



SANDOZ COMMUNICATION ON PROGRESS 2011

United Nations Global Compact

This is our Communication on Progress in implementing the principles of the United Nations **Global Compact**.

We welcome feedback on its contents.

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SANDOZ
COMMUNICATION ON
PROGRESS 2011
United Nations Global Compact

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Statement by the Country Head

Dear Esteemed Stakeholders,

In today's world, as we all know very well and we all are aware of, and in the business circles, the social responsibility consciousness of organizations and their sensitivity and commitment to the society they belong to are accepted to be an important and notable success and performance indicator for these organizations by their stakeholders. The value of both the companies and the brands they have is associated with the corporate responsibility criteria.

Especially recent ongoing social turmoil, social movements in the Middle East, the environmental disaster in Japan and their adverse economic effects have led global companies to take a corporate responsibility and enhance their social, economic and environmental sensitivities.

These approaches and sensitivity in the world of business gain more importance day by day in terms of sustainable development and the existence of future generations. The companies that make their sustainable development objectives the focus of their corporate responsibility approaches gain more value in the eyes of all their stakeholders – local and global alike.

Sandoz is one of the leading pharmaceutical companies in the world. We maintain our contribution in finance and employment as well as our mission to become a role model in all countries we operate in starting from the Headquarters, without compromising our principles. From this point on, in order to transfer our corporate responsibility mission to all our stakeholders at global standards, we took an important step in 2010 and signed the United Nations Global Compact, thus proving our commitment to sustainable development.

Our first Communication on Progress with which we conveyed details about our performance in Human Rights, Labor Rights, Environment, and Fight against Corruption after signing the United Nations Global Compact will be an important source to help you get to know more about Sandoz Turkey, and also give details on how much we adopt the social responsibility concept in Sandoz and how we implement it in all our operational processes.

Sandoz Turkey treats all its target groups including doctors, pharmacists, health authorities, patients, suppliers and employees in line with the ethical guidelines and regulates its relations with promotion principles and business partnership regulations.

We employ approximately 1000 people in our three plants,

including our field force in the Company.

We care for supporting professional and personal developments of all our employees and provide them with training opportunities as per their specialties and needs without any discrimination. At Sandoz Turkey, all of the employees are employed in equal and fair conditions and are encouraged by the appreciation and rewarding system and the work - life balance, etc.

The environment subject is of priority for Global Sandoz as well as Sandoz Turkey. Therefore, we develop strategies and policies on environment, update our objectives and monitor our performance.

As a generic pharmaceutical manufacturer, one of our other primary objectives is to facilitate the access of all patients to pharmaceuticals to improve their quality of life in line with Human Rights. From this point forth, we work to ensure a quality/cost balance and that high quality products are made available to patients at an affordable cost.

We, as Sandoz Turkey, always commit to be sensitive for the changes happening in our society both locally and globally. We support this attitude with initiatives like SP3 (Sandoz Promotional Practices Policy), Community Partnership Day, Corporate Citizenship, etc. All these efforts and policies implemented are notable indicators through which we prove our corporate responsibility awareness clearly.

This report you are reading reveals the corporate responsibility approach and the belief in sustainable development of Sandoz Turkey clearly. In this context, we support the United Nations Global Compact and commit to meet the requirements of the principles of this contract properly and transparently.

Sandoz expects its employees who act in accordance with the corporate citizenship principles to respect the ethical and moral values of all the stakeholders from the customers to the business partners and be sensitive to the society they are living in, and act in line with this. Sandoz is happy to meet its responsibilities before all the stakeholders to achieve this.

Best Regards,

Ali Toker County Head Acting in accordance with the corporate citizenship principles, Sandoz expects its employees and all of its stakeholders, from the customers to the business partners, to respect the ethical and moral values and to be sensitive to the society they are living in, and act in line with this. Sandoz is happy to meet its responsibilities before all the stakeholders to achieve this.







ABOUT THE REPORT

Sandoz İlaç San. Ve Tic. A.Ş. signed the United Nations Global Compact on August 10, 2010 and commits to submit a regular progress report every year as per the Contract. This report is the **first progress report** published by Sandoz Turkey.

The content of the Sandoz Progress Report 2011 is divided into the 4 main titles of the UNGC;

- 1. Human Rights
- 2. Employee Rights
- 3. Environment
- 4. Fight against Corruption

Besides all the operations of Sandoz Turkey under these titles, the corporate profile, stakeholder engagement and management policies of Sandoz Turkey are also shared in this report.

The report covers three Sandoz companies. These are;

- Sandoz İlaç San. Ve Tic. A.Ş.
- Sandoz Grup Sağlık Ürünleri İlaçları San. Ve Tic. A.Ş.
- Sandoz Syntek İlaç Hammaddeleri San. Ve Tic. A.Ş.

Sandoz Progress Report 2011 covers the period 1.1.2010 – 31.12.2010, but as this is the first progress report of the company, important data about the previous periods are also conveyed in the report and the progress achieved is specified.

In order to facilitate comparisons with future progress reports and to report the company performance in a transparent and accountable manner, while preparing this report, the **Global Reporting Initiative**, **G3 Sustainability Reporting Guidelines** was taken as a guide. GRI performance indicators are specified in the "Table of Contents" section of the Report.

As Sandoz Turkey, we will be glad to receive your feedback regarding the **Communication on Progress 2011.** For all your queries, opinions or recommendations, you can contact Suna Erkal Varal, the Communications Manager responsible for preparing the report, via her electronic mail address [suna.erkal@sandoz.com].











UNITED NATIONS GLOBAL COMPACT

BRIBERY.

PRINCIPLE 1	BUSINESSES SHOULD SUPPORT AND RESPECT THE PROTECTION OF INTERNATIONALLY PROCLAIMED
	HUMAN RIGHTS; AND
PRINCIPLE 2	MAKE SURE THAT THEY ARE NOT COMPLICIT IN HUMAN RIGHTS ABUSES.
PRINCIPLE 3	BUSINESSES SHOULD UPHOLD THE FREEDOM OF ASSOCIATION AND THE EFFECTIVE RECOGNITION OF
	THE RIGHT TO COLLECTIVE BARGAINING;
PRINCIPLE 4	THE ELIMINATION OF ALL FORMS OF FORCED AND COMPULSORY LABOUR;
PRINCIPLE 5	THE EFFECTIVE ABOLITION OF CHILD LABOUR; AND
PRINCIPLE 6	THE ELIMINATION OF DISCRIMINATION IN RESPECT OF EMPLOYMENT AND OCCUPATION.
PRINCIPLE 7	BUSINESSES SHOULD SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES;
PRINCIPLE 8	Undertake initiatives to promote greater environmental responsibility; and
PRINCIPLE 9	ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES.
PRINCIPLE 10	BUSINESSES SHOULD WORK AGAINST CORRUPTION IN ALL ITS FORMS, INCLUDING EXTORTION AND







SANDOZ

ABOUT



- Vision and Values
- Speed and Simplicity
- Customer Focus and Quality
- Trust and Respect
- Leadership and Performance



ABOUT SANDOZ

Sandoz, a Novartis company, is one of the world's leading (generic) equivalent drug manufacturers. It is a reliable leader with its history of over 120 years and famous for its quality. It is one of the world's major and most reputable companies with its strategy to develop, manufacture and market high quality affordable drugs and its customer-oriented approach.

