



Eczacıbaşı Group Sustainability Report 2015

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Joint Statement from the Chairman and CEO



Looking back at 2015, there are several new reasons for hoping the world is slowly changing course towards sustainable growth. Last year, carbon emissions remained constant at about 32.1 billion tons for the second consecutive year, while the global economy grew 3.1 percent. The development suggests that economic growth and carbon emissions may finally be decoupling as investments in renewable energy – which accounted for 90 percent of new electricity generation in 2015 – gain momentum.

Another heartening development was the climate change agreement reached in December at the COP21 meeting in Paris. For the first time ever, the United States and China joined 193 other countries on an agreement to lower emissions of greenhouse gases from 2020 onward and to establish a \$100 billion-per-year fund for developing countries to assist them reach their targets and mitigate the impact of global warming on their economies.

A third positive development was the unanimous adoption of the United Nations' 2030 Agenda for Sustainable Development, which advances the Millennium Goals strategies for ending poverty, protecting the planet, and ensuring prosperity for all. We are committed to advancing this agenda through our business operations and philanthropic activities, as we pledged in 2006 when we signed the UN Global Compact.

Within the Eczacıbaşı Group, two developments in 2015 considerably strengthened our credentials and resolve to be a sustainability leader in Turkey's business community.

In 2015, our innovative shopping center, Kanyon, became the first commercial building in Turkey to achieve an "Outstanding" rating from BREEAM, one of the world's foremost environmental assessment and rating systems for buildings. This was followed by a 2016 BREEAM Award, given annually to the most innovatively sustainable buildings in the UK and Europe. The award reflects Kanyon's concerted efforts since 2006 to reduce its environmental footprint and promote sustainable practices among stakeholders.

Esan, our mining and minerals processing operation, has undertaken two major solar power projects in the last two years. The first, a new storage depot in southwest Turkey that is fully powered by photovoltaic panels, earned the company a "Low Carbon Hero" award at the third Istanbul Carbon Summit in 2015. The second, Turkey's largest auto-production facility of its kind, will supply a significant portion of the energy needed for the company's new primary magnesium metal production facility. Powered by renewable energy and situated close to the heart of Europe, where it is the only producer of this valuable metal, Esan's new plant enables customers to significantly reduce the carbon footprint of their products and demonstrates how sustainable development can create competitive power.

As in previous years, all our operations continued to find ways to improve their energy and water efficiency. In 2015, our industrial operations in Turkey completed a large number of projects that will save them as much as 1.8 percent of their 2015 energy and water consumption in the years ahead.

In tandem with our environmental efforts, we continued to focus on improving our social sustainability performance, with special focus on occupational health and safety (OHS) and equal opportunities.

Through our affirmative action recruitment program, we increased the share of women in new recruits for professional positions from 36 to 40 percent and for production positions from 2.7 to 17.7 percent between 2013 and 2015. To further advance our recruitment of women, we are developing projects to improve the work environment and schedule for women with children, supporting women's career development through mentoring programs, and strengthening communication between colleagues through gender training and communication campaigns.

In the area of OHS, we restructured our management responsibilities and human resources policies in order to ensure high-level monitoring and involvement at both our headquarters and industrial sites. Through the steady implementation of preventative measures, including process reorganization and training, we lowered our lost-time accident rate from 3.51 to 2.98 between 2013 and 2015.

Another important indicator of our sustainability performance is our growing expertise in research and development. The great majority of our award-winning building products are now designed by Vitra designers in collaboration with the Vitra Innovation Center, named "Best R&D Center in the

Ceramics and Refractory Industry" by the Turkish Ministry of Science, Industry and Technology for the third consecutive year in 2015. In the last two years alone, we have raised the number of new building product patents from 6 to 21, and we expect this trend to continue in the years ahead.

The Vitra innovation Center started 2016 with about 60 projects. Many of these are "game-changers", which is what we need if we are to be sustainability *leaders*, rather than *followers*, in our business fields. Leaders benefit the most from the global transition to sustainable business models, not only in terms of market share and costs, but also in brand reputation and corporate value. For this reason, we would like to commend the countless people throughout our operations who have taken on additional responsibilities in order to advance our sustainability goals, and to encourage others to join these efforts to contribute to a better future for our businesses and the planet.



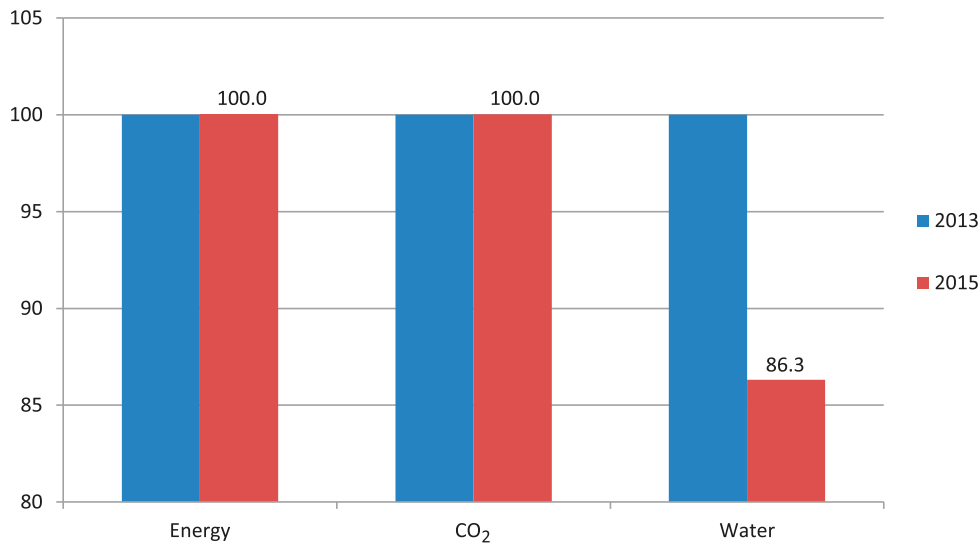
Bülent Eczacıbaşı
Chairman



Dr. Erdal Karamercan
President and CEO

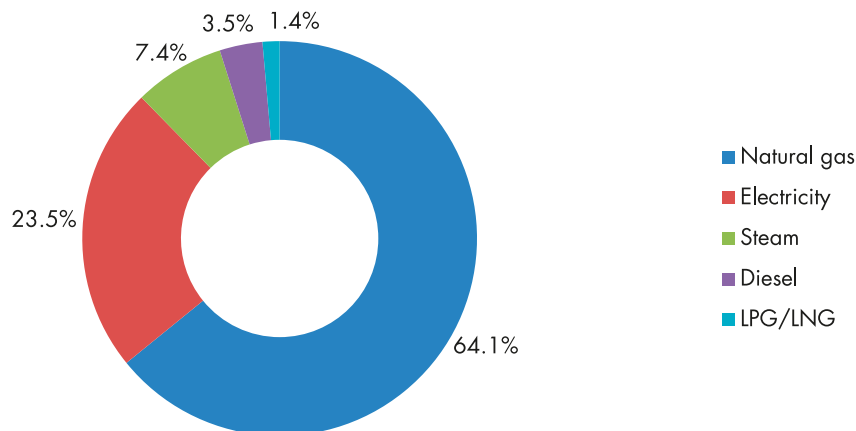
Eczacıbaşı Group Environmental Highlights

Energy, Carbon Emissions and Water per ton-equivalent of Output*















*Per ton data for industrial sites in Turkey does not include Esan Eczacıbaşı Industrial Raw Materials because it accounts for close to 75 percent of total output on a ton basis, so small changes in its output can have a disproportionately large impact on per ton data. Per ton data for previous years has been adjusted to reflect changes in assets and facilitate comparison between years.

Energy Consumption by Source** (% in MWh equivalent)










**Total energy consumed by the Group's industrial sites in Turkey.

Eczacıbaşı Group Sustainability Highlights

 Total Energy Consumption 1601 thousand MWh	 Total Carbon Emissions 432 thousand tons	 Total Water Consumption 3637 thousand m ³	 Total Waste Disposed* 29 thousand tons
 Energy Consumption* Per ton of output 2.2 tons	 Carbon Emissions* Per ton of output 0.55 tons	 Water Consumption* Per ton of output 3.33 m ³	 Share of Recycled Waste* 65%
 Women in Professional Positions(Turkey) 33%	 Women in New Recruits (Turkey) 40.2%	 Injury Rate 2.98	 Training hours per Talent** 12.1 hrs

* Excludes Esan Eczacıbaşı Raw Materials.

** Employees in leadership programs.

Aim	Timeline	Progress	Explanation
 Reducing the per-ton energy consumption of our industrial sites in Turkey by 4%	2014 - 2016	Needs improvement	Progress inhibited in 2015 by the testing of large new investments that will come fully on stream in 2016
 Reducing the per-ton water consumption of our industrial sites in Turkey by 4%	2014 - 2016	Over Target	13.7% reduction since end-2013
 Creating awareness of green brands and sustainable consumption habits among stakeholders	2012 - ongoing	On Target	Placed 2 nd in environmental sensitivity category of the 2015 Capital Magazine "Most Admired Companies" survey
 Increasing the share of women among new recruits in Turkey to 50%	2011 - 2016	Needs improvement	New working group of top-level women executives to develop strategies
 Steadily lowering injury rates to below 1 per 200 thousand work hours	2014 - 2016	On Target	Overall average down but more training needed
 Refurbishing wet spaces at 60 boarding schools around Turkey	2007 - 2020	On Target	The project has improved the quality of life for 17,200 students at 36 boarding schools in 29 cities; the goal for 2020 is 60 schools in total.
 Training pre-school teachers at schools around Turkey on the Orff approach to musical education	2015 - 2016	On Target	30 teachers at 10 pilot schools received training in 2015; the goal for 2016 is to reach 90 teachers at 30 schools in Hatay, Konya and Samsun.



