

KOÇ GROUP
CORPORATE SOCIAL RESPONSIBILITY REPORT
2006-2007

 **Koç**

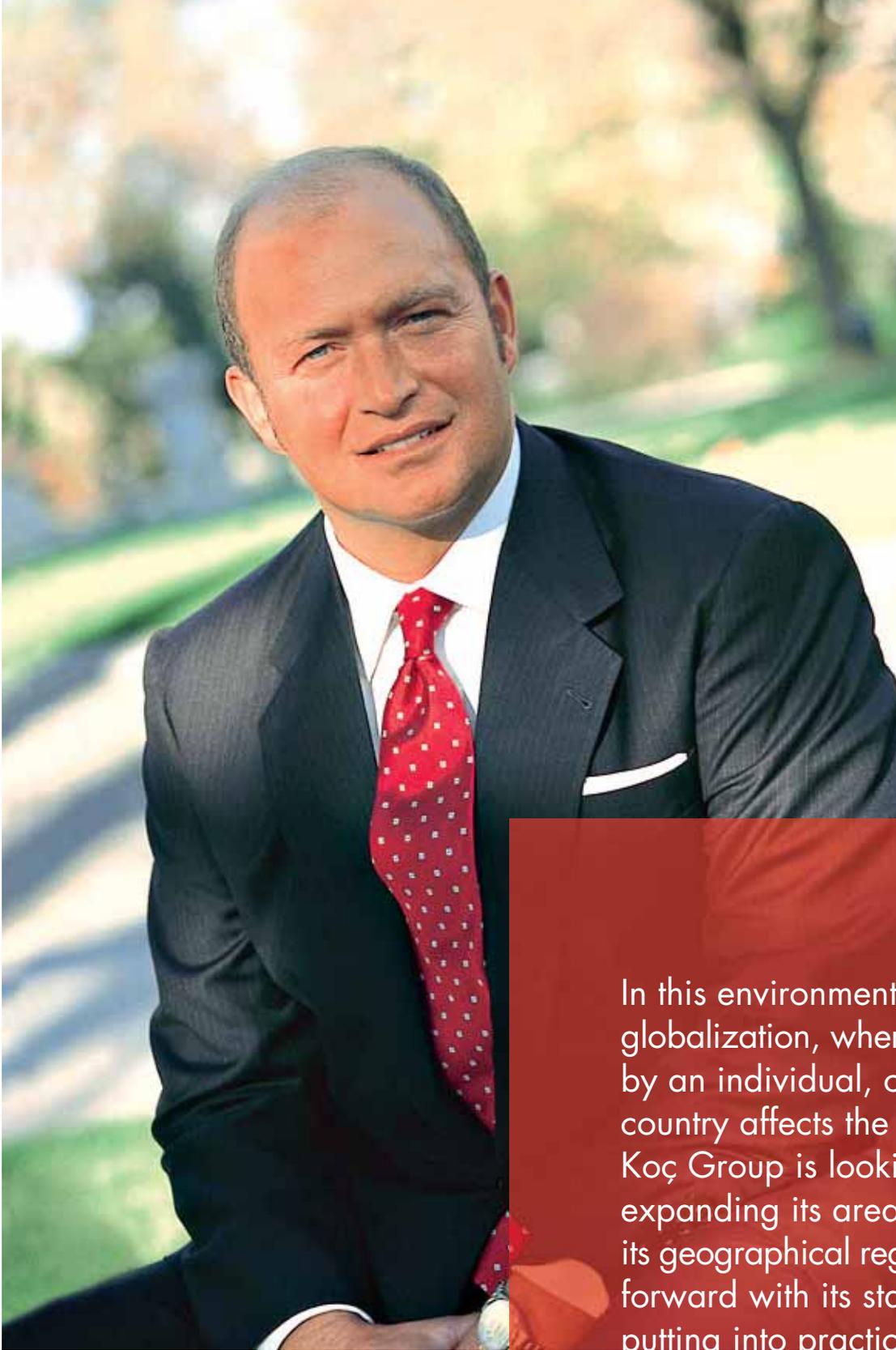


KOÇ GROUP CORPORATE SOCIAL RESPONSIBILITY REPORT 2006-2007

- 3 Message from the Chairman
- 4 Message from the CEO
- 10 Scope of this Report
- 11 A Global Player: Koç Group
- 16 Social Responsibility at Koç Group
- 29 Respect for Human Rights at Koç Group
- 33 Working Environment at Koç Group
- 39 Environment Friendly Practices at Koç Group
- 47 Ethical Values at Koç Group
- 49 Global Compact



We, **Koç Group**, with all our people, aspire to ensure customer satisfaction and **sound growth** by providing **products** and **services** of universal quality and standards. We are committed to being a symbol of **trust**, **continuity** and **esteem** for our country, customers, shareholders, dealers, and suppliers.



In this environment and process of globalization, where one step taken by an individual, corporation and country affects the entire world, Koç Group is looking forward to expanding its area of influence in its geographical region and to move forward with its stakeholders in putting into practice the principles of the Global Compact.

Mustafa Koç

Koç Holding

Chairman of the Board of Directors

■ Message from the Chairman

Concepts conveyed by relatively 'newer' terms such as 'corporate citizenship' and 'social responsibility' were expressed by Vehbi Koç many years ago in a thorough and concise phrase: "I live and prosper with my country".

DISTINGUISHED STAKEHOLDERS,

When I signed The Global Compact in 2006 at a ceremony in the presence of the then UN Secretary General Kofi Annan, I was sure of something very important. The principles embodied in the Global Compact were an integral part of the way we did business since the day Koç Group was founded. This was the result of our founder Vehbi Koç's patriotism, sense of responsibility, wisdom and vision.

Concepts conveyed by relatively 'newer' terms such as 'corporate citizenship' and 'social responsibility' were expressed by Vehbi Koç many years ago in a thorough and concise phrase: "I live and prosper with my country".

Koç Group is a significant driving force of this country with its combined turnover that is roughly equivalent to 9% of the GNP, its exports of almost \$11.8 billion in 2007, its investments that reached \$2 billion in 2007, and an impressive workforce of 90,000 employees in the Group.

The following words of Vehbi Koç have always been the Group's guiding principles in the exciting journey the Group started in the early days of the Republic of Turkey:

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

These are the very principles embodied in the Global Compact expressed many years ago in different words.

We have come this far with this awareness and we work to reshape the future of our country with the same awareness. We fulfill this responsibility by investing what we earn in our country, the initiatives we take for the development of new industries, forming sectoral associations and with our global brands. We extend to other areas, the awareness of being one of the driving forces of this country in economic development, one of the most important elements of social responsibility.

Moreover, Koç Group places great importance on responsible business operations that enable our activities to be systematic, productive, sustainable and innovative. The innovations we include in our product range and the services we offer have enabled the Group to develop a responsible approach to global warming.

Additionally, the substantial investments we have made since the Group was founded in a wide range of areas including education, health, culture, arts and environment are a consequence of our social responsibility perspective and have provided and will continue to provide significant contributions in areas in which there is an acute need.

Today, enterprises acknowledge the need to be more sensitive towards corporate social responsibility. This is a very positive development. Assuming that someone else will take responsibility for the resources we collectively use will limit the impact of positive initiatives. Cooperation and joint initiatives are necessary to ensure that each step is taken to be stronger and more effective.

Cooperation and joint initiatives can bring all elements in social networks to meet at a common denominator. We need the state, non-governmental organizations, private sector, professional organizations and academia to support each other in an effective dialogue along the lines of this country's realities in order to leave future generations a rich economic, social and environmental legacy. We can progress only in proportion with the progress achieved by the society we live in.

When we signed The Global Compact, our most important expectation and consequently goal was to share our new culture of doing business and social responsibility with the people around us and our stakeholders as well as within our own Group. In the current environment of globalization where one step taken by an individual, enterprise and even a country affects the entire world, Koç Group is looking forward to expanding its area of influence in its geographical region and moving forward with its valued stakeholders in putting into practice the principles of the Global Compact.

Regards,



Mustafa V. Koç
Chairman of the Board of Directors

Today enterprises acknowledge the need to be **more sensitive** towards **corporate social responsibility**. This is a **very positive** development.





Our basic philosophy is to contribute to society and to regard our development as an integral part of the development of society.

Dr. Bülent Bulgurlu
Koç Holding
CEO & Board Member

■ Message from the CEO of Koç Group

Koç Group, which became a driving force during the period of industrialization, introduced to Turkey aspects of modern life such as the first automobile, the first tractor, the first truck, the first refrigerator, the first washing machine, the first flash heater, the first compressor, the first LPG bottle and the first cable factory.

DISTINGUISHED STAKEHOLDERS,

The exhibition entitled 'Vehbi Koç-The Story of a Century' held at the Istanbul Rahmi Koç Museum on 26 February-23 March 2008 uncovers the significance of Koç Group in Turkey's history, and its parallel path to the Republic in a manner that hundreds of volumes could not achieve. The venture of Koç Group tells the story of Turkey's industrialization. The pride of bringing pioneering initiatives to the country starts with the founding of the country's first light bulb factory by the late Vehbi Koç in cooperation with General Electric. Koç Group, which became a driving force during the period of industrialization, introduced to Turkey aspects of modern life such as the first automobile, the first tractor, the first truck, the first refrigerator, the first washing machine, the first flash heater, the first compressor, the first LPG bottle and the first cable factory.

Koç Group's pioneer position in Turkey and its decisive role in the country's economic development are continuing at great speed, as was the case in its founding years. The Group is either the leader by a large margin or competing aggressively to become the leader in the industrial sectors it operates in. The launch of Linea and MiniCargo, the new Doblo agreement, capacity and production increases at Ford Otosan, Otokar's tank project are developments that have further strengthened our leadership position in the automotive sector. Arçelik continues on course as not only a Turkish brand but also a global brand with its production facilities set up in Russia last year and in China this year. In the energy sector, the Group is aiming for regional leadership with the dual-centered structure formed under the Tüpraş-Aygaz umbrella. In banking, we have put in place a growth strategy aiming to reach 1,000 branches in 2009.

The Group's turnover is equivalent to 21% of Turkey's top 500 industrial enterprises' turnovers. According to the data issued by ISO (Istanbul Chamber of Industry), the employment provided by 20 Group companies within Turkey's top 500 makes up 5% of the entire employment of these companies, which in itself is a very significant indicator. The Group's combined turnover is equivalent to approximately 9% of the country's GNP.