Drugs of Sandoz are delivered to 90% of the people in the whole world. This is the most important indicator that Sandoz is committed to enhance the access to affordable health service in the whole world. Sandoz operates globally in more than 140 countries with over 24.000 employees, eight major global development centers, manufacturing facilities and technology centers around the world. The headquarters of Sandoz is situated in Germany, Holzkirchen close to Munich.

Sandoz works to facilitate and enhance the accessibility of the high quality drugs to patients in Turkey, as in the whole world. It operates in Turkey with 3 manufacturing facilities. Two of these three facilities produce finished products, and the other active ingredient. Sandoz Turkey employs approximately 1000 employees including the blue collar, white collar and field force.

It is also a leader among pharmaceutical product exporters being an important actor of the generic drug market in Turkey. Being at the top since 2005, Sandoz Turkey kept on being the champion in 2010, for the 6th time, by releasing its products in 46 different country markets with 51 million dollars of pharmaceuticals export.

Sandoz Turkey values physicians and pharmacists, patients, public institutions and organizations, institutions of which it is a member, business partners and employees and always acts in cooperation with them in line with the ethical guidelines. The importance Sandoz Turkey attaches to quality and high standards it implements as well as its global existence gives the company an obvious competitive advantage.

Sandoz Turkey, manufacturing generic (equivalent) drugs, has analgesics, anti-inflammatory, myorelaxants, anti-allergic, antimicrobial (antibiotics), antiseptics, dermatological, endocrines and metabolism, gastroenterology, cardiovascular, psychiatry, respiratory system, supportive care and oncology generics in its portfolio. Sandoz Turkey offers a total of 45 products in 100 different forms to physicians and pharmacists and enables patients to have access to high quality products.

What is a Generic (Equivalent) Drug?

Generic drugs (shortly: generics) are drugs manufactured and distributed without a patent (the formulation of the generic product may be patented; however, the active ingredient may not).

A generic product may not include the same active ingredient with the original formulation. In most cases, it is accepted to be bioequivalent with the trademark regarding its pharmacokinetic and pharmacodynamics characteristics. In this scope, therefore, generics are considered to be similar in terms of dose, action, administration form, safety, efficiency and intended purpose. In most cases, generic products do not become available until the patent protection of the original developer expires. When generic products become available, the market competition leads to significantly low prices for both the original brand and the generic forms. The time for a generic drug to be marketed may vary. Drug patents generally give a twenty-year-old protection. However, if an application is submitted for these drugs before the initiation of clinical tests, the validity period of a drug patent ranges from seven to twelve years.

As generic companies offer a significant cost saving for healthcare products, they tend to be supported by the government.

For more information on our products, visit Sandoz website.





Vision and Values

Sandoz - A healthy decision

At Sandoz, our paramount goal is to be the best. Being the best means so much more than simply making a difference. We want to implement an entirely different approach in the world of generic drugs.

Our Vision

We will be the main provider of high quality, affordable medicines helping secure long-term access to healthcare for people around the world.

We will go beyond traditional generic products and bring innovative technologies and delivery systems to market, making a world of difference in generics.

We will lead our industry, outperforming the market.

We will bring the care and passion our employees have for their work to our customers, patients and communities.

Our Values

At Sandoz, we live by certain core values that define who we are and represent what we stand for.

Speed and Simplicity

At Sandoz, we believe in the timely introduction of generics to help vital medicines reach patients as quickly as possible. Speed and simplicity are ingrained in our work environment and are vital to our stakeholders. We anticipate market opportunities, and implement simple, efficient work and reporting processes that enable fast decision making. Similarly, while we take on complex therapeutic challenges, our answers are simple – easy to use and patient-friendly. In essence, we strive to be lean and agile in all we do.

Customer Focus and Quality

Our customers are our primary focus and addressing their needs is our main priority. We believe it is important to always look ahead and anticipate their evolving needs, thinking of innovative ways to provide new healthcare solutions. We strive to exceed customer and patient expectations, while ensuring the delivery of high-quality products and services.

Trust and Respect

At Sandoz, we make every effort to create an environment of openness, transparency and trust. We believe in being candid and strive to maintain the trust and respect of all of our stakeholders by acting with integrity at all times. We place great value on diversity and inclusion and foster an environment of equal opportunity. We also empower our employees to take responsible risks to help us live up to our promises and achieve our goals for better patient outcomes.

Leadership and Performance

Sandoz aspires to be the best and strives to consistently deliver strong results, enabling us to continually invest in the future. We challenge ourselves on a daily basis to provide the best products, continuously seeking to exceed expectations, while remaining accountable for everything we do. Taking the lead and outperforming our competitors ensures success in all we pursue.

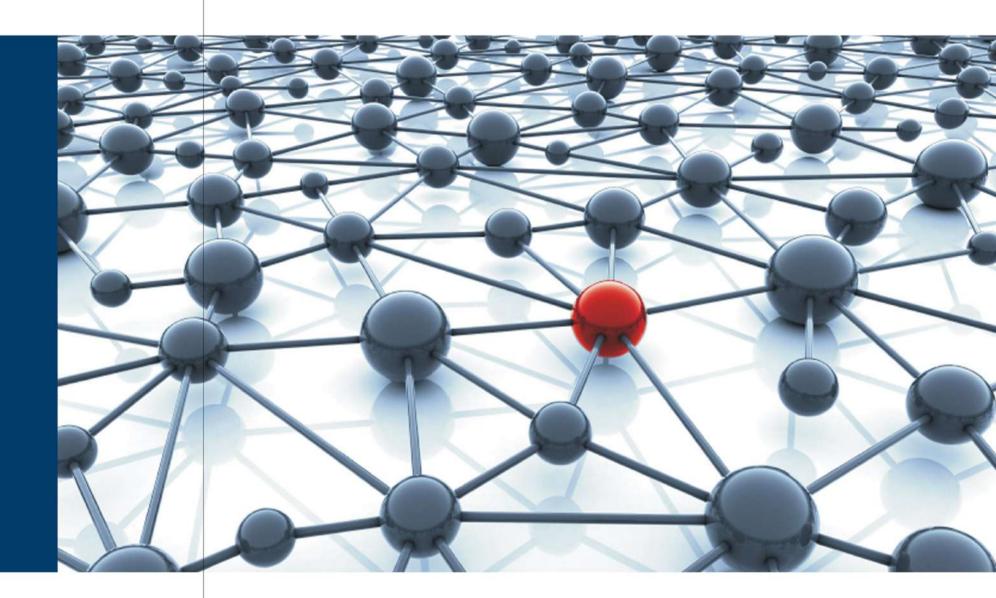




GOVERNANCE



- Nature of Ownership and Operational Structure
- Health, Safety and Environment (HSE) Policy
- Human Resources Policy
- Supplier Policy

