

Shipyard Famagusta Ltd.



2011

Communication on Progress Report

- **Sector: Shipyard Operations and Shipbuilding**

- **About us:** Shipyard Famagusta Ltd. has been operating in the Famagusta (Gazi Magosa) port of the Northern Cyprus since 1988. The Chairman of the Board of Directors of the company is Ramazan Gündoğdu and the Director is Hasan İzkan.
- The company provides drydocking and cradling services as well as all types of repair and maintenance services for the ships at sea along with building new vessels. The company is employing 125 employees currently, including the employees of the sub-contractors. The number of the employees increases from time to time depending on the increase in the works. The founder of the company is Ramazan Gündoğdu and customer satisfaction, convenient prices, quality and punctual delivery are principles of the company. Our shipyard provides its services at two different locations; in the interior section of the Famagusta Port and in the Free Port Zone. We are providing cradling services with our 3 cradles of varying sizes in our facility in the inner port and drydocking services for the national and international customers in the Free Port Zone with our Drydocking facilities. Furthermore, some heavy industrial services that are required around the country from time to time are also rendered with our experienced staff.
- **What is the Global Compact Network ? What is our company's position in that network?**

The Global Compact is an Institutional Social Responsibility initiative started by Kofi Annan, the General Secretary of the United Nations for the period, in the year 2000. The purpose of the Global Compact, which is a volunteer entity towards all the companies, is to have the business world consider the social issues as well during their activities. For that purpose, the participating companies have declared their adherence to the 10 Global Compact principles on the issues of Human Rights, Labor Rights, Environment and Fight Against Corruption, and are working on such issues.

- The Cyprus Turkish Network of the Global Compact

The Cyprus Turkish Network of the Global Compact was established in 2006 in order to widespread the Institutional Social Responsibility in the business sector in Northern Cyprus. Along with the Cyprus Turkish Chamber of Commerce and Cyprus Turkish Chamber of Industry, as the Shipyard Famagusta Ltd., we are a founding member of the network as well.

- 14 member companies of the Cyprus Turkish Network of the Global Compact, including us, are continuing with their work under the coordination of the Cyprus Turkish Chamber of Commerce and Cyprus Turkish Chamber of Industry and under the guidance of the UNDP PFF (United Nations, Cooperation for the Future). The member

companies and institutions to the network are responsible for submitting their progress reports, COP (Communication on Progress Report), covering their undertakings and activities each year. For that purpose as the Shipyard Famagusta, we submit our COP (Communication on Progress Report) this year as well.

Sharing the COP:

- The COP (Communication on Progress Report) is shared with the partners of our company (customers, employees, trade unions, shareholders).
- The benefits, which we believe the Progress report shall provide for our company:
- The COP (Communication on Progress Report) is based on social responsibility, transparency and continuous development concepts. COP (Communication on Progress Report) is important, because:
 - It will make the participation of our company in the United Nations Global Principles Covenant more credible and valuable,
 - It is the resource our company and partners can turn to on the issues of environment, society, management activities and performance,
 - Possibility of learning, sharing and inspiration exchange will be given to the participants of the United Nations Global Principles Covenant,
 - Shall be the propulsive power for the internal and external changes in our company.
 - We believe that it will maintain the integrity and responsibility level of the United Nations Global Principles Covenant initiative.
- While preparing our Communication on Progress Report, we have paid particular attention to include the three important aspects practiced by our company and as required in the COP:
- - **Our company continues to support the United Nations Global Principles Covenant:** As the company management, we undertake adherence to the Global Principles Covenant and to continue with our work inline with those principles. Because, as the Shipyard Famagusta Ltd, we are one of the main founding members of the Global Compact Cyprus Network. We have adopted the 10 principles associated with that structure, in which we are a founding member, and have made to spread those principles further with our partners a rule.
- As a company, we have demonstrated that we have the character to stand behind all issues we have undertaken regarding our market, environment, business place and our local society we live in. We have displayed our devotion to the principles set forth in the Global Principles Covenant amply and we believe that what gives us strength shall go through reaching out to the companies we work with, our employees, customers and the people around us, even while spending efforts towards progress. We shall touch them with our small style and make sure that they act in compliance with the Global Principles Covenant as well. We shall not withdraw in to our shell and sit in our island, which is surrounded by water on four sides, but shall call out to all the our suppliers and

customers we can reach in the world, for the special meaning we assign to the word “global” in the Global Principles Covenant is the very thing that strengthens our commitment regarding the subject.

