



ARGE CONSULTING COMMUNICATION ON PROGRESS REPORT

2014 PERIOD

*ARGE's Mission
& Vision*

*To create value by improving management quality.
To be a role model in creating value for its clients and with its
contributions to the community.*

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Chairman's Message

ARGE's main mission is improving management quality in private and public sector. ARGE believes that society's well being can be increased only if management quality of government, private sector, and civil society is improved.

The role of a business is to make sustainable improvements in the quality of life in the community. ARGE Consulting, not only helps its clients create value for their own shareholders, customers, and stakeholders but ARGE is also a catalyst to promote appropriate behaviour for responsible entrepreneurship, thereby helping improve the quality of life and improve the awareness level in business and community.

In 2014, we continued our voluntary activities, such as serving on the boards of numerous NGOs; managing and providing guidance for the evaluators of award processes of Corporate Volunteers Association (OSGD) and Citibank –Micro Credit; wrote and shared articles to introduce new management ideas and concepts to our society. We have also been active in numerous international organizations such as the Global Corporate Governance Forum and representing the business world on public governance matters at the OECD as the vice-chair of BIAC governance committee to improve the quality of governance throughout the world.

In order to improve trust in the community, in 2014 we have established the non-profit **Argüden Governance Academy** and made a donation to the Bogazici University Foundation to initiate its education, research, and advocacy activities for good governance in the public sector, corporate world, and the NGOs.

We also try to improve and share knowledge about good governance with society through our volunteer activities. In 2014, we prepared a new article which was published as Private Sector Opinion 36 issued by IFC Corporate Governance Group named **Responsible Boards – Action Plan for Sustainable Future**.

Also in 2014, in addition to our leadership role for the Global Compact activities in the country by assuming the role of National Representative of the Global Compact, I had the honor to be elected as the Chairman of the Local Networks Advisory Group, representing national networks on the UN Global Compact Board. Since our aim is to increase the impact of voluntary activities, we have been trying to increase the number of signatories and the effectiveness of the Network. In addition to the **Sectorial Deployment** strategy, which was designed by ARGE and implemented first by Turkish Network, has been defined as an important milestone in Global Compact Activities, ARGE has developed **Leveraging Natural Incentives/Allies** strategy to help bring UNGC to scale. Also during 2014, we helped the effort of Global Compact Türkiye to conduct a study to determine Turkish priorities for Post 2015 UN Development Goals.

Finally, ARGE has also been selected as a **Knowledge Partner** by B20 for “**Governance and Sustainability**” at the end of 2014. ARGE will prepare a report and help the global business community to make recommendations to G20 governments for a better future.

With this report, we share our corporate social responsibility activities for the period of the year 2014.

Dr. Yılmaz Argüden
Chairman

THE REPORTING PRINCIPLES

This year ARGE's COP has been prepared in accordance with GRI G4 Guidelines. The report has been prepared according to core option principles. The Core option provides the background against which an organization communicates the impacts of its economic, environmental and social and governance performance

The main purpose of the report is to show activities realized by ARGE Consulting for developing sustainable practices in public and private institutions and in the society.

“Sustainability Topics for the Sectors“ report has been used as a guide in determining relevant subjects for reporting.

ARGE produces annual reports.

The report has not been assured by a third party.

UN Global Compact and ARGE Consulting

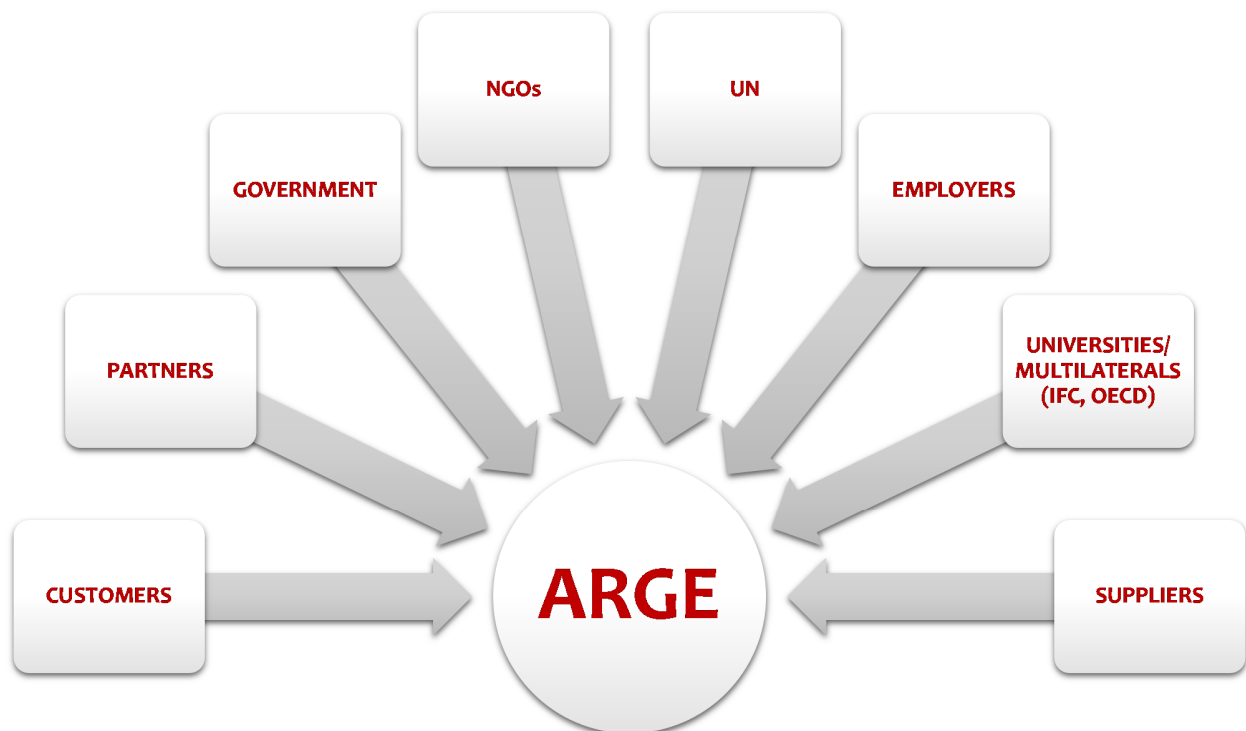
ARGE, has signed the UN Global Compact in 2002 as the first signatory from Türkiye and has declared to apply the 10 principles concerning human rights, labor, environmental, and anti-corruption. This report also has the feature of being ARGE's Communication on Progress for the year 2014.