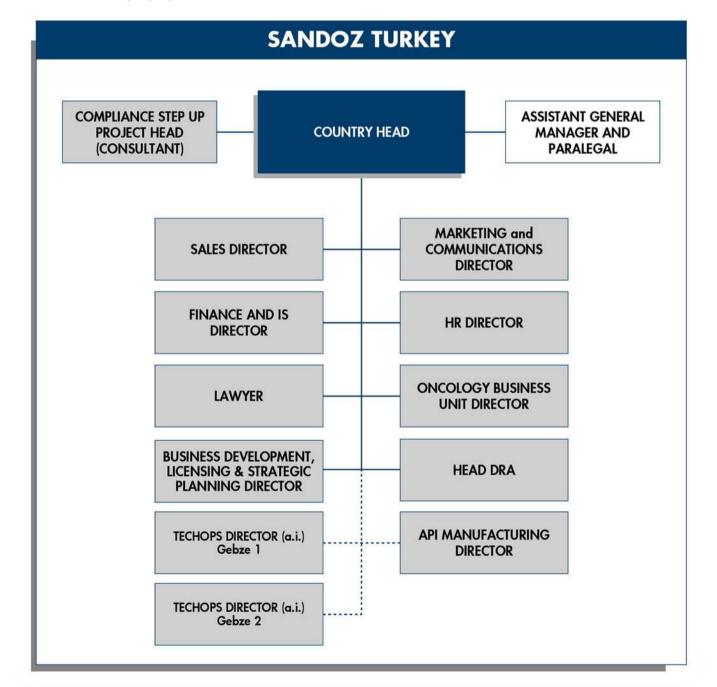




Nature of Ownership and Operational Structure

The shareholders of Sandoz İlaç Sanayi ve Ticaret A.Ş. (Sandoz Turkey) are Novartis Pharma AG, İltaş İlaç and Sandoz Syntek, and real persons. Sandoz Turkey is a Joint Stock Company with 79 shareholders in total, 99.9% of the shares being owned by Novartis Pharma AG, founded as per the provisions of the Turkish Trade Act.

Sandoz Turkey is managed as per the principles set by the Executive Committee elected by the General Assembly and the Members of the Executive Committee are entitled to represent and sign (total 4 people). In the following table, the operational structure of the Company is presented.







Health, Safety and Environment (HSE) Policy

Health, Safety and Environment constitute the three fundamental focus subjects of Sandoz. To create value in the business, to control risks and to increase the reputation of Sandoz, we included the health, safety and environment protection policy in our business strategies. By implementing these disciplines with effectiveness, consistency and efficiency, Sandoz aims to be a leader. Protecting the health and safety of our employees, neighbors, customers and consumers as well as the environment is one of the priorities of the Company, which is always observed in the whole Group.

All our business processes and the decisions and actions taken take HSE as a priority. To implement this policy, we establish suitable structures and allocate sufficient resources. At the investment/sales decisions taking stage in the facilities, carrying out HSE- related risk assessments is guaranteed as per Sandoz procedures. Applications that are in force accordingly in our country are stated below:

- In coordination with the Sandoz Global HSE, using the HSE Data Management System DMS program, we provide
 monthly, 3- monthly and yearly reports. All the HSE-related indicators are reported to Sandoz Global HSE. With this data,
 the HSE performance at the Sandoz Turkey is locally and globally monitored. Annual targets are determined according to
 the HSE DMS data in our facilities. Besides, some HSE objectives are determined by Sandoz Global HSE and implemented by
 us. Furthermore, in addition to the Ministry of Environment and Urbanism, the Ministry of Labor and the Ministry of Health
 inspections, Sandoz Global HSE department carries out HSE Audits of our Pharma facilities at least once in 3 years.
- In all our facilities **Annual HSE Training Programme** is prepared and trainings are organized according to these plans. These trainings are given as class lessons and also practical trainings (first aid, fire, working with hazardous chemicals etc.) are also given. In addition, **On-the-job Trainings** are provided by the department heads and the HSE Department. The training content, apart from the basic HSE trainings, is determined according to the risks in the facilities in coordination with the HSE and relevant department heads. After all trainings, except for the On-the-job Trainings, a test is given and efficiency of the training is monitored by the measuring and evaluation method. Once or twice a year, before the HSE trainings, the employees are given an **HSE survey** and the data obtained is communicated to the relevant parties.
- At Sandoz Turkey', a Workplace Health Risk Assessment is carried out. Health-related risks are kept at minimum. health surveillance and work place hygiene checks are carried out by our company doctor. As required by these programs, Lost Time Injury and Illness Rate LTIR is a part of everybody's performance objectives. This ensures a safe working environment without any occupational accidents and incident.
- All subcontractor employees entering out facilities are subject to the HSE Orientation training. The HSE Department or the
 employing department tests the subcontractor employees in the field in terms of HSE and completes their Behavior Based Safety
- BBS forms and enables to apply the safe operation culture to the relevant companies.
- We maximize the efficient use of our natural resources and minimize the environmental impact of our operations and products on the life cycle of these natural resources. We evaluate the effects of the HSE and ensure the benefits of new products, operations and technologies to overcome the present risks.
- All our employees are obliged to obey the HSE regulations and guidelines applying to their responsibility areas. We
 encourage our employees to develop the HSE awareness and responsibility, and to this end we provide suitable information and
 trainings to our employees and develop our HSE skills. We provide a safe working environment for our employees. We support
 the programs that will protect and improve the health of our employees.
- We care about the expectations and worries of our stakeholders. We cooperate with our suppliers and contract parties and assist
 them to achieve an HSE performance complying with ours.
- We inform our customers and consumers about the qualities of our products and give them recommendations about the proper use of our products.



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Human Resources Policy

As a globally active pharmaceutical company, there are many factors that play a role in our success, among which human is the most important.

As the Sandoz employees all around the world, the employees of Sandoz Turkey share our global corporate vision to make "high quality and affordable drugs more accessible and thus, to improve the quality of life of patients". This vision is the driving force of our growth and success with the outstanding performance we show.

Sandoz's **Diversity and Inclusion** approach enables valuing the differences of evident and non-evident individual differences such as age, ethnic origin, culture, language, nationality, experience and social interaction and including these individuals in the organization as a part of the whole, and enables each individual to play his part to attain the business objectives. We believe creativity is more effective for solving problems in teams with diversity and think these teams bring diverse points of view to handle the situations they encounter, contribute in the work done with their personal experiences, opinions and personalities and thus increase the company performance.

In this scope, while forming our team, we carry out an extensive and comprehensive evaluation and select our employees among individuals who are properly qualified to realize our company vision and objectives.

Besides the background information and experience of our employees, the trust we have in them is the most valuable source of Sandoz. In line with this; we award the ambition of our employees to work and the commitment they have to their jobs at every opportunity and we support and maximize the professional developments and career opportunities of all our employees in line with their professional abilities.





Supplier Policy

At Sandoz, three types of raw materials are used; these are APIs (active substances), excipients (excipient raw materials) and packaging materials. These raw materials we use for the manufacture of drugs must fully comply with the European, American, Japanese Pharmacopeias, etc. and Sandoz standards determined at the product development stage and must meet all the requirements. All suppliers are informed of these requirements and the acceptance of the raw materials that meet these requirements is assured by the Quality Assurance and Purchasing departments.

We divide our raw material suppliers into three categories:

- Approved suppliers
- Qualified suppliers
- Licensed suppliers

Packaging material suppliers are considered in only the Approved Supplier status.