- - Explanations concerning the practices adopted for the application of the Global Principles Covenant:
- In this aspect, the application-oriented steps that were taken in the previous year in order to try applying the principles set forth in the Global Principles Covenant and participating in partnerships should be explained (undertakings, systems, activities). However, as this is the first year of our COP, we are not able to give you examples from the past years. But, we hereby declare that we shall submit the COP for the year 2011 with all the commitments stated in the COP for 2009 implemented.
- We can however, narrate one of our achievements, which we had decided among ourselves and realized within the 1-year process, but could not report because we were not acquainted with the COP yet, as it relates to the subject. We adopted a series of resolutions in order to take better performance from our employees, who have contributed to the company and affected our quality directly, thus leading our company to many achievements in its sector, and to reward them and ensure comfort and welfare in their lives, we have provided our original personnel, some of which are from outside the country, with dormitories without crowding, breakfast, lunch and dinner, resting and TV room in our facilities, in addition to the pay they receive.
- And once again, as the Shipyard Famagusta Ltd, we do not carry any prejudice against any of our employees on the basis of their age, race, gender, tendencies, marital status, religious beliefs, nationality or handicap. The Shipyard Famagusta Ltd. has to guarantee a fair work environment and protection against job-loss to its employees. Every employee is entitled to get the same pay for the same job, without discriminating. All the applicants seeking a job as a result of the announcements placed in the newspapers and employment office are employed on the basis of an interview based on impartiality, justice and ensuring the principle of equal opportunity applicable to all out recruitment activities. We hereby undertake to place maximum importance in the universal human rights without any limitation and the labor law that ensures the security of the employees prepared and made compulsory by our Government. As can be seen when we take a look at the years of our employees, most of them are experienced and continue to work with us, because they are satisfied with their jobs.
- In a period when the company has been working on since 2007 on the ISO 9001:2008 certification and at the stage of certification, the work flow of all the units under the company’s roof have been defined under the relevant standards and the work performed by the associated units are audited under ISO 9001:2008. The audits carried out are evaluated separately and the corrective-preventive action and assessment reports are drawn up. Subsequently, the re-assessment calendars and periods are determined by the relevant units according to the evaluation results in order to verify whether the problems were eliminated and improve the corrective actions.
- Our company has a series of targets and policies aimed at while declaring its undertakings in this report. In order to achieve those targets, the targets and policies in

question are determined and prepared by the upper management and all the resolutions adopted are displayed on the billboards to inform all the employees about the resolution. This shows that the company has taken steps in order to fulfill its undertakings and acts on the basis of those policies, processes and management system. In that regard, the training provided for the company employees both at their job sites and those concerning their specialized areas (branch training) and the training provided for the protection of the company buildings and offices (fire fighting), the assessment and inspection of each unit under the company's roof, management review or the other monitoring activities are documented. The terms human and personnel, which carry a great importance for the Shipyard Famagusta Ltd. are the indispensable key words. All the work carried out in the company are based on the manpower and human skills. Through the successful operations carried out by our personnel, we have adopted the principle of being highly visible at all times and not to compromise our quality. The Shipyard Famagusta Ltd. is a company that has set forth the minimum wages for all the employees that are the citizens of 1st country and/or 2nd country in its sector.

Shipyard Famagusta Ltd. Quality Policy

- Keeping the convenient prices, quality, keeping the customer requirements and expectations at the front plane and providing workmanship and production at the international standards in the business of ship repair-maintenance, paint and construction of small vessels in the KKTC is the main principle.
- To complete the work to be done at the first try with the experienced and competent personnel in their areas and using quality materials, and to deliver the work without defects and on time.
- To comply with the conditions of the quality management system with the participation and support of the personnel and to improve its effectiveness continuously,
- To work in conformity with the continuous improvement principle,
- To obtain quality goods in mutual trust with the suppliers is the quality policy of our company.

The personnel, suppliers, customers, government structure, laws and the civil community organizations that make up our sphere of influence are an inseparable structure for us. Our personnel and employees are indispensable for continuing with our business activities. Continuity of the supply chain is required for our employees to complete the work activities on time and provide customer satisfaction. To be able to provide our services and become known worldwide, widening our vision and increasing our customer potential is also a main consideration of the company. And there are no boundaries for it. Stable customer means continuous workflow. In that context, our company undertakes to reach to at least 80% of its suppliers that we have been working together with the support of the customer satisfaction earned during the 19-year process that carried our company to success, and discuss the Global Compact and inform them about the COP, and undertake once again provide them with our present report both as a document and by loading on the Internet pages and announce it to all our partners in order to have our suppliers participate in the COP.

