

# The Eczacibaşi Group and Corporate Citizenship

The Eczacibaşi Group has a vigorous corporate culture and a strong business ethic that are grounded on the principles of respecting people and the environment; striving for improvement and progress; and contributing to the well-being of society. These principles reflect the values of the Group's founder, Dr. Nejat F. Eczacibaşi, and

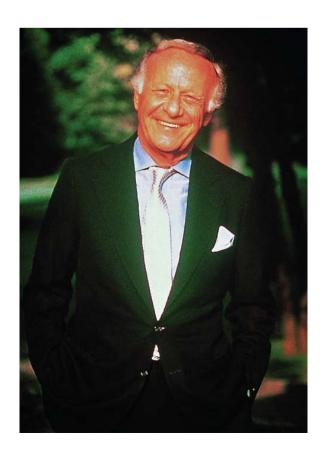
the tradition of community service that shaped his life and businesses. Every member of the Eczacıbaşı Group is expected to understand and internalize these values, which are conveyed to them through the Group's internal and external communication tools, the Orientation Program for new employees, and the Human Resources Handbook.

# **A Family Tradition of Community Service**

Dr. Nejat F. Eczacıbaşı, the founder of the Eczacıbaşı Group, was born in 1913 during the turbulent final years of the Ottoman Empire. The period was marked by armed conflict, scarcity, and a massive influx of refugees to the cities, which struggled to provide them essential services. Dr. Eczacıbaşı's father, who was the first university-educated pharmacist of Turkish origin in Izmir, was at the forefront of efforts to accommodate the city's rapidly expanding population, co-founding an association to help immigrants and implementing programs to combat cholera and typhus. In 1934, in honor of his many years of public service, Dr. Eczacıbaşı's father was invited to adopt the title of "Head Pharmacist" (Eczacıbaşı") as his surname.

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

Apart from supplying much-needed products and services using the most advanced technologies available, Dr. Eczacıbası strived to contribute to the development of Turkish industry and civil society through the establishment of professional business organizations, research institutes, educational institutions, cultural foundations and scholarship funds. For Dr. Eczacıbaşı, contributing to the development of Turkey's economy and social institutions was as important as developing a successful business. One of his most oft-expressed ideas in this regard was: "The real measure of private entrepreneurship is its success in increasing the wealth of the whole community". Today, every Eczacibasi Group company regularly contributes to one or more non-profit institutions and one of the primary corporate values that all Eczacibaşı employees are expected to share is the "tradition of serving our community".



# **Eczacıbaşı Group Mission**

Eczacibaşı is a pioneer of modern, high quality and healthy lifestyles.

The Eczacıbaşı Group is committed to improving the well-being of society by providing products and services that contribute to modern, highquality and healthy lifestyles; by running its business operations in ways that promote the wellbeing of society; and by sponsoring projects and activities that enhance the living standards of current and future generations.

# Eczacıbaşı Group Values

### As members of the Eczacıbaşı Group:

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

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

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

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

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

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

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

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

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

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

We recognize that participatory management gives each of us the responsibility of working forcefully towards the objectives and goals of our institution. We are careful to observe the rules of our work environment as we understand that this reflects our respect for our colleagues. Empowerment, which is essential for participative management, also requires that every employee embrace and advocate the Eczacibaşi Group's targets, rules and corporate culture.

# **Eczacibaşi Volunteers Prepares to Expand its Activity in 2008**

Established in 2007 by members of Eczacıbaşı Group companies, Eczacıbaşı Volunteers' first project was to organize a clothing and book campaign to respond to requests of this kind on the Group's website.

The mission of Eczacıbaşı Volunteers is to carry out projects selected by teams of volunteers at Group companies that promote modern, high quality and healthy lifestyles and contribute to society. Eczacıbaşı Volunteers is focusing its efforts on education, health and the environment — areas where many of Group companies already have social responsibility projects and which offer many opportunities for smaller-scale complementary projects — and has selected the Hygiene Project for Primary Boarding Schools for its first set of complementary volunteer projects.

Eczacıbaşı Volunteers offer the following thoughts about "being a volunteer" and "volunteerism": "In societies with numerous NGOs and highly developed NGO networks, people begin to volunteer at a very early age. School children are encouraged to do volunteer work and often receive certificates of appreciation for this from their teachers. People who are brought up this way retain the perspective they've gained from this experience the rest of their lives. Unfortunately, volunteer activities weren't really a part of our lives. It makes as very happy now to see that our young colleagues are more sensitive and more interested in this area.

People are more attached to something that they nurture and develop themselves. When you volunteer your time to a child or a school, that child or school begins to feel like your child or school. These kinds of projects, we believe, nourish our emotions, and our dream is to snowball these emotions into an avalanche.



## **Corporate Sponsorship**

Corporate sponsorship is a fundamental component of the Eczacıbaşı Group's identity that derives from the Eczacıbaşı family's tradition of community service and pioneering role in the development of modern Turkish industry and institutions.

Dr. Nejat F. Eczacıbaşı, the founder of the Eczacıbaşı Group, firmly believed that every investor had a duty to use a portion of the wealth generated by his or her business to improve the community. One of the ways he sought to achieve this was through the establishment and sponsorship of non-profit institutions involved in culture and the arts, education, scientific research, public policy and sports.

In line with this 65-year tradition, every Eczacıbaşı Group company regularly contributes to one or several non-profit institutions and one of the primary corporate values that all Eczacıbaşı employees are expected to share is the "tradition of serving our community".

Istanbul Modern is a dynamic and multifaceted museum committed to preserving and exhibiting Turkey's heritage of modern and contemporary art and to fostering an appreciation of its artistic creativity and modern cultural identity.