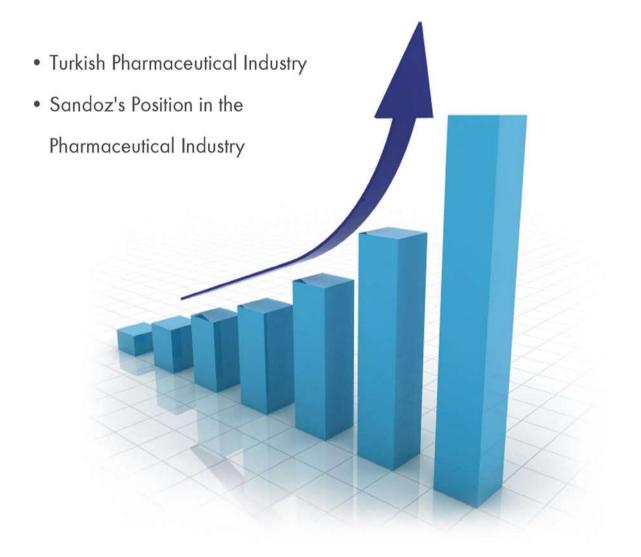
Before purchasing raw materials from a supplier, we at first request some amount of sample and GMP – Good Manufacturing Practices: quality control instructions for food products, medicines and medical devices documents. If the sample meets the set criteria and the GMP documents also comply, the purchasing is realized and the supplier is considered an **approved supplier**. At the end of a one-year time, if the supplied raw materials pass the quality tests of Sandoz and comply with the other set criteria, the supplier becomes a **qualified supplier**. The raw materials of the qualified suppliers are subject to reduced tests. All the suppliers of Sandoz Group are considered licensed suppliers.

All active ingredient suppliers are inspected by the **Sandoz Quality Assurance** as per the GMP regulations once in three years. These audits are realized by the audit unit in the Sandoz Global Quality Assurance or the local Quality Assurance Department trained for GMP audit. Findings obtained during the audit are presented to the suppliers and they are requested to take corrective and preventive actions. These actions are followed again by the audit team and their completion is ensured. Only those suppliers that meet the GMP and Sandoz standards can supply inputs.

All primary (contacting the product) and printed secondary packaging materials suppliers are inspected by the Sandoz Quality Assurance teams once in three years.



PHARMACEUTICAL INDUSTRY AND SANDOZ







PHARMACEUTICAL INDUSTRY AND SANDOZ

Turkish Pharmaceutical Industry

Reviewing the world pharmaceutical production, 39,3% of the production is made by the USA, 35,2% by Europe and 16% by Japan. As for the world pharmaceutical market, 712 billion dollars value in 2007 climbed up to 812 billion dollars in 2009. Regarding the country listing in the market, the USA is at the top, although its drug expenditure has recently fallen, the second is Japan, which is followed by Germany, France and China. Being the 19th in 2004, Turkey rose to the 15th row in 2009, making itself a more attractive market.

Till the 1950's, the drug production in our country was realized only in pharmaceutical laboratories. After production began in 1952, when the "industrial age" of the Turkish pharmaceutical industry started, the number of facilities owned by domestic and advanced technology companies increased day by day. Since 1984 when Good Manufacturing Practices – quality control guidelines for food products, medicines and medical devices – were put in practice, the Turkish pharmaceutical industry gained a rapid momentum and reached to modern technology levels.

Our country is one of most rapid growing pharmaceutical markets in Europe. Although in Turkey, expenditure rate per person is lower than the other European countries, it is the **6th biggest pharmaceutical market in Europe** after Germany, France, the UK, Italy and Spain. In 2008, in Turkey with one of the lowest expenditure rates per person in Europe with 159 USD, the ex-factory value of the pharmaceutical market is about 11,3 billion USD. The low expenditure rate per person is caused by to some extent the differences in the price levels and partly by low sales volumes in especially expensive drugs.

Although Turkey has the technical infrastructure to allow the manufacture of various drugs, it still depends on the import of drugs of some treatment groups, new and advanced technology product preparations, vaccines, blood factors, cancer drugs, hormones and drug active ingredients. Approximately 25% of the total drug import is comprised of raw and bulk products and the remaining percentage by finished product import. As for export, **Turkey markets finished and bulk products to more than 50 countries.**

If the industry invests in raw material manufacture and gets sufficient financial support by major pharmaceutical companies for its R&D studies, the currently negative-going trade balance is expected to recover. In addition to these, speeding up the licensing process for the generic drug and including the generic drugs in the refund list rapidly and similar other specific government policies may help to develop the industry in the country and to decrease the dependence on import for more basic formulas. Improving domestic industry standards as per the EU norms, increasing the foreign investment level in Turkey and being close to the European and Middle Eastern countries would also increase exports.

Better infrastructures, easier access to technical staff, having various telecommunication and transportation facilities and intense localization of the population and health institutions in this region resulted in the fact that the pharmaceutical industry centered in the Marmara Region (especially around Istanbul, Kocaeli and Tekirdag). In the pharmaceutical industry, approximately 25.000 people are employed.







Sandoz's Position in the Pharmaceutical Industry

Pharmaceutical products exports champion of 2005, 2006, 2007, 2008, and 2009, Sandoz has once again proven itself as the "2010 Champion of Turkey's Pharmaceutical Products Exports" according to the evaluation of the T.R. Secretariat of Foreign Trade of the Office of Prime Minister Istanbul Chemical Substances and Products Exporters Association (IMMIB). Exporting 51 million dollars of drug to 23 countries, including Germany, Switzerland, Canada, Slovenia, Japan, and Australia, Sandoz released its products in 46 different country markets. In this way, Sandoz Turkey has become the export champion in the field of Pharmaceutical Products for the 6th time, making more exports and imports, it is being significantly beneficial to the Turkish economy. In this way, Sandoz Turkey dedicates itself to add more values to the country's economy, and making the healthcare services qualified, trustworthy and accessible in the oncoming days. Sandoz Turkey has sold approximately 50.000.000 boxes of drugs in 2010, and is placed among the top 10 companies in the Turkish drug market. In addition to that, Sandoz is a drug producer with the most affordable price with its average price per box. These are the most important indicators which expose how affordable the high-quality Sandoz products to the patients.

Furthermore, Sandoz has been significantly contributing to the country's employment rate by providing almost 1000 people with job opportunities.

Sandoz maintains its relationship with public institutions and local governments within the framework of work ethics

The Ministry of Labor: regarding labor legislation, occupational health and safety implementation, risk determination and management, the legislation of the relevant ministry should be observed.

The Ministry of Environment and Forestry: During our operations, management of environmental factors, waste water and waste materials management, monitoring emission data, emission permit, ÇED Report, discharge permit and environment permits are governed by the Ministry of Environment and Forestry. The Environment Legislation of the Ministry should be observed. The Ministry of Health: How the company physician affiliated by the HSE Department observes and implements the health legislation are monitored by the Ministry of Health.

Municipalities: Regarding waste management and licensing relevant lifting equipment and other issues, support is obtained.

Organized Industrial Zones: After obtaining all licenses of the relevant ministries, Fire Sufficiency Certificates and GSM Licenses of Sandoz plants are granted by the management offices of the Organized Industrial Zone – OSB. OSB management offices provide our facilities with support regarding the whole infrastructure (water, waste water, electricity, transportation etc.)

HUMAN RIGHTS



- Access to Medicine
- Human Rights Training
- Social Responsibility Projects
- Supply Chain Practices







HUMAN RIGHTS

Access to Medicine

The Human Rights Guidelines for Pharmaceutical Companies in relation to Access to Medicines declaration issued by the United Nations expects easier access to drugs by the public through pricing and drug supply policies of pharmaceutical manufacturers. Due to legislations that apply to the Turkish Health industry, the relevant actions of pharmaceutical manufacturers are limited. The sales prices of drug products are strictly regulated by the law and regulations.