When we evaluate our future-oriented projects, as our sector is open to rapid development and innovations, we too have to keep in step with those rapid developments in the world as a company. In that context, we have many future-oriented projects. In that regard, we have attended many activities and seminars in order to participate in the Donation Support Program initiated by the European Union Commission on 15.07.2008 to obtain a contribution to our company as well from the said donations. We assigned our company's personnel to work in those seminars, led by the upper managers of our company. We are aiming at contributing them in that wide-scale work started by the United Nations that supports the targets of the United Nations and as well as the programs that concern us. Because our area of business is related to the marine activities directly, we have applied at the European Union Commission donation program in order to build an environment-friendly vessel that would clean the pollution and used oil on the surface of the sea. If the application we have made for project turns out to be positive, the construction of the vessel in question shall commence immediately and as a result, the vessel will serve not only our shipyard area but the Famagusta and Kyrenia (Girne) ports as well, thereby we shall have cleaned the KKTC coasts and have rendered a great service in particular, for environmental cleanliness. That will be a success that would make both us and the country proud.

- **Adaptation of the Shipyard Famagusta Ltd. to the Global Compact principles:**

In addition to undertaking to support and apply all the principles of the Global Compact, in particular the human rights, work power and environmental issues are absolute and irrevocable commitments. We hereby undertake to apply the 10 principles given below separately and explain the associated practices as follows: (The ten principles of the United Nations Global Covenant)

- **HUMAN RIGHTS**

- **Under the title “Principle 1”** (The companies must support and respect the internationally valid human rights.)

The companies must support and respect the internationally valid human rights. Both domestic as well as 1st country and 2nd country citizens are providing services in our company. We could say that, our company is an international source of subsistence in that regard. Therefore, our company supports and respects the internationally valid human rights without discriminating among the people. That is because we consider our employees that have been providing their services since years under the company's roof first as humans and then as manpower.

- **Under the title “Principle 2”**, (The companies must take all the measures in order not to become accomplices in the human rights crimes.)

Our company is taking all the measures in order not to become an accomplice in the human rights crimes. In that respect, we respect the human rights at the minimum level indicated by the laws and carry out our activities in compliance with those laws.

- WORK POWER
- **Under the title “Principle 3”**, (The companies must support the freedom of the trade union and collective work arrangements.)

Our company enjoys freedom of trade unions and collective labor agreements. In that regard, we comply with the laws governing the labor agreement regulated by the governmental department Ministry of Labor and Social Security, and hereby undertake that we apply the same to our employees and shall continue to do so.

- **Under the title “Principle 4”**, (Support the elimination of forcible labor and all types of forced labor)

Our company supports the elimination of forcible labor and all types of forced labor. The working ours in our company is 8 hours a day as per the directives set forth by the government and issued by the Department of Labor. Our personnel works voluntarily beyond 8 hours and are paid overtime for each additional hour worked. However, the overtime work is never so long and tiring enough to burden the physical and mental powers of the employees. Our work is carried out in a manner that would not burden the lives and health of our employees.



- In our company, we are aiming to apply ISO9001:2000 procedures for each department and its continuity.
- We are aiming at obtaining the Labor Health and Employee Safety Certificate subsequent to obtaining the ISO 9001:2000 certification at the end of the 2009 in order to enable our employees to live in better prosperity and above their present conditions. We adopted a series of resolutions in order to take better performance from our employees, who have contributed to the company and affected our quality directly, thus leading our company to many achievements in its sector, and to reward our 85 employees of foreign origin and ensure comfort and welfare in their lives, we have provided dormitories without crowding, breakfast, lunch and dinner, resting and TV room in our facilities, in addition to the pay they receive. We have projects that will provide our employees that live in medium standards today with homes so that they

reside in livable standards in the future. For example, providing company housing to each employee, where it could live with its core family.

- All employees are educated according to their working area periodically. So with this educations, we can increase safty working, and decrease the work accident. For Example; welder and montage group personals are educated related with safe belt using.



- All office personnal also educated about fire security.