## **Arts and Culture**

#### **İstanbul Museum of Modern Art**

The Eczacıbaşı Group is the founder of Turkey's first privately-funded museum of modern art, to which it provided the initial investment and project management finance as well as the core collection of paintings.

Istanbul Modern is a dynamic and multifaceted museum committed to preserving and exhibiting Turkey's heritage of modern and contemporary art and to fostering an appreciation of its artistic creativity and modern cultural identity. Open to change, the Museum seeks to reach a wide and continuing audience and to promote Turkey's artistic production within the international art scene.

Using a combined chronological and thematic exhibition design of its permanent collection, istanbul Modern showcases the major trends and styles of modern and contemporary Turkish art

through their foremost exponents. Additionally, the Museum organizes temporary retrospective exhibitions of Turkish modern masters and of internationally acclaimed artists that reflect the most recent trends in worldwide art. All of these exhibitions aim to strengthen the bond between the Turkish and international art scene and serve as a platform to introduce Turkish artists to the rest of the art world. Istanbul Modern also organizes periodic exhibitions of photography, video and modern Turkish sculpture in addition to thematic film programs.

istanbul Modern is the only museum in Turkey with a mission to appeal to the mass public through a diverse and dynamic program of learning opportunities and cultural events. To date, more than 400 thousand students have participated in the educational programs organized by istanbul Modern's Educational and Social Projects Department in the Museum and around the city. Overall, almost two million people have visited the Museum's exhibitions during its first two-anda-half years of activities.





#### Eczacıbaşı Virtual Museum

The Eczacibaşi Group has long been committed to raising public awareness and appreciation of Turkish modern art. To this end, it has developed one of the largest permanent collections of abstract and figurative work by Turkish painters, which it has sought to exhibit in a variety of forums.

In 1999, in an effort to increase public access to this collection and other paintings, the Group established a virtual museum of Turkish visual art. In line with contemporary museum norms, the Eczacıbaşı Virtual Museum contains both permanent and temporary collections supplemented by curatorial text.

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

The Eczacibasi Group is a staunch supporter of the İstanbul International Festivals, both through its sponsorship of the Istanbul Foundation for Culture and the Arts, founded in 1973 on the initiative of Dr. Nejat F. Eczacıbası, and its direct patronage of selected festivals. In particular, the Eczacibasi Group's unwavering support of the Istanbul International Music Festival has contributed greatly to its growing international prestige. Starting in 2006, Eczacıbası has become the Leading Sponsor of the Istanbul Foundation for Culture and Arts. In its new role, Eczacıbaşı Holding will contribute to the International Istanbul Film, Theatre and Jazz Festivals as well as the Music Festival, enhancing its involvement in the Foundation and broadening its communication with art lovers.

#### **VitrA Ceramic Arts Studio**

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

### Eczacıbaşı Arts Encyclopedia

Published in 1997 by the Dr. Nejat F. Eczacıbaşı Foundation, the Eczacıbaşı Arts Encyclopedia is a three-volume work on international art and architecture that begins with pre-historic Anatolian cultures and focuses especially on the Byzantine, Seljuk, Beylik, Ottoman and Republican periods in Turkey. About 250 researchers, writers and university faculty worked on the project, which contains 4,400 articles.



## **Education**

# **The Turkish Foundation of Education Volunteers** (**TEGV**)

The Eczacıbaşı Group contributes regularly to this NGO through direct budgeting or special fundraising events, like the 2002 auction of ceramic statues created by the VitrA Ceramic Art Studio.

#### **Young Inventors**

Organized with TEGV, Young Inventors is an alternative education project that aims to contribute to children's knowledge and interest in science and mathematics and help them develop their creativity and skills in these areas.

With the Eczacıbaşı Group's sponsorship, TEGV prepared a set of stimulating math and science textbooks and educational material for children of different ages and organized educational workshops and "Inventors Clubs" for children of mainly low to middle income families. Beginning with the southeastern city of Gaziantep in April

2005, the project was extended to Istanbul, Izmir, and Afyon in 2006 and Eskişehir, Ankara, Van, Diyarbakır, Samsun and Antalya in 2007. As of end-2007, Young Inventors had reached 10,500 children in the 8-16 age group.

# Dr. Nejat F. Eczacıbaşı Foundation Music Scholarships

These scholarships enable outstanding young Turkish musicians to pursue graduate musical studies abroad. To date, the Foundation has provided financial support to 85 musicians studying a wide range of instruments as well as orchestration, direction and composition.

### **Primary School Sponsorship**

The Eczacıbaşı Group has built four primary schools for the Turkish public school system to which it provides annual funding. Around 4200 students attend these schools.

### Eczacıbaşı Sports School

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

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### **Reproductive Health Hotline**

In 2000, Eczacıbaşı Pharmaceuticals Marketing established a free, 24-hour reproductive health hotline (ALO-OKEY) with the Family Planning Association of Turkey. The aim of the hotline is to enhance public access to professional and accurate information about reproductive health.

### **Solo Personal Hygiene Program**

lpek Kağıt, the Group's tissue paper manufacturer, has long been at the forefront of public awareness campaigns on healthy personal hygiene practices. In 2002, it began cooperating with the national educational system to provide primary school students basic information on personal hygiene. To date, İpek Kağıt had organized personal hygiene classes for almost five million students at more than 5,800 schools in 32 cities around Turkey. By the end of 2008, the project aims to have extended the program to 10 more cities through the organization of personal hygiene classes at another thousand schools.