In this way, Sandoz as a leader generic manufacturer, has a pivotal contribution with its qualified and accessibly priced drugs, in reducing the State's growing expenditure with the extensive application of the State's social health policies.

Generic (Equivalent) Drugs contain the same drug substance with the reference drugs marketed with different names and show an equivalent treatment action. Generic drugs at first can be offered to patients for lower costs because they do not require any R&D investments. Sandoz Turkey being a leading generic drugs company helps increasing accessibility of high quality basic drugs in the whole world.

Human Rights Training

Sandoz Turkey provides employees with information on human rights with the Corporate Citizenship Training. The human rights training is training e-mailed to all new hires. In addition, this training is repeated every other year and the awareness of the employees about human rights is increased.

In 2010, the completion rate of these trainings is 92%.

Social Responsibility Projects

As a part of the "Diversity and Inclusion" approach of the Company, in 2010 the Creative Library Social Responsibility Project was realized. As the first step of the project, a Creative Library was built, where the Read-Think-Share project would be carried out. The Creative Library is designed by experienced architects to make the library a loveable place. 80 reading books selected according to the recommendations of experts, families and children were gifted to the Creative Library. During the sessions held in the library, Sandoz volunteers were encouraged to dream about students, think and discuss about thoughts, responsibility and discipline, pessimistic & optimistic subjects etc. for 1.5 hours each week.

Community Partnership Day

The Community Partnership Day being one of the best the corporate citizenship principle is revealed through with activities organized accordingly. To this event the country by donating blood. celebrated by all the employees in the world and where

examples that shows the commitment of Sandoz to be a various activities, Sandoz Turkey has been attending for 5 responsible company for its society and environment years. Sandoz Turkey employees met the needs of and encourages all the employees to realize volunteering helped needy children in different regions of Turkey from activities for a social cause and is celebrated every year 2006 to 2010 and tried to support to meet the need of

Sandoz Turkey employees participated in the Community Partnership Day held for the 6th time in 2010 with 4 different projects. To attract the participation of the employees of the 3 plants and the personnel working in 11 different areas of Turkey, 4 different projects were developed. With projects such as blood donation, toy collection campaign for poor children, gift to children with leukemia and supporting the development of children, Sandoz Turkey employees showed once more the importance and value they give to the society they live in.

Supply Chain Practices

The annex of all the contracts Sandoz Turkey signs with its suppliers and business partners includes the body of rules called the 3rd Person Code applied in the scope of the Corporate Citizenship, Code of Conduct, Business Practices and Conflict of Interest by the company. As per the contract signed, Business Prochees conduct a interest 3rd persons and organizations are expected to obey these rules. As of December 2010, these rules are included in the annex of 704 contracts in total signed between Sandoz and its suppliers and business partners.

Third Party Code of Conduct

Our mission as Sandoz is to improve, extend and save the human life. As a part of this mission, we dedicated ourselves to be a responsible corporate citizen. We are doing everything we can to contribute in the long-term economic, social and environmental successes of the Company and stakeholders.

In the scope of this objective, we are committed to support the principles of the United Nations Global Compact and implement them in the business principles of Sandoz.

We give priority to business partners, suppliers and undertakers that comply with the 3rd person code and share our social and environmental values. We certainly support your efforts to implement and develop these values in your activities.

Our expectations from the 3rd person suppliers:

- 1. Compliance with all applicable national laws, regulations and guidelines regarding the protection of the environment at every point where suppliers work, safety, health and labor applications
- 2. Creating an evaluation system (procedure, plan and performance metrics) to enable compliance with the articles above, that can implement them and that is open to continuous improvement and written certificates and documentation of every action taken in line with

Compliance with Laws:

1. Environmental applications: Our business partners are expected to work in an attitude that protects and sustains the environment as per the local and national laws in places they work.

2. Occupational health and safety practices:

Our business partners are expected to create a safe and healthy working environment for their employees as per the local and national laws everywhere they work.

- 3. Employment practices: Our business partners are expected to have fair and reliable employment practices as per the local and national laws wherever they work and treat their employees fairly.
- Free recruiting/employment: Guaranteeing that people are not employed by force, against debt or involuntarily and all the employees are employed and work of their own free will
- Not using child labor: Not using child labor complying with the locally valid work age laws and requirements
- . Minimum wage: Granting wages and other rights at or above the minimum wage determined by the law
- · Working hours: When working overtime is required, it is ensured that all overtime is done voluntarily and the deserved overtime wages are paid as per the laws.
- Not discriminating: Preventing discriminations based on race, color, age, gender, sexual orientation, ethnic origin, religion, disability, union membership or political
- Rude and inhumane behavior: Preventing physical violence, harassment or threats
- Freedom of federations/associations/unions: Recognizing the freedom of employees to participate in unions as per the valid local working guidelines and labor practices.







LABOR RIGHTS

- Employees
- Working Conditions
- Sandoz Employees' Rights
- Employment
- Employee Turnover
- Equal Opportunity at Sandoz
- Occupational Health and Safety





Employees

Twice a year, a **Global Employee Survey** is conducted in the Company, which is in line with the communication policy, enables dialogue between the Company and the employees and reveals the employees' thoughts about the Company. The survey is carried out considering employee loyalty factors. This survey, while revealing the strong aspects of the organization, enables to identify the improvement areas in the organization. All the responds to the survey are anonymous and confidential. Each employee can take part in this survey voluntarily. Sandoz tell that each opinion matters and creates a difference for the brand performance and encourage participation.

According to the results of the last Global Employee Survey conducted in 2009, the improvement areas in the organization were identified and accordingly working groups titled with main headings that need improvement were formed. Working Groups were titled: Management, Training and Development, In-house Processes, Communication Channels, Satisfaction with Work, Performance Management, and Authorization and Responsibility. Each working group is led by a person from the Human Resources, who shares his meeting notes with the participants after each meeting. These working groups making projects under the main titles specified aimed to improve the process and continued these operations until the end of 2010. At the end of the process, the working groups enabled the organization and employees to gain awareness in certain areas.

For the continuous development of our employees, the **Performance Management Process** follows a regular cycle every year. Corporate company objectives are determined at the beginning of every year to carry out operations. These objectives are used to turn corporate objectives into individual objectives used to measure individual success every year. **The Objective Determining Process** was carried out from January to March in 2010. During the objective determining period, employees' development plans are also identified and in this scope, our employees agree with their managers and enter their development plans in our online **Talent Management System**—TMS. After their development plans are determined, training plans are formed and our employees are enabled to receive training. For our employees who do not have computer access to the TMS system, development plans are made on paper. Every year the **Performance Evaluation Process and TMS reminding trainings** are carried out regularly. During 2010, the mean training duration was for the **White Collar** personnel **19 hours and** for the **Blue Collar** personnel **6 hours**.

In the scope of Performance Evaluation Process carried out every year, during the June/July period a mid-year performance evaluation was carried out with our employees, the stage, where our employees' objectives and development plans were, was controlled. In December, our employees and managers came together and held Performance Evaluation meetings and the performances and developments of our employees during 2010 were assessed.

The continuous development philosophy is supported by projects made in Sandoz Turkey. In 2010, a Business Academy Skill Pool Project was realized in our plants. The project is conducted by the Human Resources together with a consulting firm. The objective is to prepare skilled young people to management positions that may be open in the future and provide selected skilled people with development and training opportunities in the organization. The process is monitored with interim period follow-up meetings held every 6 months and the assessment done at the end of the process. With the 21 employees selected after the assessment process, trainings designed according to the need a one-to-one coaching process were initiated. Within the scope of the project, a total of 120 hours training was given on Coaching, Effective Presentation Techniques, Strategic Thinking and Planning.