Conscious of the importance of **social responsibility**, and its leading role in the society, the Group **invests** predominantly in **education, health, culture, arts and environment**.



The Group also accounts for 11% of the country's total exports and 12% of all tax payments.

US-based Boston Consulting Group (BCG)'s "The 2008 BCG 100 New Global Challengers" list included Koç Holding as the largest enterprise from Turkey. The China International Institute of Multinational Corporations (CIIMC) cited Koç Holding among the most competitive international companies in China. Koç Holding was included for the first time among the world's most admired companies from 25 countries in a study carried out by the Hay Group in collaboration with Fortune magazine. Koç Holding ranked 736th among 2,000 companies in the world in R&D investments.

In addition to these accomplishments in business, the Group is also a pioneer in social responsibility and corporate citizenship.

Conscious of the importance of social responsibility, and its leading role in the society, the Group invests predominantly in education, health, culture, arts and environment. We are encouraged by the fact that any investment we make in these areas fills a void in our country's development. Contributing to society and considering our growth as an integral part of the development of our society, constitute our basic philosophy.

The leadership of the late Vehbi Koç, the founder of Koç Group, in social responsibility is personified in the **Vehbi Koç Foundation**. This foundation is among the most significant foundations in Europe with its undertakings to date and assets in excess of \$1 billion. Efforts in supporting the nation's cultural heritage were recognized by the **Hadrian Award** granted to the Koç Family by the World Monument Fund.

On another front, Koç Holding develops projects that involve Koç Group at large. One of these projects called '**For My Country**' is a grassroots project that encourages all affiliates of the Group to address local needs. Another project is '**Vocational Education: a Crucial Matter for the Nation**', a social responsibility project intersecting both education and employment issues. These are projects that deserve to be cited as models at national and international platforms. In addition, there are numerous projects by individual Group companies, details of some of these projects will be provided further on in this report.

The Group is extremely sensitive about the environment in its production processes in parallel with its sense of responsibility towards our planet. The Group shaped its product range by adopting a sensitive stance on the issue of global warming, the gravest problem of our age.

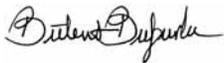
Arçelik's award winning energy saving products, Otokar's hybrid bus, Tüpraş's investment in environment-friendly low sulphur fuel, as well as the wind power project aiming to reduce air pollution and use natural resources efficiently, are among successful examples in this area.

The Group's perspective of corporate citizenship is focused on efficiency and being proactive in risk management. The Group's way of doing business and its outlook on its resources are based on this premise. Koç Group aims to use limited resources effectively and prudently and to produce lasting value through a sustainable approach.

This approach coincides with the framework envisaged in the Global Compact. As a signatory of the Global Compact, the Group plans to take up this approach in a more systematic manner. In the initial stage, we are mapping the current stance across our companies, in order to give us a picture of the areas to be followed up in a more focused manner supported with more systematic data.

In this report, you will find examples of best practices in the Group that we aspire to extend gradually throughout the Group companies. It may not be realistic to expect the Group enterprises in widely divergent industries at different scales to adopt these practices in the short term. However, through several initiatives that serve this goal, the Group continues its efforts with great enthusiasm to reflect this change of culture in different areas and the society at large. The efforts of the Group are just a beginning, but change must start somewhere. It is a process that is worth trying. Change requires patience and discipline until it becomes a life style. I invite all of our stakeholders to share this process with us.

Sincerely,



Dr. Bülent Bulgurlu
Koç Holding
CEO & Board Member

The Group's perspective of **corporate citizenship** is focused on **efficiency** and being proactive in risk management. The Group's way of doing business and its outlook on its resources are based on this premise. Koç Group aims to use **limited resources** **effectively** and **prudently** and to produce **lasting value** through a **sustainable approach**.



Scope of this Report

This report covers **2006 and 2007**

PROJECTS INCLUDED IN THE REPORT

- Projects undertaken by Koç Holding
- Joint work undertaken by the Vehbi Koç Foundation, its affiliates and NGOs supported by the Group
- Projects and best practices by Group companies Arçelik, Aygaz, Ford Otosan, Koçtaş, Migros, Opet, Otokar, Tofaş, Türk Traktör, Tüpraş and Yapı Kredi

www.koc.com.tr

You can access our Corporate Social Responsibility Report at our web site.

gc@koc.com.tr

E-mail address for your suggestions and comments.

We, Koç Group, aspire to ensure customer satisfaction and sound growth by providing products and services of universal quality and standards. We are committed to being a symbol of trust, continuity and esteem for our country, customers, shareholders, dealers, and suppliers.

This is Koç Group's first Corporate Social Responsibility report covering 2006 and 2007. In this report, in line with its social sensitivity, the Group wishes to share with the public, activities accomplished by working with its stakeholders with the aim of helping individual development, playing a role in the development of the local economy, pioneering in the protection of the environment, and rendering the Group's economic development sustainable.

In addition to the projects undertaken by Koç Holding, the report includes the activities of the foundations within the Group. The report also covers the economic, social and environmental projects of Group companies Arçelik, Aygaz, Ford Otosan, Koçtaş, Migros, Opet, Otokar, Tofaş, Türk Traktör, Tüpraş and Yapı Kredi.

A case-based approach has been adopted for the work in 2006-2007. Prominent projects have been selected since it would be impossible to include all current or completed Group activities in the area of sustainable development. To obtain information about all of our activities, please visit www.koc.com.tr, as well as the web sites of the above-cited companies and the Group's foundations.

You can access our Corporate Social Responsibility Report on the web site www.koc.com.tr in pdf format and contact us at gc@koc.com.tr for any feedback.

This first Corporate Social Responsibility Report is also the first "Communication on Progress" report to be released following the Group's signing of Global Compact. Since the Global Compact has been signed, there have been efforts to create common awareness in the Group companies, to revamp policies, and ensure the widespread implementation of best practices.

Initiatives have been started to gather more data across the Group, as well as from our stakeholders, to support reporting with systematic data in the years to follow, to set measurement targets and to achieve these target indicators.



A Global Player: Koç Group

Koç Group is steadily moving towards the goal of achieving globally what it attained locally; it is among the leaders and strongest players of the sectors it operates in.

Koç Group at a Glance

Koç Group has left behind 80 years in the journey that started in Ankara in 1926 with Vehbi Koç's entrepreneurial spirit. Koç Group, a big family with 90,000 members, is a driving force in trade, industry and services and is the leader, rather than a follower, in every sector it operates in.

Education



- Koç University
- Koç Elementary and High School
- Koç Elementary Schools
- Scholarship Programs

Vehbi Koç Foundation:
Net worth exceeding
\$1.2 billion



VEHBI KOÇ FOUNDATION

 **Vehbi Koç Foundation**

Health



- American Hospital
- MedAmerikan Polyclinic
- Nursing Fund
- Semahat Arsel Nursing Education and Research Center (SANERC)
- Koç University School of Nursing



Rahmi M. Koç Museum and Culture Foundation

- Rahmi M. Koç Museum, Istanbul
- Çengelhan Rahmi M. Koç Museum, Ankara

Culture and Arts

- Sadberk Hanım Museum
- Suna - İnan Kırac Research Institute on Mediterranean Civilizations (AKMED) and Kaleiçi Museum
- Center of Vehbi Koç and Ankara Researches (VEKAM)



Automotive

Main Companies
Ford Otosan*
Tofaş*
Türk Traktör*
Otokar*
Otoyol
Otokoç

International Partnerships

Ford Motor. Co.
Fiat Auto S.P.A.
Case New Holland
Iveco
Yamaha

Domestic Market Position

1st in passenger cars
1st in commercial vehicles
1st in farm tractors
1st in total automotive
1st in automotive retailing

KOÇ GROUP



Consumer Durables

Main Companies

Arçelik*
Beko Elektronik*
Arçelik-LG
Artic
Blomberg
Elektra Bregenz
Grundig

International Partnerships

LG Electronics

Domestic Market Position

1st in refrigerators, washing machines, dishwashers and ovens
1st in TV sets
1st in Air Conditioners

Finance

Main Companies

Koç Financial Services
Yapı Kredi Bank*
Koç Allianz Insurance
Koç Allianz Life and Pension
Yapı Kredi Insurance*
Yapı Kredi Pension
Yapı Kredi Leasing*
Yapı Kredi Investment Securities
Yapı Kredi Factoring
Yapı Kredi Portfolio Management
Koç Consumer Finance

International Partnerships

UniCredit
Allianz
Tokyo Marine

Domestic Market Position

4th in banking**
1st in credit cards
1st in non-life (elementary) insurance and individual pension
1st in Mutual Funds
1st in leasing and factoring

Food and Retail

Main Companies

Migros*
Koçtaş
Tat*
Düzye

International Partnerships

B&Q
Kagome Sumitomo
Kaneka Seeds

Domestic Market Position

1st in FMCG retail
1st in construction markets

Energy

Main Companies

Tüpraş*
Aygaz*
Opet
Entek
Mogaz

International Partnerships

Statoil

Domestic Market Position

1st in refining
1st in LPG distribution
4th in petroleum products distribution

Other

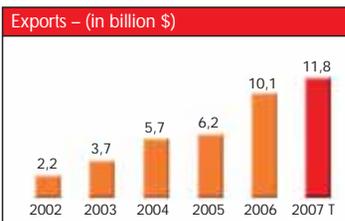
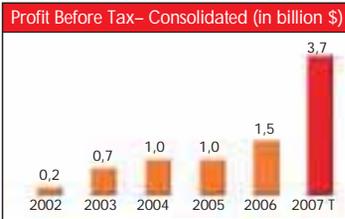
Principal Companies

Koç Sistem
Koçnet
Setur
Mares*
Palmira
Setur Marinas
RMK Marine
Demir Export

Position in domestic market
Highest capacity in marina operations

*Publicly traded corporations
**Among private banks, based on asset size

“There is no shortcut
to long term success.”
RAHMI M. KOÇ



Koç Group has left behind 80 years in the journey that started in Ankara in 1926 with Vehbi Koç’s entrepreneurial spirit. With its consolidated turnover of \$39.5 billion, the Group is focusing on the automotive, finance, durable goods and energy sectors which demonstrated a high growth potential and offered a strong competitive edge in 2007. Koç Group, a big family with 90,000 members, is a driving force in trade, industry, and services, and is the leader in every sector it operates in. Now a global player, Koç Group is steadily moving towards the goal of achieving globally what it attained locally; it is among the leaders and strongest players of the sectors it operates in. To quote Koç Holding’s Honorary Chairman Rahmi M. Koç, “There is no shortcut to long term success.” The Group’s Goals and Principles placed on the walls of many Group companies, distributors, authorized services and the employees indicate not only the commercial but also the ethical and human aspects of this process. The Group has chosen to exist not ‘in spite of people’ but together with its employees, customers, and citizens, in short, ‘with people’. It aims to effectively use technology and modern management practices in every stage of the service chain and create synergies.