### **Hygiene Project for Primary Boarding Schools**

The Eczacibaşı Group and the Association in Support of Contemporary Living (CYDD), one of Turkey's leading educational NGOs, are cooperating on a major initiative to provide primary school children at state-run boarding schools a modern, high quality and healthy environment. As a partner in the project, the Eczacibaşi Group is designing new bathrooms for primary boarding schools in eastern Turkey and equipping them with VitrA and Artema products. It is also providing personal hygiene education to students at these schools through Ipek Kağıt's "Primary School Personal Hygiene Education Program". Eczacıbaşı Volunteers, the Group's volunteer program, is collecting school materials for students and organizing supplementary activities, including educational trips to Istanbul for high achievers.

The 30 schools involved in the first phase of the project through 2010 are located in Artvin, Bitlis, Erzincan, Giresun, Hakkari, Muş, Sivas, Şanlıurfa, Şırnak, Tunceli and Van. In addition to designing new bathrooms, Eczacıbaşı Building Products' architects are redesigning the plumbing infrastructure of these schools. The governors, educational directorates and district officials of these provinces are also providing support to the project.



## **Sports**

## **Eczacibasi Sports Club**

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

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

# **Public Policy And Scientific Research**

# Eczacıbaşı Scientific Research and Medical Award Fund

The Eczacibaşi Group established this fund in 1959 to promote high caliber medical research. To date, the fund has supported 171 medical research projects and presented 65 awards to Turkish scientists for valuable research in health and medicine. Since 2002, the Scientific Research and Medical Award Fund is also supporting promising research carried out by medical students.

The Eczacıbaşı Scientific Research and Medical Award Funds are presented every two years at Eczacıbaşı Medical Day. This biannual event organized by the Eczacıbaşı Group aims to provide a forum for scientists and health professionals in Turkey to discuss current medical topics and developments in the health sector and to recognize the valuable medical and health-related research of their colleagues. More than 700 people attended the third Eczacıbaşı Medical Day in 2006, which focused on new treatment approaches to dermatological diseases.



Since 1968, the women's volleyball team has won 27 National Championships, five National Cups and played in eight European Cup Finals, winning the "European Cup Winner's Cup" in 1999.

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

Eczacibaşı is an active supporter of the Turkish Economic and Social Studies Foundation, an independent, non-profit think-tank dedicated to conducting and supporting research on public policy issues. TESEV is the successor of the Economic and Social Studies Conference Board, which Dr. Eczacibaşı founded in 1961. Every year, the Eczacibaşı Group sponsors a competition organized by TESEV to promote public policy-oriented research and encourage young researchers in this field.

#### **Turkish Informatics Foundation**

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

# **Sustainable Development**

In August 2007, the Eczacibaşi Group became the first Turkish member of the World Business Council for Sustainable Development (WBCSD), an association established by the world's leading companies to contribute to sustainable development and provide guidance on social policy.

WBCSD is working to determine the business strategies that will enable the business community to conserve today the human and natural resources required to ensure its future continuity and development while increasing shareholder profitability, this way establishing new ways of doing business.

Led by the CEOs of its member companies, WBCSD is a platform for exploring solutions to world problems and sharing experiences and best practices in the areas of economic growth, social progress and ecological balance. Studies by member companies are focused on the most critical issues today: energy, climate change, the breakdown of ecosystems, and poverty and hunger.

The Eczacibaşi Group has also joined the Turkish chapter of WBCSD and aims to take an active role in expanding the scope and influence of the organization's activities in the years ahead.



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# **Human Rights**

The Eczacıbaşı Group's mission statement and values provide clear guidelines on human rights issues: no Group company or employee should undertake an activity that demeans themselves or others; that reduces, rather than improves, the well-being of society; and that does not contribute to modern, high-quality and healthy lifestyles. These guidelines are built into the decision-making process through the Eczacıbaşı Group Human Resources Handbook and the Total Quality Management and Business Excellence systems in place in most Group companies. Every new Eczacıbaşı Group employee is familiarized with the Group Values through a variety of internal communication tools – starting with a lengthy

## **Human Rights**

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Orientation Program – and expected to embrace them. Group subcontractors, many of whom also receive a lengthy orientation about the Group, its values and mission, are also expected to appreciate and respect these principles.

# **Embedding Human Rights in Business Practice: Solo Primary School Personal Hygiene Education Project**

According to data from the Turkish Ministry of Health, over the past ten years approximately 589,000 people in Turkey have contracted diseases such as typhoid fever, dysentery and jaundice that could have been prevented through better personal hygiene, such as using toilet paper and hand-washing.

This was the social concern that led İpek Kağıt, the Eczacıbaşı Group's tissue paper manufacturer, to initiate a long-term project in 2002 aimed at increasing primary school



children's awareness of general and personal hygiene principles. The Solo Primary School Personal Hygiene Education Project, as the project is called, aims to reach more than six million students in about 8500 primary schools around the country between 2002 and 2010. With the support of government agencies and health experts, the project had reached close to five million students at more than 5800 schools in 32 cities around Turkey as of April 2008. By the end of the year, the project goal is to reach 6920 schools in 42 cities.

In recognition of the contribution made by the Solo Primary School Personal Hygiene Education Project to the achievement of the United Nations Millennium Goals, Ipek Kağıt was one of ten companies selected for the 2006 World Business Award, organized jointly by the United Nations Development Program (UNDP), the International Chamber of Commerce (ICC) and The Prince of Wales International Business Leaders Forum (IBLF).