DETERMINATION OF MATERIAL ISSUES

Identification of material topics for the company is key to prepare a good quality sustainability report. The material topics need to cover the important issues for the sustainability of the company and economic, social, and environmental impacts on the stakeholders created due to the activities of the institution. Therefore the first step in preparation of this report is determining the stakeholders for ARGE Consulting.

STAKEHOLDERS

The stakeholders of ARGE Consulting have been reviewed and analyzed. Based on the review, stakeholder map of ARGE is:



ARGE is a management consulting company. ARGE creates its impact through projects with clients and government entities.

Our Partners play an important role in shaping and creating this impact through their efforts and know how transfer in the projects.

ARGE supports the awareness raising activities in the business and also in the society. The company takes active role in the NGOs and collaborate with the universities to share its knowhow.

ARGE's Chairman is the chair of Global Compact Local Network of Türkiye and chair of LNAG and board member of UNGC. UN and ARGE are collaborate in numerous awareness raising activities.

ARGE has an important expertise on corporate governance issues and share this expertise with IFC and OECD when opportunities arise.

MATERIAL ISSUES FOR ARGE CONSULTING

Material issues have been determined according to the feedbacks obtained from stakeholders and ARGE's own views and vision. ARGE has an open and transparent relation based on trust with its stakeholders. Although a specific stakeholder meeting has not been organized, the stakeholders share their views at every opportunity during and at the end of each project. ARGE reaches a large number of stakeholders' views through projects with NGOs and the UN entities.

Based on these experiences, material issues for ARGE are;

MATERIAL FOR STAKEHOLDERS	HIGH			VALUE CREATION FOR CUSTOMERS VALUE CREATION FOR THE SOCIETY DEVELOPMENT HUMAN RIGHTS AND SAFETY
	MEDIUM			
	LOW		NATURAL RESOURCE USAGE	
		LOW	MEDIUM	HIGH
		MATERIAL FOR ARGE		

The report has been prepared in accordance with above materiality table.

ARGE CONSULTING

- At the crossroads between Europe and Asia, Türkiye is not only experiencing the highest GNP growth rates among OECD countries, but is also realizing the benefits of her privileged ties to European, Middle Eastern, and Central Asian countries. As a matter of fact, Türkiye is rated as one of the leading emerging markets in the world.
- Realizing the growth potential for international business in the Turkish and related markets, **ARGE** was **founded in 1991** to provide **advisory services** in the areas of business strategy development and implementation, business excellence methodologies, evaluation and development of investment projects, development of organizational infrastructure, sustainability and risk management, and change management.
- ARGE's consultants are recruited based on several factors some of which are unconventional for such firms. For example, ARGE prefers employees who are either current members of NGOs or who wish to undertake such social commitments outside of work to ensure that its employees are in tune with the social environment, as well as the business environment.
- ARGE has been a pioneer in setting a benchmark for corporate volunteerism by asking consultants to devote a full day of each working week for voluntary work in NGOs. This practice then has become a part of the performance evaluation of ARGE consultants, who were asked to report once every two weeks on how they allocated their time to volunteer activities. This practice is in line with ARGE's use of the Balanced Scorecard methodology to ensure that its strategies are applied throughout the organization. With this methodology, all of the employees' actions are observed with scorecards and timetables. Also, each ARGE consultant invests one month for self-development and methodology development per year to keep abreast of the latest developments in his/her field of specialization.

ARGE is committed

- To add **value** to the business of its clients,
- To provide the **right team of experts** for each project,
- To provide **solutions that differentiate** its clients in the marketplace, with special emphasis **on implementation under local conditions**,
- To retain its objectivity and independence of its views, and to protect client confidentiality.

- Industry expertise in areas such as **energy, financial services, textiles, auto industry, FMCG, manufacturing, distribution and construction** is the fundamental strength of the company. **ARGE** also has a network of collaboration arrangements with organizations and affiliates in Türkiye, Europe, and USA to bring together relevant necessary experience to its ongoing projects.
- **ARGE's** strives to achieve a **major improvement in its clients' business results**. We believe that there are four main factors that affect business results. These are the business strategy and business excellence methodologies necessary to effectively implement the strategy, human resources, and technology management. Sustainable business results are achieved only when these four factors are considered as a whole and in a well-balanced way. Our approach is to try and balance all the four factors to suit the requirements of our clients in order to achieve the best, world-class results.

ARGE's Mission & Vision

To create value by improving management **quality**.

To be a role model in creating value for its clients and
with its contributions to the community.