KOÇ GROUP IN BRIEF

- Consolidated turnover of \$39.5 billion
- Ranks 190th among Fortune 500
- Among Fortune’s “World’s Most Admired Companies”
- Focuses in four main sectors where it is the leader or competes for leadership: Automotive, Durable Goods, Energy and Finance
- Around 90,000 employees throughout Turkey.
- Network of over 15,000 distributors, agencies, branches and services.
- Exports to more than 100 countries and operates in 30 countries.
- Total exports make up 11% of Turkey’s total exports.
- Koç Holding and its 17 publicly traded affiliates make up 16% of the companies listed on the Istanbul Stock Exchange by the end of 2007.

Our Values

We, at Koç Group, aspire to ensure customer satisfaction and sound growth by providing products and services of universal quality and standards. We are committed to being a symbol of trust, continuity and esteem for all our stakeholders: our customers, shareholders, dealers, and suppliers.

Our Customers are the focus of everything we do.

Our top priority is to create value for our customers; to respond promptly to their expectations with quality. It is our duty to take responsibility for our products for the long term.

To be “the best” is our ultimate goal.

To be the best in quality, service, supplier, and dealer relationships; to offer the best investment opportunity for our shareholders; and to sustain this reputation are our primary goals. To achieve these goals we are committed to managing our businesses to be the leader in the market.

Our most important asset is our people.

The quality of our products and services is based on the quality of our people. For the continuity of Koç Group, we follow a policy of recruiting the best people, and providing opportunities for development and advancement. To fully utilize the talents,

strength, and creativity of our people, we create a work environment which nourishes increased productivity, cooperation, and solidarity.

Creation of wealth for continuous development is our key objective.

Creating value for our shareholders is a guiding principle to assure continuity of service, investments in the future and to encourage and leverage small and large savings; and allocating resources from our operations to create value and to ensure efficient utilization of all resources with a view to support the economic and social development of our people and our society are our key objectives.

Honesty, integrity, and superior business ethics are the foundations of our business conduct.

We conduct our business based on good intentions, mutual benefit, and fair treatment in all our relationships. We are committed to conforming at all times to the highest ethical and legal standards. We are a leader in serving our society and safeguarding the interests of future generations. Protection of the environment and promotion of a higher level of environmental awareness are our duty to both our country and our planet.

**“This is my code:
I live and prosper with
my country. As long as
democracy exists and
thrives, so do we.
We shall do our utmost
to strengthen our
economy. As our
economy prospers, so
will democracy and our
standing in the world.”**

VEHBI KOÇ



Social Responsibility at Koç Group

Koç Group strives to create awareness and reach the masses in education, health, culture and arts - the most fundamental necessities of life -, for a modern and developing Turkey.



Vehbi Koç Foundation

“As Koç Group was growing, two big goals emerged in my mind. The first was to reorganize our companies, the result of long years of work, in a way that would render them sustainable and productive. Therefore, we founded the holding company.

My second goal was to institutionalize our social services and donations and to make them sustainable after I am gone. This second goal was realized when I founded the Vehbi Koç Foundation.”

VEHBI KOÇ

In order to understand Koç Group’s perspective on social responsibility, one needs to start with its founder, Vehbi Koç’s vision. Many of the enterprises he founded were based on creating economic value and creating “something” out of “nothing” in a newly founded country. His perspective on social responsibility is in the same vein. Anticipating the yet non-existent needs and laying the foundations for enterprises even industries to meet those needs, Vehbi Koç displayed the same insight in determining the needs of Turkish generations that would emerge as the society grew, in developing solutions for these needs and in putting solutions into practice.

In light of the “I live and prosper with my country” philosophy, he set aside part of his revenues for social investments. However, Vehbi Koç’s concept of social responsibility extended beyond “philanthropy” to giving direction to society; he institutionalized these efforts and became the pioneer of nongovernmental

organizations in Turkey. In this framework, he set up his own foundation and led the way in setting up several other foundations. Foundations like TEMA Foundation, Turkish Education Foundation (TEV), The Educational Volunteers Foundation of Turkey (TEGV) and the The Turkish Family Health and Planning Foundation (TAPV) which play important social roles in areas ranging from education to health, family and the environment carry the signature of Vehbi Koç at their bearings. This has been a legacy for the Koç Group to follow. The family and the companies establish, own and support third sector organizations. The Group companies and Koç Holding continue to improve operations while the foundations continue their social responsibility activities. Examples of these focused efforts which have become a part of the Group’s daily work and which coincide with the Group companies’ activities in the area of making an impact on society will be discussed further on in this report. These projects and the Vehbi Koç Foundation form a complete picture.

The first large private foundation of the Republic of Turkey, Vehbi Koç Foundation

Vehbi Koç Foundation
is supported by
regular funds allocated from
the Koç Family funds and
Koç Group revenues.



(VKV), was founded on January 17, 1969, by Vehbi Koç. VKV started its work with an endowment when Vehbi Koç donated 8% of the shares of Koç Holding. In time, the regular donations made by Vehbi Koç and other members of the Koç Family increased the Foundation's net worth substantially. VKV provides a substantial part of its services through non-profit organizations in education, culture and health, and these organizations are sustained by special funds set up by the Foundation. Vehbi Koç Foundation ranks among the largest foundations in Europe and in the world based on its assets.

Vehbi Koç Foundation is a reflection of social responsibility. Working on education, health, culture and arts - the most fundamental necessities of life - for a modern and developing Turkey, the Foundation inspires many philanthropists since it was founded.

Education

- Koç University
- Koç Elementary and High School
- Koç Elementary Schools

The Foundation built 13 primary schools in support of the eight - year primary education system in different regions of

Turkey on the occasion of the 75th anniversary of the Republic of Turkey,

- Adıyaman Vocational Technical Training Faculty (Vehbi Koç Building)
- On-going primary school construction in Diyarbakır
- Ford Otosan Primary Education School in Istanbul Beyazıt and Kocaeli
- Scholarships to 8,000 students throughout their studies for the 'Vocational Education a Crucial Matter for the Nation' project

Supported projects:

- Ankara University Dormitory
- ODTÜ Dormitory
- Eskişehir University Library
- Sarıyer Vehbi Koç Foundation High School
- Private American Robert College Suna Kırac Hall
- Galatasaray High School - Suna Kırac Library
- Boğaziçi University Superdorm
- Thousands of scholarships since 1969, the year Vehbi Koç Foundation was founded

Culture

- Sadberk Hanım Museum
- Center of Vehbi Koç and Ankara Researches (VEKAM)
- Suna - İnan Kırac Research Institute on Mediterranean Civilizations (AKMED) and

Kaleiçi Museum
Sponsored projects:

- Istanbul Atatürk Library as a tribute to the 50th anniversary of the Republic of Turkey

Health

- American Hospital
- Nursing Fund

Founded in 1974 and managed by Semahat Arsel with a view to determining the problems of nursing in Turkey and finding feasible and lasting solutions to these problems.

- Koç University School of Nursing
- Semahat Arsel Nursing Education and Research Center (SANERC)
- Haydarpaşa Numune Hospital Vehbi Koç Emergency Medical Center
- MedAmerikan Polyclinic

Supported projects:

- Ankara Children's Hospital
- Vehbi Koç Eye Hospital

Vehbi Koç Award

The Vehbi Koç Award, which is a part of Vehbi Koç's heritage and which was initiated after he passed away, annually gives substantial financial support to distinguished individuals and/or enterprises in education, culture and health.



“The nations of the world are moving forward with giant strides in every field. In order not to be left behind in this race, we have the obligation to raise our young people and prepare them for the future in the best manner.”

VEHBI KOÇ

Supporting Education

One of Turkey's greatest advantages in the EU accession process is its young population. However, in order to exploit this demographic dividend fully, our young people must be given direction, educated well and transformed into a highly qualified workforce.

Education is the basis of the social responsibility concept inherited from Vehbi Koç. In order to become an information society, we need to raise individuals who generate knowledge, use technology and their skills, and thus create added value for themselves, their corporations and their country. With this awareness, Koç Group

focuses a substantial part of its corporate social responsibility initiatives on education.

Since it is obvious that society cannot progress without allocating enough resources for education, Koç Group contributed to social development by implementing numerous education projects in 2006 and 2007, as it did in previous years. This contribution to education continues through joint or individual efforts by Koç Holding, the foundations it supports, and its various sponsorships.

In 2007, Koç Holding opened 160 computer classes for 21 students each in 160 schools in various parts of Sakarya, one of the hardest hit provinces in the 1999 earthquake. Koç Holding provided a total

Koç University, the most significant investment of **Vehbi Koç Foundation** in the area of education, **marks its difference** with its strong academic structure, lively and colorful social environment, and diverse career opportunities after graduation.



of 3,381 computers to approximately 66,000 students in Sakarya within the framework of a Ministry of Education campaign in support of Computer-Aided Education.

Vehbi Koç Foundation (VKV) continued its work in education in 2007. While the foundation's scholarship budget for the 2006-2007 academic year was approximately \$3.5 million, this figure was \$5.3 million for the 2007-2008 academic year. Within the framework of the scholarship program, one of the most important activities of the Foundation since it was founded, over 5,000 vocational high school and university students were granted scholarships during the 2006-2007 academic year. This figure reached 6,929 in the 2007-2008 academic year.

Two of the educational establishments which are affiliated with the Foundation and each of which aims to be centers of excellence are **Koç University** and **Koç Private Primary School and High School**. In addition to these education centers, Vehbi Koç Foundation supports modern

education at 13 primary schools built in various regions of Turkey from Bursa to Şırnak, Bolu to Van. Adopting the "Build Operate Support" model in this effort, VKV brings together and provides training to the administrators of these 13 schools each year within the framework of the project entitled "**13 Schools Hand in Hand for Development**". Koç Group companies in these regions meet the schools' needs.

