the ICC (International Chamber of Commerce) Principles of Advertising Practice and the Advertising Self-Regulatory Board's guidelines when engaging in advertising and promotional activities. These principles essentially cover the following issues:

- ethical compliance
- integrity
- social responsibility
- truthfulness (not being misleading)
- advertisements that are legal and comply with regulations;
- the ability to prove the accuracy of descriptions, claims or visual depictions, which are used in marketing communications and can be documented
- not disparaging, not benefiting unfairly from business reputation, not imitating
- respecting personal rights

Product Information

Providing our consumers with the most accurate information about our products is a top priority for all Koç Group companies. Ensuring that all concerned stakeholders have accurate, reliable and timely information is a fundamental part of Group companies' approach to ethical trade. Product information is prepared with a scope and diligence that surpasses legal requirements in all of the group companies that offer products and services to numerous consumer groups in different sectors.

The Group companies covered by this report offered 2,267 different products and services to their customers in 2010. All companies provide product information to their consumers via various means in keeping with the requirements of the sector. Although it varies according to the type of product, information includes the contents of the product, usage instruction and environmental impact.

Arçelik

Energy Label: The energy label is prepared for each product group as specified by standards, directives, regulations, etc. and presented to the user on the product. The product energy label not only informs the user of the product's energy performance but it also includes information about the type of product, the dimensions of the product, the product's noise level, etc.

User Manual: A typical user manual contains information such as an introduction to the product, important safety warnings, installation, use, maintenance and cleaning, recommendations for troubleshooting, the warranty period and conditions.

Website: The Arçelik website contains a wide variety of product-related information. Under every product group, visuals of the products divided into intermediate groups are provided along with technical information and user manuals.

Safety, warning and information labels:

Barcode Label: The barcode label contains information, such as the product's brand name and code, as well as electrical information, and approving authority.

Warning Label: Warning labels indicate warnings related to the device.

Warranty Label: Provides information regarding warranty duration.

Quick Start Guide: The quick start guides contain summary information related to the detailed descriptions in the product's user manual.

Aygaz provides information to its customers about LPG cylinders and LPG with cylinder information tag which is resistant to outside conditions.

There were 135 labels on 23 different **Opet** products released during the reporting period.

Information about **Otokar**'s products is available at authorized dealers via product brochures and corporate website www.otokar.com.tr.

Product information for each model of all **Tofaş** brands are available from authorized dealers as printed brochures or vehicle manuals and the digital versions of the same information are available on the website for each brand.

Tüpraş publishes a product safety information form which is available to consumers directly on its corporate website at www.tupras.com.tr.

Yapı Kredi shares detailed information for all of its products and services with stakeholders at www.ykb.com.tr.



Social Development at Koç

*"I live and prosper with my country."
Our Founder Vehbi Koç*

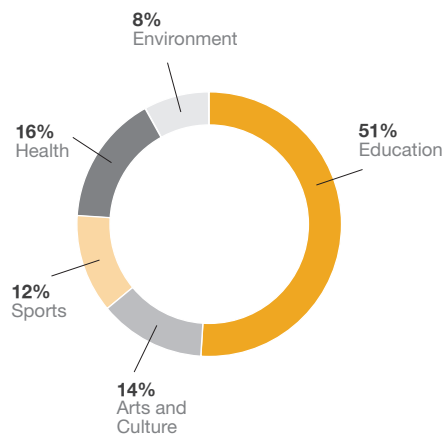
Being one of the most sensitive companies to social issues the Koç Group's goal is to increase the level of prosperity and social creativity in the geographical areas where it operates and to contribute to social progress in a manner that conforms to the expectations of its stakeholders. The secret to the sustainable business success and corporate reputation that the Koç Group has achieved is being unified with society and sharing common values and sensitivities.

Our founder Vehbi Koç, established the Vehbi Koç Foundation as a boquest to the Turkish Nation and he wanted it to last in perpetuity. That is why, he based this endowment on "an entity that will be able to adapt itself to the requirements of the day". He established the Foundation with Holding company shares in order to create a synergy and mitigate risks among various companies from various sizes and industries.

Vehbi Koç Foundation, rising on the shoulders of Koç Family and Koç Group companies, inherited an honorable endeavour, philanthropy, once pioneered by Vehbi Koç himself with personal delight. Our focus is to institutionalize and carry forward "social responsibility" consciousness by participating in international initiatives like United Nations Global Compact. In this way, the leadership in the field of social responsibility that we inherited from our founder continues to grow through the synergy created by the unity of our Group over years.

Having the mission to create a prosperous Turkey for future generations, the Koç Group and its companies provided resources for a number of projects in 2010. Our Group directly executes projects or supports the efforts of civil society organizations in the fields of education, culture-art, cultural heritage, health and the environment. Koç Group plays an active role in Turkey's development by keeping in mind the words of its founder, Vehbi Koç, who said, "I live and prosper with my country." Koç Group is careful to ensure that the projects it supports are long-term, provide social benefit and meet the expectations of stakeholders.

Distribution of the social development investments made by Koç Group Companies according to field



Koç Provides Support for Health

The Koç Group considers health to be one of its top priorities in the area of social responsibility. As Vehbi Koç said, "If you don't have health, you don't have anything." In addition to the major investments that the Vehbi Koç Foundation has made in this area, our Group companies also implement projects for improving the infrastructure of our country's health services.

Vehbi Koç Foundation (VKF)

The Vehbi Koç Foundation is the most extensive health care investment in Turkey managed by a private foundation. The Foundation, that institutionalized the healthcare investments through the establishment of the American Hospital, the Semahat Arsel Nursing Education and Research Center (SANERC), the Koç University School of Nursing and the Nursing Fund, continues to lead the way for best practices in Turkey. The Nursing Fund utilizes significant resources every year to contribute to the development of the nursing profession and improve the health of society. Every year, the fund supports 10 projects and provides scholarships for up to 100 nursing students.

In 2004, SANERC was integrated with the Koç University School of Nursing, and in 2010, it received the International Accreditation in Post-Graduate Nursing Education from the American Nurses Credentialing Center (ANCC). ANCC is the most widely recognized and largest nursing accreditation organization in the United States of America. SANERC's ANCC Accreditation is valid for 2 years.

The second of the "Semahat Arsel Nursing Conversations Series", which is dedicated to the interest Semahat Arsel has shown in this profession, took place at the Koç University School of Nursing on October 20, 2010.

Koç University School of Medicine

Founded for the purpose of bringing a new and fresh perspective to medical education in Turkey, the Koç University School of Medicine welcomed its first students in the 2010-2011 academic year. The school aims to train the leaders of the future in the field of medicine by focusing on research, producing of knowledge and serving the health of society with its excellent faculty members. Its goal is to be an educational and health institution that meets universal standards. Its mission is to train its students to become doctors who are able to understand the society they live in, are sensitive to global health problems, can communicate with the world of science both on a domestic and international level, contribute to global research by staying abreast of scientific developments, are ethically informed, possess leadership qualifications, have an excellent command of advanced medical technology and understand advanced clinical medicine.

The goal of the First Aid Training Center (KUIYEM), which opened on May 18, 2010 as part of Koç University, is to provide basic education regarding the proper and informed administration of first aid in situations where first aid procedures are required. Training at KUIYEM is given by experienced instructors that possess First Aid Instruction Certificates approved by the Ministry of Health. Following an exam organized by the Istanbul Provincial Health Directorate, participants in the training program receive a 'First Aid Certificate' and a 'First Aid Identity Card', which are valid for three years.

42,112

Total Number of students benefited from VKF Educational Sponsorships from 1969 until 2010

32,580

Total units of blood collected by For My Country Project in 2010

8,000

Total number of vocational high school students reached by MLMM

62,853

Total number of children reached by Yapı Kredi "I read I Play" project between 2006-2010

For My Country

In 2010, "For My Country" Project collaborated with Turkish Red Crescent in order to create awareness in society about the importance of donating blood and to encourage voluntary blood donations in our country as these approaches are employed quite effectively in developed countries. As part of the project, 46 Koç Group companies and 121 "For My Country Ambassadors" worked to create awareness about how vitally important blood donations are for human life and to increase the number of informed volunteer donors who regularly give blood. As a result of the 228 local and 45 company campaigns that were conducted, 38,498 people had volunteered to give blood as of December 31, 2010 and a total of 32,580 units of blood had been collected. Blood donation campaigns and awareness raising and training activities will continue in 2011.