ARGE Values & Principles



Our mission is to create value.

ARGE continuously strives to add value to the business of its clients. We do our utmost to provide 'the best' solutions in every project we undertake



Our most important asset is the trust of our clients.

ARGE is committed to keeping the interests of the client above all. Protecting client confidentiality, maintaining the objectivity and independence of our views, and avoiding any conflict of interest are our key principles. We demonstrate the same integrity, business ethics, and diligence in our work, in community services, and in our personal lives.



The assurance of our work is the quality of our people.

ARGE strives to attract the best people and to create an environment of mutual trust and team spirit to foster continuous development of its people. We expect each member of our team to demonstrate self respect, respect for others and the environment



The assurance of our future is our passion for learning.

ARGE supports the development of knowledge, competence, and creative abilities of each team member; and expects them to do so, both on an individual and organizational level. We strive for effective utilization of the ultimate non-renewable resource, time



Science and technology are essential in improving the quality of life.

ARGE continuously strives to anticipate the ever-changing needs of its clients, and to keep abreast of scientific and technological developments as well as best benchmarks, to meet those needs.



Imagination is the key to creativity and leadership.

ARGE recognizes that its clients need creative solutions and thus strives to develop implementable solutions that differentiate its clients in the marketplace



The key to success is achieving sustainable improvements in competitiveness.

ARGE realizes that sustainable improvements can only be achieved through teamwork with clients. We believe that our clients' success will lead to a better quality of life for the community and humanity.

ARGE's impact on the business and social networks can be observed under below topics.



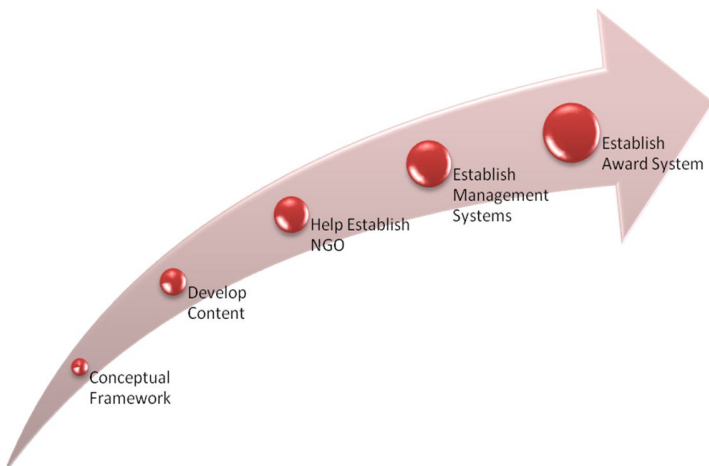
1. **Bringing Management Quality to Turkey;** ARGE has been instrumental in initiating the National Quality Movement and preparing its clients' management systems that led Turkish companies to consistently be among the top two European Quality Award winners (EFQM)
2. **Promoting Volunteerism in Corporate Sector:** It is our policy to encourage our employees to spend one day a week on a pro – bono basis for improving the effectiveness of non – profit organizations. ARGE has been recognized for the impact on the society of its CSR activities:
 - a. At the European Parliament by Generation Europe to be among the top three firms to “Shaping the Future”
 - b. By the European Commission to be the only Turkish company featured in “Responsible Entrepreneurship” publication
 - c. As a CSR case study by the Bosphorus University and
 - d. Taken as a “Best Practice CSR’ by CSR4U of Ireland

ARGE has also been instrumental in encouraging major firms operating in Türkiye to improve their own volunteer efforts by helping establish the Corporate Volunteers Association and developing and running a Volunteer Awards Scheme under the aegis of CVA.

3. **Promoting Responsible Business Principles (UN Global Compact):** ARGE has been the first Turkish company to sign the UN Global Compact, and last year our Chairman has assumed the role of Chair of the Local Networks Advisory Group of the UN Global Compact. We have developed an innovative sectorial deployment strategy and leveraging natural incentives/ allies strategy to increase the number of signatories of the UNGC.
4. **Developing a world class Corporate Governance methodology:** ARGE values the sustainability of institutions highly and helps them with their governance implementation. We have developed a methodology to measure effectiveness of corporate governance and published three books on governance one of which is in English namely, “Boardroom Secrets” that has been widely acknowledged by Davos participants. Also, our Chairman was selected by the Global Corporate Governance Forum to its Private Sector Advisory Group.
5. **Developing the Competitiveness Award** for increasing the competitiveness level of Turkish Corporations: ARGE consultants took active part in the development, preparation and launch of the Competitiveness Award in Turkey, run by SEDEFED and REF. The award is given in the annual Competitiveness Congresses which are supported by ARGE partners since its initiation. This award will be highly instrumental in encouraging and increasing the competitiveness levels of Turkish Companies.

The reason for our high impact is the approach we take;

1. First we focus on developing a conceptual framework for the issue at hand



2. Then, we develop content, examples, and case studies to help our network of stakeholders understand the issue well. At this stage we write articles, books, give speeches, and identify and recruit key players who are likely to walk the talk about the issue at hand and act as role models.

3. At this stage we help collaborate or establish a specific NGO whose sole goal is to promote the issue at hand and gather support to the idea rather than promoting our own efforts or interests. Issue comes before interests of any player.

We also focus on the proper governance of the NGO to sustain intellectual and financial support to the issue by a broad group of institutions. Generally, one ARGE consultant serves on the board of the relevant NGO to ensure appropriate guidance and oversight.