On September 20, 2006, Vehbi Koç Foundation opened the Adıyaman University Faculty of Education Vehbi Koç Building which provides education opportunities to nearly 1000 students. The **Adıyaman University Faculty of Education Vehbi Koç Building** hosts classes in Classroom Teaching, Social Sciences Teaching and Mathematics Teaching.

A multi-faceted education project entitled "**I Read and Play**" was launched at the end of 2006 by **Yapı Kredi** and **TEGV** (The Educational Volunteers Foundation of Turkey) to contribute to the personal and social

VKV Koç Private Primary and High School, one of the most distinguished schools in Turkey, was founded by Vehbi Koç Foundation in 1988 to raise self-confident, productive and creative individuals.



Aygan: The mascot of the Aygaz "Conscious Children Campaign"



Yapı Kredi - "I Read and Play Campaign"

development of primary school students. The project aims to develop the thinking, research, questioning and analytical skills of primary school students. The project, supported by Yapı Kredi and implemented at the 11 Education parks and 57 learning units of TEGV, aims to introduce the joy of reading to 50,000 students by 2010 with the help of volunteer teachers including renowned academics.

Koç Group companies Aygaz and Otokoç support the **Firefly Mobile Learning Units**, another TEGV project. The project aims to introduce computers to 7-16 year olds and to support their personal development through activities such as drama and reading. In 2006, Otokoç and Aygaz reached approximately 104,000 children with their mobile vehicles.

Many education projects that Koç Group undertakes continued also in 2007. With

"**Conscious Children Campaign**", Aygaz aims to inform primary school students about how they should act in the event of accidents at home or at school, earthquakes, road accidents and fire. To date, a total of 310,000 children have been reached through training and the free-of-charge "Careful Children Play".

The project "**Joining Hearts in Education**" launched by Arçelik in cooperation with the Ministry of Education aims to raise the educational and developmental standards of children who are from financially disadvantaged families and who go to school at the Regional Primary Education Boarding Schools. The goal is to have self sufficient and active individuals who will set examples for the society to which they contribute. The program is based on individual development and is supported by scholarships as well as "Our Rooms" furnished with books, toys and other supplementary materials to aid the students who are away from their families.

"Assisting in the development of young people is a debt we owe to humanity and to this country, because we believe in, and work for the future of Turkey."

VEHBI KOÇ



Aygaz Firefly Mobile Learning Unit



Kocaeli Ford Otosan Primary Education School

The program reached 115,000 students in 142 Regional Primary Education Boarding Schools in 30 cities in 2007. At the end of the program scheduled to last eight years, Arçelik will have prepared for life, as Turkey's modern and self confident new generation, 200,000 students studying at around 300 Regional Primary Education Boarding Schools.

15,000 primary school students benefited from the Turkish and Mathematics CD campaign Migros organized for the 4th to 8th graders at the beginning of the 2006 school year to teach while entertaining.

Beyazıt Primary School, which was not fit for education due to the damage it suffered during the 1999 earthquake, was rebuilt for \$1.7 million by Koç Group company Ford Otosan under the protocol signed by Vehbi Koç Foundation and the Governorship of

Istanbul. The Beyazıt Ford Otosan Primary School rebuilt by Vehbi Koç Foundation sets a special example in that it contributes to another important area in the country's education. At the Beyazıt Ford Otosan Primary School, children of high intelligence are educated in a state school alongside their peers; approximately 150 of the 500 students are in this special category. The school provides education that meets modern standards and was built to withstand an earthquake that registers 9 on the Richter scale.

Moreover, thanks to a \$5.5 million fund provided under the leadership of the Vehbi Koç Foundation within the framework of the "100% Support for Education" campaign, Ford Otosan opened in the 2007 school year the Kocaeli Ford Otosan Primary School which was completed in Kocaeli in six months.



The Koç Group supports art and artists and creates awareness through many projects every year to protect historical and cultural heritage of the country.

Culture and Arts

The socio-cultural life of a country is just as important as its economic conditions for the country's progress and social development. Therefore, while contributing to the country's economy with economic activities, Koç Group also sets aside resources for culture and arts, other pillars of social development. Koç Group supports art and artists by protecting the country's historical and cultural heritage and creates awareness through many projects it develops every year. The Group aims to extend culture and arts to large groups of people through its activities ranging from archaeology to history, museum curatorship to modern art.

Aiming at perfection in its support for culture and arts, Koç Group developed meaningful projects that can leave a legacy to society and supported

initiatives to this end. One such project was the support of contemporary art, an art form that closely interacts with social issues, that is international, inclusive and close to the man on the street. Koç Holding and some Group companies became strategic partners to the Istanbul Biennale for the next ten years. Koçtaş supported the "Rüya Evi" (Dream House) project and Yapı Kredi gave support to arts with the "Gecegezenler" (Night Roamers) project.

For two consecutive years, Koç Holding has been supporting the children's musical "Sizinkiler-Dünya Kaç Bucak", which was staged for the first time in 2006 by Beşiktaş Culture Center Players and where renowned Turkish cartoonist Salih Memecan's cartoon characters feature. In 2006, the play went to 17 provinces reaching 100,000 children including those in Istanbul. In 2007, 54 performances were held in 25



Koç Holding - "Sizinkiler" musical for children

Turkey's first private museum **Sadberk Hanım Museum**, opened in 1980 in Sarıyer, Istanbul at the Azeryan waterside mansion, sets a precedent in its field, and is a pioneer with its collections and modern museum approach.



Sadberk Hanım Museum Ottoman Silk upholstery fabrics



AKMED

provinces. In two years, a total of 160,000 children had a chance to see the play. Students from less advantaged schools were encouraged to see the play. Children, parents, and teachers expressed the need for such plays and their pleasure in seeing the play in the play's memory book.

A major part of Koç Group's social responsibility activities in culture and arts are carried out by the Vehbi Koç Foundation. Sadberk Hanım Museum, Vehbi Koç and Ankara Studies Center (VEKAM), and Suna - İnan Kırac Mediterranean Civilizations Research Institute (AKMED) are affiliated with the Vehbi Koç Foundation.

Turkey's first private museum **Sadberk Hanım Museum** sets a precedent in its field and is a pioneer with its collections and modern museum approach. The museum, which opened in Sarıyer, Istanbul in 1980 at the Azeryan mansion, is named after the founder Vehbi Koç's wife and collector Sadberk Koç.

Vehbi Koç and Ankara Studies Center (VEKAM) continues its activities in one of the last vineyard houses in Ankara that belonged to Vehbi Koç. VEKAM's work concentrates on two main areas. The first is to classify visual and written documents about Vehbi Koç, and to make them available for researchers. The second is to study the history, and culture of Ankara and its environs, collect, compile, and publish written and audio-visual materials for research in these areas, and thus contribute to scholarly research. The Gedikoğlu Vineyard, which Vehbi Koç Foundation's Chairperson Semahat Arsel donated to the Vehbi Koç Foundation in 2007, welcomes visitors under VEKAM's management as Ankara Vineyard House.

Suna-İnan Kırac Mediterranean Civilizations Research Institute (AKMED) has been operational since 1996 as an international institute of culture. AKMED's main goals are to support scholarly studies and research about the research, documentation, preservation, repair of the historical,

Founded in 1994, **Rahmi M. Koç Museum** is the first noteworthy museum in Turkey dedicated to the history of transportation, industry and communications.



Rahmi M. Koç Museum



Aygaz Antonines Fountain Restoration



Aygaz Library

archaeological, ethnographic and cultural assets in and around Antalya, and the interpretation of relations along the entire Mediterranean coast.

Two museums are affiliated with the Rahmi M. Koç Museum and Culture Foundation. Founded in 1994, and situated along the shores of the Golden Horn in magnificent buildings that are leading examples of archaeological architecture, **Rahmi M. Koç Museum** is the first noteworthy museum in Turkey dedicated to the history of transportation, industry and communications. **Çengelhan Rahmi M. Koç Museum**, on the other hand, is in a magnificent historical building right opposite Ankara Fortress at the very heart of Ankara.

As well as supporting Koç Holding projects in culture and arts, Koç Group companies contribute to cultural values through various social responsibility projects and books.

Arçelik sponsored the international "Leonardo: Universal Genius" exhibition to take the values of "creativity and technology" to larger audiences. The works comprising

replica machines made from Leonardo da Vinci's original drawings considered masterpieces of engineering were displayed in Rahmi M. Koç Museum in 2006, and were visited by over 114,000 people.

In Ağlasun, Burdur, **Aygaz** is supporting the restoration of the Antonines Fountain, one of the most magnificent works of the antique city of Sagalassos. Aygaz is creating resources for the local economy and supporting the region's tourism through the excavation work and promotion of Sagalassos.

Nine books have been published within the framework of the **Aygaz Library** project since 1997. Children of the Ottoman Palace: Lives and Costumes of Princess and Princesses was published in 2006 and Treasures of Troy was published in 2007.

In 2006, **Migros** Children's Theatre enabled 25,400 children to see without charge a play on "love and the importance of friendship" in 8 provinces. Moreover, Migros organized a theatre festival in

The Gedikoğlu Vineyard, which **Vehbi Koç Foundation's** Chairperson Semahat Arsel donated to Vehbi Koç Foundation in 2007, welcomes visitors under **VEKAM's** management as **Ankara Vineyard House**.



Tribute to History by Opet



The Gelibolu (Gallipoli) peninsula, the scene of the Çanakkale (Dardanelles) Battle, has a rich historical heritage which brings thousands of visitors to the area. Infrastructure became a challenge in serving the 3 million visitors annually and local settings fell short of expectations. Cognizant of this problem, Opet improved the landscape around Alçıtepe, Seddülbahir, Bigalı, Kilitbahir, Büyük and Küçük Anafarta villages and the town of Eceabat to enable the historical and cultural features in these villages to be more visible and to give the region a facelift. The inhabitants of the region were

offered English lessons as well as training in small hotel management, cleaning and hygiene with a view to help local economic development. The village squares, museums, modern lavatories, renewed sale stands that were improved within the framework of the refurbishment project will revitalize tourism in the region and increase the villages' revenues. Opet also took on the construction of the Tribute to History Park and Open Air Museum. In 2007, Platin magazine gave the 'Those at the Top' social responsibility award to the Tribute to History Project.