The Vehbi Koç Award, which is given to individuals and institutions that are pioneers and examples in their field, supports and encourages work conducted in the field of health. In 2010, this award was given to Prof. Dr. Turgay Dalkara for his international achievements in cerebral and vascular diseases.

Koç Companies Support Health

"Safe Motherhood" Project from Aygaz

Aygaz aims to support the Turkish Family Health & Planning Foundation (TAPV) in its efforts to educate mothers and pregnant women on topics related to their own health and their infants' health. The project has been supported since 2006, and in 2010 it continued in Ordu, providing education and consultation to 679 pregnant women, 80 postpartum women and 70 health care providers. Since 2006, the project has provided education and consultation to more than 32,028 pregnant women, 16,566 postpartum women and 70 health care providers in Bakırköy, Düzce, Diyarbakır and Ordu.

Aygaz Supports Diabetic Children

Since 2004, Aygaz has been supporting the Association of Diabetic Children and Adolescents, an association whose purpose is to help diabetic children learn how to live with diabetes and help educate families about diabetes. One of the association's most important activities is aimed at bringing diabetic children together and is called the Diabetic Children's Camp. It is held every year in July at Istanbul University's Enez Social Facilities with the support of Aygaz. The camp is attended free of charge by diabetic children between the ages of 8 and 18 and there are doctors, dieticians, sports trainers, psychiatrists and psychologists as well. In 2010, approximately 100 diabetic children participated in the Enez Camp.

Support for health from Ford Otosan

Vehbi Koç Primary School students went through a health screening at Ford Otosan Inonu Plant Healthcare Center. A vehicle was donated to Governorship of Eskişehir's "Eskişehir without handicaps" Project.

Clean Toilet Campaign from Opet

As part of the Clean Toilet Campaign, which aims to prevent the incidence and spread of disease by keeping toilets clean, the toilets at the historic Neşet Waters Recreational Area in the Belgrade Forest were replaced and made more hygienic in 2010. A handicapped stall was added to the toilets, and diaper-changing areas and nursing sections were added to keep babies from getting infections. Training was also provided to employees at the facility. "Clean Toilet" trainings continue at full speed at the schools with demands coming from

National Education Directorates. Over 1 million people were reached via this project after the completion of trainings at Amasya and Manisa.

TCDD Clean Rails Project from Opet

As part of the "Clean Rails" campaign launched in 2010 with the slogan "TCDD and Opet work together for health and cleanliness", Opet provided guidance to Turkish State Railways (TCDD) for the hygienic conditions of toilets in stations and platforms and on trains to be improved. Not only were all of the related personnel given training, but passengers were also informed about the rules of hygiene. To date, over 1,000 TCDD personnel have been given training and "train the trainers" certificates have been provided to 37 people, including technicians, laboratory workers and doctors. Opet is spreading awareness regarding hygiene by sharing its knowledge and experience on the subject with other institutions.

To Love is to Protect Project from Opet

The "To Love is to Protect" project, which was launched as part of the Clean Toilet Campaign in 2009 aims to create areas cleansed of microbes, bacteria and viruses. In 2010, the project applied BioShield disinfectant at 5 schools in Istanbul. With its proven anti-viral action, BioShield protects treated surfaces for 90 days from all types of microbes and bacteria.

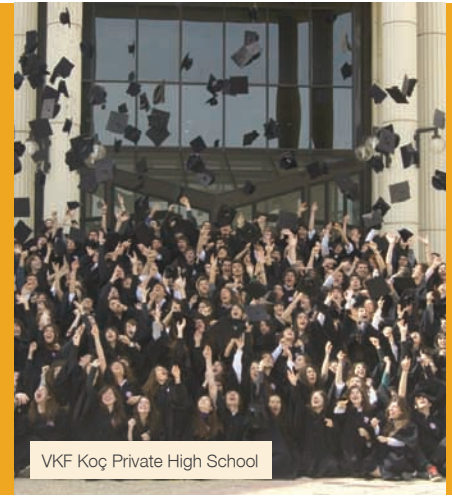
Tofaş Supports KAÇUV

Tofaş continued its contributions in the area of health in 2010 by supporting the Hope for Children with Cancer Foundation (KAÇUV).

Tüpraş Aid for Pakistan

In 2010 by implementing an employee suggestion, Tüpraş organized food aid campaign for Pakistan after the earthquake with the participation of all of the refinery plants. Tüpraş also provided assistance to the Solidarity Association of Spouses of Foreign Affairs Members (DMED) for the construction of a health center in Pakistan.





Koç Supports Education

Education and training is the main way to provide youth with the skills required by the global economy which is based on information and technology. Quality education, access to education and equality in education are important problems in our education system. More funds need to be set aside for education and reforms in education must be accelerated so that youth can acquire the knowledge and skills necessary for transformation into an information society, raising the level of prosperity and sustaining Turkey's economic development. Support from the private sector is important in this regard. In addition to the social responsibility activities of Koç Group companies in the area of education, the Vehbi Koç Foundation has provided educational scholarships to young people since its founding and provides society with exemplary models via its educational institutions whose purpose is to be centers of excellence.

VKF Koç University

Founded in 1993, the university aims to be a world class education and research institution and educates over 4,000 students with nearly 350 faculty members. Scholarships of various amounts are provided for 2 out of 3 students at Koç University.

VKF Koç Private Elementary School and High School

The high school was founded in 1988 and was expanded to include a kindergarten and 8-year elementary school in 1998. The Koç Private Elementary School and High School is proud to serve its students, who are extremely successful in not only academics, but also in social responsibility projects, sports, and culture and art activities. Approximately 15% of our students study with a full scholarship.

VKF Education Scholarships

The primary purpose of the VKF educational scholarships is to provide equal education opportunities to young people who are talented but have limited resources, and to help them become individuals who make a difference in the world. Scholarships are provided to university students, students at the vocational school of nursing, research assistants and vocational high school students. VKF provided scholarships for 9,156 students in the 2008-2009 academic year. The number of students

benefiting from VKF scholarships in 2009-2010 increased to 11,840. A total of 42,112 people benefited from VKF educational scholarships since the Foundation's establishment in 1969.

International Symposium on Talented

The 1st International Symposium on Talented Education took place on September 23-24, 2010 in cooperation with Koç University, the Turkish Education Foundation and the Ministry of National Education. The purpose of the symposium is to compare educational methods applied to talented children around the world, explain to educators the importance of noticing children with talent at a young age, to formulate an ideal educational plan for children with talent in Turkey and create educational laws that can be applied to these children.

Sharing Best Practices in Education

In order to encourage the sharing of best practices and provide access to excellence in education throughout our country, Koç University organized an event on May 28, 2010 to share a student-focused and interdisciplinary approach to education with high school principals and guidance counselors. The primary theme of the event, which was attended by 29 high schools and 48 educators from around Turkey, was "The Learning to Learn Approach and New Practices in Student-Focused Education." At the event, information was provided about the Koç University Learning and Teaching Office, which is a first in Turkey.

Koç University Supports the Municipality of Sarıyer

In a cooperative initiative between the Municipality of Sarıyer and Koç University, six weeks of seminars were held under the umbrella of "Strategic Business Administration Education", providing training on a wide range of issues, such as public relations, service and quality management, strategic planning, behavior in organizations, process management, problem-solving and decision-making.

Koç University was chosen as the university representative for the Executive Board of the Women's Assembly, which operates as part of the Sarıyer City Council. Koç University aims to contribute to many social responsibility projects in the areas of education, the environment and society and it plays an active role in volunteer projects with the local administration.

Support for Education from Koç Companies Standing United for Education with Arçelik

In accordance with its vision "Respect the Globe, Respected Globally", Arçelik carries out projects that contribute to the development of young people. Arçelik launched the social responsibility program called Standing United for Education with Arçelik in cooperation with the Ministry of National Education and the General Directorate of Elementary Schools for the purpose of contributing to the personal development of elementary school children.