4. In order to promote the right kind of behaviour around the issue, we establish a credible award scheme that is judged independently but according to a specific criteria (generally developed by ARGE). Providing feedback to both the winners and losers is a key element of improving future performance. Also a condition for winning the award is to behave as a role model for the issue and allocate resources to promote the issue for at least a year.
5. We measure progress and improve the methodology and our reach through successful implementers to continue to promote the right kind of behaviours and achieves significant development throughout the community.



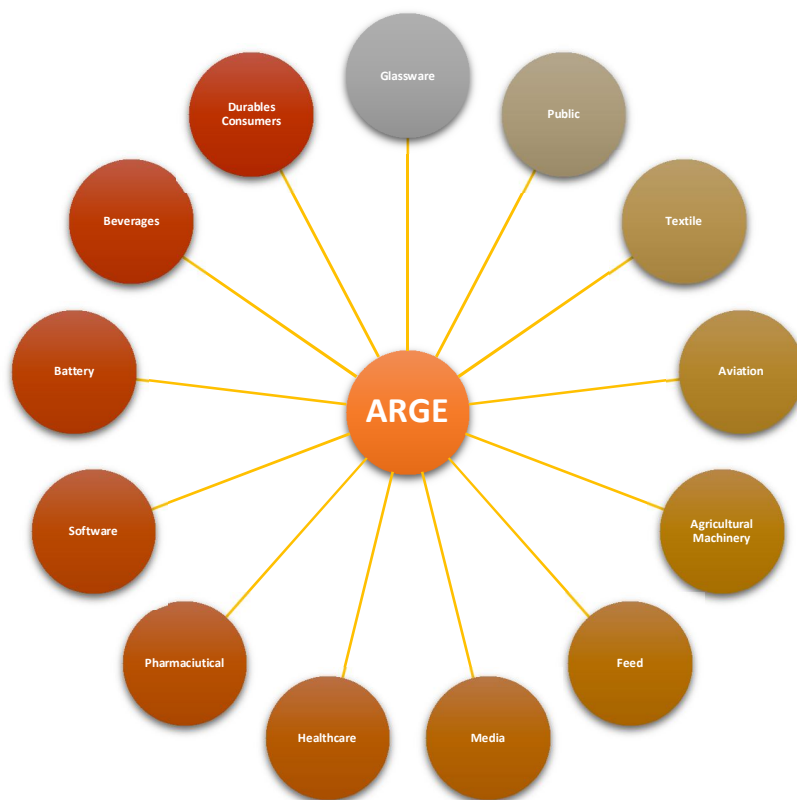
Regardless of the content of the issue (Quality, volunteerism, CSR, governance) this methodology helps mobilize the community around desired behaviours and achieves significant development throughout the community.

VALUE CREATION FOR CUSTOMERS

Business Impact

ARGE Consulting has performed more than 50 projects in 2014 to the customers which has active and important impact in various industries with more than 30.000 employees.

ARGE's focus is to leverage our management expertise to help our clients and NGOs maximize their impact on the community.



We also should add that ARGE sees each project as a new opportunity not only to make business better but also to open new windows, widen directors and managers' perspectives about environmental and social issues. We specifically draw attention to these issues especially in our interviews and meetings.

Examples of projects that were conducted in 2014 where we have improved the awareness of our clients for CSR activities are as follows:

Project No	Sector	Number of people in the Organization	Project Name
1	Manufacturing; glassware	17,000	Developing Human Resources Systems
2	Public – Business Incubator Center - İŞGEM		Institutional development
3	Textile	3.000	Corporate Governance
4	Aviation	1.500	Institutional development
5	Agricultural Machinery	500	Institutional development
6	Feed Manufacturer	700	Institutional development
7	Aviation	3000	Strategy
8	Media	7000	Corporate Governance
9	Healthcare	120	Re-engineering
10	Pharmaceutical	1.500	Institutional development
11	Software	150	Institutional development
12	Battery Manufacturer	440	Strategy Deployment
13	Public – Development Agency (City – Elazığ)	500	Strategic Planning
14	Export Development Zone Management		Corporate Governance
15	Beverages		Corporate Governance
16	Durable Consumer Goods	10.000	Institutional development

One of the critical projects performed by ARGE Consulting was a regional development project for a Turkish city of Elazığ. The project was on to determine important growth potential sectors in Elazığ and preparing a strategic plan for improving its growth potential.

Based on the project findings, critical sectors have been determined with Elazığ's business community and government officials and development plans have been prepared for the determined business sectors. Implementation of the project will improve living standards in Elazığ.

ARGE's BUSINESS MODEL

Strategy	Business Excellence	Institution Building	Shaping the Future	Sustainability	Risk Management
Strategy Development	Assessment of Business Effectiveness	Human Resources Management Systems	Structuring Community Contribution	Strategy Development	Definition of Risk and Risk Assessment
Strategy Implementation (Balanced Scorecard)	Total Quality Management	Organizational Structuring	Developing Partnership	Strategy Alignment (Balanced Scorecard)	Risk Management Strategy
Strategic Alliances	Process Efficiency	Corporate Governance	Social Governance	LCA Analysis and Consultancy	Risk Analysis
Post-Merger Integration	Value Management	Institutional Development for Family Businesses	NGO Effectiveness	IIRC Methodology Support	Risk Management Systems
Scenario Planning	Reengineering	Intellectual Capital Management	Social Support Projects	Sustainable Development Goals	Business continuity and disaster management scenarios
Country Strategy	Good Governance	Public sector organizations	Trend analyses		

VALUE CREATION FOR SOCIETY

Value creation for the society is one of the core values of ARGE's governance perspective.