Eczacıbaşı Group

Financial Highlights*

	(TL Million)	
	2014	2015
TOTAL NET SALES		
Building Products	2,776.0	3,129.6
Consumer Products	1,310.0	1,543.6
Healthcare	722.9	903.1
Other Products and Services	2,619.8	2,865.7
Eczacıbaşı Group	7,428.7	8,442.1
INTERNATIONAL SALES		
Building Products	1,521.2	1,687.7
Consumer Products	168.9	192.9
Healthcare	51.1	71.0
Other Products and Services	653.4	772.0
Eczacıbaşı Group	2,394.6	2,723.6
EBITDA		
Building Products	210.1	206.4
Consumer Products	57.9	67.6
Healthcare	43.6	79.0
Other Products and Services	266.4	256.5
Eczacıbaşı Group	578.0	609.5

* Combined results of Group companies

Eczacıbaşı Group at a Glance

Building Products Division

- Eczacıbaşı Building Products Inc.Co.
- Burgbad AG
- Burgbad France SAS
- VitrA Tiles Inc. Co.
- VitrA Tiles LLC
- Engers Keramik GmbH & Co. KG
- V&B Fliesen GmbH
- İntema Building Materials Marketing and Sales Inc. Co.
- İntema Yaşam Home and Kitchen Products Marketing Inc. Co.
- VitrA UK Ltd.
- VitrA Bad GmbH
- VitrA USA Inc. Co.
- VitrA Bathroom Products LLC
- Eczacıbaşı Building Products LLC
- Eczacıbaşı Building Products Europe GmbH

Business areas

- Sanitary ware
- Sanitary fittings
- Ceramic tiles
- Bathroom furniture
- Kitchen furniture and accessories
- Washing area solutions
- Fillers & adhesives

Consumer Products Division

- İpek Kağıt Tissue Paper Co.
- İpek Kağıt Kazakhstan LLP
- Eczacıbaşı Girişim Co.
- Eczacıbaşı-Schwarzkopf Professional Hairdresser Products Co.
- Eczacıbaşı Hygiene Products Co.
- Eczacıbaşı Profesyonel Products and Services Co.

JV partners

- Schwarzkopf (Germany)

Business areas

- Tissue paper products
- Wet wipes
- Cosmetics
- Personal care products
- Baby care products
- Household cleaning products
- Away-from-home cleaning and food products

Healthcare Division

- Eczacıbaşı Pharmaceuticals Marketing Co.
- Eczacıbaşı-Monrol Nuclear Products Co.
- Monrol Poland Ltd.
- Monrol Bulgaria Ltd.
- Monrol MENA Ltd.
- Monrol Gulf DMCC
- S.C. Monrol Europe SRL
- Radiopharma Egypt S.A.E
- Capintec Inc.
- Mol-Image Molecular Imaging Co.
- Eczacıbaşı-Baxter Hospital Supply Co.
- Eczacıbaşı-Baxalta Health Products Co.
- Eczacıbaşı Health Services Co.
- Eczacıbaşı Occupational Health and Safety Services

JV partners

- Baxalta (U.S.)
- Baxter (U.S.)
- Bozlu Group (Turkey)

Business areas

- Rx drugs
- Non-Rx products
- IV solutions
- Hospital supplies
- Biological and biotechnological products
- Radiopharmaceuticals and active ingredients
- Radiation measurement and protection equipment
- Home healthcare services
- Occupational health and safety services

Finance

- Eczacıbaşı Investment Holding Co.
- Eczacıbaşı Investment Partnership Co.
- Eczacıbaşı Pharmaceutical and Industrial Investment Co.

Business areas

- Finance investment

Information Technology

- E-Kart Electronic Card Systems Co.
- Eczacıbaşı Information and Communication Technologies Co.

JV partners

- Giesecke & Devrient (Germany)

Business areas

- IT
- E-card systems

Welding Technology

- Eczacıbaşı-Lincoln Electric Askaynak Co.

JV partners

- Lincoln Electric (U.S.)

Business areas

- Welding consumables and equipment

Mining

- Esan Eczacıbaşı Industrial Raw Materials Co.
- Esan Italia Minerals SRL

Business areas

- Industrial raw materials

Other Products and Services

- Kanyon Management and Marketing Ltd.
- Ekom Eczacıbaşı Foreign Trade Co.
- Eczacıbaşı Property Development and Investment Co.
- Eczacıbaşı Insurance Agency Co.
- Eczacıbaşı Medical and Cosmetic Products Co.
- Eczacıbaşı Aviation Co.

JV partners

- İş REIT (Turkey)

Business areas

- Finance investment
- Foreign trade
- Insurance
- Property development and facility management
- Aviation

Managing Sustainability



Organizational Structure

The Eczacıbaşı Group is a professionally managed group of affiliated companies directed by its parent company, Eczacıbaşı Holding. The primary functions of Eczacıbaşı Holding are to develop our Group's long term goals and business strategy and coordinate Group resources and investments accordingly.

Eczacıbaşı Holding's Board of Directors has seven members, including four independent directors. Under the Board's leadership, there is an Executive Steering Committee with broad responsibility and authority on Group management decisions. This committee comprises the chairman and two vice-chairmen of the Board of Directors and the vice presidents of Eczacıbaşı Holding's main operational

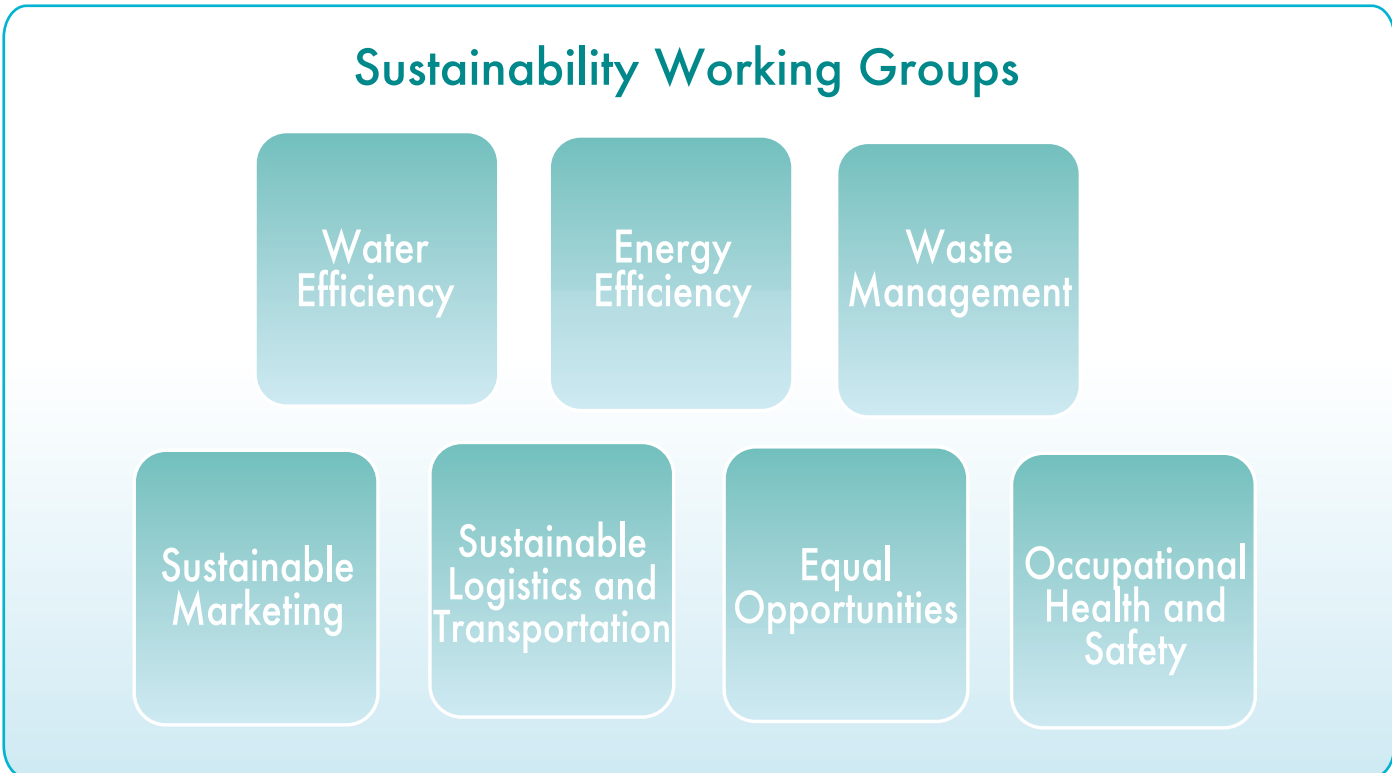
and functional divisions. Its core functions are to approve investments and annual budgets submitted by Group companies, monitor progress in both areas, and recommend measures for ensuring that targets are met. The Executive Steering Committee is supported in these responsibilities by a number of sub-committees involving the senior management of Group companies. These committees cover key management issues: auditing, new business development, human resources; planning, finance and investments; corporate communications; and the coordination of company activities within core business divisions.

Executive vice presidents (EVP) in charge of core divisions report directly to the CEO; general managers of companies report to the EVP in charge of their division. VPs in charge of shared functions, such as Corporate Communications, Finance and Strategic Planning, Human Resources (HR) and Information Technology (IT), also report directly to CEO.

In addition to annual strategic vision meetings, EVPs meet on a weekly basis to discuss short and long term issues related to the Group or their specific businesses.

Sustainability Management

An Innovation and Sustainability Coordinator, reporting directly to the CEO, is responsible for Group's sustainability management system, which comprises a Sustainability Strategy Team and seven sustainability working groups focused on water efficiency, energy efficiency, waste management, equal opportunity, sustainable marketing, sustainable logistics and transport, and occupational health and safety. The Sustainability Strategy Team comprises Division representatives, sustainability working group leaders, and the Group's Innovation and Sustainability Coordinator.



Materiality and Priorities

As with any enterprise involved in a wide range of industries, the Eczacıbaşı Group faces specific challenges in each of its business fields. However, for the Group as a whole, there are four main developments that are posing major challenges to all our businesses. These can be summarized as:

Challenges

- Growing consumer expectations that new products and services clearly add value
- Rising environmental restraints caused by competition for natural resources and climate change
- Increased competition in attracting and retaining the best people
- Heightened monitoring and regulation of product, service and operational environmental, health and safety (EHS) performance.

Clearly, there are many aspects to these challenges and many ways of responding to them. We have determined five priorities based on our evaluation of the risks and opportunities they pose and the expectations of our stakeholders.

Priorities/Strategies

1. Eco-efficiency to increase productivity, reduce our environmental impact, and lower costs.
2. Sustainability-led innovation to create products and services with a reduced environmental impact, improve the environmental performance of our operations and increase our appeal to a growing base of eco-conscious consumers.
3. Communication of sustainability achievements and participation in external initiatives to increase brand and corporate value.
4. Achieve excellence in health and safety, operational efficiency, and employee satisfaction.
5. Unleash new vision and leadership talent through equal opportunity policies.

For a more detailed view our materiality analysis, please review the 2013 Eczacıbaşı Group Sustainability Report.

In the following sections of this report, we describe the measures we are taking in these areas as well as some of the activities of our companies contributing to our progress.



Kanyon shopping center becomes a sustainability leader

With its open-air, plant-lined shopping streets and numerous social gathering spaces, Kanyon offers a holistic experience for residents, visitors and office employees that is sensitive to both its environment and users.