As a part of spent the 'Customer Week' held from 07 to 11 June 2010 for the first time, the Commercial Operations Headquarters employees spend an entire day visiting physicians and pharmacists on the field with a Medical Advertisement Personnel. During the project, 73 employees from the Headquarters visited physicians and pharmacists in 23 cities around Turkey. The objective of this project is to allow all headquarters personnel spend a day with field workers and get a chance to get to know better about their work processes and to strengthen the in-house Communication.





Accordingly, at the end of the project, our Headquarters personnel learned more about the field dynamics and likewise, the field team learned more about the headquarters positions. At the end of the project, the headquarters personnel is given a survey to measure their field experiences. This practice is planned to be repeated every year.

Working Conditions

At Sandoz Turkey' the weekly working hours is 45 hours as specified in the law. The daily working hours of the Company are determined by the Company Management within legal limits and in line with the operational requirements, the regional conditions and the industrial standards.

The **Diversity and Inclusion** concepts give importance to the balance of work and personal life of the employees and aim to enable the employees to use their potentials and to obtain high performance. In this scope, in regions where working conditions allow the Company applies the **flexible working model.** e.g., at Ataşehir Headquarters, the working hours are 08.00-17.30. According to the Flexible Working hours, our employees at the Ataşehir Headquarters may prefer working from 07.00 to 16.30, from 07.30 to 17.00, from 08.30 to 18.00 or from 09.00 to 18.30.

Working during times that exceed the daily normal working hours and during the Week holidays, General Holidays (national and religious holidays) is defined as overtime. Overtime rates used to calculate the overtime wage is above the basic rates specified in the labor law and determined by the management. Overtime rates and working hours of the employees covered by the collective labor agreement are determined by an agreed decision with the union.

At Sandoz Turkey we care about the professional development of the employees. In this, in 2010 the **mean in-house and** outsource training hours per person were for White Collar employees 19 hours and for Blue Collar employees 6 hours.

Sandoz Compensation Philosophy is based on "Performance". Performance-oriented compensation is the connection between the employee's salary and the individual performance and his/her contribution in the organization. Once a year salaries are rearranged based on the individual performance, compensation positioning aimed in the industry and internal balances. Thus, equal and fair wage setting for the employees is ensured.

Besides, there is an "Reward and Recognition" principle that enables recognition, appreciation and rewarding of the success of the employees. The basis of our reward and recognition policy is the systematic determination of our employees/teams that add value besides the routine work processes. We have five different reward systems:

- 1. Motivation Rewards given to reward the financially immeasurable successes of the employees, example-setting performances and/or behavior in compliance with the Novartis/Sandoz values;
- 2. Performance Rewards given to employees who show an example-setting success toward attaining a specific objective;
- 3. Strategy Rewards given to employees/teams who have direct effect on the Company's attaining its strategies of the year;
- 4. Sandoz Stars rewarding the employees for their successes in their functions by the Functional Head;
- 5. Project Success Rewards granted to projects approved by the General Manager and the relevant Global Function Head.

In 2010 a total of 239 (25%) Sandoz Turkey employees are awarded with food, travel, cash and various gifts etc. With the reward and recognition system, we aim to increase the motivation, thus the loyalty of the employees to the Company







Sandoz Employees' Rights

In line with **Sandoz Diversity and Inclusion** approach, many evident and non-evident individual differences including age, ethnic origin, culture, language, nationality, experience and social interaction are valued at Sandoz Turkey and included in the organization. There have been no cases of discrimination in the Company and no cases have been carried to the court.

The organization recognizes the freedom of the employees to participate in unions and the right to collective labor agreement. As of December 2010, a **total of 194 employees are included in the scope of the collective labor agreement -** 134 being from Gebze Plants, and 60 being from Syntek Plants. The rate of the employees involved in the collective labor agreement is 20%.

In line with our position in the industry as being one of the leading pharmaceutical companies in the country, we take part in the comparative assessments of the pharmaceutical industry. Participating in the comparative assessments in the industry, we determine the positioning of our company in the industry especially in terms of salary and fringe benefits and revise the same every year. We use the evaluation results as data at the stage of determining the salary **and fringe benefits policy.** We also take part in comparative assessments conducted by international consulting firms every year and see our place among the corporate firms.

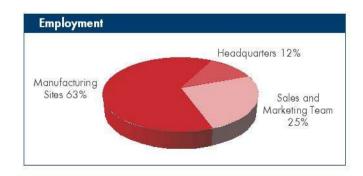
As part of fringe benefits, we provide our employees a private health insurance, life insurance, performance premium, sales premium for the sales staff and in addition, company car, cell phone, clothing aid, transportation aid, etc. for certain defined positions.

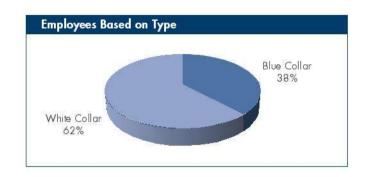
The balance between the work and private lives of our employees is very important for the motivation of the company and our employees. For this reason, Sandoz Turkey cares much about the personnel leaves. The **annual leaves** deserved by the employees are more than the durations specified in the labor law. For employees with seniority from 1 to 5 years - 18 business days, for employees working for 6 to 14 years - 24 business days, for employees working for 15 years and above - 30 business days are granted as annual leaves. Administrative leaves such as wedding, birth, death leaves are kept longer than the durations specified in the labor law.

Sandoz expects all of its employees to comply with the in-house procedures and rules. In the case of an incompliance, it encourages its employees to inform about the inappropriate behaviors in order to prevent negligences and to preserve its reputation. All employees are obliged to inform and complain about the defacto and suspicious incidents of corruption and abuse.

Employment

As of December 31, 2010, at the **3 manufacturing sites of** Sandoz Turkey the total number of employees is **612, at the Headquarters 115** and the number of **field force** employees is **240**. All of the Sandoz Turkey employees are full-time workers



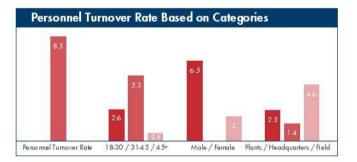


Employee Turnover

At Sandoz Turkey the personnel turnover rate of 2010 is 8.5%. Accordingly;

- The turnover rate of the employees aged 18-30 is 9.9%
- The turnover rate of the employees aged 30-45 is 7.9%
- The turnover rate of the employees aged 45 and above is 9.4%.
- There are not any employees aged below 18.
- In 2010 the turnover rate of the female employees is 8.3% and the turnover rate of the male employees is 28.1%
- At the manufacturing sites, the turnover rate is 3.9%, at Headquarters 12.2% and for the field team 18.6%.

These numbers we provide regarding the personnel turnover rate reveal the high loyalty of our employees to the company and the value the company gives to the employees very clearly.