12 provinces during the 23rd of April Children's Festival, and introduced 18,000 children to culture and arts.

The annual **Mobile Film Festival**, which **Yapı Kredi** organizes, and the fifth of which was held in 2007, visits different universities and enables university students to see award winning films free of charge.

Yapı Kredi Culture Arts Publications continued its efforts in 2007 to enrich the country's cultural and artistic life and to offer to the public contemporary, high quality, and unique arts events. These include around 200 books and five periodicals published by Yapı Kredi Publications, as well as 18 exhibitions at the Yapı Kredi Culture Center, various interviews, film shows, performances and nearly 500 different library and museum events and festivals.



Migros Children's Theatre



Community health starts with family planning, an area to which our founder the late Vehbi Koç gave great importance, and continues with mother-father-baby health in all sections of society.



Aygaz - Child and Adolescent Diabetics Association Enez Camp

For a Healthy Society

One area where there is an acute social need is health. Healthy individuals are the basis of healthy societies. Being healthy is a priority for personal fulfillment. Health has been an area of priority for Koç Group. Cognizant of the fact that both healthy and unhealthy living can be passed down generations, the Group contributes to the development of health through its support and projects. It is of utmost importance that this sensitivity is ingrained in the social consciousness. Community health starts with family planning, an area to which our founder the late Vehbi Koç gave great importance, and continues with mother-father-baby health in all sections of society. Undoubtedly, sustainable health necessitates that not only parents but also all sections of society act with determination and in a planned manner.

In 2007, we continued our social responsibility efforts at full speed with projects developed by both the Group companies and Vehbi Koç Foundation itself.

In order to help develop the profession of nursing, Vehbi Koç Foundation set up the **Nursing Fund** in 1974 under the leadership of the Vehbi Koç Foundation's Chairperson Semahat Arsel. In 1992, VKV founded the **VKV Semahat Arsel Nursing Education and Research Center (SANERC)**, which is the first and only institution in its field in Turkey. In addition to SANERC, VKV also founded the 4-year undergraduate institute called **Koç University Nursing College** in 1999. SANERC, which was brought under Koç University Nursing College in 2004, aims to address the problems in nursing and to provide feasible and lasting solutions for these; it supports training programs on a yearly basis in certain areas of specialization.

Koç Group undertakes many of its initiatives in community health through the **Vehbi Koç Foundation**. One of these initiatives is the **VKV Semahat Arsel Nursing Education and Research Center (SANERC)**.



Another investment in community health by the Vehbi Koç Foundation is the renovation of Istanbul Haydarpaşa Numune Hospital Road Accidents and Primary Care Services Polyclinic in 2002 and the establishment of an emergency medical center for up to 70 patients. Vehbi Koç Foundation renovated **Haydarpaşa Numune Hospital Vehbi Koç Emergency Medical Center**, at a cost \$3 million, to serve the city of Istanbul.

The First **Eye Bank**, founded in Ankara in 1963 with Vehbi Koç's support, and initiative, was renovated in 2007, and transformed into a modern eye hospital at international standards. Around 40,000 patients are treated annually at the **Ankara University Vehbi Koç Eye Hospital**, which is Turkey's first and only reference eye hospital, and has 38 rooms and 52 beds. Approximately 4,000 patients are operated on and 4,000 patients receive in-patient treatment annually in the four modern operating theatres equipped according to international norms. 13 instructors, 19 research assistants and three specialists work at the hospital. As the first and largest eye hospital of Turkey, it is also a source of hope for thousands of patients awaiting cornea transplants.

Group companies have been implementing various social responsibility projects in the area of health. **Aygaz's Moonlight Project** targets health centers where basic health services are provided in Turkey. The social responsibility project "**Moonlight: Light of Health from Aygaz**" was launched in 2006 on the occasion of the 45th Anniversary of Aygaz. In 2006, the vaccination rooms of 45 health centers in 45 provinces were refurbished. The project aims to raise the standards of vaccination rooms, the most frequently used parts of health centers, by fully renovating them and equipping them with the required materials. The new target of the project is "81 Health Center Vaccination Rooms in 81 Provinces" by the end of 2007. The Moonlight project was put into action thanks to the support of Aygaz's distributors and employees.

Aygaz also supported the Safe Motherhood Project launched by the Family Health, and Planning Foundation of Turkey (TAPV). Expectant mothers and new mothers in Istanbul, Düzce, and Diyarbakır were trained in maternal health, maternal care

and informed motherhood. Aygaz also supported the work of the Child and Adolescent Diabetics Association (ÇADD). Aygaz aims to find solutions to the social problems of diabetic children by collaborating with ÇADD in the preparation of the summer camp held annually in Enez, Edirne.

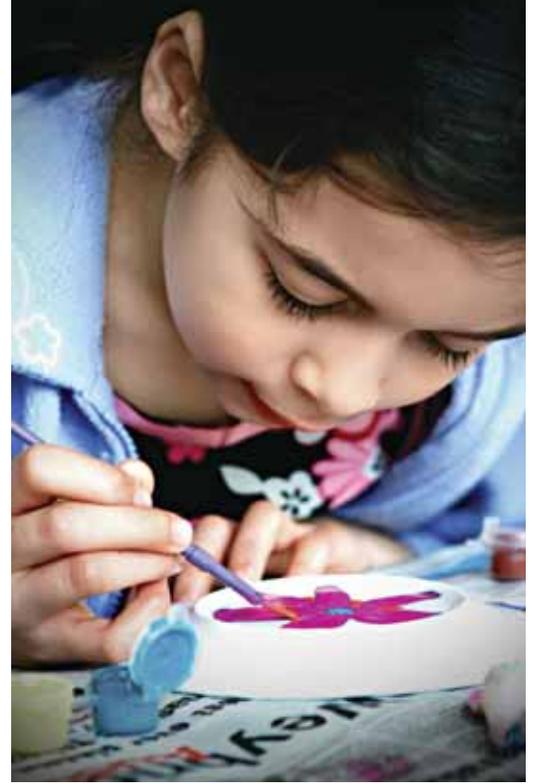
In 2007, **Migros** continued its initiative called "Health Starts at the Supermarket". The project aims to raise awareness of healthy living in the community. It intends to discuss healthy lifestyles and healthy diet habits under the leadership of dieticians.

Toilet hygiene became forefront agenda item under **Opet's Clean Toilet Campaign**. The importance of the issue was emphasized on many platforms, especially at Opet petrol stations. More than 100,000 students were trained in collaboration with the Ministry of Education. In response to the needs of the disabled, disabled toilet requirements, and standards were put in place at Opet petrol stations. Educational cartoons were produced and broadcast on TV channels.



Respect for Human Rights at Koç Group

Koç Group respects universal human rights and actively supports them.



Everyone has duties to the community in which alone the free and full development of his personality is possible.
(UN Universal Declaration of Human Rights, Article 29)



"For My Country" Science Park Project



Aygaz – Renovated health center in Burdur

Today consumers prefer products and companies which respect human rights and comply with social, environmental and ethical values. Employees prefer employers who are more responsible and responsive towards environment, society, and governance. Investors, on the other hand, find such companies more reliable and think that they act more prudently by analyzing risks better.

Koç Group also believes in protecting, and supporting human rights. It also commits that the Group companies will also respect human rights, and will not violate them. It implements, and improves policies that protect and support human rights, and encourages all of its stakeholders to comply with these policies. It also wishes to put this perspective into practice with its social responsibility projects.

"For My Country" Project

Koç Group has made an impact with

various social responsibility projects which put human rights at the core. Each year on the last Sunday of May, the "For My Country" day is celebrated since 2006 on the occasion of the anniversary of Koç Group. Koç Group employees, and distributors develop, and put in place various social responsibility projects in their provinces to fulfill their social responsibility to society. This grassroots project aims to create awareness about social responsibility throughout the country. The Group companies, and their distributors realized a total of 387 social responsibility projects throughout Turkey in two years.

Some of the initiatives in 2007 were: 140 employees of Tofaş volunteered with their family, and relatives to completely renovate the Küçükdeliller Village Primary School in collaboration with the Bursa Education Directorate, and built six computer classrooms. Tofaş doctors screened 102 students,



"For My Country" Science Park Project

gave them medication, toothpaste, and toothbrushes. **Aygaz** renovated a health center in Ağlasun, Burdur. **Yapı Kredi** met the needs of the Gebze Training and Practical Application School for the Mentally Disabled. **Arçelik** painted the Hasköy Güner Akın High School in Sütlüce, where the company headquarters is located, with the help of all of its employees. In other Arçelik facilities, members of the Volunteer Team comprising the employees worked on the Primary Education Regional Boarding schools in their regions.

Besides the "For My Country" project, Koç Group undertakes various social responsibility projects that recognize human rights.

Opet's Model Village Project

Opet, one of the Group's Energy Division companies, is engaged in many social responsibility projects within the framework of Opet Community Awareness Projects. 'The Model Village Project' aims to create educated villages which are able to use their cultural, and agricultural potential in every region of Turkey. On the one hand the project aims to bring forth the remote villages, on the other, it enables them to become self-sufficient, and use their historical, geographical, and cultural potential. There are also efforts to raise the education level of the villagers, and increase their environmental awareness. Tailor-made projects are developed according to the special circumstances of each village. Opet's Green Road and

Koç Group implements and improves policies that protect, and support human rights, and encourages all of its stakeholders to comply with these policies.



Clean Toilets campaigns are also implemented in these villages. Some Opet's model villages are Dara, Mardin; Yesemek, Gaziantep and Pazarköy, Mengen in Bolu.

Tofaş invests in people

Tofaş launched the "Tofaş is mine!" campaign in 2006 to benchmark its human resources approach against international standards, to learn its development opportunities, and to put these into practice. Consequently, it received the first and only international human resources development, and management certification, Investors in People (IIP) in 2007.