ARGE has established the non-profit “**Argüden Governance Academy**” in 2014. Argüden Governance Academy is a non-profit initiative dedicated to improving governance quality in public, non-profit, private, and international organizations to create sustainable value for institutions and society. The Academy operates under the aegis of Bosphorus University Foundation.

ARGE supports the **UN Global Compact** and integrates the 10 principles of the UN Global Compact in its operations, as the first Turkish signatory. The chairman of ARGE is the chairman of UN Global Compact Türkiye Network. Dr. Argüden was elected as the Chairman of Local Networks Advisory Group of the UN Global Compact and he served on the UN Global Compact board representing the national networks.

UN Global Compact Principles are accepted as minimum norms at ARGE. The UN Global Compact Principles compose a fundamental part of ARGE's vision, since ARGE is founded with the vision to strengthen corporate social responsibility. Beyond ARGE's alignment with the ten UN Global Compact Principles, ARGE's activities are intended to promote and develop the Corporate Social Responsibility concept and corporate governance principles in companies and NGOs, throughout Türkiye.

For this purpose, we have some keys for success;

- **For Value Creation** – Utilize skills and/or systems developed to improve management quality by establishing focus in line with corporate values and mission.
- **For Impact** – Cooperate with NGOs and develop their institutional capabilities for better acceptance and mobilization of larger resources. Projects conducted *vis-à-vis* NGOs are widely accepted rather than just being individual company actions.
- **For Sustainability** – Apply good governance principles to CSR projects and NGOs.
 - Being creative and proactive in thinking.
 - Working with the parties that implement the Global Compact.
 - Working on a project or with a party if there is a potential to add value.
 - Improve Recognition of Best Practices.

One of ARGE's major tools to promote corporate social responsibility is its partnership with several NGOs that are very effective in their areas of operation in Turkey. As a result of its vast

amount of experience in the area of management consultancy, ARGE supports the operations of NGOs in the areas of institution building, strategy formation, and total quality management. In this respect, in line with its mission and vision, ARGE aims to promote corporate social responsibility among other organisations and integrate its management consultancy experience within its projects in partnership with its network of clients and other NGOs.

ARGE supports its personnel to participate in NGO activities and encourages them to spend one day a week for NGO activities.

ARGÜDEN GOVERNANCE ACADEMY ACTIVITIES IN 2014

Argüden Governance Academy is a non-profit initiative, established by a donation from ARGE Consulting, to help improve the quality of governance in public institutions, non-governmental organizations, and corporations to create sustainable value for the institutions and society.

The Academy envisions a world where institutions and society work together to create a more sustainable and inclusive future. We bring together world-class expertise, adopt a holistic view of governance across institutions, and form partnerships to improve quality of life for current and future generations.

To achieve our mission, our programs aim to:

- Improve awareness of the role of good governance for sustainable and inclusive development by research, dissemination of successful examples and awards;
- Create a knowledge platform to enable representatives of government, civil society, and business to be informed about the recent global developments on governance through training programs, seminars, and peer to peer learning;
- Conduct research in cooperation with international organizations, universities, public agencies, and non-governmental organizations on various governance related subject areas;
- Cooperate with other similar initiatives both locally and globally through joint projects to raise the understanding of the key role of good governance in improve quality of life and sustainability of the planet.

Academy focuses on three areas;

Public Governance: To improve the effectiveness of public service delivery, enhance trust in the public sector and foster civic participation in decision-making through evidence-based policy making, whole-of-government approaches, and increased accountability at the local and global level

NGO Governance: To increase governance quality in the non-governmental sector and to promote its role in establishing participatory democracy for solving social, economic, and environmental problems

Corporate Governance: To promote the role of the Board in managing sustainability issues and to establish social, economic and environmental sustainability as an integral part of the company's strategy for managing risk, improving performance and contributing to positive change in their communities

To achieve Academy's mission, long-term collaborative partnerships and joint-initiatives have been developed



Academy partners with local and international organizations and academic institutions to develop cutting-edge knowledge and disseminate governance best practices in public, non-profit, and corporate sectors.

We cooperate with a wide range of local and international partners to promote the understanding, implementation and effectiveness of good governance practices within and across public, non-profit and private institutions. Our joint initiatives include workshops, surveys, awareness-building activities and implementation projects.

Academy receives donations from independent organizations, foundations and individual donors, who are committed to our mission of improving governance quality in public, non-profit and private institutions.

An Advisory Council has been formed for the Academy.

Advisory Council of Academy comprises of globally-recognized names on governance.



Academy has established a donation fund under Boğaziçi University Foundation to fund activities to improve governance standards and supporting academic research.

Academy had made an agreement with Rotman Business School of University of Toronto for collaboration in improvement of governance standards.

Academy has took part as a partner in IFC Institute of Directors meeting which has been organized by Turkish Corporate Governance Association of Turkey in May 2014.

The Academy's Executive Director, Barış Diner has received the Ira Millstein Rising Star of Corporate Governance Award in 2014.



Academy has received a donation of \$1.5million from TIRSAN.

UN GLOBAL COMPACT ACTIVITIES IN 2014

Global Compact Türkiye Network has won **Local Network Award 2014**

Global Compact Türkiye Network has developed “Sectorial Deployment Strategy”, “Local Networks Development Model”, “Leveraging Natural Incentives/Allies Strategy”. Global Compact Türkiye Network has been awarded with **Local Network Award 2014** with its contribution with these strategies.