As of 2010, "Standing United for Education with Arçelik" had embraced 200,000 students in 299 schools in 60 provinces and the number of "Our Rooms" created at each school for the children and equipped with books, toys and educational materials reached up to 299. As part of the program, the "Arçelik Volunteer Family" organizes events every year to support the personal development of the students. Arçelik drew students' attention to the protection of the dwindling natural resources on our planet and conservation of water and energy through the competition entitled "Let's Protect the Environment and our Natural Resources", which was held for the second time in 2010 as part of Arçelik Volunteer Family activities. A Standing United for Education with Arçelik corporate social responsibility program booklet was also prepared and included the projects that have been carried out since the first day of the program.

Support for education from Aygaz

Trainings on climate change prepared by REC (Regional Environmental Center) as part of the Aygaz's "What Will the Weather Be Like Tomorrow?" project has been given to 4,058 people in 11 provinces. Aygaz also supports the Turkey Education Volunteers Foundation (TEGV) Firefly project. In 2010, 5,465 students benefited from the education provided via a semi-trailer. Furthermore, books were collected from Aygaz employees and sent to the Eskişehir Ahmet Yesevi Elementary School for the Hearing-Impaired, the Malatya Veterans Ali Gökçe Elementary School, the Ordu Aşık Elementary School, and the Şanlıurfa Süleymanşah Elementary School.



Standing United for Education with Arçelik



Fiat Laboratories

Support for Education from Ford Otosan

Ford Otosan donated equipment to 16 schools during the reporting period. Ford Otosan employees came together with METU Efficiency Club students for the Project of "A day at the workplace". Kapadokya Vocational School and Ordu Industrial Vocation School were donated engine parts and training materials. A library was established in Ford Otosan İnönü Factory in order to provide employees and their children with books. Bozüyük Vocational High School and Atatürk Industrial Vocational High School were donated 8 work stations. Kütahya Dumlupınar University was donated a training set showing the internals of a motor engine.

Support for Education from Tofaş Fiat Laboratories

The Fiat Laboratories-Fiat Technical Education Program, which is integrated with the "Vocational Education: A Crucial Matter for the Nation" project, was launched for the purpose of training a technical work force that understands developments in the automotive industry in our country, new technologies in the field, as well as the production, export and import targets, and then employing these people in industry. As of 2010, a total of 869 students have been trained in the Fiat Laboratories that are located in 11 high schools in the provinces of Istanbul, Bursa, Kocaeli, Ankara, Antalya, Izmir, Adana, Samsun and Diyarbakir. Employment is provided within the Fiat Service organization for students who graduate with distinction.

Twelfth-grade students studying in the Fiat Laboratories receive three days of vocational skills training (internship) at Authorized Fiat Service Centers. Throughout this internship, students participate in the Vocational Skills Education program under the supervision of Service Technical Specialists employed in our authorized service centers.

At the conclusion of the Vocational Skills Education, students take the certification exam. Successful students are given a Fiat Laboratory Student Certificate. After graduation, successful students start work at the service centers.

Fiat In-Service Training Weeks

The In-Service Education program, carried out jointly by Tofaş and the Ministry of National Education Department of the In-service Training since 2006, took place in July 2010. To date, 120 vocational high school teachers have

benefited from the in-service education that is offered.

Automotive Engineering Graduate Program, cooperation with UU-Polytechnic

The "Automotive Graduate Program" was launched in 2007 under Tofaş leadership and in cooperation with Torino Polytechnic University and Uludağ University. The graduate program in automotive engineering with foreign support is a first in Turkey, and it is a pioneering program in terms of strengthening the cooperation mechanisms that Turkey needs between universities and the automotive sector. A total of 53 students have participated in the program since it was launched in 2007. In the 2010 academic year, there were 27 students, and in the same period, 3 students were graduated from the program.

Support for Education from Otokar

Otokar attended 20 seminars and career days at 16 different universities during the reporting period and shared its professional knowledge with students. It continued its support for the Education Volunteers Foundation in 2006.

Tüpraş-Employment Agency Project

A "Petroleum and Gas Production Vocational Course" was organized by the Kocaeli Provincial Employment Office and the Tüpraş Izmit Refinery as part of the Workforce Training for Guaranteed Employment Courses.

Seventy-five people from among those who passed the Tüpraş exam were invited to the course after a successful interview. In addition to theoretical classwork, the participants visited fields and units related to the issue and received applied training. In the evaluations that were conducted, the 75 people who successfully participated in the course began working at the Tüpraş Izmit Refinery.

Umbrella Movement: 100 Smiling Faces in the Bay

The Umbrella Movement that was launched at the Tüpraş Batman Refinery in 2008 was introduced at the Izmit Refinery in 2009. Implemented in conjunction with the District Directorate of National Education, school principals and teachers, the purpose of this project is to contribute to the social development of 9th, 10th and 11th graders. In 2010, Tüpraş volunteers met with 100 students with Smiling Faces in six different activities, volunteering a total of 264 man*hours.

Books in the Middle of Life

As part of the social responsibility project entitled "Books in the Middle of Life", conducted jointly by the Office of the Körfez District Governor, the Mayor's Office and the Tüpraş General Headquarter, book reading corners consisting of at least 200 books were set up in every village teahouse or village council. The purpose of the project is to encourage those living in all of the district's villages to acquire a habit of reading books related to everything in life.

Furthermore, during the reporting period, Tüpraş also contributed to the 100 Classic Works project in the Ağrı Elementary School and the TEGV Firefly project as well as supporting CSOs connected with a variety of schools and training.

Support for education from TürkTraktör

Thirty-two employees participated in the book campaign organized for the Pınar Üstü Village Elementary School in the Korkut District of Muş, a joint project conducted by TürkTraktör and TEGV. Furthermore, during the reporting period, participation was also provided for the University Industry Cooperation Conference held at Middle East Technical University, the Çankaya University Industrial Engineers Panel, "The How is Agricultural Engineering and Farming Perceived Forum" and the Turkish Industrial Engineers Student Rendezvous held at Middle East Technical University.

Read, Think, Share Development Project

Read, Think, Share is a leadership development project conducted by the Yapı Kredi Banking Academy with the Young Guru Academy (YGA) and the Dream Partners Association. The project gives Yapı Kredi Bank employees a "learn-through-experience" opportunity to develop their leadership skills while creating a development platform for 6th and 7th grade elementary school students to become self-confident individuals who can dream, outline plans to fulfill their dreams, think creatively, write, approach issues from different perspectives and are aware of their potential. In 2010, 130 of Yapı Kredi employees participated in this project.

As of 2010, MLMM reached

81 Provinces,
264 Schools,
8,000 Vocational High
School Students



MLK-School Representatives Meeting 2010

I Read I Play Project from Yapı Kredi

The I Read I Play project executed by Yapı Kredi in cooperation with the Turkey Education Volunteers Foundation (TEGV) has adopted as its mission stimulating the creativity of elementary school children, allowing them to express themselves freely in any environment and ingraining in them the habit of reading. The I Read I Play project is a program revolving around 8 different stories accompanied by comprehension exercises carried out in specially-designed reading rooms in order to develop the reading ability of children between the ages of 7 and 11. During the first phase of the project between 2006 and 2009, the goal was to reach 50,000 children/activities by 2010 in TEGV's 11 Educational Parks and 55 Learning Units in Turkey. At the end of 2009, the project's performance had surpassed this number and reached 62,853 children/activities. Because of the success of the program and the interest shown by the children and their parents, it was decided to extend the program for another 3 years and continue from 2009 to 2012. In 2010, the project reached 11,662 students.

"Vocational Education: A Crucial Matter for the Nation" Project

Koç Holding has mobilized its resources to solve problems related to unemployment and people not having a vocation in Turkey as part of the "Vocational Education: A Crucial Matter for the Nation" Project (MLMM) launched in 2006 with support from the Vehbi Koç Foundation and in cooperation with the Ministry of National Education within the framework of the Program to Encourage Vocational Technical Education. Koç Holding's goal is to encourage young people to enroll in vocational education through creating awareness in every segment of society regarding the importance of vocational and technical training for the country's economy, to be a leader in sowing seeds of cooperation between the government and the private sector, and to contribute to the training of a qualified workforce.