From the very beginning, Kanyon sought to create an urban oasis that was innovative, user-friendly and in harmony with the environment. Key to this effort was the concept of open-air streets within a canyon-shaped, open-sky structure, allowing birds to move freely among plants, trees and fountains on squares and terraces. This design concept was the first of its kind in Turkey's retailing and entertainment sector when Kanyon opened its doors to the public in May 2006.

Soon after the establishment of the Eczacıbaşı Group's Working Group on Sustainable Development, Kanyon began to develop a comprehensive list of measures in collaboration with universities, NGOs and business partners aimed at reducing the environmental impact of its buildings, tenants and visitors, and at educating and inspiring different stakeholders to learn about the issues, evaluate their impact, and develop solutions.

Reduced its per meter energy consumption by 8.5% between 2013 and 2015

In 2009, Kanyon initiated an energy efficiency drive through a collaborative project with Istanbul Technical University's Building Research Group that represented Turkey in the Marie Curie Research and Training Network CITYNET program. During this project, Kanyon analyzed the energy efficiency of its office tower and conducted energy simulations to determine where most energy was being consumed and where the best locations were for using alternative energy. In 2011, Kanyon followed this project with another extensive study of its lighting systems in collaboration with Istanbul Technical University and Türk Philips. Through the expertise gained in both projects, Kanyon spearheaded the establishment of a Energy Efficiency in Building Working Group for all operations in Turkey, with the goal of achieving a 15% reduction in absolute terms in the energy use of all Group-managed administrative buildings in Turkey between 2011 and 2013, a goal that was achieved in full and on target.

Reduced its per-visitor water consumption by 5.4% between 2013 and 2015

Since 2008, Kanyon has tackled the issue of water conservation in a number of ways: reducing consumption at the source, increasing the efficiency of water use systems, and recycling/reusing water. The measures it has taken in this area include installing water-saving faucets, toilets and urinals in all public restrooms; designing an efficient watering system for indoor and outdoor gardens; and capturing and reusing cooling tower water, rainwater and subbasement water for gardens and flushing.

Achieved a 45% waste recycling and re-use ratio

Kanyon was the first shopping center in Turkey to establish an on-site waste separation point in 2008, which has since then developed into a comprehensive waste management system involving hundreds of collection points for glass, paper, plastic, metal, batteries, vegetable oils, waste food from restaurants and cafes, and, in a first for Turkey, electronic waste. By 2015, domestic waste was the only type of waste Kanyon still disposed, a matter

that it took in hand with the installation of a new on-site composting machine in early 2016. Kanyon's composting machine will produce 6.5 tons of compost annually, part of which will be used for plants in the facility and the remainder for the gardens of the Eczacıbaşı Group's new residential development, Ormanada. This way, Kanyon has reduced the amount of waste it sends to the central waste collection system by 26 tons annually and prevented at least 104 tons of carbon dioxide emissions.

Training and awareness-raising campaigns for stakeholders

In 2011, Kanyon initiated a "Green Office" certification program with the support of the Turkish branch of the World Wildlife Fund (WWF). A joint team evaluated existing management processes, determined principal areas for improvement, and developed an action plan that included training on sustainable development issues. In 2012, Kanyon's management office received the first "Green Office" Certificate in its sector in Turkey.

Since then, Kanyon has expanded its awareness raising program to include visitors to its facility, tenants, and industry associations. A regular participant in the Earth Hour climate change awareness campaign since 2009, Kanyon has sought to raise public interest in organic farming through its weekly Organikanyon organic foods market and related campaign, and carried out consumer surveys on-site to measure increased awareness of environmental issues. It has also carried out media campaigns targeting other important sustainability issues, such as equal opportunity and domestic violence.

A member of the Council of Shopping Centers – Turkey, Kanyon led the initiative to establish a sustainable development group in its industry association and has actively encouraged members to sign the Energy Efficiency in Buildings Manifesto of the Turkish Business Council for Sustainable Development. It also represents the Council's sustainability efforts on the International Council of Shopping Centers.

In 2015, Kanyon developed a Green Generation Restaurant Program in collaboration with Boğaziçi University, the Hotel Association of Turkey, and WWF, to raise awareness in the restaurant business about energy and water efficiency, waste management and the prevention of waste, and to help businesses implement best practices.

International certifications and awards for sustainable performance

The winner of the 2006 Cityscape Architectural Evaluation Award in the Commercial Building category, Kanyon has since had its environmental performance evaluated and commended by a variety of independent organizations.

In 2010, Kanyon won the Ruban d'Honneur medal of the European Business awards in the environmental category for combining innovations and commercial success with an awareness of social responsibility and contribution to the environment.

In 2012, it became the first company in Turkey to receive the "Excellent" rating in BREEAM's In-Use category, and in 2015, it raised its BREEAM rating to "Outstanding", the first rating of this kind for a commercial building in Turkey. In March 2016, Kanyon was one of nine buildings worldwide to win a coveted BREEAM Award at the "Best of BREEAM 2016 Awards" in London. Winners were selected from among the highest scoring BREEAM buildings in 2015, which encompassed many of the most innovatively sustainable buildings in the UK and countries across Europe, including France, Holland, Sweden and Turkey. Winning projects included residential, retail, industrial education and health care buildings as well as new builds, refurbishment and in-use buildings. In announcing Kanyon's award in the Retail In-Use category, BREEAM noted Kanyon's successful efforts to be "a pioneer in energy use, water consumption and waste management."

Kanyon certified its environmental management system in 2014 as complying fully with ISO 14001 standards.



Highlights of Kanyon's Sustainability Efforts since 2006

ENERGY

- Water-saving fixtures in all public bathrooms, including waterless urinals and low-flush (2.5/4L) WC pans, automatic sensor faucets
- Drip system for plants and gardens
- Collects and reuses wastewater from cooling systems, sub-basement ground water, and rainwater for gardens and flushing

WATER

- LED lighting
- Highly efficient motors and pumps
- Ultrasonic humidifiers
- Expansive use of automation systems for climate control, lighting and more
- Heating pipe insulation
- 100 solar panels provide 35% of hot water requirements
- Cogeneration system supplies 50% of energy for common areas

WASTE

- Separates all but domestic waste on-site for distribution to licensed recyclers
- Daily collection of food waste from tenants for animal shelters
- In-house composting machine for organic waste

STAKEHOLDER AWARENESS

- Green Employees and Green Office certification
- Earthday
- Organikanyon
- #HeforShe
- Flowers in Danger of Extinction
- Leader of the Eczacıbaşı Group's Energy Efficiency Working Group
- Leader of the Council of Shopping Centers-Turkey's sustainable development group and its representative on the International Council



Kanyon leads Turkey's urban buildings into the composting era

In its latest effort to promote sustainable lifestyles, Kanyon installed and began operating an on-site composting machine in 2016. On-site composting is the most environment-friendly waste management system. It significantly reduces the volume of waste in landfills, prevents groundwater contamination, and produces excellent mulch that increases the water retention of soil and reduces salinity. It also does not produce carbon dioxide, methane, odors and hygiene problems.

Sustainability and Innovation

Increasingly, the Eczacıbaşı Group's sustainability and innovation targets are intertwined: just as we cannot achieve many of our sustainability targets without innovation, so has sustainability become the muse and benchmark for successful innovation.

In today's highly competitive environment, organic growth requires that we continually pursue innovation. One way our Group is doing this is through "value innovation": anticipating our customers' expectations and creating a difference by developing products and services that respond to their values. Here, sustainability principles inspire us to imagine new ways of living that are aligned not only with customer values but also with visions of a better future: that is, "value innovation with a mission". Sustainability helps us to envision and work towards products and services that add value to society and the planet as well as to users, this way further differentiating our brands.

Another form of innovation we are pursuing is "business process innovation", rethinking every operational process to find ways to achieve the same or better results using fewer resources. From a sustainability perspective, this is eco-efficiency. It is also the goal of DIP, our Value Improvement Program and a central component of our innovation activities. In both areas, we are looking for small but effective incremental innovation as well as disruptive innovation to improve our

competitive advantage and achieve sustained organic growth.

Ideation is the first stage of our companies' innovation journeys, and we encourage it in a number of ways. One of our primary sources of ideas is Inocino, our internal suggestion system.

Inocino

Established in 2009, the Eczacıbaşı Group's online Inocino Suggestion Evaluation System has generated over 50 thousand ideas to date, about half of which have been implemented or are in the project stage. Submissions have picked up since the launch of the new portlet in January 2015, which enables users to "like" other people's suggestions, add their own ideas to suggestions, or share suggestions with other colleagues via e-mail. In 2015, the system received more than 13 thousand suggestions from 1,800 people in 25 companies, up from 11 thousand the previous year.

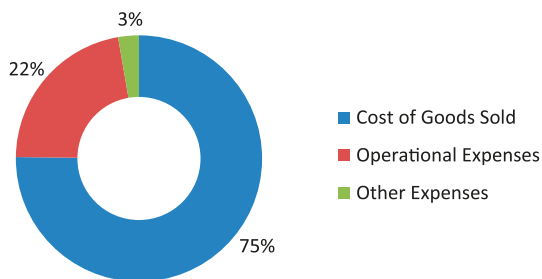


DIP Value Improvement Program

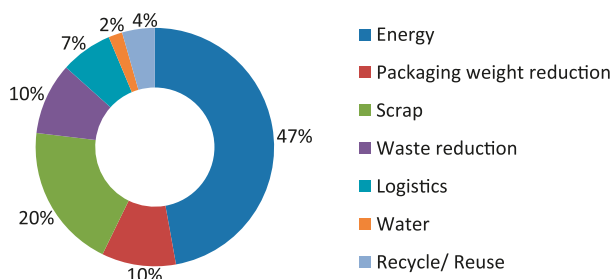
In 2014, we launched our Group-wide Value Improvement Program (DIP), which aims to spur people to review every expense in their business processes for ways to reduce costs while maintaining or increasing the value of products and services in question. Supported by a comprehensive training program and a Group-wide team of DIPomats (internal advocates), DIP provides a transparent and systematic framework for the development, reporting, evaluation and recognition of successful value improvement projects. DIP's organization is parallel to the organizations of the Group companies: each company is represented by a Company DIPomat, On Site DIPomat, and Department DIPomats who actively communicate DIP to all the employees and help generate new projects in their companies. DIPomats are also responsible for organizing annual workshops on DIP theory and best practices.

In its second full year of operation, over 1,300 DIP projects generated savings equivalent to 2% of the Group's total expenditures. Non-budgeted DIP projects accounted for 67% of total savings, making a significant contribution to Group-wide EBITDA. For 2016, the goal is to save 1% of our budgeted expenditures in order to improve our EBITDA. This year, the target has been distributed to companies according to their operating expenses.