Tofaş became the first Turkish automotive company to be awarded the "Investors In People" certificate which aims to increase the effectiveness of the investment made in human capital and to link this investment to company needs. "Investors In People", the only human resources quality standard in the world, is awarded as a result of a series of interviews and assessments held with

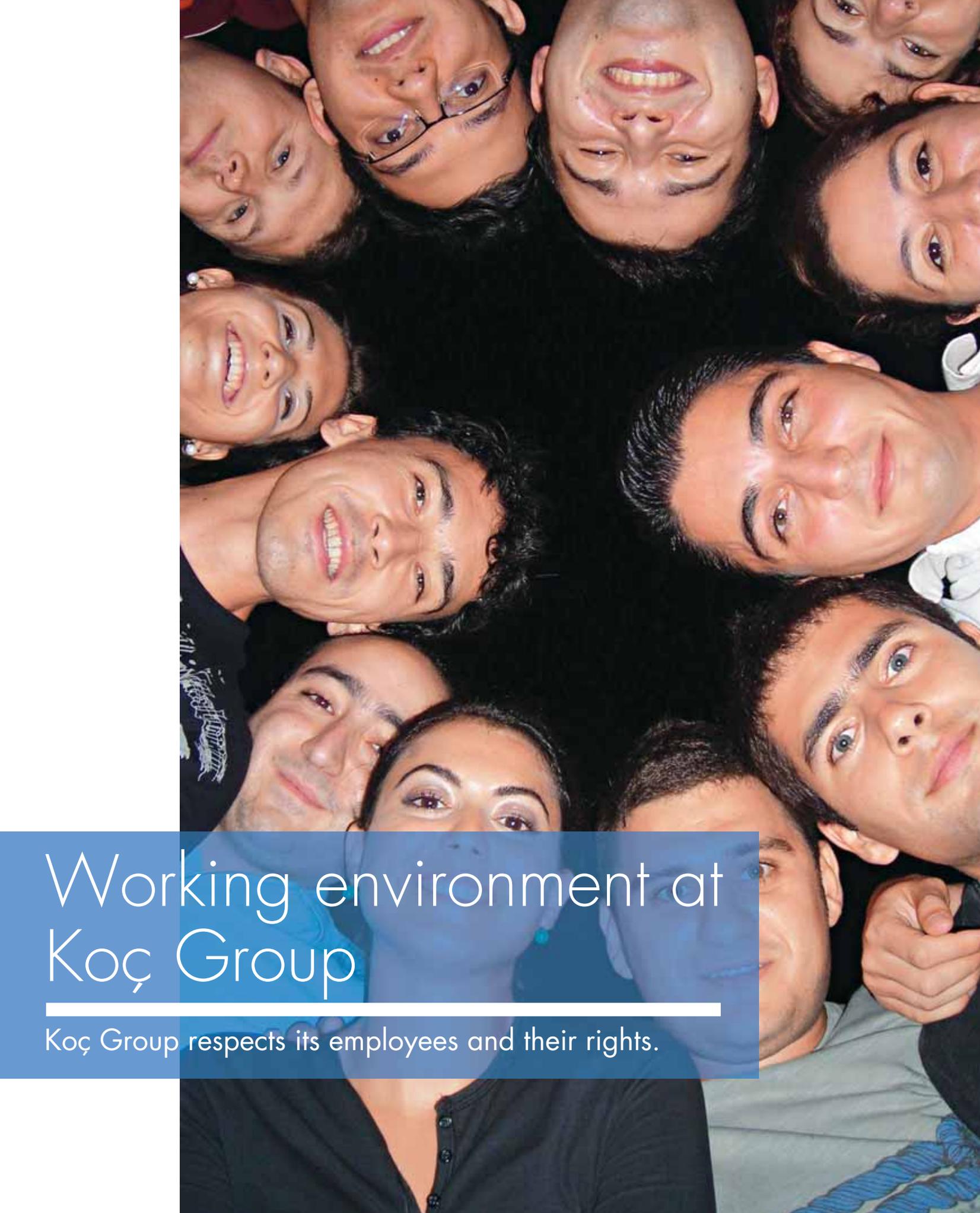
employees selected by advisors. These interviews, and assessments are based on four principles, 10 indicators and 39 criteria. Investors in People, an approach based on integration between the company's business strategy, and its human resources strategy, envisages adoption of management philosophy, and management practices based on belief in, and respect for people.

Human Resources at Ford

Ford Motor Company (FMC), which manufactures cars throughout the world, has various projects to safeguard its reputation, and support human resources. The company is against forced labor, child labor, physical, and disciplinary abuse, and any practice in violation of local laws. It complies with the basic labor rules, and is extremely sensitive about issues such as harassment, discrimination, fair pay, and social benefits, freedom of association, working hours, health, and safety. Ford's expectations on global working conditions are based on local laws and international standards.

Ford's Global Working Conditions trainings and assessments also apply to its suppliers. FMC's and Koç Holding's joint enterprise Ford Otosan has been included in these efforts since December 2006. A third party organization trains suppliers as selected jointly by FMC and Ford Otosan. These suppliers are audited for compliance. The Company encourages the training to be passed on to the suppliers to train their own suppliers to broaden social responsibility awareness. The training of 147 companies, out of 175 was completed at the end of 2007. In parallel with the training, 35 companies are to be audited, and so far 27 of these audits have already been completed. The audit of the remaining eight companies will soon be completed. Plans for the future include:

- Providing training to new suppliers when they reach a certain number,
- Auditing 20% of all parts suppliers,
- Getting feedback from companies receiving training so that they convey FMC's expectations to their companies, and their suppliers.



Working environment at Koç Group

Koç Group respects its employees and their rights.



Koç Group's competent work force: confident in the future, loyal to their company, highly efficient...

90,000

Total of people working at Koç Companies

Koç Group aspires to become an ideal company, where added value necessary for sustainable growth can be achieved, and everyone feels proud to be a part of. To this end, it adopts the principles of recruiting the best qualified young people and experienced professionals who will drive the Group forward by rewarding success with fair, and competitive remuneration policies, and high performance standards, investing in the continuous development of employees, increasing company loyalty by ensuring equal opportunity in promotions, and rewards, and creating a peaceful working environment.

As a leader in many fields, Koç Group respects its employees and their rights in employment contract, it signs with each employee upon recruitment, and in the Personnel Regulations where the Company's, and employees' duties, responsibilities, and work standards are defined; all human resources processes from recruitment to leaving the company are included.

Employment Contracts, Personnel Regulations and Collective Labor

Agreements describe the working standards, as well as the mutual duties, and responsibilities of the employees, and the Company. The Human Resources Department ensures compliance with these working standards, and their development to reflect needs, and changes in legislation.

In order for Koç Group to realize its goal of becoming one of the world's leading companies, the Human Resources Department provides support on one hand to attract the most talented young people to the Group and to develop a corporate, culture where self-confident, committed and productive employees work, and to retain and develop qualified human resources on the other hand.

In the Group, meritocracy is the principal guiding our recruitment process. Qualified individuals are recruited based on their competencies; they benefit equally from the Company's opportunities throughout their career. During the recruitment process, in addition to the knowledge and expertise required by the vacant position, nine main competencies are taken into consideration. In addition to interviews, candidates are given personality inventory and aptitude

Since 2006, 1,660 managers attended the Leadership Development Programs designed to prepare the Group for the future.



Human Resources Systems and Processes

- Selection, Placement and Koç Career
- Work assessment and remuneration
- Target selection and dissemination
- Performance assessment
- Competence and potential assessment
- Koç Academy and personal and professional development planning
- Koç Academy Leadership Development Programs
- Most successful Koç employees
- Koç-My Family
- Industrial Relations and the OHS portal

24,552

The number of training planned and implemented in 2007

tests. Meanwhile, the Evaluation Center has procedures to maintain an impartial candidate selection procedure for specialist and manager candidates.

Employees' competencies are constantly assessed, their performance is evaluated, and a development, and career plan is prepared. Remuneration policies are developed based on a sector-wide analysis to enable employees to receive competitive remunerations. In this environment of equal opportunities, those with the highest performance, and potential are determined, and given the opportunity to quickly move up to positions of greater responsibility.

There are various training and development activities under the **Koç Academy** scheme for the personal and professional development of the Group's employees. 24.552 development activities were carried out in 2007; representing 70% of all planned activities. Moreover, there are **Leadership Development Programs** to prepare the Group for the future. There are eight leadership development programs throughout Koç Group to meet requirements at all levels. 1,660 managers attended these activities since 2006. These activities create a common leadership and management culture,

settings where employees from different Group companies can share experiences and where leaders can prosper to carry the Group to the future.

The satisfaction and commitment levels of Koç Group employees are continuously assessed and the necessary improvement activities are planned. The "**Koç-My Family**" program is based on the importance the Group places on "Family" and comprises the total package of benefits and opportunities provided to the Group's employees, pensioners, distributors and dependants. This program has been improving employee satisfaction and loyalty since 2005.

Koç Holding Pension and Provident Fund with approximately 50,000 members enable the employees to maintain their standards of living after they retire with the savings they accumulate during their active employment period. Employees benefit from health insurance and from several options such as lump sum payment at retirement, or life-long pension payment.

Koç Group places great importance on Occupational Health and Safety (OHS). The Group's OHS Board reviews OHS practices in the Group, and takes steps for improvement.

The **health** and **safety** of employees working in the Group are **safeguarded** with various practices.



For better days with the Group's employees

The views of its employees are very important for Koç Group. Group Companies have in place systems to collect and evaluate the proposals and suggestions of their employees in line with the principle of participatory management.

In 2006, **Tofaş** set up suggestion boxes in line with participatory management principles. The company saved \$7,1 million by putting into practice 70% of the nearly 25,000 suggestions submitted by around 5,000 employees in 2006. 95% of the blue collar employees and 86% of the white collar employees submitted suggestions. Savings achieved as a result of these suggestions totaled approximately \$105.7 million. One of the employees' suggestions gave shape to the design of the bonnet hinge in the MiniCargo launched in 2007.

Aygaz developed and implemented an **Individual Suggestion System** that encourages participation to make improvements in the environment, working conditions, waste and energy consumption. 278 of the 828 suggestions received within the framework were accepted in 2006-

2007. There were improvements in the environment, working conditions, waste and energy consumption thanks to employees' suggestions.

For better days for the Group's employees

The Group maintained the health and safety of its employees with various projects.

WCM Safety, **Tofaş's** occupational safety standard aims to improve the health and safety measures for the employees, production processes and facilities to the level of international standards, and to increase the information and skill levels of all employees with a view to increase productivity by reducing work day losses due to injuries, reducing equipment, machinery, system, and human errors to acceptable levels to reach zero accident and scrap levels.