As of 2010, MLMM had reached 8,000 scholarship students in 264 schools in 81 provinces. Eighty percent of the scholarship students who applied for an internship were given internship support. In 2010, the first scholarship recipients were graduated and the project's employment phase began.

Within the scope of the project, Koç Group companies were matched with vocational high schools that provided education in their fields in a way that would trigger cooperation between the businesses and the schools. Within the framework of this strategy called the "school-business pairing model", the 374 Vocational High School Coaches from Koç Group Companies who volunteered to participate in the project served as a bridge between schools and businesses by ensuring communication between the scholarship recipients and vocational schools which had been matched.

The Vocational High School Coaches (MLK) from 20 Koç Group companies and Migros provided support for the personal development of MLMM students by means of the development modules that were designed. The purpose of these modules was to equip vocational high school students with the skills they will need throughout their lives. These skills ranged from entrepreneurship to responsible citizenship. The Vocational High School Coaches played an active role not only in support for personal development but also in providing students with internship opportunities and priority placement in employment.

Through projects such as the Fiat-Tofaş Laboratories, Tüpraş Laboratories and Ford Otosan Laboratories, which derived from the business-school pairing approach, Koç Group Companies made significant contributions for improving the quality of vocational education and increasing the employability of young people. In order to give young people bigger plans for the future, expand their vision and focus on the positive aspects of studying in a vocation high school, every year project competitions and communications campaigns have been conducted to raise awareness regarding vocational education among stakeholders. In 2009, there were 59 applications to the project competition, but in 2010 the application level rose to 70.

Until 2010, the goal of the MLMM was set as to disseminate the model programs that are based on the experiences gained from the MLMM Project throughout the country in order to strengthen cooperation between the state, the private sector, civil society organizations and schools. In this context, the "Cooperation for Quality in Vocational Education" project was launched in 2010 with the Education Reform Initiative. The purpose of this cooperation is to develop recommendations for improving the quality of vocational education in Turkey in general, and especially to encourage and facilitate the formation of public-private-civil society cooperation with the potential to improve quality.

School – Business Pairing Model

In this project, 20 Koç Group companies are matched with vocational high schools that provide education in the relevant sector for the purpose of increasing the employability of young people and contributing to the training of the qualified human resources businesses need.

This model is known as "School-Business Pairing" and it is based on the development of cooperation between schools that provide vocational education and enterprises in the sector, thus forming bridges between education and the business.

In this model, employees from Koç Group companies provide volunteer coaching support for the personal and professional development of vocational high school students and the companies provide support in the form of curriculum, materials and laboratories to improve the content and infrastructure of the education at school and make it compatible with today's technology.

International Awards for the "Vocational Education: A Crucial Matter for the Nation" Project

2009: Silver Medal in the Public Relations Category of the Magellan Awards presented by the League of American Communication Professionals (LACP)

2010: The Sabre Award in the "Corporate Social Responsibility" category at the 2009 Europe Sabre Awards presented by the Holmes Group

2010: Second best social responsibility program in Europe in the 'Companies / Organization' category at The International Business Awards organized by Stevie Awards

National Awards

2006: Corporate Social Responsibility Award given by Active Academy at the International Finance Summit

2009: Most Successful Public Relations Project at the Burç College Communication Awards

2009: "The Most Successful Volunteer Project" at Awards from the Heart organized by the Association of Private Sector Volunteers (ÖSGD)

Koç companies that support MLMM

Arçelik, Arçelik LG, Aygaz, Avis, Bilkom, Birmot, Demir Export, Divan, Düzey, Harranova Besi, KaTron, KoçSistem, Koç.net, Koçtaş, Opet, Otokar, Otokoç Otomotiv, Setur, Tat, Tofaş, Tüpraş, TürkTraktör, Yapı Kredi

For more information:

www.mlmm.com.tr



Cooperation between Koç University and UNDP

Koç University has established a partnership with UNDP Turkey and the regional Growing Inclusive Markets (GIM) initiative, thus taking an important step by answering the global call from business schools and other academic institutions for the purpose of responding to the need to promote corporate social responsibility and create more inclusive markets around the world.

The partnership will pioneer the establishment of an academic initiative related to inclusive markets in Turkey and conduct academic research on issues such as value chains and clustering in Turkey, the countries of Southeastern Europe and in the Commonwealth of Independent States. This initiative will support the integration of small and medium-sized businesses and small producers into the international and local value chain.

As a signatory of the Principles for Responsible Management Education (PRME), which is a framework developed for academic institutions for the purpose of incorporating universal values into curricula and research by expanding the concept of Corporate Social Responsibility, the Koç University Management Institute will play an active role in the promotion of inclusive markets among academicians.

FOR MY COUNTRY

The purpose of the "For My Country" Project is to develop a more participative approach regarding social problems by promoting social responsibility among Koç Group companies, employees, dealers and suppliers and to implement projects that will raise the standard of living by supporting local development.

Through its more than 10,000 dealers, its companies and its 70,000 employees the Koç Group contributes to Turkey and our society on a volunteer basis through the "For My Country" Project. Since 2006, it has launched initiatives that enhance the quality of life and provide innovation in local communities in all 81 provinces of Turkey. The work carried out under the leadership of coordinator dealers appointed to serve in every province as "For My Country Ambassadors" made a "difference" in the areas of education, health, the environment, culture and art in 2006 with a total of 223 projects.

By 2007, most of the 164 projects being implemented were focused on the area of education. In addition to these projects, there were initiatives directed at health, culture, history and social agencies as well as projects in the areas of the environment and other fields, making for another successful year.

In 2008, on the other hand, the "For My Country" Project focused on a single issue in order to achieve a more comprehensive impact and to produce cooperative solutions to current problems. In cooperation with the Ministry of Environment and Forestry and the TEMA Foundation, resources were created to plant 700,000 saplings covering an area the size of 1,750 football fields in seven regions of Turkey. Activities to raise environmental awareness were carried out through education and information projects.

During the implementation of the project in 2008, environmental trainings were organized for elementary school students in 81 provinces in cooperation with TEMA. A total of 18,000 environmentally informed "Children Who Save the World" were raised up via this education program and the Children Who Save the World application in the project's website. Children who visited the project's website earned the Children Who Save the World certificate by answering questions related to small actions that could be taken to conserve the environment.

In 2010, a focus on health was resumed in order to achieve the goal of developing the concept of corporate citizenship and promote social responsibility among group employees and dealers. The implementation of the For My Country Project in 2010 was aimed at creating awareness in society about the importance of donating blood and encouraging voluntary blood donors in our country in cooperation with the Turkish Red Crescent.

Employee Volunteerism in the Implementation of "For My Country"

"For My Country" has been built on a volunteer management system that consists of different pillars due to its multi-stakeholder structure. Koç Holding undertakes project design and implementation while project operations are conducted by two different pillars: Koç Group Companies and dealers.



Dealer Application:

With a distribution network of 10,000 dealers, which makes it the most extensive in Turkey, the Koç Group aims to promote social responsibility and support local development in the dealer network through the "For My Country" Project. The dealers who are responsible for carrying out the projects in every province and providing coordination between the Koç Group dealers are called "For My Country Ambassadors". "For My Country Ambassadors" execute the project's provincial aspects in accordance with a local guidebook prepared by Koç Holding. As an element that boosts dealer participation, Company Regional Managers provide support in terms of monitoring and encouraging consistent participation in campaigns conducted locally, sharing information and experience regarding the project and promotion of the concept of volunteerism.

Company Application:

Work in this pillar, which aims to ensure participation in volunteer work with the more than 70,000 employees of Koç Group companies, is executed by the Directorate of the Koç Holding Corporate Communications, and the Directorate of the Koç Holding Human Resources, as well as by Company Human Resources and company communication departments.