Our DIP Performance



Breakdown of Sustainability-Related DIP Savings



Internal innovation call to improve gender equality policies

Our companies have also begun to call for ideas within the Group and on open source platforms. As part of our efforts to continuously improve the equal opportunities policies at our Group companies, we launched an internal innovation call in early 2015 to collect ideas and proposals to enrich our gender equality programs. Of the 75 ideas we received, four were taken up and are now in the pipeline as new human resources policies to be adopted by the Group.

DIP projects contributing the Eczacıbaşı Group's sustainability performance accounted for about 14% of both projects and total savings.

VitrA Innovation Center

VitrA Innovation Center, which we established in 2011 to develop new products, materials, and technologies for our Building Products Division, is already contributing to our business results and presence in research and development. Between 2013 and 2015, the Center increased the number of its annual building product patent applications in Turkey from 6 to 21. It also received its third consecutive award from the Ministry of Science, Industry and Technology as the "Most Successful R&D Center" in the Glass and Refractory industries, while moving up in the nationwide ranking of all R&D centers in Turkey from 15th to 12th place overall. Additionally, it received the Ministry's Efficiency Project Incentive Award in the Large Business Category for a successful project to use microwave drying systems in ceramic sanitary ware production.

In 2015, VitrA Innovation Center worked on 52 projects, 20 ongoing and 32 new ones. Of the latter group, 20 focused on R&D, two on cost improvement and 10 on product development.

It also submitted 15 different projects to 10 national and five international incentive programs. Three have been accepted and three more are in the evaluation stage.

One of VitrA Innovation Center's proposals to international institutions in 2015 is a project to develop smart faucets that reduce water and energy. A collaborative effort with the French

thermostatic fixtures manufacturer Vernet, this project is currently being evaluated by EUREKA.

On its own, the Center has also submitted an energy efficiency project to the H2020 - Fast Track to Innovation Pilot call for projects, a water conservation project to the H2020 - Fast Track to Innovation AquaConserver 2 call, and a greenhouse gas project to EUREKA.

In Turkey, the VitrA Innovation Center submitted to TÜBİTAK-TEYDEB a waste reuse project that it has already begun to develop. It also responded to the TÜBİTAK 1003-ENE-GUNS-2015-2 call for proposals related to the "Development of Innovative Materials for New Generation Solar Cells" with an energy-related project.

VitrA Innovation Center staff are also involved in broader theoretical work. In 2015, they presented some of this research in speeches and poster presentations at five international congresses and published their findings in scientific journals included in the Science Citation Index.

VitrA Innovation is a founding member of Turkey's R&D Centers Communication and Collaboration Platform (ARGEMIP), established in March 2015 at the Istanbul Technopark. The aim of the organization is to encourage more R&D through collaborative projects involving different industries. The Eczacıbaşı Building Products Division's Innovation Director, Boğaç Şimşir, is a member of ARGEMIP's Executive Board.

Eczacıbaşı has also established a smart connected technologies lab at the same location, Eczacıbaşı SCT Lab, to do research on IoT (Internet of Things) applications for smart products and expand the Group's presence in Turkey's technology ecosystem.



Funding Institutions	Completed Projects	Ongoing Projects	Applications Submitted in 2015	Applications Accepted	Under Evaluation
TÜBİTAK-TEYDEB	2	2	6	2	
TÜBİTAK-ARDEB			2	1	
TÜBİTAK-BİDEB			2		2
BOREN		1			
EUREKA		1	2		1
HORIZON 2020			3		
SANTEZ	1	1			

TÜBİTAK: Scientific and Technological Research Council of Turkey
TEYDEB: Technology and Innovation Funding Programs Directorate
ARDEB: Academic Research Funding Programs Directorate

BİDEB: Scientist Support Directorate
BOREN: National Boron Research Institute
SANTEZ: Industrial Theses Program

Meetinnovation and the Eczacıbaşı Innovation Awards

One of the ways we encourage, recognize and reward innovation is through a Group-wide competition, the Eczacıbaşı Innovation Awards, and a day-long innovation event, Meetinnovation. All Eczacıbaşı Group professional employees are invited to this event, which features a keynote speaker discussing an issue or aspect of innovation, an evaluation of the Group's innovation performance, panel discussions, and an exhibition of company projects competing for innovation awards in five main categories: Innovative Products and Services, Innovative Efficiency Projects, Innovative Communication, E-Transformation and Sustainable Development. At the end of the day, the winners receive their awards. To date, projects competing for these awards have contributed as much as \$337 million in value to the Group through resource savings, increased productivity and new sales. In 2015, 17 Group companies submitted 50 projects to the Eczacıbaşı Innovation Awards.

Collaboration with universities

In tandem with our drive to promote innovative ideas, we have expanded our research and development capability through collaboration with universities and funding institutions in Turkey and abroad.

The Vitra Innovation Center has 41 ongoing projects with 23 universities, among them Koç University, Sabancı University, Bilkent University, Middle East Technical University, Istanbul Technical University and Yıldız Technical University in Turkey; and Jaume I University, Padova University, Aveiro University, Polska Korporacja Techniki Sanitarnej,

Sheffield Hallam University, University of California, Alicante University and Bar-Ilan University abroad.

Additionally, eight of our companies partnered with eight international and 38 local universities on 115 projects involving the development of new products, materials and product design in 2015.

Among our companies, Esan has the most ongoing projects with universities – 52 in all with 24 universities, among them Istanbul Technical University, Istanbul University, Sabancı University, Koç University, Yıldız Technical University in Turkey and Limoges University and Louisiana Tech University abroad. Five of these are collaborative projects with TÜBİTAK. The others are non-remunerative research projects with 22 faculty members and more than 40 students.

In 2015, Esan completed a TÜBİTAK-funded nanoclay project with Sabancı University to produce a high value-added mineral for the manufacturing of acrylic fiber. Testing of this new product, which incorporates halloysite clay nanotubes in acrylic fiber to create thermal camouflage, continues. The project has led to further projects to develop applications for halloysite. As of early 2016, Esan is collaborating with 12 companies on the development of products incorporating halloysite nanotubes for diverse functions, such as increasing material resistance to corrosion by as much as five-fold. Fifteen of Esan's projects with universities are focused on purifying halloysite and transforming it into a high value-added product not only for the ceramic sector, but also for textiles, asphalt, cosmetics, packaging, automotive production and more. One of the company's aims through this research is to contribute to the productive use of Turkey's halloysite resources.

Most International Industrial Design Applications in 2015

Vitra Tiles was the winner of the Turkish Patent Institute's award for "Most International Industrial Design Applications" in 2015. Last year, Vitra Tiles registered 24 designs in the European Union for patterns on ceramic surfaces. Bülent Eczacıbaşı, Chairman of the Eczacıbaşı Group, accepted the award on Vitra Tiles' behalf from Turkey's President at the 5th Turkish Patent Awards ceremony in Ankara on 20 April 2016.

The annual Turkish Patent Awards aim to promote the growth of industrial property rights in Turkey by recognizing and rewarding companies and institutions making the most patent, brand and design applications the previous year.

Targets, Projects & Performance



The Eczacıbaşı Group has three-year performance targets for energy and water efficiency, health and safety, and equal opportunities.

Energy

Energy use in production processes

In early 2014, the Eczacıbaşı Group established a new key performance indicator (KPI) for its industrial operations in Turkey setting a 4% energy reduction target per ton of output for the three-year period ending in 2016. Following a per-ton reduction of 2.0% in 2014, based on revised data for that year, our energy use per ton of manufacturing output rose 2.4% in 2015, essentially returning us to our performance of 2013.

However, this indicator – which we report in our environmental highlights – excludes Esan, our mining company, and Kanyon, our innovative shopping center featured at the front of this report. Esan accounts for over 13% of our total energy consumption in Turkey, and in 2015 it reduced its per-ton energy consumption by 9.2%. Similarly, Kanyon reduced its energy consumption by 9.8% last year.

In 2015, several developments led to an increase in the per-ton energy consumption of the Group's largest manufacturing operations – VitrA Tiles, Eczacıbaşı Building Products and İpek Kağıt Tissue paper – which together account for more than 80% of the Group's total energy consumption in Turkey.

One major development affecting our per-ton performance was the installation of a new paper machine at İpek Kağıt's Manisa plant in 2015. This process required significant testing, leading to additional consumption of 18,000 MWh without a corresponding increase in production. Although the machine came on stream in early 2016, it will continue to be tested and adjusted through the third quarter of this year, continuing its drag on İpek Kağıt's performance. However, once it is fully operational, the new investment will not only expand the company's tissue paper output by 65%, it will also improve its energy performance with new technologies that make it significantly more efficient than previous models.

A second development is the shift in tiles and bathroom units towards higher value-added products. VitrA Tiles, for example, has increased its production of tiles requiring two runs through the tunnel kiln. It is also producing a greater volume of thicker and larger tiles – which require longer firing times – a requirement the company now hopes to eliminate by lengthening its kilns, as described in the efficiency projects below.

Eczacıbaşı Building Products is shifting its product portfolio towards slimmer products with higher value added features. As a result, the volume of output has fallen faster than energy savings over the past two years, leading to a small increase in its per-ton energy consumption, even though its absolute energy consumption has remained steady since 2013.

These developments aside, our manufacturing operations in Turkey completed over 60 major projects in 2015 that will save them close to 29 thousand MW of energy annually, an amount equivalent to 1.8% of their total energy consumption in 2015. This savings performance is twice the level achieved in 2014.

Industrial Energy Efficiency Projects in 2015

	Number of Projects	MW Savings
Building Products Division	21	21,983
Consumer Products Division	6	2,891
Healthcare Division	9	338
Other Industrial Operations	26	3,770
Grand Total	62	28,982

Last year, VitrA Tiles implemented some of our largest energy savings projects, which together are expected save the company the equivalent of 10.1 thousand MWh annually in the years ahead.

By renewing the insulation and lateral metal sheets of some of its spray dryers, the company improved the energy of these units by 10 to 15% for total annual savings in natural gas equivalent to 6.1 thousand MWh. Another project redirected the 120°C waste heat of the tunnel kiln to the exit duct of a vertical dryer of the press machine for another 1.2 thousand MW equivalent savings in natural gas, roughly 30% of the energy previously used in the drying process of one line. Yet another involved lengthening the tunnel kiln by 20 meters to expand its capacity for large-sized tiles – now, the fashion – by as much as 20%, thereby achieving natural gas savings equivalent to 1.9 thousand MW. Finally, by adjusting the entry conveyor belt to the kiln to stop automatically 60 seconds after loading is completed, the company expects to save about 0.9 thousand MW annually.