The Solo Primary School Personal Hygiene Education Project has also been included as a "best practices" case study in the UN Global Compact's 2007 report Embedding Human Rights in Business Practices II and in the 2007 Turkey Corporate Responsibility Baseline Report published jointly by the UNDP and European Commission.

# VitrA, Artema and Ipek Kağıt participate in major initiative to improve the conditions of state-run boarding schools for primary school children

In November 2007, the Eczacibaşi Group and the Association in Support of Contemporary Living (ÇYDD), one of Turkey's leading educational NGOs, initiated a joint initiative to provide primary school children at state-run boarding schools a modern, high quality and healthy environment. As part of the "Hygiene Project for Primary Boarding Schools", as the project is called, the Eczacibaşi Group is designing new bathrooms for primary boarding schools in eastern Turkey and equipping them with VitrA and Artema products. Ipek Kağıt, the Group's tissue paper manufacturer, is participating in the project through its long-running "Primary School Personal Hygiene Education Program", which will visit each of the schools in the project to teach students from every grade about good personal hygiene practices. At a later date, other Group companies will also put their business expertise in other areas to the service of these primary boarding schools.

CYDD President, Prof. Dr. Türkan Saylan, had the following to say at the protocol-signing ceremony: "For years, I have said that the lifeblood of Turkey is nourished by its primary boarding schools, which serve the children of large families in the countryside who would otherwise not have access to education. Unfortunately, the material conditions of these state-funded boarding schools are below standard. That is why there are a number of projects underway, supported by private institutions and NGOs, to raise them to the standard expected of modern educational institutions. The aim of our social responsibility project with VitrA and Artema is to renovate the bathrooms of a determined number of primary boarding schools every year. We are certain that, by providing our children a better and higher quality standard of living, they will be more successful, so we are proud to be able to support them in this way."

Eczacıbaşı Group President and CEO Dr. Erdal Karamercan noted that only 40 percent of young people in Turkey had a secondary school diploma, as compared to 85 percent in the European Union, and added, "To raise our living standards and ensure our social and economic integration with the modern world, it is absolutely essential that we increase the average level of education in Turkey. It is also essential that we improve rapidly the quality of our education if we are to compete successfully in the global economy and achieve sustainable social and economic development. To ensure that all of our educational institutions provide the best educational opportunities possible, the private sector must lend its support to the ongoing efforts of the state, local government and NGOs."

The 30 schools involved in the first phase of the project through 2010 are located in Artvin, Bitlis, Erzincan, Giresun, Hakkari, Muş, Sivas, Şanlıurfa, Şırnak, Tunceli and Van. In addition to designing new bathrooms, Eczacıbaşı Building Products' architects are redesigning the plumbing infrastructure of these schools. The governors, educational directorates and district officials of these provinces are also providing support to the project.



## **Labor Standards**

The Eczacibaşi Group's shared values form the basis for its general management principles and define its approach to human resources, through such concepts as innovation, respect, quality, participative management, flexibility, adding value, empowerment and being fully informed in one's area of responsibility.

## Freedom of association

In accordance with national labor regulations in Turkey and all other countries where the Eczacıbaşı Group is present, Eczacıbaşı Group employees have the right to freely associate themselves with a union and to undertake collective bargaining. This right is clearly laid out in the Group's Human Resources Handbook, along with all procedures related to the unionization of a company belonging to the Group, application for union membership, and the collective bargaining process.

In line with the Group value of participatory management, the Group encourages the development of close-working and transparent relations with the unions representing its employees to find mutually beneficial and long-term solutions to new challenges and opportunities.

In Turkey, employees at four of the Group's largest companies (Eczacıbaşı Building Products, VitrA Tiles, Eczacıbası-Zentiva Health Products, and İpek Kağıt) are represented by unions.

#### **Protecting employee rights**

The Eczacibaşi Group's human resources systems and practices are designed to protect the rights of Group employees as well as the interests of Group businesses, in line with the Eczacibaşi Group's mission statement and values. To this end, the Group has developed a comprehensive human resources management system which ensures that every human resource process is legally correct,

#### **Labor Standards**

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

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

Principle 5: the effective abolition of child labor: and

Principle 6: the elimination of discrimination in respect of employment and occupation.

documented, and retrievable for review by management and external auditors.

Every new Eczacibaşı employee is explained their rights during the orientation stage and provided a copy of the Human Resources Handbook. They are also informed immediately of changes to this handbook and to their rights and obligations through internal communication tools — most notably the corporate portal and internal e-mail messages — and encouraged to review these changes.

Apart from ensuring that all of its businesses strictly adhere to labor regulations in Turkey and other countries where the Group is present, Group companies continually monitor the performance of their subcontractors to ensure that they, too, adhere to these regulations. The Eczacıbaşı Group does not tolerate any infringement of these regulations or other employee rights at its own companies or at its subcontractors; the Group will terminate its relationship with subcontractors who fail to fulfill their legal obligations after a single warning.

## **Union Relations at İpek Kağıt**

At Ipek Kağıt, the Group's tissue paper manufacturer and a joint venture with Georgia Pacific, union representatives are not only on the Discipline Committee, they also have management responsibilities related to the recruitment and selection process of plant staff, promotions, compensation, occupational safety, and social benefits.

lipek Kağıt holds meetings with union representatives and provides them the time and space to hold meetings and organize training and development seminars with union members in the plants.

lpek Kağıt shares all of its end-year financial results and strategic targets for the next year at goal-sharing meetings with all of its employees. These meetings are attended by the general manager and all other managerial staff.

lpek Kağıt has provided Total Quality Management training to all of its employees as well as to union officials at the union headquarters.