The number of ambassadors and companies that have participated in the "For My Country" Project since 2006 are provided below:

	For My Country Ambassadors	Companies participating in the Project
2006	81	43
2007	81	30
2008	81	22
2009	81	(*)
2010	121	49

(*) No companies were involved in 2009

147,350

As of 2010,
total number of
visitors of Rahmi M.
Koç Museum



Koç Supports Art and Cultural Heritage

The Koç Group sets aside resources in order to preserve and develop our cultural values and art, to promote it on a national and international level, and to provide protection and incentives for artists. The Koç Group believes that creativity is one of the most important factors required for societies to develop and its aim is to be involved in raising up creative generations by contributing to the cultural development of society with the support it provided for cultural and artistic activities. Koç Group companies support projects to protect cultural heritage and archaeology because they are proud that they live in an area that has one of the richest historical and cultural heritages in the world. With the various projects that developed in 2010, Koç Holding, Group companies and the Vehbi Koç Foundation have continued to raise awareness in the areas of culture and art.

The Vehbi Koç Foundation's cultural activities are very wide-ranging.

Sadberk Hanım Museum: The Sadberk Hanım Museum was established in 1980 as the first private museum in Turkey and it features a collection of 18,000 pieces consisting of ethnographic pieces, Turkish-Islamic pieces and archeological pieces. The museum proudly celebrated its 30th anniversary in 2010, hosting an exhibit on Women's Clothing and İznik Exhibition that shed light on the final period of the Ottoman Empire.

Vehbi Koç and Ankara Research Center (VEKAM): Founded in 1994, VEKAM is the only research center in Turkey that carries out research focused on Ankara and exhibits written documents, photographs and articles belonging to Vehbi Koç. The Vehbi Koç Research Center (VEKAM) hosted two important symposiums in the field of museum studies in 2010.

The purpose of these symposiums was to contribute to the academic and applied development of museums and museum science in Turkey as this field has played an effective role in the social and cultural life of Europe since the 18th century serving as the intellectual vehicle of society, and to support research that can provide solutions to the problems in Turkish

museology, which has been shaped in particular by the rapidly growing phenomenon of "private museums" founded in recent years.

Koç University Anatolian Civilizations Research Center (ANAMED): Founded in 2004, the Anatolian Civilizations Center is Turkey's first and only institution to support academic study on the subject. At ANAMED in 2010, 5 symposium and a photo exhibition was held. Headquarters of the Center was enlarged, a new exhibition hall and a gallery was added and the existing library was extended.

Suna - İnan Kırac Mediterranean Civilizations Research Institute (AKMED) and Kaleiçi Museum: The Kaleiçi Museum was visited by 9,800 people in 2010. The museum is connected with the Institute AKMED, which is the first and only Center in Turkey in its field, which supports scientific research for studying, documenting, protecting and repairing the historic, archeological, ethnographic and cultural heritage in Antalya and the surrounding area.

Rahmi M. Koç Museum: The Museum, which specializes in issues related to the history of transportation, communication and industry was visited by 147,350 people in 2010.

Sevgi Gönül Byzantine Studies Symposium Another important initiative from VKF is the International Sevgi Gönül Byzantine Studies Symposium, which is held once every three years in honor of the late Sevgi Gönül (1938-2003), who always supported Byzantine studies in order to preserve the Byzantine heritage in Turkey and remind society of Istanbul's incredibly rich cultural heritage. The purpose of this symposium is to share scientific research being conducted in Turkey and around the world on an international platform, to raise awareness of cultural heritage through publications, and to support research in this area as well as young Byzantine researchers.

The theme for the 2nd International Sevgi Gönül Byzantine Studies Symposium was "The Byzantine Palace: Source of Power and Culture", and it was held at the Istanbul Archeology Museum on June 21-23, 2010. A book containing the papers from the 1st International Sevgi Gönül Byzantine Studies

Symposium was published and made available to interested people at the Sadberk Hanım Museum gift shop. The next International Sevgi Gönül Byzantine Studies Symposium will take place in 2013.

ARTER

The primary purposes of ARTER, which was opened in 2010, is to support and exhibit new productions and to create a new platform that will give artists and their work more visibility. ARTER contributes to the expansion of the Vehbi Koç Foundation collection with the new productions it supports, and it also aims to share the works that are in the collection with people through periodic and thematic exhibitions. ARTER will also provide a research and laboratory environment in preparation for the museum complex that VKF intends to establish in the future.

International sponsorships from the Vehbi Koç Foundation

The Vehbi Koç Foundation has undertaken sponsorship for two international exhibitions in 2010. The first is an exhibit entitled "Tactics of Invisibility", which was opened in Vienna on April 16, 2010 in cooperation with TBA21 (Thyssen-Bornemisza Art Contemporary) in Austria. The "Tactics of Invisibility" exhibit continued until August 15, 2010 and featured the works of 15 Turkish artists. It was in Vienna for five months and then at TANAS in Berlin. They will be displayed at ARTER in Istanbul at the beginning of 2011. "The Morning Line" project that TBA21 launched in Istanbul on May 22, 2010 as part of the Istanbul 2010 European Capital of Culture events was also supported by VKF.

New York Metropolitan Museum of Art sponsorship

The Vehbi Koç Foundation sponsored two Ottoman Art Galleries at the New York Metropolitan Museum of Art, which is the fifth most-visited museum in the world. Two galleries in the Islamic Arts section will exhibit matchless 600-year-old examples of Ottoman art for millions of visitors who come from all around the world. The two new Ottoman Art Galleries in the Islamic Arts section will be opened to visitors in an expanded and revised fashion in 2011 and will be named after the Koç Family.



Sadberk Hanım Museum

International Istanbul Biennial

The Koç Group embraces initiatives that can be left to society as a legacy. The International Istanbul Biennial is supported as a modern art event that is directly related to social problems. The International Istanbul Biennial, which is organized by the Istanbul Foundation for Culture and Arts, has been supported by Koç Holding for 10 years from 2007 to 2016. The International Istanbul Biennial is the Turkish art event which attracts the most attention from abroad and is the most well-known art event. Support for the Biennial is also support for the Istanbul brand name. Koç Holding will continue to provide the support necessary to maintain a rich and vibrant International Istanbul Biennial.

Support for Art from Koç Companies

Aygaz Library

As a reminder of the richness of the land we live in and for the purpose of conveying this idea to future generations, 11 works on culture and art have been produced within the scope of Aygaz Library project since 1996. In 2010, a work entitled "Dynasty and Camera - Portraits from the Ottoman Palace" was added to the Aygaz Library, which is comprised of books that touch on a number of fields ranging from history to archeology. Furthermore, Aygaz continues its support to the publication and reference building efforts on Ottoman era foreign relations since 2008.

Sevgi Gönül Theatre Festival

Aygaz has been supporting the Sevgi Gönül Theatre Festival at Koç University since 2006 and continued to do so in 2010.

"Rahmi Koç Museum Ticket Sponsorship" Project

Aygaz has supported ticket sponsorship for the Istanbul RMK Museum since 2005, and in 2010, it also undertook the ticket sponsorship for the Ankara Çengelhan RMK Museum.

International Istanbul Theater Festival

Aygaz and Opet support the International Istanbul Theater Festival organized by the Istanbul Foundation for Culture and Arts. In addition to shows and performances, there were workshops, speeches, panels and film showings in the four-week theatre festival, which was held for the 17th time in 2010. The festival featured more than 31 performances from 9 foreign theatre and dance groups and 30 local ones. Istanbul art lovers followed it with great interest and almost 24,000 spectators attended.

Activities at VKF Otosan Gölçük

Center hosted various cultural activities in 2010 and contributed to social life Gölçük. Devrim Erbil and Raif Çınar exhibitions, Istanbul Flamenco Association's performance and various theatre groups met with art-lovers during the reporting period. Open trainings were also available at the Center. The trainings at the Center were initiated with Üstün Dökmek's "joy of living and working" seminar and various health related seminars followed. With the aim of being a living and producing center, VKF Otosan Gölçük Cultural and Social Lifetime Center aims to hold free arts workshops.