Eczacıbaşı Building Products-VitrA completed three major natural gas savings projects that together will save the company over 580 thousand cubic meters of natural gas annually, an amount equivalent to 6.2 thousand MWh. The largest of these installed an economizer on the stack of the Reidhammer kiln, enabling the company to capture and reuse waste heat in the drying kilns and boilers for annual savings of 3.7 thousand MWh. A second major project uses the waste heat from the tunnel kilns in the drying kilns for savings of 1.6 MWh, and a third one renewed and upgraded the insulation of kiln cars used for four firing kilns for estimated annual savings of 0.9 MWh. Additionally, the company expects to save another 2.1 thousand MWh annually from three projects that reduce electricity use. Two of these use waste heat from firing kilns to prepare clay for the casting process and then to clean casts. A third optimizes the use of fans in the drying room for semi-finished products, reducing numbers and revolutions.

İpek Kağıt completed a major efficiency project in 2015 that replaced the vacuum pumps on its third paper machine with a far more efficient turbo blower, for estimated annual electricity savings of 2.2 thousand MW and a reduction in soft water consumption of 68 thousand cubic meters. Two other projects use the waste heat from firing kilns in the pressure casting and cast cleaning processes.



Esan implemented 19 projects in 2015 that will save just over 3 thousand MWh of energy consumption in the years ahead. Several of these projects involved process reorganization such as moving filtering machinery to quarries to reduce transportation costs. One simple but effective project added an automation system to wastewater pumps, another closed a water loop associated with a drying process to eliminate pumping out wastewater and pumping in freshwater, and a third installed a highly efficient pneumatic transport system. Others involved investments in more efficient pumps, machines and filters.

Energy management systems

One of the goals of our Energy Efficiency Working Group is ensuring that all our manufacturing operations – in Turkey and abroad – obtain ISO 50001 or similar energy management certification. Already, four operations accounting for over 80% of our energy consumption in Turkey have ISO 50001 certified energy management systems: Ecacıbaşı Building Products (VitrA and, since 2015, Artema); VitrA Tiles, Eczacıbaşı-Baxter and İpek Kağıt. Abroad, our operations have embraced energy management in different ways. For V&B Fliesen, which attained ISO 50001 certification in 2013, effective and economical use of energy and raw materials is a central component of its environmental strategy. Burgbad began establishing its energy management system in 2013 and now has the system up and running at its three plants in Germany. By the end of the year, it will have extended the system to its fourth plant in France.



Renewable energy

Solar energy is abundant in Turkey and most of our industrial operations are taking advantage of this renewable resource. Almost all of our industrial operations in Turkey have installed solar water heating systems for both domestic and industrial use and a significant number have designed or restructured the roofs of their production plants to reduce their reliance on artificial lighting throughout much of the year.

Still, until Esan, our mining operation, installed 500 kilowatts of photovoltaic panels to power its new storage depot in Güllük, Milas, Turkey, we had not harnessed sunlight for energy production. The largest solar-based auto production investment of its kind in the region, this project is providing all the electricity needed to run the depot's tripper belt conveyors and power related equipment. The panels reduced Esan's consumption of electricity generated from non-renewable fuels by 708 MWh in 2015, with a corresponding reduction in carbon emissions of 398 tons. In early 2016, this project earned Esan a "Low Carbon Hero" award at the third Istanbul Carbon Summit organized by the Sustainable Production and Consumption Association of Turkey in collaboration with the International Emissions Trading Association. Esan's project was one of 19 to receive this award from among 58 entries submitted by Turkish and global companies.

In 2015, Esan completed a second solar energy project with a fixed capacity of 2,350 kW, the largest solar energy auto-production facility in Turkey. Commencing in 2016, the plant is expected to generate as much as 3.8 thousand MWh of energy per year, which, in combination with the Güllük project, will prevent about 2.5 thousand tons of carbon emissions per year. Esan will use this energy for its new plant in Eskişehir, Turkey's first, and Europe's only, primary magnesium metal production facility.

The new plant clearly demonstrates the competitive power of investing in energy efficiency and renewable energy. Esan has adjusted its primary magnesium smelter to be much more efficient and environmentally friendly while producing higher quality metal compared to other producers using the same process. This factor, along with its use of renewable energy and close location to the European Union, offers customers there the

opportunity to significantly reduce the carbon footprint of their products, according to a Life Cycle Assessment prepared by the German Aerospace Center. The greenhouse gas emissions associated with material transport from Esan's plant to Europe are about half of those associated with transport from China, which accounts for 84% of global primary magnesium metal production.

In 2015, although the share of renewable energy continued to be under 1% of the total energy use of our operations in Turkey, it has more than tripled since 2013. We expect this trend to continue in the years ahead, starting with a significant increase in 2016 following the start-up of Esan's second solar power plant.

Energy use in buildings

Energy use in buildings was the first area where we achieved our energy reduction goals. With the support of specialist consultants and a team of representatives from our largest administrative and commercial buildings, we carried out systematic studies of building features, functions and energy-use equipment in order to develop and implement dozens of projects aimed at improving the efficiency of lighting systems, heating and air conditioning systems, motors, and automation systems as well as improving insulation. During this period, members of our working group on Energy Efficiency in Buildings, now part of our Energy Efficiency Working Group, coordinated with managers, engineers, building administrators, technicians and maintenance specialists to design, implement and evaluate energy efficiency projects and practices for 20 commercial and administrative buildings in Turkey covering roughly 150,000 m².

The result was an overall 15.6% reduction in energy use and 18% reduction in carbon emissions in absolute terms between 2011 and 2013. On a building-by-building basis, savings ranged from 5 to 42%, with an average ROI of 38%.

In 2015, seven more companies switched their lighting infrastructure in warehouses, production spaces and administrative buildings to LED systems, for annual energy savings of about 212 MWh. In the period ahead, Group companies will continue to switch to LED lighting, which require a significant up-front investment, until virtually all buildings have made the transition.

Logistics

In 2015, half of our industrial operations in Turkey reduced the carbon emissions associated with shipments within Turkey and overall reduction of 10.2% overall. By changing the terms of its international sales contracts, Esan achieved the largest reduction in both percentage and absolute terms with a 22% decline relative to 2014.

Under the leadership of the Sustainable Logistics and Transport Working Group, we aim to expand our efforts to understand the carbon impact of our logistics and accelerate the transition to alternative, lower-carbon solutions. To this end, we have calculated the carbon emissions of all outgoing shipments from our industrial operations in Turkey, including both shipments abroad and in Turkey, created an inventory of our vehicle park in Turkey, and established an electronic system for collecting and calculating the carbon emissions associated with business-related travel. We have also begun to develop an inventory of logistics solutions for finished products currently used by Group operations, as well as strategies and targets for achieving further reductions in associated emissions.

Carbon Emissions from Logistics (Thousand Tons)

	2014	2015
Shipments Abroad	40.6	34.6
Shipments in Turkey	13.8	14.2
Total Shipments	54.4	48.8
Vehicle Fleet in Turkey	7.3	8.5
Total Carbon Emissions	61.7	57.3

According to our calculations, shipments within and out of Turkey generated some 34.6 thousand tons of carbon emissions in 2015, an amount equivalent to roughly 8% of the emissions of our industrial operations in Turkey, including Esan. Carbon emissions from shipments have been reviewed by the independent Swiss NGO My Climate, which has examined and approved our carbon conversion factors and assumptions and assisted us develop reporting guidelines and procedures for all logistics operations. We are also exploring with My Climate possibilities for offsetting carbon emissions from logistics operations, with the mid-term aim of achieving carbon neutral status in this area.

To date, the primary solutions we have found for reducing carbon emissions involve multi-modal transportation routes, reorganizing factory layouts and business operations to reduce distances between processes, and working with logistics partners who offer sustainable transport solutions, such as low-emission vehicles.

Eczacıbaşı Pharmaceuticals Marketing, for example, switched from air transport to overland transport in 2014, selecting a logistics company with a certified Euro 5 emission fleet.

In 2015, it reduced its carbon emissions by 16%. Similarly, since the start of 2016, all Group companies are using DHL's GoGreen program for international shipments of documents and product samples. This program enables customers to offset the greenhouse gas emissions associated with their shipments with carbon credits by calculating the greenhouse gas emissions generated by the transport and handling of a shipment and either purchasing carbon credits from recognized climate protection projects or retiring carbon credits of the same amount.

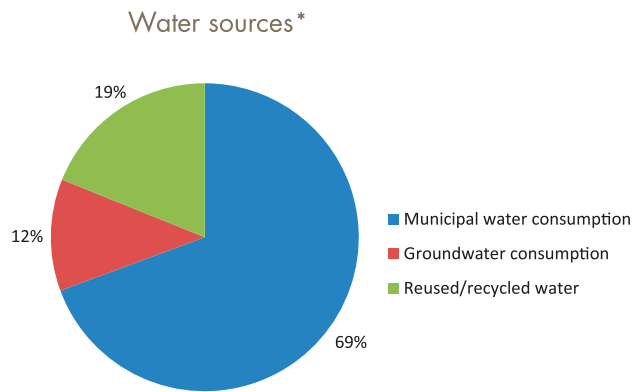
Vehicle fleet

In addition to creating an inventory of the Group's vehicle fleet in Turkey, we are asking companies to purchase vehicles with smaller engines. In 2015, the first year of this new policy, we lowered our average engine size by 1.3% while increasing our vehicle fleet by 11%.



Water

Eczacıbaşı Group companies have made significant headway in increasing their water efficiency over the last half decade. Since 2013, when we set our industrial operations in Turkey a per-ton reduction target of 4%, our per-ton consumption has fallen by 13.7%. As with our per-ton energy indicator, this figure does not include Esan, which lowered its per-ton water use by 28% over the same period. As a result, our total water consumption in Turkey (including Esan and Kanyon) has fallen by 8.2% in absolute terms since 2013.



*Excludes Esan

Contributing to the momentum of our water reduction efforts is our Water Efficiency Working Group, which in 2015 focused on improving the measurement of water use within our operations. Not only will this process enable companies to better evaluate the risks and opportunities created by their water demand, it will also prepare them for independent assessments, such as the assurance process carried out yearly by PricewaterhouseCoopers. Additionally, the Water Efficiency Working Group is studying the requirements for ISO 14046 certification with the aim of determining which company should be the first in the Group to evaluate its water footprint.

In 2015, seven of our industrial operations in Turkey reduced their per-ton water consumption, six of these by amounts significantly greater than the three-year target. İpek Kağıt and Esan, which together account for 75% of the total, lowered their per-ton water consumption by respectively 6 and 11% in 2015.