- We have fulltime security guard staff working in shifts to ensure the security of both the office area of our shipyard and workshops, warehouses, shipyard work area, vicinity of the drydock and the dormitories, where the shipyard employees reside in the shipyard and the security measures continue 24 hours a day.
- The entry of the people and/or vehicles in to the shipyard is made under the control of the security guards.
- 8 security cameras in total, 7 fixed and 1 moving cameras, have also been installed at different locations in order not to disrupt the company security. We can monitor the company from the displays installed in the General Manager's and Drydock Manager's offices and even on the computers in our homes through the Internet.
- Some images taken by the shipyard and dry dock security cameras:



- **Under the title “Principle 5”,** (Support the elimination of child labor completely);
In the 19 years of operation of our company, children have never been employed. In addition to the governing laws, employing children as personnel is absolutely forbidden by the company rules. While employing personal the first criterion is that the age has to be above 18 years old. Social insurance and joint savings fund are always provided for the personnel that apply at us for employment without fail and are monitored by the official departments legally. Serving since 19 years with the thought of institutionalizing, our company is well aware of the fact that employing child labor force would affect our quality extremely adversely and our prestige has never been shaken due to any offense such as employing people under 18 years of age and/or employing children. Because, we are aware of the fact that employing children is a crime according to the administration of our country as it is in the universal arena.
- **Under the title “Principle 6”** (Support the elimination of discrimination in employment and professional issues)

Maximum importance is placed in eliminating discrimination in the recruitment practices of the company and among professions. As the Shipyard Famagusta Ltd. we do not discriminate among employees based on their age, race, gender, tendencies, marital status, religious beliefs, nationality or handicaps. Every employee is entitled to get the same pay for the same job, without discriminating. All the applicants seeking a job as a result of the announcements placed in the newspapers and employment office through the state are employed on the basis of an interview based on impartiality, justice and ensuring the principle of equal opportunity applicable to all out recruitment activities. We hereby undertake to place maximum importance in the universal human rights without any limitation and the labor law that ensures the security of the employees prepared and made compulsory by our Government. We have also been sending different personnel to different training courses without discriminating among the personnel considering that nearly all the personnel should take part in some activity. In that context, one of our employees has attended a training course on fire fighting in Istanbul and has transferred the information learned during the training to the other personnel in the company upon returned and provided training. Another one of our employees have has attended the study initiated by the Cyprus Turkish Chamber of

Commerce and Cyprus Turkish Chamber of Industry jointly on Quality Management System for the ISO9001:2000 certified companies and has transferred the information learned during the training to the other personnel in the company upon returned and provided training. The development of the company and its success in renovations since 19 years is another factor that clearly demonstrates our adherence to the laws and the Global Compact principles.

ENVIRONMENT

- **Under the title “Principle 7”** (The companies must support the Cautious Approach related to the environmental difficulties)

The companies must support cautious approach regarding the environmental difficulties. Alarm bells are ringing for the global heating and environmental pollution ala over the world. As we are sharing this world too, we have responsibilities just like all other companies. In particular, because we are in the shipyard business, we are directly associated with the environment. In that respect, since we provide our services in our seas we are taking various measures with our competent personnel in order to collect many waste materials that threaten the environment. In relation with the foregoing, we intend to apply at both the ISO 9001:2000 quality certification and immediately after that, to the environment-related 14000 certification institutions in order to implement measures of larger dimensions. At the moment, the environment-related actions implemented by our company are comprised of removing the wastes from the ships that are taken to the cradles and drydock especially, without harming the environment in any manner and transporting them to the disposal areas as per the laws. We also contribute directly to preventing the environmental pollution by maintaining the interior and exterior of the dirty vessels that enter our shipyard clean. Our environment friendly shipyard is aiming at many projects for the coming years and has made large investments and obtained various equipment and fixtures related to the environmental issues. Some of them are:



- **Purchasing the sea barriers:** This is an investment made by our company and by means of those environment-friendly sea sausages, the waste and harmful oil leaking from the

ships waiting at the wharves in the Famagusta port from time to time and accumulating on the are absorbed. We are also witnessing the wastes that fall overboard from the vessels carrying cargo while discharging in the Famagusta port from time to time and taking their photographs. We believe that the pollution in the Famagusta port shall be reduced with the investment we have made for preventing the environmental pollution and the support and aid to be provided by our state to us.