In order to reduce all kinds of damage to the environment, employees, customers, community and everyone that may be influenced by its activities, **Tüpraş** published and put into practice its **Health, Environment and Safety (HES)** policy in 2007. In 2006, it took measures, and continued its

Koç Group Sports Festival is held annually in May and June under the leadership of Koç Holding to create closer relations among Koç Group companies and employees.



Koç Group Sports Festival 2007



Tofaş Theater Group

investments to develop HES awareness, create a safe working environment, reduce safety risks, and provide the best technologies and services.

Arçelik carries out a **Working Environment Evaluation Survey** every year. Moreover, the self-assessment workshops held as a part of the EFQM Excellence Model help design and implement activity plans to improve working conditions. Also, in line with the SA 8,000 standard, an assessment is carried out under the supervision of a third party consultant of all Arçelik facilities in Turkey. While an Occupational Health and Safety Management System is implemented in all Arçelik facilities, an Occupational Health and Safety audit is held at least once a year. This system puts into practice an **On-line Work Accident Follow-up Program** to effectively follow up work accidents at all Arçelik facilities in Turkey.

Türk Traktör provided **Occupational Health and Safety**, and risk analysis training to 610 employees in 2006-2007 to contribute

to the improvement of their working conditions. **Tofaş** employees came together as the Tofaş Theatre Group, and performed the musical "Lüküs Hayat" as a social responsibility project in various schools. The proceeds of the performances were donated to the Foundation of Hope for Children with Cancer.

Koç Employees and Sports

Koç Group holds the annual **Koç Group Sports Festival** in May and June under the leadership of Koç Holding in order to create closer relations among Koç Group employees, contribute to the development of the employees' mental and physical health, and enable them to make use of their leisure time. Employees from İstanbul, Ankara, Bursa, İzmir and Adana participate in Koç Group Sports Festival. The festival, organized by the Central Organization Committee, is supervised by Regional Organization Committees. Mini football, basketball, volleyball, table tennis, tennis, chess, and swimming contests are held under the management of official referees provided by the provincial referee committees.



Employment and Training in the Industry

Vocational Education: a Crucial Matter for the Nation

In 2006, Koç Holding launched the "Vocational High Schools - Vocational Education: a Crucial Matter for the Nation" project in cooperation with the Ministry of Education. Koç Holding aspires with this project to support students in order to encourage vocational technical training. In the meanwhile, the Holding aims to create awareness in all sections of society about the importance of vocational training for Turkey's economy. Koç Holding acts as a leader in showcasing public-private partnership at the intersection of vocational education, and employment creation by encouraging our youth to take up vocational training, and contribute to developing a high quality work force. The 7-year project provides scholarships supported by internships, employment priority, and coaching to 8,000 students in 250 schools, and 81 provinces, thus offering support for both training and employment. The project aims to:

- Give students scholarships and support them,
- Enhance their knowledge, skills and competence by providing internships,
- Provide students with employment priority and coaching to support their career development.

With the launch of the project (in the 2006-2007 academic year), more students started to prefer vocational schools. There was a 30% increase in applications for vocational schools in 2008.

The "Vocational High Schools - Vocational Education: a Crucial Matter for the Nation" project set an example for industry-education cooperation with the support of 21 Group companies.

Tüpraş, Migros, Tofaş, Otokoç and Ford Otosan supported the project with the laboratories, and special educational branches they set up in schools. Moreover, with their pre-employment training programs, Tofaş and Ford Otosan employed secondary school, high school and industrial vocational school graduates, thus encouraging them to have a profession. Koç Group employees participate in the project by becoming volunteer coaches for the scholarship students.

The "Vocational High Schools - Vocational Education: a Crucial Matter for the Nation" (MLMM) has a website that serves as the project's communication and implementation domain. It serves as a bridge between the company officials, vocational school coaches, school principals, scholarship students, the Vehbi Koç Foundation, Koç Holding Corporate Communications Department and the MLMM project coordination team. A follow-up and evaluation module has also been integrated into the project through the portal to follow up the project implementation and volunteer working hours and to make an assessment.

8,000

VOCATIONAL HIGH SCHOOL STUDENTS

The "Vocational School Coaches" received Volunteering-Motivation and Communication courses before starting their work on the project. They learned how to inform and train students within the scope of the project and were encouraged to more actively contribute to the project. Following this training, they took an active role in the selection of the scholarship students. They then started their monthly meetings with the selected students.

7
YEARS PROJECT

81
PROVINCES

250
SCHOOLS

22
COMPANIES

250
VOLUNTEERS





Environment Friendly Practices at Koç Group

The Group invests in environment friendly technologies, and develops products compliant with the standards of the future; it supports community efforts to protect the environment.



36

The number of Group facilities with ISO 14001 certification

Koç Group adopted the approach of sustainable development many years ago, and made commitments for social responsibility, care for the environment, high quality and clean production. This approach is gaining prominence as diminishing natural resources threaten the entire mankind's standard of living. The Group invests in environment friendly technologies, develops products compliant with the standards of the future and supports community efforts to protect the environment. The Group allocated resources for substantial investments in 2006-2007 and sponsored social responsibility projects to safeguard the future of the environment.

Koç Group commits to meeting environmental obligations in all of its activities. Its employees work according to environmental awareness and responsibility principles; the Group continuously improves its environmental standards, monitors, and accelerates its progress in meeting its commitments to the environment, seeks joint solutions to local and global environmental issues by

sharing its experiences in the industry to improve its environmental performance, and strives to be the country's leading industrial group by being sensitive to environmental, health and safety expectations and the needs of the society. These commitments are in parallel with the environmental principles of the UN Global Compact, the Group signed in 2006.

Environmental problems are mounting, and its soil, air and water continue to be polluted. Some of the global and local problems are the destruction of our forests, cities turning into concrete jungles, depletion of surface and underground water, pollution of our seas, lakes and rivers, air pollution and industrial waste. Koç Group has accelerated its efforts to find a solution to environmental problems in Turkey where resources are rapidly polluted as a result of industrialization and urbanization. Meeting on a monthly basis, Koç Group Environment Committee aims to form a common perspective, to guide and direct activities to increase the Group companies' environmental

Sulphur dioxide emissions released to the atmosphere will be **reduced 700 fold** with the use of **low-sulphur diesel** produced at the **Tüpraş Diesel Desulphurization Units**.



1.6
BILLION USD

Total investments in Tüpraş's project to convert black products to high value environment friendly white products

performance. Some of the activities undertaken by the Committee in 2006-2007 are:

- Environment audits in Group companies,
- Preparing companies for EU legislation,
- New Suppliers Environment Award preparations,
- Following up the environmental activities of Koç Holding.

Koç Group supports ISO14001 activities in its companies and aims to adopt this standard in all of its businesses. 36 facilities already have ISO14001 certification.

The Group companies constantly monitor their operations in order to save energy, to use natural resources efficiently, and to render production processes more effective by raising environmental awareness. We strive to promote these efforts throughout the Group.

Sulphur dioxide emissions released to the atmosphere would be reduced by 700 fold from 84,000 tons to 120 tons, if the low-sulphur diesel produced at the Tüpraş Diesel Desulphurization Units are used instead of the high-sulphur diesel currently used in Turkey. Consequently, the use of high-specification products produced as a result of the investments

will reduce the greenhouse gas emissions from vehicles significantly. These investments are extremely important from an environmental viewpoint. Moreover, the existing vehicle pool in Turkey will be replaced with new generation vehicles, providing further savings in fuel consumption.

Tüpraş, which has accelerated projects that will convert black products into white products, continues its human and environment friendly investments. With an announcement on March 11, 2008, it revealed a \$1.6 million investment project where it will refine high-sulphur fuel oil, the use of which has been rapidly decreasing in Turkey, and convert it into white products such as Euro V standard diesel and petroleum.

Pilot studies for a wind operated power generation were started in 2007 with a view to reducing air pollution, and ensuring the efficient use of natural resources, and became operational in the Izmir Refinery of Tüpraş. The project was included in the 2008 investment program with a budget of YTL 22,5 million.

Opet carries out projects with TUBITAK (The Scientific & Technological Research Council of Turkey) for environment friendly



Arçelik Supports the “Don’t Waste Your Water” Campaign

In the belief that joint initiatives can create more effective and longer term solutions, Arçelik supported TEMA Foundation’s “Don’t Waste Your Water” campaign launched in 2007 to draw attention to the fact that individual actions can make a difference to prevent unnecessary water consumption and to raise awareness in the community in this area. Arçelik took part in the awareness raising campaign among consumers about saving water and introducing its dishwashers which save 26 to 40 tons of water per year compared to manual dishwashing. The campaign increased by 35% the retail sales volume of Arçelik and Beko branded water saving dishwashers. The project cost is \$12,6 million.



products manufactured with biological vegetable oils.

Arçelik continues to invest in low energy consumption technologies through its A+ Energy products. The No-Frost Side by Side product range in the A and A+ categories is a highly competitive segment, and constitutes nearly 60% of sales in Turkey. Arçelik was first to formulate the “A Team of Turkey” concept, and led the competition in Turkey.

The water based paint facility of Tofaş became operational in 2007. The new water based paint facility reduces waste by 50% and minimizes environmental impact. The project costs \$14 million.

In addition to these significant environmental investments, every year the Group companies undertake various emission control, treatment, and water discharge efforts to reduce the environmental impact of industrial waste. Some of these efforts are:

- **Aygaz:** Reduction in contaminated waste and emissions by reducing paint

consumption to 9 grams per tube (at its Yarımcı facilities)

- **Otokar:** Reducing emissions by decreasing the use of organic solvents
- **Tüpraş:** Reducing emissions by heat recycling of furnace flue gases and increasing their combustion efficiency
- **Türk Traktör:** Reducing the amount of waste water at surface treatment facilities

Koç Group aims to share with suppliers, schools in the region, and its stakeholders the work it undertakes to raise environmental awareness. Activities to promote this awareness in the group continue. Some examples of these activities are:

Koç Holding Technology Day was held in December 2006 with the main theme of Environmental Technologies.