### **Creating the future together**

The primary objectives of the Eczacıbaşı Group's human resources management policies are to attract, develop and retain outstanding human resources and to ensure that Group companies have dynamic organizational structures that are aligned with their strategic plans and objectives.

To achieve this, the Eczacıbaşı Group strives to ensure that it has in place the best human resource management applications and educational programs, provides a professional and appealing working environment with continual opportunities for professional and personal development, and develops a long-term relationship with its employees that begins in their university years and continues into and through their retirement.

For the Eczacibaşi Group, outstanding human resources means well-educated and well-prepared individuals who are open to innovation and change, entrepreneurial and energetic; who actively seek personal and professional development, who train other personnel and who share the Eczacibaşi Group's understanding of respect, participation, initiative, quality, innovation, and sense of responsibility towards their jobs, community and environment.

# Right to equal treatment in recruitment, selection and promotion

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

The following excerpts from the Eczacıbaşı Group Human Resources Handbook are illustrative of the Group's policies towards discrimination in respect of employment and occupation.

The main principle of the Group's recruitment and placement process is providing equal opportunity for employment and promotion — without discrimination or favoritism — to people who have the right competencies for the job (knowledge, skill, and attitude) and who demonstrate an appreciation of our corporate culture. (Section 3.1)

The selection and placement process for a position should take into consideration, first and foremost, the qualities required by that particular position. (Section 3.1)

Discrimination and favoritism are forbidden in the selection of new employees and the planning of career development paths. (Section 2.2)

## Women at Eczacıbaşı

Excluding the Group's manufacturing plants, women represented 32 percent of all Eczacıbaşı Group employees in 2007, significantly higher than the average of 25 percent for Turkey as a whole. Women also accounted for 32 percent of all promotions to mid-level managerial positions since 2002, when the Group established its new recruitment and selection system. Both ratios will increase steadily in the coming years, in line with the rising percentage of women applying for positions in Group companies. In 2007 alone, women accounted for 42 percent of the Eczacıbaşı Group's new recruits and 36 percent of all employees in career development programs aimed at preparing them for greater management responsibility. These figures, while still requiring improvement, are comparable with the European average: according to the latest European Commission Report on Equality between Women and Men, published on 7 February 2007, the share of women in management and administrative positions in the private sector in European Union countries was 32 percent on average in 2005.

### Right to information and voicing an opinion

The Eczacibaşi Group views the criticisms and suggestions of all of its stakeholders, not just its employees, as opportunities to improve the Group and its performance. For employees, it has created numerous tools and established a number of platforms both at a Group level and within companies for verbal and written communication of ideas. These include the Group corporate portal which enables employees to submit their ideas to specific business departments and on specific topics (Innovation, Global Citizenship) – as well as management meetings and an "open-door" management approach for face-to-face communication. Stakeholders are also encouraged to express their ideas through the public websites of the Eczacibaşi Group and its companies.

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

### Right to personal and professional development

The Eczacibaşi Group is committed to creating an environment that enables every one of its employees to learn continually, experiment and develop personally and professionally. In return, the Group asks that its employees strive to develop themselves and their jobs and create added value. With this aim, the Group provides development opportunities and guidance to employees to develop their full potential in their areas of specialization.

Using performance management applications and career maps, the Eczacibaşi Group assists employees determine their goals in parallel with management and professional development needs and supports them with individual development and action plans to close competency gaps.

The Group's development programs fall under three main categories: coaching, personal development and management and career development. Coaching generally involves "guidance", "rotation" and "assignment". Another form of professional development is "job enrichment". Management and career development are aimed at developing particular skills needed for the job or career development, such as marketing and finance.

All Eczacıbaşı Group employees are given equal opportunities for personal and career development. In 2007, Eczacıbaşı Group employees received 18 hours of professional and personal training on average.

## Right to a safe and healthy workplace

The Eczacibaşi Group aims to achieve the best environmental health and safety record in Turkey and one of the best internationally. The Group has established a Group Environmental Health and Safety (EHS) Unit to carry out joint projects with occupational health and safety experts throughout the Group, starting with a compilation of all Group statistics related to Environmental Health & Safety to locate areas of best practice and others that need to be strengthened.

The Unit has also developed an IT application to monitor health and safety data on a Group-wide basis. The application can find correlations between employee health and environmental indicators, thus generating critical information for locating EHS risks and preventing workplace-relatet illnesses. The application, which is the first of its kind in Turkey, can also be used to monitor health and safety performance indicators of subcontractors working for Eczacibaşi Group companies.

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

#### **Ipek Kağıt: One of the Best Safety Records in Georgia-Pacific**

Committed to eliminating all unsafe conditions and behavior that cause accidents at the workplace, İpek Kağıt achieved the best safety result among Georgia Pacific's international consumer products operations in 2006, with a low 0.7 incident rate at its production site in Karamursel. İpek Kağıt has also received Georgia-Pacific Safety Awards for achieving both 250,000 and 500,000 accident-free work hours.

2004	Georgia-Pacific	President's Award for Safety
2004	Georgia-Pacific	Chairman's Award for Safety
2005	Georgia-Pacific	President's Award for Safety (twice)
2005	Georgia-Pacific	Chairman's Award for Safety

## **Environment**

The Eczacibaşi Group's environmental policies are guided by the Group's mission of pioneering modern, high quality and healthy lifestyles and its respect for society and the environment. Every major Group company has elaborated its own environmental policy based on these principles and most of the Group's manufacturing operations have ISO 14001 certification or similar environmental management systems.