Tofaş Bursa Museum of Anatolian Cars

Established by Tofaş in 2002 in order to protect the Turkish automotive heritage, the Tofaş Museum of Anatolian Car is the first and only museum of Anatolian cars in Turkey and has been visited by almost 280,000 people since its founding. The Tofaş Art Gallery was opened in the Umurbey Turkish Baths, which were restored in 2008, and the first exhibit was entitled "Same Old Bath, Same Old Basin". The first comprehensive exhibit in the Tofaş Art Gallery was open to visitors until May 31, 2010.

Yapı Kredi Cultural Activities, Arts and Publishing

In 2010 Yapı Kredi Cultural Activities, Arts and Publishing (YKY) continued to be active with its publications, exhibitions, and other cultural activities. Market leader since being founded, Yapı Kredi Cultural Activities, Arts and Publishing continued its leadership in 2010 by producing various publications; 210 first editions, 371 reprints, amounting over 1 million books from various genres. Having printed its 3,235th book by the end of 2010, YKY reached to a level of success being hard to achieve in Turkish publishing history.

Yapı Kredi Cultural Center hosted 10, Kazım Taşkent Art Gallery hosted 6 exhibitions respectively in 2010 all of which received great interest from art-lovers.

Yapı Kredi Afife Theatre Awards

Being held since 1997, one of the most respected arts award in Turkey, "Afife Theater Awards" aims to support Turkish theatres. YK Afife Theater Award begun with the distribution of 3 special awards (Muhsin Ertuğrul, Nisa Serezli Aşkiner, Cevat Fehmi Başkut) and 13 award categories in 1997.

14th Afife Theater Award ceremony was held on 17 April 2010 in Lütfi Kırdar Center with the participation of distinguished guests. A total of 19 awards were distributed at the ceremony 5 of which were special category.



Tofaş Bursa Museum of Anatolian Cars



Aygaz Sagalassos Antonine Nymphaeum Restoration Project

Support for Cultural Heritage from Koç Companies

Sagalassos Antonine Nymphaeum Restoration Project

The project intended to resurrect the “lost city” of Sagalassos has been ongoing since 1990, and Aygaz has been the sole Turkish supporter of this project since 2005. The restoration of the Antonine Nymphaeum was completed in 2010. Aygaz will continue to support the Sagalassos Project for three more years, so that the area around the Nymphaeum will be arrayed.

Sponsorship of the Pamukkale Hierapolis Excavations

Tofaş has been a sponsor of excavations at Hierapolis, one of the five largest ancient cities in Turkey, since the 90s. The company supports the unearthing of another very important settlement in the history of Anatolia. As part of the archeological excavations, a research program was launched in 2010 regarding the Frontinus Gate which was built in 82 BC. Excavations and restoration work were conducted on the floors, roof and two towers adjacent to the arches of the gate in order to personalize specific usage purposes. The archaeological research helped to determine how the towers were used during the Byzantine period.

Sponsorship of the Küçükyalı Excavations

Tofaş has supported the excavation at the Küçükyalı Archaeological Park for 8 years. The 2010 excavation season that began in July and was completed in the month of August was quite successful in terms of archeology. Work focused on the monumental monastery tower in 2010. Throughout the 2010 excavation season, work continued in the conservation, restoration, photography and database processing sections within the scientific



Tofaş Pamukkale Hierapolis Excavations

laboratory. The archeological laboratory set up by Koç University continued to be used.

Çatalhöyük Excavations

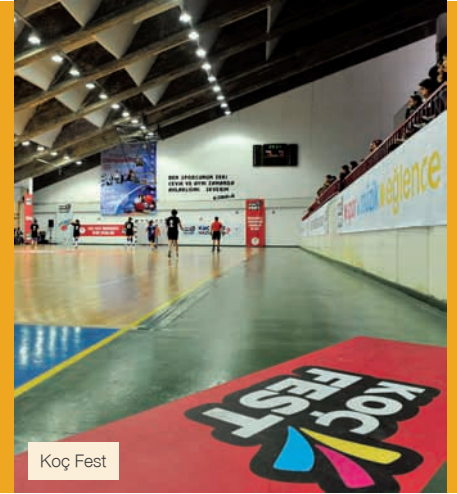
One of the most important projects supported for many years by Yapı Kredi in the area of art and culture is the Çatalhöyük Excavations. The 21-meter high Çatalhöyük Hill located 10 kilometers southeast of the town of Çumra in Konya holds secrets to the past stretching back 9,000 years. Yapı Kredi has been supporting the Çatalhöyük archeological excavations as a primary sponsor since 1997. Some of artifacts from the excavation are on display while others are protected in storage in Konya Archeological Museum.

Respect for History Project from Opet

Rehabilitation work on the villages of Kocadere and Behramlı were completed in 2010 as part of the Respect for History project which was initiated to raise awareness of history on the Çanakkale peninsula, stimulate the local economy and improve the quality of life. A protocol was signed with the Public Education Centers in the town of Eceabat in Çanakkale and the surrounding villages giving support for courses. Courses were organized and training provided in the fields of cleanliness and hygiene as well as English and bed-and-breakfast operations for the employees who serve to almost two million people who visit the region each year.

Tüpraş Sponsors Archeological Publications

Tüpraş aims to introduce public with archeology by sponsoring the only publication in the field of archeology; “Aktüel Arkeoloji Magazine”. The publication makes note to the history by covering the endeavours that reveal the rich cultural heritage of our country and makes scientific discoveries reach to public at large.



Koç Fest

Koç Supports Sports

The Koç Group is aware of the contribution that sports make to social development and it supports projects that promote sports in every segment of society, beginning with its own employees.

Koç Fest University Sports Games

The university festival inaugurated in 2006 by Koç Holding to contribute to the development of youth and enriching their lives, Koç Fest visited 7 universities in 2010 and has involved 1.5 million university students since the first year it was organized. Through providing sponsorship to the Turkish University Sports Federation, the festival lended its name to the University Sports Games. Accordingly, Koç Fest combined sports, music and entertainment under the same roof and official university sports matches organized in Turkey started to be called as Koç Fest University Sports Games since 2009.

University athletes compete in matches organized in almost 40 sports and the teams and athletes which succeed in this event represent Turkey in international events, the European Championships and Universiade. In 2010, the finals of the Turkey Koç Fest University Sports Games took place in Denizli at Pamukkale University and attended by approximately 3,000 university athletes.

Support for Basketball from Arçelik

Arçelik views the support it gives to sports as an important contribution to the development of future generations, and it has sponsored a number of different sports in Turkey since its founding. In 2010, Arçelik continued to sponsor the Turkish Basketball League with its Beko brand by extending its contract with the Turkish Basketball Federation for another 4 years. This sponsorship changed the name of the league to the Beko Basketball League and the All-Star matches started to be called the Beko All-Star games.

As the “Presenting Sponsor” of the 2010 FIBA World Championship and the largest sponsor presenting the championship to the world, Beko took its investment in basketball to the highest level. This investment was the first time that a Turkish brand has sponsored one of the most important tournaments in world sports on this scale.



Opet and Tüpraş Basketball Teams

Beko's most recent basketball investment in the international arena was its sponsorship of the German Basketball League, which is one of Europe's leading basketball leagues, in the fall of 2009. With Beko name brand sponsorship, the German Basketball League (Basketball Bundesliga) has begun to be referred to as the "Beko Basketball Bundesliga" since the beginning of the 2009-2010 season. Throughout the sponsorship agreement, which is valid for 6 years, the BBL All-Star Day, BBL Top Four and BBL Championship Cup will take place in Germany with Beko sponsorship.

In 2010, the Beko brand became a sponsor for the Russian Basketball League.

Aygaz has supported the Koç University RAMS American Football team since 2007.

Ford Otosan Supports Sport

Ford Otosan supported Turkish Model Plane Championship and Europe Paragliding Championship both of which were held in Eskişehir İnönü Turkish Aeronautical Association facilities.

Tofaş Sports Club

Joining first division in Beko Basketball League 2008-2009 season, Tofaş Basketball Team aims to qualify to play-offs in 2010-2011 season. In addition to its main branch of basketball, Tofaş gets successful results in other branches and trains countless athletes who partake in national teams.