Dr. Argüden has been elected as the Chairman of Global Compact Local Networks Advisory Group. Dr. Argüden has become a member of UN Global Compact Board. He was also a member of nomination committee for the next Executive Director of the UN Global Compact which has been chaired by Sir Mark Moody-Stuart.



Consultation with Turkish Private Sector's Role regarding UN Sustainable Development Goals;

Türkiye has been selected as one of the five countries where comprehensive dialogue would be held for SDGs on private sector involvement. Global Compact Türkiye Network has organized Stakeholder Meetings to understand the contributions of private sector for sustainable future. Meetings has been organized under Global compact Türkiye and UNIDO between June and October 2014. A consultation platform has been formed between private sector and private and public sector institutions. Five priorities that has been determined

- Good Governance
- Decreasing Youth Unemployment by Improving Quality of Education
- Participation of Women to Work Force
- Supporting of SMEs
- Collaborative Actions must be Increased.

A report has been prepared to summarize the findings of the project.



Sustainable Finance Forum;

The second forum has been organized together with TBCSD, UNEP-FI, and Global Compact Türkiye. The event took place on May 16, 2014 and Dr. Argüden made the opening speech.

Richard Burret (Earth Capital Partners LLP and University of Cambridge Institute for Sustainability leadership) has made the keynote speech on shared responsibility.



Sustainable Energy for All Türkiye Launch Event;

A meeting has been held on October 14, 2014 with UNGC Turkey, Accenture, SEDEFED, XSights in Istanbul. The project plan and responsibilities for each partner has been agreed.

Business for Peace;

Business for Peace meeting has been held on December 16, 2014 with the participation of signatories. Views of parties has been exchanged and Global Compact Türkiye plans has been shared with participants.

Global Compact Türkiye Network General Assembly;

Global Compact Türkiye network had attained its formal status in 2012. The second general Assembly of the Turkish Network has been realized on March 26, 2014. Dr. Argüden made the opening remarks. Halide Çaylan from UN has made a presentation on Sustainable Development Goals.

Food and Agriculture Business Principles – FAB Meeting;

Global compact Türkiye has organized a consultation event on March 17, 2014 with the support of Turkish Businessmen Association and Food Producers Association to discuss the proposals for principles. UNGC Food and Agriculture Manager Puvan Selvanathan participated the meeting.

Local Networks Annual Forum;

Global Compact Türkiye has participated Local Networks forum in June 10 – 12, 2014. Dr. Argüden has represented the Turkish Network. Global Compact Türkiye Network has been awarded with Local Networks Award. Dr. Argüden presented Local Networks Development Model.

Sustainable Banking Seminar;

Global Comact Türkiye, Türk Ekonomi Bankası and France Development Agency has organized a seminar on “Sustainable Banking Practices” on February 28, 2014. A panel has been held on company sustainability strategies and the role of financial institutions on shaping this strategy.

UNGC Board Meeting;

Dr. Argüden has participated the meeting as the Chairman of Local Networks Advisory Group to the UNGC Board meeting made on July 2, 2014.



Global compact Europe Local Networks Meeting;

The meeting has been realized in Skopje on OCTOBER 28 – 30, 2014. Dr. Argüden represented the Turkish Network.

Global Compact Türkiye Sustainable Banking Work stream;

ARGE’s partner Mr. Erkin Erimez is a member of this work stream.

The main expectations from the work stream are;

- Ensuring that all organizations maintain a strong consideration of sustainability in their activities.
- Maintaining their keen following on latest issues regarding sustainability efforts.
- Forming a distinct sustainability team in their organization, if they have not done so already.
- Engaging in activities regarding Corporate Social Responsibility.

The work stream perform its activities based on the below frame work of sustainable banking.

Value Drivers

- Client intimacy and revenue growth
- Employee engagement & talent attraction and retention
- Acting responsibly, protecting our assets
- Identity, vision & branding
- Resource efficiency

Focus areas

- | | |
|---|---------------------------------|
| 1. Accountable & transparent | 2. Protecting Bank Assets |
| 3. Responsible financial services | 4. Being an Employer of choice |
| 5. Minimising impact on the environment | 6. Supporting local communities |

This vision requires integrating sustainability into all parts of the organisation

The group decided to focus on 3 topics of;

TOPIC 1: BEING ACCOUNTABLE & TRANSPARENT

Accountability and transparency is essentially embedding all the topics. The essence of sustainability is through compliance with corporate governing principles. The mismanagement of risk in return creates another risk for the provider of funds. The recipients of project funding are also in danger for the long run. When accountability and transparency is lacking, this whole process is affected negatively. This perspective should be included in the whole process.

TOPIC 2: PROTECTING OUR ASSETS

This area in particular was labeled as one that requires cooperation among banks in order to succeed in reaching this goal. Therefore, when forming a working group as such, issues such as this topic may be moved up in the agenda in order to make the best out of representatives coming together in one platform. It is important to move beyond the in-house environmental impacts, namely indirect social and environmental effects arising out of loans must be addressed (direct impact of clients).

TOPIC 3: RESPONSIBLE FINANCIAL SERVICES

The topic of responsible finance should be kept in mind as the participants noted that they are corporations that provide financial services. The weakest aspect of Turkish banks is also noted to be financial services. While participants noted that it is open to debate as to how sustainable they have made. In the future, the participants may collaborate in sharing their efforts in environmental social risk management and financial services.

The work stream works as an information and experience sharing and advocacy platform.



CORPORATE GOVERNANCE ASSOCIATION OF TURKEY

The Association is a non-profit organization whose mission is; Leading, guiding and supporting the adoption and implementation of corporate governance principles in Türkiye and the Region.