In 2015, İpek Kağıt undertook a number of projects that will save it as much as 145 thousand cubic meters of water annually in the years ahead. The largest of these is the turboblower investment mentioned in the energy section. This investment has not only significantly increased the energy efficiency of the company's third paper machine, it has also reduced its freshwater consumption by 67 thousand cubic meters annually. The project came on stream in the second half of 2015, leading to estimated savings of 30 thousand cubic meters last year. A second project has improved İpek Kağıt's ability to reuse treated wastewater from all three paper machines. The impact of the project on the company's third paper machine was the greatest, reducing its water consumption by one cubic meter per ton of output for total savings of about 70 thousand cubic meters last year. A third project improved the water efficiency of the first paper machine's process for producing cellulose from recycled paper, for additional savings of 8 thousand cubic meters.

One of the projects contributing most to our water savings was implemented by our mining operation. In 2015, Esan closed a major water loop in its concentrates dewatering unit, reducing its consumption of fresh water by just over 230 thousand cubic meters annually, an amount equivalent to 1.5% of its total freshwater consumption. Esan achieved this by circulating water vacuumed from concentrates drying on the disk filters through a tank and cooling system. As noted in the energy section, aside from saving water, the project has also created major energy savings by eliminating the need to pump water to and from a distant dam.

Other Eczacıbaşı Group companies carried out water saving projects as well. Eczacıbaşı Hygiene Products changed the formula of a high cream-based product in order to reduce the time and water volume needed to clean mixers and drop tanks between batches, and installed an additional drop tank on its production line for wet wipes to enable it to separate products with different formulas, this way reducing the amount of water consumed by tank washing between batches.

Eczacıbaşı Girişim improved the efficiency of its water purification processes by increasing the number of tubes and membranes in its reverse osmosis system and reusing water from its daily backwash of sand and carbon filters.

By switching from well water to municipal water, Eczacıbaşı-Baxter was able to eliminate its pre-treatment process and improve the efficiency of its filtering, reverse osmosis and steam condensation processes, this way achieving both water and energy savings.

Although the projects above and others of this kind have enabled us to exceed our 2016 water efficiency target as early as 2015, our companies in Turkey are continuing to develop and implement water efficiency projects that improve their per-ton water consumption.

Waste

In 2015, our operations in Turkey generated about 1640 thousand tons of waste. The vast majority of this total was produced by our mining operation, Esan, and represented non-hazardous waste. Excluding Esan, our waste amounted to just under 61 thousand tons in 2015.

Our largest waste generators, aside from Esan, are Eczacıbaşı Building Products, Vitra Tiles and İpek Kağıt. Together, these three operations created 56.1 thousand tons of waste in 2015.

Of this amount, just over 40% consisted of non-hazardous wastewater sludge and ceramic scrap from Vitra's sanitary ware plant, which is reused in-house and by Vitra Tiles. The remainder comprised a wide variety of wastes, including waste treatment sludge, pulp fiber sludge and a variety of largely recyclable materials – mainly metals, paper products, wood and plastic.

Most of our non-mining waste is reused or recycled. In 2015, the reuse/recycling ratio of this waste rose from 62 to 74%, while the reuse/recycling ratio of Eczacıbaşı Building Products, Vitra Tiles and İpek Kağıt increased from 57 to 68%.

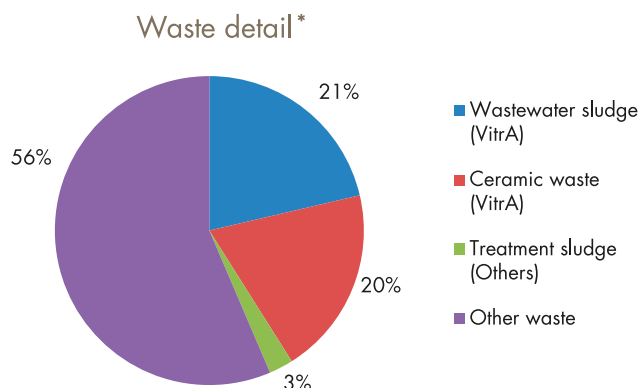
Waste market

With the establishment of a Working Group on Waste, we aim to transform company best practices into a Group-wide drive to make waste disposal a thing of the past. This means reducing, re-using and recycling waste. One of the first goals of the working group is creating a standardized inventory of waste by company, division and for the entire Group. Another is determining potential areas for collaboration between operations, such as joint agreements with third party recyclers or transfers between companies in a Group-wide "waste market". The working group is also organizing opportunities for production and marketing teams to share best practices.

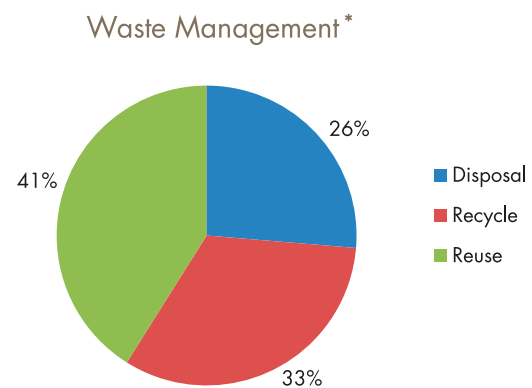
The Working Group on Waste is overseeing the development of an online directory of waste products with a description of each product and the selling (or offering) price. Currently, the main waste product transferred between Group operations in Turkey is the treatment sludge of Eczacıbaşı Building Products' Vitra plant, which amounted to just under 13 thousand tons in 2015. Vitra Tiles is using this sludge in its porcelain tile manufacturing process located at the same production site. The aim is to find more opportunities of this kind within the Group or involving third parties.

Zero waste systems in our companies

All of our operations are looking for ways to reduce or eliminate waste through reuse, recycling and changes in production processes or product formulations. Most of our operations in Turkey, aside from Esan, recycle or reuse more than half of their waste, so our average recycling/reuse rate, excluding our mining operations, is 74%. On the downside, disposal is still a significant component of waste management, so there is significant room for improvement in this area.



* Excludes Esan



* Excludes Esan

Esan currently disposes of most of its waste. Yet, this operation, too, is striving to improve its resource efficiency and minimize its environmental impact through efficiency projects that reduce and reuse waste without any production or quality loss in its mines and processing plants. In 2015, for example, four new efficiency projects enabled Esan to process an additional 75 thousand tons of ore from the same volume of extracted material and reduce its waste by 6%.

Two operations have waste recycling/reuse ratios greater than 90%. One of these is the Vitra sanitary ware operation in Bozüyük, which produces 5 million bathroom ceramic sanitary units annually. In 2015, this operation achieved a recycling ratio of 99%. Solid ceramic waste, which accounts for 45% of the operation's total waste, is purchased by a local cement manufacturing plant. Sludge from waste water treatment, which accounts for 35% of its total waste, is used on-site by Vitra Tiles to make porcelain tiles.

Another operation with a high recycling rate of 60% and a significant share in the Group's total waste is İpek Kağıt. The largest item in this operation's waste is semi-solid sludge comprising pulp fibers. İpek Kağıt reduces the moisture in this sludge to 50% and then gives it away to a company that uses it to produce imitation leather. İpek Kağıt also recycles most of its solid waste, including paper and cardboard from the production process, plastic containers, wire and other metal.

A number of operations reported ongoing or new efforts to reduce waste in 2015. Eczacıbaşı Girişim began reusing the 200 liter plastic drums sent by raw material suppliers for its production of detergents, this way eliminating the need to dispose of these barrels and purchase new ones. As a result, the company reduced its use of polyethylene by just

over 5 tons last year. It also continued to repair and reuse Euro pallets, a practice that is widespread in the Group, for 71 tons of material savings in this area.

Artema continues to reuse brass shavings from its casting process to produce new ingots in-house. Through this innovative system, which earned the brand a finalist award in the 2012 EU Environment Award-Turkey Program, Artema has achieved a brass reuse rate of 100%.

Askaynak collects and stores separately the pure iron oxide waste from the welding electrode and flux-cored wire manufacturing process. Initiated in 2014, the system has cut by 60% the amount of hazardous iron oxide waste needed to be sent to a hazardous waste disposal company and created a new waste product with recycling value for the iron and steel industry.

Kanyon, which accounts for 11% of our total household waste, has installed an on-site organic waste composting machine that will transform a large part of its waste into valuable fertilizer. More details on this project, which is the first of its kind for a shopping center in Turkey, can be found in the front section of this report.

Alongside these company efforts to reduce waste, we are encouraging companies to rethink the design of their products so as to facilitate reuse or recycling and to imagine new business models that reduce or eliminate product disposal at the end of their useful lifespans.



Quarry reforestation

Minimizing the impact of its operations on the environment is a key aspect of Esan's sustainability approach. Esan designs and implements the restoration of its abandoned sites and quarries. Over the last four years, it has planted close to 63 thousand trees that have been selected for their ecological suitability and potential economic value to local communities.

Social

Women and Equal Opportunities

According to the World Economic Forum's 2015 Global Gender Gap Report, Turkey ranked 130 overall out of 145 countries with a gender equality score of 62%. Iceland, which ranked first overall, has achieved 88% gender equality, while Yemen, at the bottom, has a score of 48%.

This annual study of gender inequalities around the world looks at four main categories – economic participation, educational attainment, health and survival, and political empowerment – and ranks countries in each of these areas and overall. With the notable exception of health and survival, where Turkey once again placed first globally, up from 85th in 2006, Turkey ranks among the bottom 45 countries. Unfortunately, efforts since 2006 to improve women's access to education, politics and the formal economy have fallen behind those in other countries, so that overall, Turkey has slipped from 105th to its current position. This means we still have a long way to go in the business world as well as in the larger society.

Gender balance in recruitment

At Eczacıbaşı, our equal opportunities policy and practices are key components of our sustainability strategy because we recognize that gender balance, and diversity in general, are essential for our Group's long-term business success and our country's wellbeing.

Currently, our primary focus in this area is improving our recruitment of women and empowering them to advance their careers in our operations in Turkey. Our first goal in this regard is gender balance in recruitment.

To achieve this, we introduced equal opportunity targets in our sustainability key performance indicators (KPIs) for Group operations based in Turkey in 2014. Accordingly, our companies in Turkey are able to improve their overall performance in any given year by recruiting a higher percentage of women for professional positions than the previous year. Between 2013 and 2014, our performance in this area was strong, with the share of women in new recruits improving from 37% to 43.3%, but in 2015 the ratio slipped back to 40.2%. To accelerate our progress in the period ahead, we have adopted several new measures.

One of these is a project developed by one of our Future Fit managerial development teams to encourage more women to apply for openings in sales – which in recent years has accounted for about one-third of our recruitment but only a small portion of our applications from women. By increasing the pool of women applicants, the project aims to achieve a significant increase in the share of women hired in this category, which in 2015 was a low 28%.