Tofaş Basketball Camps and Basketball Volunteer Project

The Basketball Volunteers Project has continued operations since 2001 in cooperation with the Turkey Education Volunteers Foundation (TEGV) and the Tofaş Sports Club. The project organizes activities in 11 TEGV Educational Parks and 3 Learning Units and the goal is to help children who do not have the opportunity to be involved in sports develop healthy personalities and life skills through basketball. The target group is children in grades 6 to 8 and every year the project reaches an average of 700 children.

Tofaş Basketball Schools and Tofaş Sports Club aim to introduce children to basketball; teach them team work and help them become healthy adults.

Teams from different locations participating in these two projects have an opportunity to share what they have done throughout the year at the FiatBall Basketball Festival, which is held once every activity year. Throughout the tournament that was held in Bolu in 2010 with 150 participating athletes, the children not only developed life skills such as teamwork and communication, but they also experienced the excitement of a tournament.

Support for Sports from Opet

During the reporting period, Opet continued its support for sports with its sponsorship of the 2nd Opet Gallipoli Peace Run, Kenan Çelik's On the Shores of History motorcycle tour, TOSFED Turkish Automobile Sports Federation Turkey Rally, the Volvo Youth Sailing ISAF World Championship, the Aegean Yacht Rally, and the Istanbul Classic Automobile Association's Izmir Tour.

Tat Konserve supported the World Youth Sailing Championship, the Karşıyaka Sailing Club – Youth Sailing competitions and the American College Sports Tournament.

Tüpraş, supported the Batman Tüpraşspor, Batman Wheelchair Basketball Team and Kırkkale Off-Road Races.

Activities within the scope of the Global Compact

Local Network Activities

In 2010, the Koç Group continued to support work related to the adoption and expansion of the principles of the Global Compact. Koç Holding continued to serve as a member of the Global Compact Local Network Turkey, National Steering Committee in 2010, providing active support for the sector-based approach initiated by the Local Network to implement the principles of the Global Compact. Within the framework of this approach, the Local Network focused its promotional efforts in 2010 on developing approaches unique to the different sectors. In this regard, problem areas and regulations unique to the pharmaceutical, textile and automotive sectors were identified and strategies were developed for the adoption of the principles. These were then shared with businesses in the sectors as well as civil society organizations and unions. Koç Group companies Ford Otosan, Tofaş and Otokoç Otomotiv attended the meeting held on May 4, 2010 for the automotive sector.

Global Compact Conference in its 10th Year

In 2010, Koç Holding sponsored "The Global Compact at 10: Holding Ourselves Accountable" Conference on the role of the GC in advancing human rights, work place standards, environmental sustainability and anti-corruption. The conference was organized by the Yale World Fellows Program. At the conference, prominent leaders from the world of business, policy-makers and academicians shared their views on the responsibilities of the private sector, lessons learned from the Global Compact and new methods for the next generation of leaders in the world of business.

Member of the Koç Holding Board of Directors Ali Y. Koç shared the Koç Group's approach to corporate citizenship, social responsibility and sustainable development with those attending the conference. Koç Holding Corporate Communications Director Oya Ünlü Kızıl, who was given the title 'Global Leader' by Yale University in 2008, served as the session moderator.

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2.7	Koç Group in 2010	4, 5	Koç Group, as a multi-sectoral conglomerate, focuses on 4 main sectors namely Energy, Automotive, Consumer Durables and Finance. For more detailed information on company based sectoral involvement of Koç Group you may refer to http://www.koc.com.tr/en-us/Corporate/Sectors/Pages/Sectors.aspx?lnk=1 Koç Holding serves to consumers and corporate clients via its subsidiaries in 28 countries. For more detailed information on geographic breakdown of Koç Holding subsidiary companies please refer to http://www.koc.com.tr/en-us/Corporate/List_of_Companies/Pages/ListofKocGroupCompanies.aspx	Full
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3.5	About the Report	1	Koç Holding A.Ş. as a holding company, compared to its subsidiaries, has no significant impact in terms of performance indicators. So we include our subsidiaries' performances to our reporting engagements and progressively increase boundary level. In this report, we disclose performance for 18 group companies which were eligible according to GRI Guidance on Boundary Settings, such as control on the entity and significant impact. Boundary level of this report also covers all major Koç Group companies referring to 84.4% of total group employees and 94% of the Group's combined turnover. Koç Holding Sustainability Performance Evaluation and Reporting System creates the basis of reporting content which is found on material sustainability issues for Koç Holding. During the process of establishing the System, material issues were determined by Koç Holding employees in consultation with subsidiaries' experts and external expertise. Deciding on materiality is a challenging process for a holding companies due to the sector specific differences of the subsidiaries. To this end, Koç Group materiality is created with respect to form a Group level consolidated coverage. Sector specific issue coverage is disclosed subsidiaries' own disclosures. Koç Holding publishes CSR reports in order to communicate with its key stakeholders who are identified within the strategic communication planning processes. To this end, as intended audience for CSR reporting practice, Koç Holding targets all person and entities identified as key stakeholder groups namely employees, customers, shareholders, investors, professional organizations, civil society organizations.	Full
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GRI Indicators	Reference	Page	Notes	Response
Profile Indicators				
4.6	Koç Holding Annual Report 2010	83	http://www.koc.com.tr/en-us/Investor_Relations/FinancialStatementsStatistics/AnnualReports/Pages/AnnualReports.aspx	Full
4.7	Koç Holding Annual Report 2010	16, 17, 20, 21	http://www.koc.com.tr/en-us/Investor_Relations/FinancialStatementsStatistics/AnnualReports/Pages/AnnualReports.aspx	Full
4.8	Governance at Koç	7, 8		Full
4.9	Governance at Koç	7, 8		Full
4.10	Koç Compensation System	20		Full
4.11	Governance at Koç	8	More detailed information on risk management can be obtained from our annual reports published on investor relations section on www.koc.com.tr .	Full
4.12	About the Report	1	Signed by Koç Holding on 30 March 2006, Koç Holding and Group companies -in all country operations- provide compliance to the United Nations Global Compact.	Full
	Governance at Koç	7		
4.13	Our Stakeholders	9		Full
4.14	Our Stakeholders	8		Full
4.15	Our Stakeholders	8		Full
4.16	Our Stakeholders	8, 9		Full
4.17	Our Stakeholders	9		Full
Management Approach				
DMA EC	Governance at Koç Work Environment at Koç Koç Holding Annual Report 2010	6, 7, 8 18, 20 3, 6	For further reference on DMA EC aspects such as economic performance, market presence, indirect economic impacts: Koç Group in 2010 (p. 4, 5), Koç University (p.10, 11), Koç Compensation System (p.20), Management Systems in Group Companies (p.27), Environmental Training Provided in 2010 (p.36), Koç Supports Health (p.40, 41), Vehbi Koç Foundation (p.40), Koç Supports Education (p. 42-44), Vocational Education: A Crucial Matter for the Nation (p.44), Koç Supports Art & Cultural Heritage (p.46, 47), Koç Holding Annual Report (p.3, 6, 90, 91) Annual Report link: http://www.koc.com.tr/en-us/Investor_Relations/FinancialStatementsStatistics/AnnualReports/Pages/AnnualReports.aspx	Full
DMA EN	Governance at Koç Environmental Management	7 26, 27, 28	For further reference on DMA EN aspects such as materials, energy, water, biodiversity, emissions, effluents and waste, products and services, compliance, transport and overall: Environmentally Friendly Practices at Koç (p.26), Environmental Management and Investment Expenditures (p.28), Climate Change and Emission Management (p.28, 29), Efficiency at Koç (p.30, 31), Reduction in Indirect Energy Consumption (p.30), Biodiversity and Environmental Development Practices (p.33), Environmentally Friendly Products at Koç (p.34)	Full
DMA LA	Governance at Koç Employee Health & Safety at Koç Labor Union Rights at Koç Work Environment at Koç	7 13 17 18, 19	For further reference on DMA LA aspects such as Employment, Labor-Management Relations, OHS, Training and Education, Diversity and Equal Opportunity: Employee Health & Safety (p.13 -16), Labor Union Rights at Koç (p.17), Work Environment at Koç (p.18, 19, 22), Koç Academy and Training in Our Companies (p.19), Koç Compensation System (p.20), Leader Development Programs (p.21). Any personal property of employees can not be the reason of different treatment, like all processes of Koç Group companies, in remuneration process. For this reason, as long as they perform the same job, all Group employees are paid equal wages. Equality of women and men wages may vary only in seniority status, overtime, performance bonus and similar payment cases.	Full
DMA HR	Governance at Koç Human Rights at Koç Ethical Values at Koç	7, 8 12, 17 38	For further reference on DMA HR aspects such as investment and procurement practices, non-discrimination, freedom of association and collective bargaining, child labor, forced and compulsory labor, security practices, indigenous rights: Governance at Koç (p.7), Human Rights at Koç (p.12, 17), Operational Entry and Decommissioning Practices (p.32), Ethical values at Koç (p.38). Being a signatory party to UNGC, Koç Holding is committed to support and respect protection of human rights within its sphere of influence; to ensure that its operations are not complicit in human rights abuses. Koç Holding and its subsidiaries take necessary precautions in order to realize these principles within all processes including security processes; parallel precautions and implications are expected from supply chain.	Full
DMA SO	Governance at Koç Ethical Values at Koç Social Development at Koç	7, 8 38, 39 40	For further reference on DMA SO aspects such as community, corruption, public policy, anti-competitive behavior, compliance: Governance at Koç (p.7, 8), Operational Entry & Decommissioning Practices (p.32), Ethical Values at Koç (p.38, 39), Social Development at Koç (p.40). Corporate web site links: http://www.koc.com.tr/en-us/Investor_Relations/Corporate_Overview/VisionValues/Pages/VisionValues.aspx http://www.koc.com.tr/en-us/Investor_Relations/Corporate_Overview/Strategic_Principles/Pages/Strategic_Principles.aspx http://www.koc.com.tr/en-us/Investor_Relations/Corporate_Overview/Strategic_Principles/Pages/Main_Competitive_Advantages.aspx	Full
DMA PR	Governance at Koç Ethical Values at Koç	7 38, 39	For further reference on DMA PR aspects such as customer health and safety, product and service labelling, marketing communications, customer privacy, compliance: Governance at Koç (p.7), Our Stakeholders (p.8, 9), Ethical Values at Koç (p.38, 39), Responsible Marketing and Advertising Practices (p.39). Corporate web site link: http://www.koc.com.tr/en-us/Corporate/Vision_and_Values/Pages/VisionandValues.aspx	Full