- Some materials bought for environmental protection by the type as per the article GRI EN 30;
 - Sea Sausage: Absorbs the oil and chemicals accumulated on the water's surface 1080 \$
 - Sea Barrier Contains the polluting solid materials in a certain area and prevents them from spreading to a wide area on the sea. 6000 \$
 - Pad: With the aid of those pads that are launched on the oil accumulated at certain areas on the sea, the oil and chemicals are absorbed. 1000 \$
 - The investments mentioned above are already made and the equipment is at the installation stage currently. We hereby undertake that the said equipment shall become active and we shall declare in the next year's COP that they are put in operation, the practices are continuing and we have succeeded. We are also witnessing the wastes that fall overboard from the vessels carrying cargo while discharging in the Famagusta (Magosa) port from time to time and taking their photographs.



- Because, those investments made as a company are a proper step taken for the general cleanliness of the Famagusta port and our other ports, which belong to our country and society and not only for us.
- Depending on the size of the vessels that come to our shipyard for maintenance;
- Toilette
- Bilge
- Sludge after ballast-tank cleaning, and

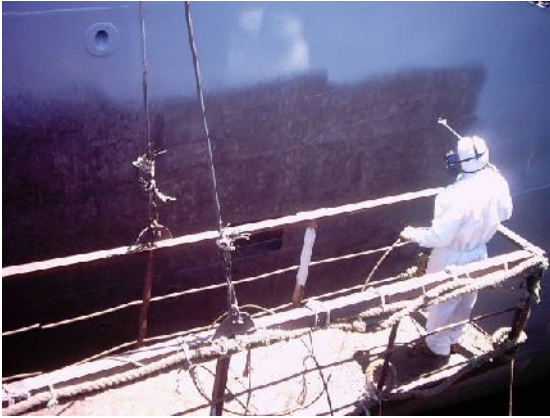
- Oil and oily wastes are removed by our shipyard.
- As the issue is the environment, removal of the said wastes from the ships on time and correctly is very important. In that respect, the wastes are removed from the vessels coming to our shipyard without causing any pollution for the sea and environment in any manner and we hereby undertake that those practices shall continue without ceasing. If we look at from the “Total Water Discharge” of the GRI EN Article 21 point of view, and if we assume that the ships that are received for maintenance stay for one week for maintenance, we remove an average of 15 tons of toilette wastes in total during the one week process. A pipe connection is installed in order to remove the toilette wastes in the ships to transfer the wastes to the in to the toilette waste tank of the shipyard and then loaded on the waste material tankers provided from the market outside. Because both the private companies and the state organizations in the country are unfortunately inadequate in that respect, the removal tanker trucks are discharging to wastes in to the valleys (to the nature). But, we, as the Shipyard Famagusta Ltd. shall try to establish a treatment facility in the coming years to treat such wastes and to use the water obtain after treating the toilette wastes to irrigate the forest areas and to dispose of the other solid wastes by means of tankers. With this project, we shall be able to increase the amount of the recycled and re-usable water to 80% as per the GRI EN Article 10 and our nature and forests shall be fed with the recycles water obtained. If the wastes to be removed from the ships are in form of bilge sludge, oil and waste oil, we have a separate tank to hold such waste during removal. The wastes are collected in the said tank and delivered to the tanker trucks employed from outside. However, a big problem here too is that, although those wastes are hazardous and chemical wastes, the tanker driver still dumps those to the valley bottoms and remote areas. Causing a different type of pollution. That means, while cleaning the sea on the once side, the nature is polluted on the other side. As a company, we are doing our share by not discharging the wastes removed from the ships, but, within the chain of our efforts, the state and the tanker operator should also act prudently and create healthy facilities to dispose of the wastes received and provide the infrastructure required.

As a haevy industry company, we have to take extra measure related with environment. There is is some pictures from our company.

- Waste-garbage collector company is taking our waste & garbage.



For paint team personal, there is some rules for safty that have to wear mask, gloves and special uniforms.



- For electric safety, there are special boxes to protect from high sun energy and rain.



- All chefs are wearing special uniform.



- There is full time security in our shipyard. We have got 5 watchman in our company.



- For all oxygene tube and kitchen tube, there is security area.



- We are a shipyard company, sometimes ships request to service, when sailing. For this emergency reasons we have a hawser.