The Association plays an active role in improvement of Corporate Governance standards in Türkiye and the region.

ARGE Partners, Dr. Erkin Erimez and Mr. Baris Dincer have been board members in the association. Dr. Argüden is a member of its Advisory Council.

Academic Platform;

Dr. Erkin Erimez is the head of Academic Platform of the Association.

The main purpose of the platform is; to bring all academicians and researchers, who work on corporate governance in Turkey for creating an information sharing and discussion body. A consolidated data base of corporate governance would be formed to support the researches on this field.

Formation of a digital library, containing all publications on corporate governance, has been started and the project has been completed in 2014.

A research on “How Corporate Governance has been perceived in Türkiye” has been started at the last quarter of 2013. The report has been issued in 2014. The main aim of the study is to understand how corporate governance has been perceived. The findings will be used to fine tune the strategy of the Association in supporting the improvement of corporate governance practices in Türkiye. The research could be used as a database for further researches on this field.

International Relations;

Mr. Dincer is responsible from relations with international organizations, like OECD, IFC, in the Association’s board.

Association, IFC, and Argüden Governance Academy have jointly organized IOD meeting in Istanbul on May 2014. IOD’s from developed and emerging markets have participated the meeting.

**IFC KÜRESEL YÖNETİM KURULLARI
ÖRGÜTLERİ TOPLANTISI TKYD VE ARGÜDEN
YÖNETİŞİM AKADEMİSİ DESTEĞİ İLE
İSTANBUL'DA DÜZENLENDİ**



Capital Markets Board Work Stream;

Dr. Erimez is a member of this work stream. The group reviews the Capital Markets Boards Regulation before they are issued and gives advices to improve the effectiveness of regulations based on corporate governance and business perspectives.

Corporate Governance in NGOs Work Stream

The Association formed this work stream to prepare a guide for NGOs when they manage their organizations. ARGE Partner Ms. Pınar Ilgaz has been a member of the work stream.

The work stream issued a guide and Ms. Ilgaz has made important contribution to the end product.



Corporate Governance Summit of Türkiye

Dr. Argüden was a panelist in the summit.



MANAGEMENT CONSULTANTS ASSOCIATION

YDD is a non-profit organization which was founded in 1991 by management consultants, in order to promote the management consulting profession in Turkey, bring management consultants under the umbrella of a single professional organization, develop standards and norms of the profession, act as an intermediary for various government agencies and departments and establish local and international contacts with other related institutions and



associations. YDD is the representative body of management consultants and consulting companies in Turkey. Today YDD's members are 280, highly skilled and experienced consultants, especially in the fields of designing, developing, managing, evaluating and implementing projects and programs and designing and disseminating various training programs. All members are university or higher level graduates.

In 2014, Pinar Ilgaz - partner of ARGE – was selected as board member of Management Consultants Association. She is the Vice Chairman of the Association, leading communication and award committees.

As a committee leader, working on corporate identity, web issues and designing the award criteria and process, leading the implementation.



Key Events of 2014

- ✓ The non-profit Argüden Governance Academy was founded
- ✓ Dr. Yılmaz Argüden was elected as the Chairman of UN Global Compact Local Networks Advisory Group.
- ✓ Dr. Yılmaz Argüden became a board member in UNGC Board
- ✓ Dr. Yılmaz Argüden was a panelist in Turkish Corporate Governance Association of Türkiye (TKYD).
- ✓ Executive Director of Argüden Governance Academy, Barış Dinçer has won **Rising Star of Corporate Governance** prize.
- ✓ Dr. Yılmaz Argüden appointed to UNGC Board Nomination Committee
- ✓ ARGE Partner Pınar Ilgaz had an active role in organization of Conference of Management Consultants' Association of Türkiye
- ✓ ARGE Partner Hakan Kilitçioğlu became a voluntary chief auditor for EFQM
- ✓ Hakan Kilitçioğlu served as the Chairman of Middle East Quality Association
- ✓ ARGE Partner Dr. Erkin Erimez have realized trainings on Board Performance Evaluation Organized by Turkish Corporate Governance Association of Türkiye
- ✓ Dr. Yılmaz Argüden is Vice Chair of BIAC Governance Committee
- ✓ Dr. Yılmaz Argüden was a moderator in Quality Congress of Türkiye organized by Quality Association of Turkey (KalDer)
- ✓ Dr. Yılmaz Argüden gave a speech for ISPAT (Turkish Foreign Investment Promotion Agency) in Sovereign Wealth Funds Conference.
- ✓ Dr. Yılmaz Argüden gave an opening speech for Global Corporate Governance Conference in Kuwait
- ✓ Dr. Yılmaz Argüden gave the key note address in Anti-Corruption and Rule of Law Conference in Türkiye
- ✓ Dr. Argüden served as the Chairman of the Turkish-Canada Business Council



Business for Peace Launch



Dr. Argüden and Georg Kell at the founding ceremony of Business for Peace



Leaders' Summit



Sustainable Supply Chain Conference – Introducing Leveraging Natural Incentives/Allies strategy



The first Local Networks Advisory Council Meeting was held in Istanbul

PUBLICATIONS;



KEYS TO GOVERNANCE STRATEGIC LEADERSHIP FOR QUALITY IF LIFE Dr. Yılmaz ARGÜDEN

Good governance is the key to sustainability of our organizations and success of humanity in improving quality of life for all citizens of our world. Governance is much more than just the structure, processes, and rules of decision making and controls. **Good governance is a culture and a climate** of Consistency (predictability), Responsibility, Accountability, Fairness, Transparency, and Effectiveness that is Deployed (subsidiarity¹) throughout the organization (the 'CRAFTED' principles of governance.)