GRI Indicators	Reference	Page	Notes	Response
Performance Indicators				
EC1	Koç Group in 2010 Koç Holding Annual Report 2010	4, 5 90, 91	http://www.koc.com.tr/en-us/Investor_Relations/FinancialStatementsStatistics/AnnualReports/Pages/AnnualReports.aspx	Full
EC2	Climate Change and Emission Management	28, 29		Partial
EC3	Koç Holding Retirement Pension Foundation	22		Partial
EC5	Koç Compensation System	20		Partial
EC7	Work Environment at Koç	18		Partial
EC8	Koç University Koç Supports Health Vehbi Koç Foundation Koç Supports Education "Vocational Education: A Crucial Matter for the Nation"	10, 11 40, 41 40 42-44 44		Partial
EC9	Koç Supports Art and Cultural Heritage Management Systems in Group Companies Environmental Training Provided in 2010 Koç Supports Education "Vocational Education: A Crucial Matter for the Nation"	46, 47 27 36 43 44		Partial
EN5	Message from the CEO Efficiency at Koç	3 30, 32		Full
EN6	Environmentally Friendly Products at Koç	34, 35		Full
EN7	Efficiency at Koç	30, 32		Partial
EN8	Efficiency at Koç	31		Full
EN10	Efficiency at Koç	31		Full
EN11	Biodiversity and Environmental Development Practices	33		Full
EN13	Biodiversity and Environmental Development Practices	33		Full
EN18	Climate Change and Emission Management	28, 29	For further information: http://www.koc.com.tr/en-us/Corporate_Social_Responsibility/Holding_Activities/Pages/Environment.aspx	Full
EN20	Climate Change and Emission Management	29	Within the scope of the work stated, Group companies conduct measurement, follow-up and emission reduction operations related to Nox, Sox, POP, VOC, HAP, PM, and other relevant air quality parameters specified in legal regulations.	Partial
EN21	Efficiency at Koç	31		Partial
EN22	Efficiency at Koç	32	Disposal methods are determined depending on waste management regulations, directives and implemented environmental management standards of government agencies and the category and type of waste.	Partial
EN26	Environmentally Friendly Products at Koç	34, 35		Full
EN30	Environmental Management & Investment Expenditures	28		Partial
LA1	Work Environment at Koç	18	As the report covers Koç Holding activities and projects carried out only in Turkey no regional breakdown is cited	Full
LA4	Labor Union Rights at Koç	17		Full
LA5	Recruiting	19		Full
LA6	Employee Health and Safety at Koç	13		Full
LA8	Employee Health and Safety at Koç	14-16		Partial
LA9	Employee Health and Safety at Koç	14-16		Partial
LA10	Koç Academy and Training in our Companies	19		Full
LA11	Koç Academy and Training in our Companies Leader Development Programs	19 21		Partial
LA12	Koç Compensation System	20		Full
LA14	Koç Compensation System	20	Any personal property of employees can not be the reason of different treatment, like all processes of Koç Group companies, in remuneration process. For this reason, as long as they perform the same job, all Group employees are paid equal wages. Equality of women and men wages may vary only in seniority status, overtime, performance bonus and similar payment cases.	Full
HR2	Ethical Values at Koç	38		Partial
HR4	-	-	One of our Group companies, Tüpraş, received two discrimination claims-one personal and one anonymous applications- in reporting period. Claims were found to have no valid ground after necessary inspections performed by internal audit personel and investigation cases were closed. There has been no reported incidents of discrimination in Koç Holding and other Group companies in the reporting period.	Full
HR5	Labor Union Rights at Koç	17		Full
HR6	Human Rights at Koç	12		Full
HR7	Human Rights at Koç	12		Full
SO1	Operational Entry and Decommissioning Practices	32		Partial
SO2	Ethical Values at Koç	38		Partial
SO3	Ethical Values at Koç	38		Partial
SO4	Ethical Values at Koç	38		Partial
SO6	Ethical Values at Koç	38	Relevant contribution to political parties, politicians and related institutions is zero.	Full
PR3	Ethical Values at Koç	39		Partial
PR5	Our Stakeholders	8, 9		Full

Disclaimer

This Report has been prepared by Koç Holding AŞ ("Koç" or "Koç Holding" or "Koç Group") in the context of United Nations Global Compact Initiative which Koç adhered to on March 30, 2006.

All information and opinions contained in this Report which does not purport to be comprehensive, have been provided to by Koç Group and have not been independently verified for this purposes.

This Report is prepared for information purposes only and it is not intended to form the basis of any investment decision. It does not constitute or form part of an offer to sell or issue, or a solicitation of an offer to purchase or subscribe for, any securities or other interests in the Koç Group and no legal relations shall be created by its issue.

All information contained in this Report and associated documents were believed to be accurate for the time period it covers, expressed in good faith and based on sources believed to be reliable. However, this does not constitute a representation, guarantee, warranty or undertaking of any nature on Koç Group. Accordingly, none of Koç Group or their respective advisors, directors or employees shall be liable for any direct, indirect or consequential loss or damage suffered by any person as a results of relying on any statement in or omission from this Report or in any other information or communications in connection with the Report.

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Statement GRI Application Level Check

GRI hereby states that **KOÇ HOLDİNG A.Ş.** has presented its report "KOÇ GROUP CORPORATE SOCIAL RESPONSIBILITY REPORT 2010" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 9 May 2011

Nelmar Arbex
Deputy Chief Executive
Global Reporting Initiative



The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 27 April 2011. GRI explicitly excludes the statement being applied to any later changes to such material.