Equal Opportunity at Sandoz

The top management cadre of Sandoz Turkey is formed by female managers by 44% and male managers by 56%. Of the entire management team including the mid level managers, 46% is formed by women and 54% by men









Occupational Health and Safety

As per the Labor Law no. 4857 and the regulations issued regarding this law, at Sandoz Turkey facilities **Safety** (Occupational Health and Safety) Committees are formed and convene at least once a month. As per the Regulation on the Occupational Health and Safety Committees, the assembly members are composed of the employer or employer representative, the occupational safety expert and engineer the office physician, the selected foreman or headworker, the union representative (if any) and the administrative personnel. The assembly shares a summary of the current year activities in the **Safety Committee** Annual Evaluation Report at the end of every year. At the beginning of each new year, a **Safety Committee Year** Planning document is prepared for that year, Safety Committee activities are managed in this framework and in compliance with the legislation of the Ministry of Labor

SANDOZ TURKEY SAFETY COMMITTEE 2010 REPORT of GENERAL EVALUATION

- The Safety Committee convened 12 times in the year of 2010 Occupation and health safety.
- The meeting minutes are in kept. The actions that were taken in the previous month's meeting has been followed in the evaluations section of the next report.
- · 2010 had zero time loss accidents.
- The research reports (root-caouse reports) of all of these lost time accidents, indicents and non time loss accidents have been prepared, the necessary actions have been completed.
- (The Infirmary) has submitted its annual report to the Ministry of Labor.
- Within the year the HSE (Safety, Health and Environment) Department has completely prepared the yearly training program of the HSE trainings and plan the trainings. 100% compatibility has been achieved during the program. All the personnel received the HSE training.
- All subcontractors in our field have been trained in technical security and orientation.
- A risk analysis shall be conducted for all the new equipment entering the site.
- Risk analyses shall be conducted for newly transferred products and new chemicals.
- Health Risk Assessment has been conducted, routine health surveillance of all the personnel has been conducted.
- For the PRORA (process risk analysis) studies, machinebased action plans have been prepared within the year of 2010.

- Regarding occupational exposure, noise measurements, chemical exposure measurements are conducted by us in the site.
- A building evacuation drill was performed.
- Trainings were conducted for the certified first-aiders.
- A first aid drill was performed with certified first-aiders.
- Routine notification meetings with the HSE attendants and HSE Coordinators.
- In our plants, the Civil Defense Trainings were conducted by Kocaeli City Natural Disaster and Civil Defense Commissioner for the Rescue Protection Fire and First-Aid teams.
- In our infirmary, EKG, total cholesterol, triglyceride, AKS and blood pressure tests were conducted first for our employees of above 40 years old, and then below 40.
- Smoking Cessation, First-Aid Methods trainings are conducted by ASM (Anatolian Health Center).
- · Flu Shots have been applied in our plant.
- Hygiene inspections were performed in cafeterias and facilities of the food production company.
- Several trainings were organized in order to establish the BBS (Behavior-Based Safety) system.
- Hepatitis B screenings were conducted on our employees, and when found necessary, people were vaccinated with 3 dosages.
- All employees went through eye screenings.
- The trainings of the Safety Committee members were completed.



ENVIRONMENT

- Resource Consumption
- Waste Disposal and Recycling
- Gas Emissions

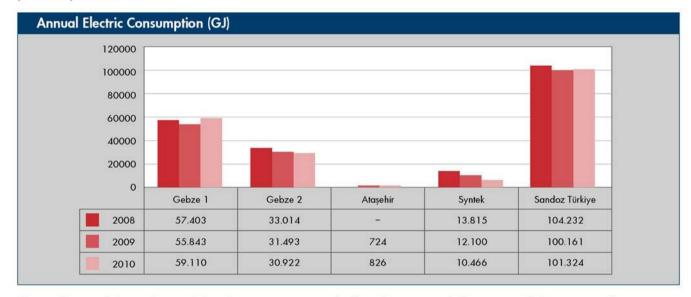




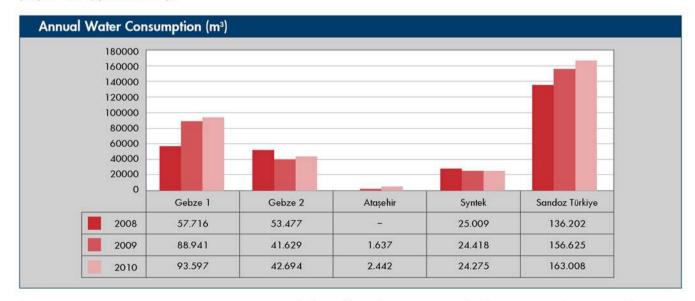
Sandoz has been maintaining its environment-sensitive works through all of its employees, covering all of its activities with the coordination of the HSE department. All environmental parameters, from efficient use of resources to minimum waste generation, from emission control systems to waste water discharge criteria, have been meticulously followed-up on, and this is placed among the performance goals.

Resource Consumption

The power consumption and water consumption data of Sandoz Turkey's 3 manufacturing sites and Headquarters in the last 3 years are presented below.



The production of the products with lengthy processing periods affects the amount of electricity used. Our energy efficiency projects are applied annually.



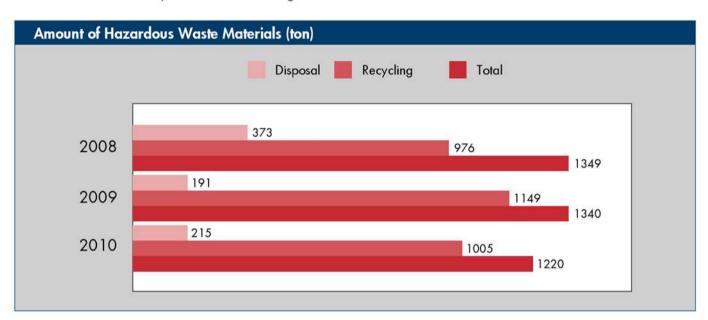
Utmost importance is given to water conservation in all of our plants. The main reason for the increase in the amount of water being used in Gebze 1 is the increase in the syrup production.



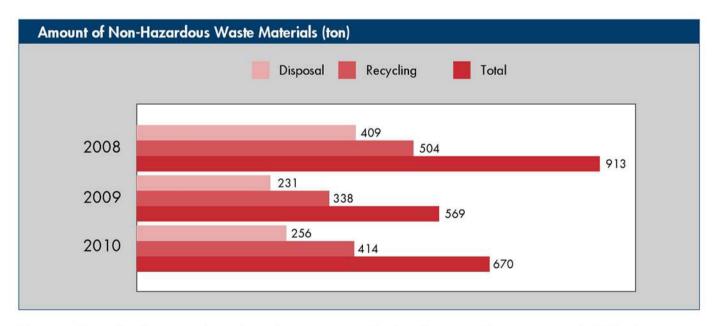


Waste Disposal and Recycling

2 types of waste materials are formed in Sandoz Turkey manufacturing sites - hazardous and non-hazardous. The total weights and end of these substances are presented in the following tables.



The hazardous waste materials are separated in the source, studies are currently being conducted devoted to reducing the waste amount as part of our HSE policy.