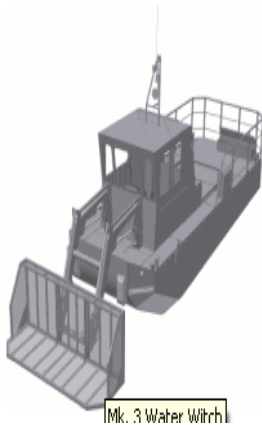
On the other hand on January 2011 all our personal organize “PLANT ACTIVITY”.
Some photos from this activity. So we have green area. Shipyard’s family’s Forest.





- **Under the title “Principle 8”;** (The companies must intervene as required in order to encourage higher environmental responsibility)

The companies must intervene as required in order to encourage higher environmental responsibility. Believing in this principle, our company has made some activities again within the 1 year period prior to the presentation of this report. As a requisite of our business as shipyard operators, the cleanness of our seas is as important as the quality of our work for us. The cleanness and maintenance of the ports we present to our costumers is equally our responsibility as the quality provided. Starting out from the principle that the quality and environment are a whole, we have a project that is related to our high environmental responsibility. Our first projects costs Euro 140.000 with the calculations over the current market prices. We have applied at the Donation Program initiated by the European Union Commission and started a project in order to obtain a share out of the said donation. If we can realize that project, as stated in the article 10 of the GRI EN concerning the “percentage and volume of the recycled water”, the waters in our seas will be clean and rendered re-usable and recycled. We are aware of the fact that our existing personnel and work-force are adequate to initiate the said project, but we need other resources as our budget is not enough to purchase the materials and equipment to build the ship in question. We are currently at the stage of preparing an application to be submitted to the European Commission Donation Program. If our application is approved and the donation requested is allocated to us, we shall start the construction immediately and build the first floating sea cleaning vehicle in the North Cyprus to contribute the cleaning of our ports regularly. If the said project is approved by the European Union Commission, we hereby undertake that we shall be able to make statements on the application thereof as the vessel in question will be completed in a period of 12 months.



Mk. 2 & Mk. 3 Water Witch Workboats

Featuring general purpose front end loader with maximum 1 tonne lift capacity. A wide range of attachments and equipment is available, enabling; debris and litter removal and collection, aquatic weed harvesting, oil spill response and dredging duties.



As a social responsibility, we take care about some ecomomize on electric, water, paper using.

For example :

- To reduce paper using, we expecially communicate from computer to computer with our customers and shareholders.
- To reduce paper using, generally all documents are send by mail between each departments (indoor).
- Our company can contribute to the protection of environment by not receiving hard copy offer upon their customers. Customers can receive their offers electronically.



- To reduce electric using, we are using only one lamp (not more) for each office.
- To reduce electric using, all machines swiches are off even if there is no any working or waiting mode. (warnings sign writing SWITCH OFF IF NOT NECESSARY were stuck on switches.)
- To reduce electric using, in all office personal pull plugs at the end of the day. So, at least there will be 5 Watt electric saving for each computer.



- Related with save water, paper, and electricity and are hung up in various places within the offices.



- **Under the title “Principle 9”** (The companies must support the development and spread of the environment friendly technologies)

At an era, when the whole world is mobilized for the environment, the environment and sea around our island surrounded by the seas are very important for us as the Shipyard Famagusta Ltd. Therefore, we assign priority to the customers that contact us to build environment friendly vessels aimed at cleaning the sea out of the local and foreign customers that contact us to build sea vehicles.

Our company has “BATTERY COLLECT BOX” for enviromental responsibility.

This Project is also can named environmental protection.



FIGHT AGAINST CORRUPTION

- **Under the title “Principle 10”;** (The companies must fight against all types of corruption, including bribery and profiteering.)

The companies must fight against all types of corruption, including bribery and profiteering. Many of the illegal acts committed around the world are taking place using the marine ways. And we, as an establishment in the marine area, have a great responsibility regarding this issue. In that respect, we have adopted the principle of maintaining constant contact with the judicial authorities of the KKTC government. We are taking protective precautions in the Gazi Magosa (Famagusta) port area against illicit activities, bribery and profiteering with the support of the Police offices in the vicinity. Our company has never been involved in aggravated crimes such as profiteering, bribery or illicit activities and has asserted its principals clearly that would prevent such an eventuality at all times.

“All facilities and repairing services for every type of vessel must complete legal ways.” This is our company’s most important policy.

Sultan DEMIR

ISO 9001:2000 Management Representative & Assistant Manager

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