With the impact of human activity on the global climate now much clearer, the Eczacibasi Group has broadened the scope of its environmental approach to include concepts, policies, activities and policies that promote sustainable development. The Group's first formal step in this regard was its decision, in August 2007, to accept the invitation of the World Business Council for Sustainable Development (WBCSD) – an association established by the world's leading companies to contribute to sustainable development and provide guidance on social policy – to become its first Turkish member. Led by the CEOs of its member companies, WBCSD is a platform for exploring solutions to world problems and sharing experiences and best practices in the areas of economic growth, social progress and ecological balance.

In October 2007, the Eczacibasi Group joined WBCSD's local chapter in Turkey (TBCSD) and established a Working Group on Sustainable Development to help companies develop projects to increase the efficiency of resource use; enhance awareness and knowledge about sustainable development issues in the Group; and contribute to development of company and sector-wide sustainable development initiatives. The Working Group comprises representatives from 13 Eczacıbaşı Group companies, including all of its major manufacturing operations in Turkey. Its goals over the next three years are to determine where its companies stand in terms of sustainable business practices; encourage companies to measure and monitor their sustainable development performance using internationally recognized

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

Principle 8: undertake initiatives to promote greater environmental responsibility; and

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

indicators and to set targets for improvement; develop an inventory of "best practices" in the area of sustainable development and share them with Group companies and employees; and publish its first report of the Eczacıbaşı Group's sustainable development performance in 2010.

As of end-April 2008, the Working Group on Sustainable Development had:

- Established a common level of understanding and knowledge within the group about sustainable development concepts and issues;
- Developed an action plan for the subsequent three years, including activities to enhance awareness of sustainable development concepts and issues within the Eczacıbaşı Group;
- Selected the Global Reporting Initiative as its guideline for measuring and monitoring the sustainable development performance of Group companies and agreed on the criteria that Group companies would collect and report;
- Prepared a pilot study of available indicators using data from the two of the Group's largest manufacturing companies;
- Calculated the energy use and carbon emissions' performance of six of the Eczacıbaşı Group's largest energy-consuming operations.

# **Energy-Saving and Environment-Friendly Features of Kaynak Tekniği Welding Electrode's New Plant**

- Maximizes the use of daylight for interior lighting, reducing electricity for lighting by 40% and saving 215,000 kWh.
- Harnesses natural air circulation for ventilation, saving 500,000 kWh.
- Uses solar energy to heat water for non-operational needs, saving 9000 m3 natural gas.
- New central bath system leads to a three-fold increase in the productive life of plating and lubricant baths and reduces water usage by 50% (960 m3), acid by 50% (54 tons), copper sulfate by 25% (18 tons), and detergent by 80% (90 tons). Waste reduction causes a significant increase in the efficiency of the industrial wastewater treatment plant.
- Changes the fuel-oil indirect heating system in the ovens to direct heating with natural gas, saving 750,000 kWh/year, or 500,000 tons of fuel oil, and reducing C-emissions from ovens by 15%.
- Recycles rinse water from the process for cooling the lubricant, saving 120,000 kWh.
- Uses a special design for wire basket spools, saving 150 tons of plastic.
- Recycles waste dust from electrode production, saving 8% of material.
   All kind of wastes are collected separately.
- Treatment plant for non-operational water waste facilitates daily recycling of 14000 m3 per year in process baths and garden.
- Project underway to recycle waste heat from drying ovens to heat the plant.
- Feasibility study in progress on using "wind" as an alternative renewable energy source.



#### İpek Kağıt Pioneers Use of Process Sludge in the Production of Prefab Building Materials

The first company in the Bay of Izmit to establish operational and non-operational waste water treatment plants, İpek Kağıt has developed an innovative system for reducing its operational waste sludge by 3600 tons per year.

A Turkish company producing cement-based prefab panel walls uses cellulose in its production process. Ipek Kağıt and this company have discovered that the amount of fresh cellulose used in this process can be reduced by as much as 40% through the use of sludge. The solution reduces both the amount of sludge waste for disposal and the fresh cellulose needed for panel production, transforming the waste into an economic value and reducing CO2 emissions from waste disposal.

## **Environmental/Energy/EHS Awards**

#### **VitrA**

Bozüyük Municipality Environmental Sensitivity Award, 1993 Istanbul Chamber of Commerce Environmental Incentive Award, 1997 Environmental Technology Association (ÇEVRETED) Friend of the Environment Award, 1998 Ministry of Labor Employee Health and Occupational Safety Plaque, 1999 Research Institute for Electricity Affairs Energy Efficiency Award, 2006

#### Artema

Turkish Chambers of Commerce Regional Industry Environmental Incentive Award, 2002 Japan Institute of Plant Maintenance (JPM) TPM Excellence 1st Stage Award, 2007

### İpek Kağıt

Istanbul Chamber of Commerce Environmental Incentive Award, 1997

#### **Eczacibasi-Baxter Hospital Supply**

Şişli Municipality Environment Award, 1998 Baxter Energy Award, 2000 Baxter Eco-Efficiency Award, 2000 Baxter Best Technology Award Cogeneration, 2001 Baxter Best EHS Program Award

#### **Eczacibaşi-Zentiva Chemical Products**

European Union Environment Award – Turkey, 2006

#### **Esan Eczacıbaşı Raw Materials**

Istanbul Chamber of Industry Environmental Award (Chemical Sector), 1994

### Eczacıbaşı-Baxter Hospital Supply Achieves Huge Savings in Natural Resource Use

Since the start of its eco-efficiency program in 1995, Eczacıbaşı-Baxter has reduced the amount of fresh water needed to produce a liter equivalent of output by 86%, and the amount of electricity and natural gas by respectively 53% and 58%.