Another is our project to make our workplaces more comfortable for working mothers, starting with new and upgraded lactation rooms for new mothers at all our operations in Turkey. In 2015, we completed this project in five manufacturing operations and three office buildings, and the goal is to complete the remainder in 2016. In combination with other projects now in the development stage, we hope to make it easier for new mothers and parents to pursue their careers in our Group.

Finally, we are continuing to raise awareness within our companies of the significant contribution women do and can make to our Group's performance and communicating our commitment to increasing the presence of women at every level of our operations. We are also continuing to participate in national and international initiatives to raise awareness of gender equality issues and create opportunities for women in business, government and civil society. Our equal opportunities initiatives reflect our



#HeForShe
#BenDeGilemKim

Eczacıbaşı embraces the United Nations #HeForShe campaign

On 9 March 2015, the Eczacıbaşı Group published a video message by Group Chairman Bülent Eczacıbaşı on Facebook and Twitter publicly affirming the Group's support for the UN's #HeForShe initiative, which aims to promote gender equality around the world. In his message, Bülent Eczacıbaşı said that equal opportunities for women are a prerequisite for social wellbeing and sustainable economic growth and pledged the Group's support for efforts to increase the presence and opportunities for women in the business world.

Company Events and Programs for Women

Growing Together with Eczacıbaşı-Monrol

Birlikte Büyüyoruz (Growing Together) is a community of volunteer working parents at Eczacıbaşı-Monrol who want to support working parents and contribute to a happier and more productive working environment. In addition to maintaining a website with informative articles, interviews and other resources for working parents, the community organizes counseling, seminars and social activities.

Women's Club at Askaynak

Our welding products manufacturer, Eczacıbaşı-Lincoln Electric Askaynak, has established a club exclusively for women employees that holds regular meetings to discuss gender related issues, such as striking a healthy work-life balance, parenting, breaking the glass ceiling, and finding ways of helping the welding sector become more gender-neutral.

Baxter's Women in Leadership

Eczacıbaşı-Baxter continues to expand its program to assist women in middle management positions advance their careers. BAKınız Kadın Liderler ("Look, Women Leaders!"), an employee-managed platform established in 2013, organized informal gatherings in 2015 with inspirational women in a variety of fields, who discussed their careers and achievements and how they overcame challenges and disappointments along the way. BAK's aim is to create an environment in which women become aware of their potential and make the decision to differentiate themselves and become part of the decision-making process.

Esan

In 2015, Esan hosted a dinner for all women employees with Serpil Demirel, Esan's new General Manager, and several day events for women and their children, including a ceramic art workshop.

Eczacıbaşı Pharmaceuticals Marketing

Eczacıbaşı Pharmaceuticals Marketing organized gender equality training for all employees at its head office in 2015.

commitment to the UN Women's Empowerment Principles, to which we are a party since 2013, and our collaboration since 2011 with KAGİDER, Turkey's leading women's NGO, which our Group President and CEO, Dr. Erdal Karamercan, became the first man to join in 15 February 2016.

Over the last four years, we have adopted policies in Turkey to encourage women to join our Group and remain with us, including 'flexible work schedules', a policy for addressing cases of sexual harassment and mobbing at the workplace, and the establishment of an Equal Opportunities Working Group in our sustainability organization that is designing communication projects about the importance of equal opportunities efforts, encouraging employees to participate in gender equality training programs, coordinating efforts to improve facilities for new mothers, and contributing to an ongoing effort by Human Resources to increase the representation of women in sales teams.

Employees share their views on women in 8 March World Women's Day video

For 8 March World Women's Day in 2015, the Eczacıbaşı Group asked colleagues to share their thoughts about women's contribution to the workplace in a Group-wide video. The responses were wide-ranging and sometimes surprising, but the common theme was a shared vision of equal opportunity: for a sustainable future, women must have the same opportunities as men in the business world.

Uncommon Jobs, Exceptional Women

In 2015, we began to draw attention to Eczacıbaşı women working in jobs normally considered "men's work" in order to breakdown stereotypes, highlight their unique contribution and encourage other women. To this end, we prepared a cover story entitled "Uncommon Jobs, Exceptional Women" for the Spring 2016 issue of our corporate magazine, LIFE, focusing on five women involved in production and sales, two areas where we need to increase significantly the presence of women in our Group. The following are excerpts from the published interviews with these women.

"If I can do it everyone can!"



I'm a high school graduate. We're three siblings. Two of them are studying and I'm contributing to the family finances. It feels really good to help my family. This is my first real job. I started out in Eczacıbaşı as a "cabinet worker" on the plant's third glazing line. Later I moved to the loading operation. I've been successful in both positions. It really is an uncommon job for a woman. Because it's a job that men usually do, it's a great achievement to prove we can do it as well.

My experience is that women can succeed at every job. There's no job they can't do. I'm an example of this. I believe I've shown that the jobs men do, women can do quite easily as well. True, the work I do is a bit taxing. Because it's heavy work, most people don't think women can do it. But if I can do it, everyone can.

Dilek Güllübudak / Cabinet Worker, Eczacıbaşı Building Products Vitra

"A successful woman is a woman who stands tall"



When this department was established, there weren't any women working here. Later, we became three or four, and now we're more than 10. For a woman to be successful at what she does, she must stand strong on her own two feet. She should also contribute to society. If you're raising a child, then you must also set a strong example. In combination with many other things, success also means financial freedom and self-confidence. In this life, a woman needs to have self-confidence above all else. There's nothing that you can't do and no obstacle you can't overcome if you really want to.

Nurten Karaboğa / Seat Cover Quality-Assembly Worker, Eczacıbaşı Building Products Vitra

"Communication is the most important part of our work"



As a woman, it's really difficult to work in this region (Urfa); the number of women who are medical representatives can be counted on one hand. ... Communication is the most important aspect of what we do; if you can't communicate with the person across from you or create a bond, that person may not believe you or trust your products. I love being in constant communication with people. I'm my own boss, our cars are our offices; in fact, our cars are everything. The hardest part of the job in Şanlıurfa is visiting pharmacies. Travelling is also difficult for a woman. But, of course, I continue to travel – it's my job after all.

Pınar Köysü / Medical Sales Specialist, Eczacıbaşı Pharmaceuticals Marketing

"We're breaking down prejudices"



As a woman, I believe I'm changing preconceptions in my region (southeastern Turkey). As women, we enhance the color of any environment we enter and improve the behavior and quality of conversation. You definitely make a difference. That's why we need to keep working despite the challenges and difficulties.

Narin Beskisiz Günay / Medical Sales Specialist, Eczacıbaşı Pharmaceuticals Marketing

"My production is my child!"



I'm sure that in 3 to 4 years I'll do this job even better, because every day we learn new things. I started doing that here. I feel proud when I look at the production that I've laid to the side and I think to myself, "I made these." It is a great feeling to say, "I made this, I glazed this design." When I'm on a coffee break, I look at the tiles I produced; I love it when I see them shining so nicely and without any chipped corners. Actually, all of my tiles are like my children; each one is beautiful.

Berna Köse / Glazing worker, Vitra Tiles

Healthy and Safe Work Environments

Vision and targets

The Eczacıbaşı Group is committed to establishing healthy, high-quality and safe work environments. Our occupational health and safety targets, policies and programs reflect our priority and strong commitment to excellence in health and safety, not only with regard to our own employees, but also contract workers and other stakeholders impacted by our business operations. In all our operations, we aim to achieve a track record of zero accidents and a significant reduction in the likelihood of occupational diseases.

Our two most critical challenges in occupational health and safety (OHS) are disease prevention, particularly in operations generating significant dust, and improved near-miss and accident prevention programs in operations with relatively high injury rates. To demonstrate our resolve, we introduced an occupational health and safety target in our sustainability key performance indicators (KPIs) for Group operations based in Turkey that requires them to reduce injury rates by 10 to 30% each year until they are well below 1.0. Nine of our operations in Turkey successfully met this target in 2015, for an overall drop of 15% in our accident rate from 3.51 in 2013 to 2.98.

Moreover, six operations achieved accident rates below 1.0, one of them for the first time. Our best performing operation in this regard is our bathtubs plant, which has achieved a zero accident rate for

two consecutive years. Seven other operations lowered their accident rates by between 25 and 70% in 2015. Additionally, all 22 of our industrial sites in Turkey passed the Ministry of Labor and Social Security's annual occupational health and safety audits without penalties.

These improvements reflect Group-wide efforts to raise employee awareness of occupational and health and safety issues and determine the sources of occupational risks, so as to implement preventative measures, adjust workplace behaviors and reorganize business processes. They also reflect the comprehensive nature of our OHS governance system and the effectiveness of our occupational health and safety operation, which assists companies all over Turkey develop innovative health and safety solutions that comply with international standards and national labor laws and improve the workplace environment and quality of life of employees.

In addition to the comprehensive measures mentioned above, several companies implemented additional programs aimed at raising awareness and reducing risks.

Askaynak established a new health and safety performance assessment and reward system for production units based on personal protective equipment usage, audit results, and reductions in lost time incidents and injuries. It also organized a health and safety slogan, photograph and cartoon contest, the winners of which were selected by employees. The winning entries were then exhibited at the company's first Health and Safety Week, which took place in early 2016.



Eczacıbaşı Monrol developed and installed software that enables a central office at headquarters to monitor and evaluate the radiation exposure of employees at plants around the country.

İpek Kağıt added numerous safety features to various production units and processes involving electrical, chemical, mechanical or ergonomic risks, while also focusing on eliminating risky behavior through an in-house program for observing and communicating unsafe behaviors. One of its new safety features are blue LED spotlights on the front and back of all forklifts, which create a bright blue circle on the floor ahead and behind the vehicle to warn of their approach.

Occupational health and safety is Esan's top concern, which is why it set aside 7% of its 2015 investment budget for OHS related development projects. Last year, the company completed 18 projects aimed at eliminating a variety of workplace hazards. Esan has an OHS Council reporting directly to the general manager and a fully automated crisis management system. It also has an Apprenticeship Academy to train OHS leaders for the plant floor. Overall, OHS specialists comprise 10% of the company's professional employees.

OHS governance

A Group-level occupational health and safety manager coordinates the implementation of OHS strategies. In 2014, we added two new organizations to our OHS management structure: an OHS Advisory Board and an OHS Working Group.

The Advisory Board, chaired by the vice president of the Healthcare Division, comprises medical doctors, safety specialists and senior executives. In addition

to overseeing the work of Eczacıbaşı Occupational Health and Safety Services, a subsidiary established in 2013 to develop innovative health and safety solutions that comply with international standards and Turkey's labor laws and improve the workplace environment, the Board reviews key OHS indicators at monthly meetings. From time to time, the Advisory Board also works with internal and external experts to address pressing and long-term OHS challenges.