Koç Group provides training to suppliers to enhance their environmental awareness and improving compliance with environmental legislation. Suppliers’ environmental audits are carried out in line with annual plans. The Group supports its suppliers’ practices on the



KOÇ GROUP ENVIRONMENT POLICY

Koç Group aims for and is committed to the following points in all processes undertaken at its companies:

- Complying with national and international legislation, environmental laws/regulations and other obligations approved by the Parliament,
- Preventing environmental pollution by following scientific research and technological advancements and continuously improving its environmental performance,
- Protecting natural resources and using them in the most effective manner,
- Controlling potential environmental impact from the design phase until the end of life cycle and mitigating damage,
- Reducing waste at the source as much as possible and recycling waste material,
- Laying down environmental aims and objectives and continuously contributing to developments in this area,
- Providing environmental training to all employees at Koç Group and enhancing the environmental awareness of all employees from top management to the smallest unit,
- Communicating with all interested parties and sharing information when necessary,
- Supporting and participating in environmental activities of governmental and nongovernmental platforms.

ISO 14001 Environment Management System and provides information and practice in this area.

60 suppliers participated in the Environment Training **Otokar** provided in 2007 with a view to raising their environmental awareness.

Ford Otosan encourages its suppliers to obtain ISO14001 certification within the framework of Q1. 180 suppliers are currently implementing this standard.

Sponsorships

The founder of Koç Group Vehbi Koç is also the founder of Turkey's largest environmental nongovernmental organization **TEMA**. Both the Holding and the Group companies undertake joint projects with TEMA. Some other sponsorships of the Group are:

ENVER: Energy Saving as a Way of Life

ENVER, the Energy Efficiency Campaign launched by the Ministry of Energy and Natural Resources, aims to increase social awareness about using energy efficiently and to keep the energy efficiency issue on the nation's agenda through the cooperation of public and private enterprises. Arçelik, Aygaz, Opet and Tüpraş are corporate sponsors of the ENVER campaign.

The campaign will continue in the years to follow with various activities, training initiatives and promotion campaigns, and is very important for the country to look at the future with confidence. The main elements of the campaign focus impacting children and

Arçelik, Aygaz, Opet and Tüpraş are the corporate sponsors of ENVER, the Energy Efficiency Campaign.



KOÇ GROUP ENVIRONMENTAL VISION

Koç Group aims to become an enterprise referred to with praise not only today but also in the future and thus leave a lasting impression in both Turkey and the world with its vision of;

- Developing technologies to minimize treatment or disposal requirements and ensure effective use of resources to minimize waste at source,
- Mitigating through scientific and economic solutions, the potential adverse impact of our operations on the environment
- Evaluating the environmental impact of each facility, enabling the protection of the environment, and establishing healthy, safe and environment friendly facilities,
- Following all advances, research and developments in this area closely,
- Providing solutions to environmental problems by developing our unique technologies,
- Providing emergency and environmental risk management at the highest level,
- Being the leader in environment-friendly investments,
- Undertaking activities that support sustainable development,
- Setting up Environmental Information Systems to access to all kinds of environmental information and data.

their families, creating awareness, and informing various sections of society to make them more aware of the energy efficiency issue.

Considering the increasing demand for energy and the diminishing energy resources, energy efficiency ranks among the most important social issues that deserve attention not only in the world but also in Turkey. The Energy Efficiency Campaign led by the Ministry of Energy and Natural Resources was planned and implemented in a more comprehensive manner to include the activities of the previous energy efficiency weeks in 2008.

Arçelik sponsored the "Before the World Comes to an End and Global Facts" program broadcast on NTV radio in 2007, and announced that it uses environment friendly technologies with its A+ category energy products.

Aygaz became a member of the World LPG Association Climate Change Working Group. In order to explain that LPG has less impact on climate change compared to other fuels, Aygaz developed documents on LPG, and Climate Change which were published on WLPGA's web site.

325,000 plants have been planted to date through Opet's Green Roads Project.



Tree planting activities at Ford Otosan

Let's Protect the Environment

In 2007, various projects were put into practice to create an awareness of the importance of the environment among our employees and customers as well to support local efforts to protect the environment. Some prominent projects range from planting trees to cleaning polluted surroundings. Promotion activities of the Group are constantly followed up. Some examples are:

- **Arçelik:** 2007 Headquarters' employees in DenizTemiz (Clean Seas) Association/TURMEPA Golden Horn Cleaning and Awareness Raising campaign
- **Ford Otosan:** Tree planting on 2 hectares in Gebze in 2006 in cooperation with TEMA
- **Koçtaş:** Providing seed support for TEMA's Oak Project which aims to create healthy oak forests on 1 million hectares throughout the country
- **Migros:** Cleaning Lake Van in 2006
- **Migros:** Planting 179.000 saplings in 2007 to complete the Urla forest

- **Migros:** 2007 TEMA "Don't Waste Your Water" campaign
- **Opet:** Planting 325,000 plants as a part of the Green Roads project
- **Otokar:** Sakarya University tree planting project, planting trees at two crossroads within the municipality limits
- **Tofaş:** Creating a memorial forest in 2007 for all employees through the donation of saplings.
- **Tofaş:** Saving 70,000 trees in 2007 by using recycled packaging
- **Türk Traktör:** A tree planting campaign in 2006 as a part of the World Environment Day activities
- **Yapı Kredi:** Sending credit card statements by e-mail and encouraging customers to adopt this practice

Aygaz's Autogas Drive

In 2006, "Autogas Information Operation" was launched in order to inform the public about autogas, the use of which is encouraged in many countries due to its lower green house gas emissions and environment friendly



characteristics. Within the framework of the operation, existing and potential autogas customers, the press, LPG conversion mechanics, nongovernmental organizations, and regulators of the autogas sector to provide information about autogas, and its benefits. Various mass media advertising campaigns were organized. Discussions were held with car manufacturers, attracting their attention to autogas, and encouraging them to adopt a positive outlook about autogas.

In 2005, Aygaz and Tofaş implemented a joint project called the new generation "LPG Albea". As the result of comprehensive cooperation with Chevrolet in 2007, Chevrolet customers were informed about autogas, and the safe and sound use of autogas.

Awards

Otokar Mediterranean University Environmental Service Award: In recognition of the environmental projects it developed, Otokar received the Mediterranean University Environmental Service Award in Turkey in 2006.

Ford Otosan Kocaeli Chamber of Industry Environment Award: The annual "Şahabettin Bilgisu Environment Award" was given to Ford Otosan Kocaeli Plant in the "Large Enterprises" category for its contribution to the development of environmental awareness, and the protection of the environment.

Arçelik Product Awards: In the first national contest sponsored by the Turkey Regional Environmental Center (REC), Arçelik received the first prize with its Blomberg brand refrigerator and the second prize with its "ecologist" dishwasher. This year Arçelik represented Turkey in the European Business Awards for Environment which is organized for EU members and candidate countries and to which Turkey participated for the first time. Beko WMD 57162 washing machine won the Plus X award in the "ecology" category due its effective use of resources.

In the same contest, Aygaz received the third prize in the "Environment Management" category, and won the right to enter the contest in Europe as the finalist for Turkey.



Ethical Values at Koç Group

In its 80 year history, honesty, respectability, ethical behavior and the culture of compliance with laws and regulations have always been at the forefront at Koç Group.



By signing the UN Global Compact, the Group has propagated internationally the principles it has ingrained in its DNA in social responsibility, corporate governance, and ethics.

In its 80 year history, honesty, respectability, ethical behavior and the culture of compliance with laws, and regulations have always been at the forefront at Koç Group. By signing the UN Global Compact, the Group has propagated internationally the principles it has ingrained in its DNA in social responsibility, corporate governance and ethics. Personnel regulations about the Group's employees include ethical values that draw attention to the codes of conduct.

In 2008, the Group aims to complete the new ethic rules guide that is prepared to create a reference guide for the entire Group and that reinforces the importance of the issue with an innovative approach. The guide will be shared with the Group in events, training campaigns, and awareness raising activities.

The following are some examples of company practices in this area:

Koçtaş conveyed in writing to all of its employees the rules that need to be adhered to in Koçtaş as a requirement of social ethics. Koçtaş explained its vision in areas including human rights, working conditions, and the environment by taking the initiative one step further in a suppliers' training program called "Ethical Trade". The company shared with its suppliers its expectations from them in a full day training program.

Koçtaş's "Ethical Purchasing Vision" entails establishing strong links with its suppliers, and taking the necessary steps to ensure that only the ethically manufactured goods enter its stores, thus enabling customers to shop safely.

Yapı Kredi issued its "Ethical Values and Code of Conduct" and announced it to all of its employees in early 2007.



Global Compact

The Global Compact, which was formally announced to the public in 2000, is a voluntary corporate citizenship network that brings together the public sector and private sector, as well as UN bodies and civil society, in order to address the challenges of globalization. Signed by 3700 firms from 120 countries, the Global Compact is based on ten basic principles in areas such as preventing labor discrimination, human rights for a sustainable environment, labor, environment and anti-corruption. The fact that these principles coincide with the goals and principles of the Group made it a natural step to sign the UN Global Compact.

Koç Group's main principles rest on corporate citizenship, yielding the Group towards projects that contribute to the development of society and that create value. Its founder Vehbi Koç's dictum "I live and prosper with my country" forms the basis of Koç Group's perspective on social responsibility. Koç Group signed the Global Compact on March 30, 2006. Koç Group engaged in various activities

to advocate corporate social responsibility and the Global Compact in 2007. President of the Corporate Communications and Information Technology Group Ali Y. Koç, who attended the Global Compact Leaders Summit held in Geneva on July 5-6, 2007, delivered a speech at the Closing Session. In his remarks, Ali Y. Koç drew attention to the importance of optimism and becoming better corporate citizens. Koç Holding also hosted a conference called "Creating Value through The Global Compact" on October 25, 2007. 26 more leading enterprises in Turkey signed the Global Compact in a ceremony held on November 12, 2007, led by KalDer, sponsored by Koç Holding and attended by Nobel Prize laureate and former UN Secretary General Kofi Annan. The number of enterprises that signed the UN Global Compact in Turkey has now exceeded 100. On January 8, 2008, managers from Koç Group participated to the "Risk Training within the Framework of The Global Compact" prepared in cooperation with Koç University.

Ten Principles of the Global Compact

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed rights within their sphere of influence.

Principle 2: Businesses should ensure that their own operations are not complicit in human rights abuses.

Labor

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labor;

Principle 5: Businesses should uphold the effective abolition of child labor;

Principle 6: Businesses should eliminate discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges.

Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.



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