	% Reduction	
Natural Resource	1995-2007	2003-2007
Fresh Water (Lt/LEQ)	86	17
Electricity (Lt/LEQ)	53	7.4
Natural Gas (Lt/LEQ)	58	7.8

Some of the company's solutions for reducing water consumption included the recycling of condensed water, treated waste water, discharge water from the reverse osmosis and distillation units, and water from the bottle-washing process.

## Eczacıbaşı Building Products: A Leader in Eco-Efficiency

#### **VitrA**

- 1998 The first in the Turkish ceramic sanitary ware industry and the second worldwide to obtain ISO-EN-14001 Environmental Management System Certification.
- 2003 Begins using waste heat from the tunnel kilns to heat water in the boilers, saving about 150,000 m3 of natural gas per month or 7,000,000 m3 between 2003 and 2007 and reducing NO and NO2 emissions by respectively 99% and 96%.
- 2004 Develops and produces Turkey's first and only odor-free toilet bowl.
- 2004 Develops and produces Turkey's first and only toilet bowl and flushing system that operates with 4.5 liters of water, saving 25% in water usage.
- 2007 First in Turkey to develop a recycling project for scrap ceramic products, waste water treatment sludge and plaster molds (alternative raw material) in the cement industry, for 100% recycling of solid waste.
- 2007 Begins grinding up scrap FFC (Fine Fire Clay) products and reusing them in the clay production process, recycling 735 tons per year.
- 2007 Develops and produces Europe's first LGA-approved toilet bowl and flushing system that operates with 4.0 liters of water, saving 33% in water usage.
- 2008 Begins preparations for OHSAS 18001 Occupational Health and Safety Management certification.

#### **Artema**

- 1999 The first in the Turkish faucet industry to obtain ISO-EN-14001 Environmental Management System Certification.
- 2000 Installs a washing machine that does not require solvents, reducing annual solvent usage from roughly 15 tons to zero.
- 2002 Redesigns cardboard packaging for finished products, simplifying the packaging process and reducing the dimension of the packaging and paper used by 50%.
- 2005 Reduces brass consumption through a number of projects, such as improving the casting mold of a shower head model to lower brass use by 30%.
- 2006 Begins recycling scrap from the casting process in-house, leading to annual savings of 488 tons of metal and related transportation costs.
- 2006 Switches from a central dust collection system to localized collectors, resulting in annual electricity savings of 350,000 kWh in 2006 and 800,000 kWh in 2007.
- 2007 Installs filter system to recycle treated waste water and reuses in processes, reducing operational water use by 64% for annual savings of 67,200 m3.

### An Environmental Approach to Product Life, from Factory to Final Consumer

The growing threat of global warming has given all of us a new responsibility to be more frugal in our use of natural resources. VitrA and Artema are developing products that help us do just that.

Experience, architecture and function – the three fundamental characteristics of VitrA and Artema products – ensure that users enjoy an unparalleled bathroom experience without sacrificing the pleasure deriving from outstanding function. By incorporating a number environment-friendly technologies and designs that save water and energy and/or reduce the use of materials during production, VitrA and Artema products also respond to the increasing desire of users that products be respectful of the environment and its limited natural resources while providing enjoyment and function. VitrA's key design criteria for new products are: new technologies, environment-friendly solutions, adherence to the Eczacıbaşı Group's social responsibility principles, and smart and ergonomic products that contribute to complete bathroom solutions. VitrA was the first company in its sector in Turkey and the second worldwide to ensure the quality of its environmental management system with ISO 14001 certification.

# VitrA and Artema's leading responsibility is supplying products that are safe for people and the environment

"For many years our VitrA and Artema brands have built bridges between water and people. One of the most important responsibilities of this bridge, alongside economical, aesthetic and technological products, is to promote water conservation and environmental awareness. That is why are investing steadily in the research and development of smart products that enable consumers to use water more efficiently."

Haluk Bayraktar, General Manager of Eczacıbaşı Building Products

VitrA and Artema have taken this responsibility seriously, developing numerous water and energy-saving products before many of its competitors in Turkey and international markets. Were VitrA's dual-flush 3 and 6 liter flushing systems to be incorporated in every household in Turkey, enough water would be saved in one year to supply the entire city of Istanbul for 9 months.

#### VitrA and Artema Products Help Families Conserve up to 312 Tons of Water per Year

Artema's faucet systems enabling consumers to program temperature and water pressure can result in water savings between 5 and 90 percent. (Considering both bathroom and kitchen faucets, roughly 146.5 tons per year on average) Artema's volume-reducing aerator cuts water consumption at the kitchen and bathroom sinks by 40%.

- VitrAClean bathroom products reduce cleaning needs by 25 percent. (Annual water savings of 8 tons)
- A 3/6-liter dual flush system can save a family of four up to 48 liters of water per day. (Annual water savings of 17.5 tons)

## **Environment-Friendly Surface Technologies**

**VitrAclean:** VitrAclean technology was designed by VitrA to make it easier to maintain clean washbasins, WC pans, and other ceramic sanitary ware units for the bathroom. The technology can be used on every ceramic surface and involves the application of a second glaze that increases surface tension. This glaze makes water droplets behave like mercury, rolling off the surface without depositing the sediment and dirt they hold. As a result, cleaning is easier, more economical and requires less use of cleansers and other products that are hard on the environment.

**VitrAhygiene:** This technology prevents virtually all bacterial growth on the surfaces of bathroom units and is available for every kind of ceramic sanitary ware product as well as VitrA Arkitekt Color wall and floor tiles. VitrA's acrylic bath and shower units also offer VitrAhygiene properties through the use of Lucite Care® anti-bacterial acrylic panels.