With both meanings of the word subsidiarity: (i) As a principle of social doctrine that all social bodies exist for the sake of the individual and therefore social institutions should not take over what individuals can do by themselves, and (ii) In political systems, the principle of devolving decisions to the lowest practical level, empowerment.

Good governance starts with the individual and is applicable in all types of organizations, starting from the family and extending throughout the community, company, non-governmental organizations, governments, at all levels, all the way to global institutions.

This book elaborates the keys to good governance. What is interesting is that these principles, despite different forms of application, are common regardless of the size, complexity, and jurisdiction of an organization. Furthermore, it requires an understanding of “regarding the others, as you regard yourself” to become prevalent. This understanding transcends the individual's interests and requires considering not only interests of others that we share our planet with, but also interests of future generations. Good governance is the key to effective utilization of our limited resources and not only improves the quality of life, but also ensures sustainability of life on our planet.

The essence of good governance is ensuring trustworthy relations between the institution and its stakeholders. Trust is the foundation of sustainable development. Good governance is the key to establish common expectations, to devise effective policies and processes in order to achieve desired performance levels in a sustainable fashion. Governance involves the rights and processes of decision making and exercising controls in an organization to achieve mutual goals. In short, governance is about performance.

In the new millennium, societies demonstrate and experience highly creative and efficient forms of governance and they learn lessons from them. In this context, a new type of citizenship consciousness emerges. This new citizenship consciousness symbolizes a new

identity that acknowledges its own problems, demands higher standards but at the same time plays an active role in the formation and realization of these standards, that creates solutions from within and that forms the necessary structures for this purpose: in short, this new identity has a determination to shape its own future.

To establish these structures, consistency is necessary at a global scale. Global consistency requires a convergence on implementing common values in all aspects of life. The solution has to start at grassroots: if transformation and change can be inspired at all levels of society, the process to shape the future begins. The role of those who do not take part in the process will be limited in a future shaped by others. Thus, for sustainability of our institutions we need to consider new ways of involving all stakeholders in governance mechanisms.

The basic element of any community or organization, is the individual. Therefore, the domain of governance starts from the individual and extends all the way to all of humanity, global governance. Good governance takes place at four levels in societal life: 1) Individual, 2) Corporate, 3) NGO, and 4) Public Sector, which in turn has three layers: i) Local, ii) National, and iii) Global. At all these levels, if the stakeholders are driven by common values of having an open mind for continuous learning (**curiosity**); an open heart for sharing (**responsibility**); a quest for effective utilization of resources for **value creation**; and accountability, consistency, transparency, and fairness for **building trust**, then the fundamentals are in place for establishing the rules of engagement for good governance, paving the path for shaping their own future.

This book argues that good governance is key to sustainable development of quality of life, the values and behaviors that drive good governance are similar for all types of institutions, and if we are to shape our own future, we need to start from the individual and our education systems.

It is my sincere wish that this book will be useful in the development of good governance culture, throughout the world and contribute to the establishment of trustworthy relationships between all types of organizations and their stakeholders, thereby ensuring effective, sustainable, and equitable resource utilization to improve the quality of life throughout the globe.

<http://www.amazon.com/Keys-Governance-Strategic-Leadership-Quality/dp/0230278140>

RESPONSIBLE BOARDS – ACTION PLAN FOR SUSTAINABLE FUTURE – Dr. Yılmaz Argüden



A sustainable global economy is one that combines long-term profitability with ethical behavior, social justice, and environmental care. Companies can play a fundamental role in creating a sustainable future by embracing this challenge as an opportunity for innovation and long-term value creation. This paper discusses steps that companies can take to craft the sustainability vision, build sustainable boards, and integrate sustainability into the organization.

“Keys to Governance” 2011

“Boardroom Secrets” 2009

“Benchmarking” 2009

“Data Mining” 2008

**“ARGE Corporate Governance
Model” 2007**

**“Management of Voluntary
Organisations” 2006**

“Intellectual Capital” 2005

“Change Management” 2004

“Strategic View” 2003

“Reputation Management” 2003

**“Corporate Social
Responsibility” 2002**

“Value Management” 2001

“Balanced Scorecard” 2000



HUMAN RESOURCE AND HEALTH AND SAFETY

ARGE's policy is to attract the best people and to create an environment of mutual trust and team spirit to foster continuous development of its people. We expect each member of our team to demonstrate self-respect, respect for others and the environment.

ARGE supports the development of knowledge, competence, and creative abilities of each team member; and expects them to do so, both on an individual and organizational level. We strive for effective utilization of the ultimate non-renewable resource, time.

ARGE believes in leading by example. We demonstrate our corporate social responsibility, by encouraging all our consultants to devote a full day of each week for voluntary work in NGOs to improve the quality of life in our community with a local, national, and global perspective.

ARGE fulfils its legal requirements on health and safety issues.

NATURAL RESOURCE USAGE

ARGE is trying to minimize its natural resource usage in the organization.

ARGE moved to a new building in 2013. This building has been rebuilt according sustainable building concept to minimize energy consumption. Water efficiency is also a concern in rebuilding process.

A video conference facilities has been installed to minimize the travelling requirements and make online meetings with customers.

However, there are difficulties in reaching an optimum level of resource consumption due to needs and expectations of clients, especially for face-to-face meetings.

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