The reason for regular decrease in the non-hazardous waste materials is the efficient use of resources as per the HSE policy

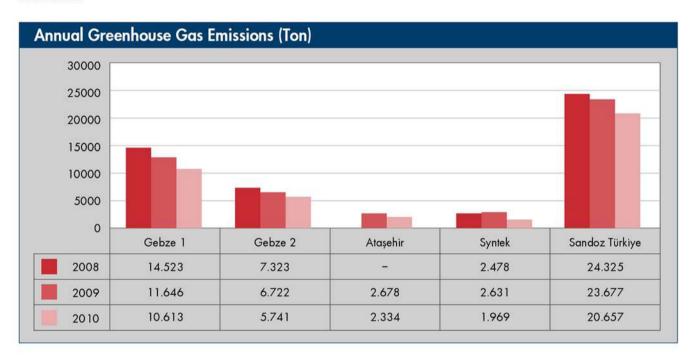






Gas Emissions

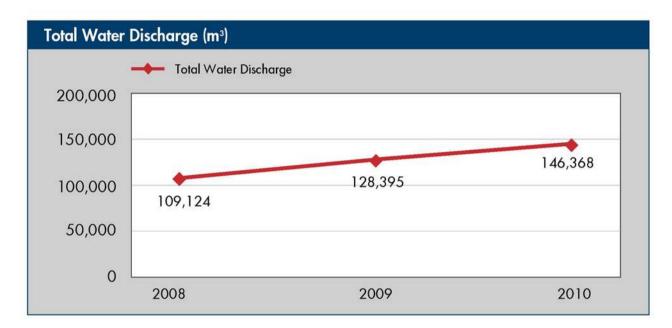
From Sandoz Turkey facilities, greenhouse gas emission caused by fuel and energy consumption occurs. The following table gives the emission amount released as per facility and year. A significant reduction is observed in the greenhouse gas amount in all locations.



Besides greenhouse gases, ozone consuming substances and other air gases are released in our manufacturing sites. All of these values are below the upper limits specified in the Ministry of Environment and Urbanism laws and regulators. The following table presents the detailed emission amounts

	Gebze 1			Gebze 2			Syntek			Sandoz Türkiye		
	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010
Ozone Consuming Substances (ton)	0,123	0,133	0,101	-		=0.	0,11	0,001	0,003	0,2	0,1	0,1
NO _x (ton)	1,727	1,678	1,847	4,73	5,26	1,18	0,6	0,51	0,44	7,1	7,4	3,5
SO _x (ton)	0,008	0,007	0,103	0,033	0,032	0,067	0,04	0,03	0,03	0,1	0,1	0,2
Dust (ton)	5,876	4,878	4,877	0,233	0,175	0,498	0,030	0,025	0,022	6,1	5,1	5,4
Volatile Organic VOC (ton)	43,69	50,99	68,51	2,194	2,460	3,112	229,1	204,7	226,6	275	258,1	298,3

The following table shows the water amount discharged from Sandoz Turkey facilities and the recovered part of it.



Waste waters discharged are treated in the wastewater treatment plant contained in the plant and discharged only after being reduced under limit values







FIGHT AGAINST CORRUPTION

Ethical Promotion and Marketing

Sandoz Turkey employees are informed to comply with the local laws and regulations as well as trade body guidelines and company procedures at product advertisements. All employees are trained about SP3 (Sandoz Promotional Practices Policy), one of the basic procedures of the Company. In addition, training is given via the internet through the electronic learning method and access to each information is offered on the intranet.

Field Force staff record all the materials used during the process on an internet-based recording system. Promotion gadgets and materials are prepared and approved in the company headquarters based on scientific proof.

All sponsorships and other supports are conducted fully transparently. This is performed to maintain high standards. To this end, periodical "self-assessment" processes are created

principles regarding the advertising, marketing and sales of Sandoz products all around the world and regulates the commercial relations of Sandoz with pharmaceutical warehouses, pharmacies, physicians and other healthcare professionals

The SP3 Procedure was adopted and accepted by the **Sandoz Executive Committee** and Global SP3 Committee to set global standards on advertising, marketing and sales of Sandoz products.

Each employee (excluding the warehouse, manufacture staff) is subject to the **SP3 training** at recruit. The SP3 coordinator is responsible for providing these trainings. In addition, a program is prepared to revise the training every year. When etraining is activated, these trainings may be monitored electronically. The SP3 coordinator follows the completion process of these trainings



ANTI CORRUPTION

• Ethical Advertising and Marketing

Sandoz Promotional Practices Policy

SP3 (Sandoz Promotional Practices Policy) covers all the

- Providing benefit to patients All promotional practices and activities should be for the benefit of patients, ethical and balanced.
- 2. Information about the product Regarding the information given about products, the requirements and needs of the patients and healthcare professionals should be taken into consideration and this information should be based on the product details approved by the official authority.
- 3. Sponsorship Sponsorship relations should be explicitly expressed and the primary sole purpose of the sponsored meetings and events should be to promote or support the Sandoz brand or to present scientific details.
- 4. Entertainments Entertainment activities should be proper and balanced and should be secondary to the basic purpose of the relevant meeting and comply with this purpose. The relevant provisions of the SP3 Procedure give reference to advertising activities and studies conducted for the physicians and other healthcare professionals. Entertainment activities to be conducted for persons and organizations other than healthcare professionals in the scope of this SOP shall comply with the local legislation.
- 5. Gifts should be of a reasonable value and modest, should have a educative value or for occupational purposes.

- 6. Gaining personal interests against prescription is strictly forbidden.
- 7. Samples should be available and distributed to introduce a product to healthcare professionals or to support a launching or to increase and extend market penetration and to provide both patients and healthcare services system with benefits.
- 8. Field Force Staff should be trained properly and know the product details.
- 9. Post-approval experiment studies and in addition, service or consulting contracts signed with healthcare professionals should comply with the relevant guidelines and instructions as well as the local legislation.
- 10. Paying wages to healthcare professionals should only be made against their actual, reasonable and necessary services. No interests may be offered or provided to healthcare professionals to affect their decisions to prescribe, prepare and give, recommend, purchase, supply and procure or administer products.
- * Third persons working and giving service on behalf of Sandoz shall be obliged to comply with the principles regulated with this procedure.



SANDOZ TURKEY



SUSTAINABILITY GOALS

- Human Rights
- Labor Rights
- Environment
- Fight Against Corruption





SANDOZ TURKEY SUSTAINABILITY GOALS

HUMAN RIGHTS:

- Increasing the corporate citizenship trainings towards human rights to 95%, in order to raise awareness among our employees about human rights.
- To inform all authorized suppliers of Sandoz 3rd Person Code and evaluate the performances of them
- To realize sustainable social responsibility projects on the Community Partnership Day and to increase the number of employees who take part in these projects

LABOR RIGHTS:

- To keep the rate of female managers at the 2010 level
- To reduce the personnel turnover rate
- To identify improvement areas according to the results of the Global Employee Survey and to take necessary actions
- To ensure no time loss accidents happen.
- To conduct building evacuation drills, first-aid drills with certified first-aiders, and fire trainings.

ENVIRONMENT:

- Reducing the VOC emission to 110 tons annually for the Syntek Plant.
- To maintain the efficient use of the resources
- To keep the environmental effect in the minimum

FIGHT AGAINST CORRUPTION:

- To maintain the marketing activities in full compliance with the promotion rules
- To train the new employees in Corporate Citizenship Codes of Conduct, Sandoz Promotional Practices Policy (SP3) and Conflicts of Interest; and to renew each year the Sandoz Promotional Practices Policy and Conflict of Interest, and every other three years the Code of Conduct trainings for the existing employees.











As Sandoz Turkey, we will be glad to receive your feedback regarding the Communication on Progress 2011. For all your queries, opinions or recommendations, you can contact Suna Erkal Varal, the Communications Manager responsible for preparing the report, via her electronic mail address [suna.erkal@sandoz.com].

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