#### **Environment-Friendly Flushing Technologies**

**3/6-liter dual flush system:** Flushing systems for WC pans present some of the best opportunities for significant water savings. While the Turkish standard for WC flushing systems is 9 liters (2.4 gallons), VitrA's standard systems offer a half flush of 3 liters (0.8 gallons) and a full flush of 6 liters (1.6). Thanks to its early introduction in the US market of the dual flush and other water-efficient flushing systems, VitrA USA became the first manufacturing partner of the EPA in its nationwide water conservation efforts.

**4.5 liter (1.2 gallon) full flush system:** This pioneering system could save Turkey up to 100-150 thousand cubic meters of water daily and 36-55 million cubic meters annually, if each of the 17 million households in Turkey had this system.

**Odor-free WC pans:** The first in Turkey, VitrA's odor-absorption system in the WC cistern keeps odors from spreading outside of the pan, this way providing a more comfortable and hygienic environment without the need for air fresheners or deodorants.

**Electronic flushing systems for public spaces:** Designed for wall-hung or close-coupled WC pans and urinals, these systems automatically adjust for 3 or 6 liter flushes, this way providing an economical, water-saving solution for public spaces as a well as a more hygienic environment.

**Non-splash urinals:** Perfect for high-use public spaces, these urinals are designed with a surface technology that prevents splashing (and, consequently, the need for frequent cleaning) as well as a water-saving electronic flushing system.

## **Environment-Friendly Fittings**

**Faucet and showerhead aerators:** Most Artema faucets and many of its showerheads incorporate aerators, which add air to the water flow. This simple mechanism softens the spray but enhances its volume while at the same time greatly reducing water and energy use. According to industry experts, the aerator alone can cut household water use by half.

**"Surround Sensitive Technology" faucets:** These faucets "sense" when a person needs to use the faucet without using photocells, providing as much as 80% savings in water and energy as well as a comfortable and hygienic environment.

**Sensor faucet systems for public spaces:** The sensors on these faucets operate only when an object is 250 mm or closer, this way significantly cutting down on water waste.

**Smart Electronic Mixers:** These faucet systems can be programmed to remember individual temperature and water pressure preferences with a single touch, providing ease of use and comfort as well as significant water and energy savings. A temperature lock also prevents children or the elderly from burning themselves by accident.

**Thermostatic bathroom and shower faucets:** Thermostatic bath and shower faucets can be programmed to specific temperatures, thus eliminating the water waste that derives from adjusting water temperatures while water is flowing.

#### **Designs that Reduce Raw Material Use**

VitrA has developed a number of material-saving designs for basins, bathtubs and shower trays. One of the most notable of these is the 30 cm deep bathtub (approx. one foot), which also functions as a shower tray and is suitable for hotels and other commercial establishments. MOD washbasins are only 5 cm deep (2 inches) and offer all of the comfort and function of the deeper basin models.

**VitrA Mod:** This new collection by Ross Lovegrove builds on the idea of reducing the resources that go into the making of the product as well as the resources they consume during use. Lovegrove responds to this challenge by "thinning down and lightening the ceramic in order to reduce material mass, firing time and ultimately cost".



## **Anti-Corruption**

The Eczacıbaşı Group's mission statement and values provide clear guidelines on the Group's policy regarding corruption as does its Human Resources Handbook, which includes the following rules in its Code of Business Ethics: (Sections 2.3 and 2.4)

- Eczacıbaşı Group employees must obey the law and avoid any activity that places the Group in a difficult legal position or hurts its reputation.
- Eczacıbaşı Group employees must not use their position to obtain an advantage from individuals or institutions and may never make or offer to make an illegal payment to an individual or institution.
- Eczacibaşi Group employees will always maintain the Group's Code of Business Ethics in its relationships with government officials and customers and will not participate in activities aimed at influencing these stakeholders that might hurt the Group's reputation.

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

- It is the duty of every Eczacıbaşı employee to be honest, trustworthy and honorable in relationships with both customers and employers, to achieve customer satisfaction through quality, speed, convenience, courtesy and respect, and to treat every individual and institution equally.
- In the case that an employee is proven, through documentation or other objective evidence, to have broken these rules, they are to be reported to the highest level of authority in the Group for decision on the disciplinary measures to be taken.

The Eczacıbaşı Human Resources Handbook also has rules against commercial and financial transactions with relatives of employees, violation of which can lead to termination of employment.

Every Eczacıbaşı Group company has an audit and control system that reports to the Head Comptroller and Legal Affairs Office at Eczacıbaşı Holding.

## **Highest Rated Turkish Group in Management Quality and Transparency**

In the 2007 Most Admired Companies Survey of Capital Magazine –Turkey, based on a survey of 1,350 middle and senior level managers, Eczacıbaşı Holding ranked among the top 10 companies in every category, and its flagship companies among the top three.

It was also first in five categories, namely:

Management quality
Transparent management and company
Development of employment competency
Ethical competitive behavior
Customer satisfaction

#### **Pioneer of Total Quality Management in Turkey**

1997 İpek Kağıt Tissue Paper
1998 Eczacıbaşı Building Products - VitrA
1999 Kaynak Tekniği Welding Electrodes
2000 Eczacıbaşı Building Products - Artema
2000 Eczacıbaşı Building Products - VitrA
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2001 Eczacıbaşı Building Products - VitrA

2001 Eczacıbaşı Bathtubs
 2003 Eczacıbaşı-Baxter Hospital Supply
 National Quality Award