The OHS Working Group, one of our seven sustainability working groups, brings together nurses, doctors and occupational safety experts that represent our operations in Turkey, Europe and Russia. At its first meeting in October 2014, working group members determined three key priorities and matching targets for the following three years. To realize these targets, the members are organizing study tours, carrying out friendly audits of each other's manufacturing sites and holding monthly meetings. The goals of these meetings are to share OHS best practices within the Group; engage in peer-to-peer learning in disease and risk management, accident prevention and other OHS programs applied within the Group; and align companies' OHS practices and programs. The leader of the OHS Working Group also sits on the Advisory Board and facilitates communication between OHS Working Group members and the Executive Team.

Eczacıbaşı Occupational Health and Safety Services is another important contributor to our Group-level work to ensure health and safety excellence. A subsidiary of Eczacıbaşı Health Services, provides occupational physician, health staff and occupational safety specialist services, risk mapping and accident prevention measures, independent monitoring, preventative health and safety services, first aid and emergency treatment, and occupational health and services training. Crucially, Eczacıbaşı Occupational Health and Safety Services mobilizes its skilled and experienced healthcare and occupational safety professionals to monitor, assess and offer solutions in key aspects of occupational health and safety to Group companies. Growing fast, the operation aims to have 400 health and safety staff at 19 branches reporting to five regional offices around Turkey by the third quarter of 2016.



Stakeholder Engagement



We aim to inspire sustainable change by communicating and engaging with stakeholders.

Employees

The Eczacıbaşı Group's Human Resources (HR) vision is to attract, develop and retain outstanding human capital, having in place the best HR management applications.

Recognizing that our Group's success depends on the success and satisfaction of our employees, we strive to ensure that every one of our operations has in place the best human resources recruitment, development and retention programs, provides professional, appealing and healthy working environments, and develops long-term relationships with their employees that begin in their university years and continue into and through their retirement.

Sustainable success in the implementation of our corporate strategies requires that we have a dynamic structure that is prepared for change. In this, our employees are our most essential source of power, so we support and motivate them to achieve their top performance. To this end, we offer our employees the opportunity to discover and exploit their potential, develop their talents further in view of attaining corporate goals, strengthen their individual motivation and team spirit, and, based on their performance and potential, advance their career.

Through performance evaluation, open-door access to management, strategy meetings, innovation teams, and our Group-wide suggestion system, we are harnessing the creative energy of our employees and encouraging their participation in management decisions.

Our mission statement and values provide clear guidelines on the Group's policy regarding human rights, freedom of association and corruption, as does its Human Resources Handbook. For more information, please visit the Human Resources section of our corporate website, www.eczacibasi.com

Developing our leaders

Training and development activities are linked to the current and future goals of the Group and its operations, which are linked, in turn, to the development of individuals. Leadership & Talent, Management, and Soft-Skill Competency Development are the focus of our Group-wide training and development programs, while technical training is coordinated by each company according to their needs.

The Eczacıbaşı Group views every employee as a talent. One of the Group's basic principles in the area of people management is investing in people. Every Group employee is made aware of their individual responsibility to expand and develop their personal abilities as much as possible, and provided management support to achieve this through training, mentoring and other opportunities for personal and professional development.

We offer creative, inspiring and internationally acclaimed training programs to our talents in order to establish and maintain a management culture that fuels sustainability.

Both "Future Fit", our leadership development program, and "Manage To...", our management development program formerly called "Develop Your People", aim to build a community of qualified, successful and motivated managers with strong leadership skills and Group-wide vision. We want to ensure that they are not only capable of achieving the Group's ambitious growth targets, but also that they support the Group's innovation and sustainability processes, and provide the opportunities and environment needed for recognizing and developing the talents required by their organizations.

Attracting young talent

The Eczacıbaşı Group's flagship graduate recruitment program, "Career Test Drive", aims to attract new talent from Turkey's colleges and higher education institutions by recruiting "pilots", undergraduate students in their senior year and graduate students in their freshman year, for exclusive internship programs in the marketing, sales, new business development, finance, supply chain management, production, quality control, R&D, human resources and information technologies departments of Group companies.

Career Test Drive (CTD) program openings are advertised in campus job fairs and via lectures, talks, consultations, the social media accounts of the Eczacıbaşı Group, and print and online advertisements.

CTD assigns a mentor and a project to each new "pilot". The drive begins with an orientation program for new groups of CTD drivers, continues with the project design and implementation phases, and ends with project presentations by the "pilots" to their mentors, relevant managers including general managers and CXOs. CTD participants are assisted and provided opportunities to enrich their learning at every step of their program in the form of training and exclusive and one-on-one mentoring.

2015 Future Fit participants develop value-creation projects for the Eczacıbaşı Group

Thirty-eight managers in the Eczacıbaşı Group's leadership program, Future Fit, developed six projects targeting a variety of opportunities for new economic, social and environmental value in 2015. Teams of 6-7 people from diverse business functions sponsored by an executive vice-president or vice president worked together over the course of eight months to develop their projects, which they then presented to senior executives for discussion and evaluation. Most of the six projects below are now being prepared for application on a large scale.

Project Summaries

Flexible Workplaces and Schedules: This project focused on work-life balance, mainly to reduce time in traffic and increase productivity and employee satisfaction through flexible schedules and satellite office opportunities.

Increasing the Recruitment of Women in Sales: Sales accounts for the largest share of the Group's recruitment and has one of the lowest ratios of women. The project team studied this problem and developed methods for encouraging more women to this function, this way contributing to the Group's goal of achieving gender balance in recruitment.

Improving marketing effectiveness: This project evaluated new measurement tools for evaluating the effectiveness of marketing activities and implemented a pilot study that demonstrated how it could be applied effectively to the marketing of different projects and services.

Promoting awareness of wellness and work-balance: The team developed a plan for raising employee awareness about healthy approaches to work and offering them opportunities to increase their well-being, satisfaction and loyalty.

Improving occupational health and safety: This project established benchmarks from best practices in a wide range of industries, determined target areas, and developed methods for improving both awareness and company performance.

Solar energy as a business model: The project aims to transform a key element of sustainability – renewable energy – into a business driver by developing a feasibility model for evaluating solar-powered electricity production and a corresponding marketing plan.

Those “pilots” that perform well throughout the program are offered permanent positions in companies within the Group.

Promoting sustainable lifestyles

The long-term success of our efforts to incorporate sustainability principles into every aspect of our business operations depends on our ability to communicate our commitment throughout our organization, create awareness about the issues, and enlist the support of all our employees in promoting and implementing solutions.

“Be Green”, our Group’s online and offline sustainability communications project, encourages all our employees to lead the drive towards greener lifestyles by setting excellent examples themselves. In addition to leaflets and visuals located in high traffic areas of our office buildings and plants, “Be Green” has a dedicated portlet in our corporate portal with up-to-date information on sustainable development issues, green consumption and environment friendly lifestyles; interactive tools and games, a discussion forum, and links to reliable sources of information on a variety of related issues. “Be Green” also organizes social events that are related to sustainability, such as bicycling tours and day trips to organic markets and farms.

Employees may learn more about sustainability issues on our internal sustainability portal, which provides terminology, definitions, reading material, resource

links, and examples of best practices both within the Group and worldwide. We publish essays on sustainability issues and trends and numerous articles on our own sustainable development activities and investments in our semi-annual corporate magazine, LIFE. We also have a “Lunchbox” series of talks at our headquarters on sustainability, innovation and future trends that is open to all employees. 2015 topics included women and equal opportunities, social innovation for sustainable development, and the opportunities and challenges to business of the 2030 Sustainable Development Goals. All employees are able to watch these talks via a live broadcast on the corporate portal.

Our annual Sustainability Meeting, attended by senior Group executives as well as all members of our sustainability working groups, has become a platform for recognizing successful sustainability practices and company performance. In recent years, we have also invited prominent members of the business and NGO community to speak about their approaches to sustainability issues and practices at this event.

Through our social media accounts on Facebook, Twitter and LinkedIn, we share informative and interactive graphics and written content all year round with our stakeholders and the general public and celebrate significant days dedicated to environmental, social and economic sustainability.



“Best Employer” practices



Eczaacıbaşı Holding and Eczaacıbaşı Pharmaceuticals Marketing received “Employee Engagement Achievement Awards” in 2015, for having increased their employee engagement score steadily for three years consecutively.

The award is a component of Aon Hewitt’s Best Employers Studies – a survey of human resources practices and corporate performance in 90 countries around the world in order to “recognize and salute the achievements made by organizations that create competitive advantage through their employees”.

Career Test Drive completes its 7th year

The Eczaacıbaşı Group’s recruitment-oriented internship program, Career Test Drive (CTD), completed its seventh year in 2015 of attracting talented university students to the Group. Last year, 43 CTD “pilots” were invited from among some 7000 applicants to “test drive their career”.

The interns started their career “trip” on 16 June 2015 with an orientation program, then developed projects with their mentors that gave them a chance to test their careers. During the summer, interns attended seminars on “Business Life – 101” and “Presentation Skills”, which helped them develop their skills and get to know each other. On 6 October, those interns who successfully completed the program presented their projects to division vice presidents, general managers and department managers.

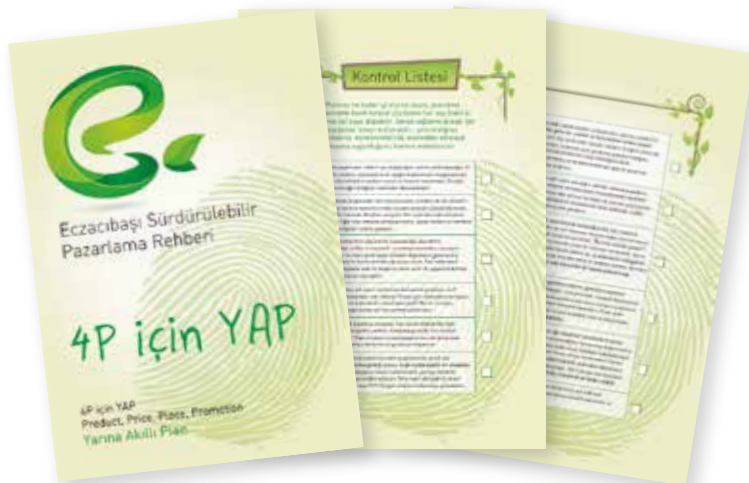
Customers and Business Partners

The Eczacıbaşı Group's interaction with customers and business partners is based on sustainable and long-term mutual benefit, underpinned by ethical business principles. One of our principal commitments is finding high quality solutions that address our customers and business partners needs and values while also meeting key sustainability benchmarks. Honest communication, fair competition, and full compliance with environmental, social and legal regulations are other fundamental components of our approach.

Sustainable marketing

Sustainable marketing is the concept that we believe best reflects our commitments above. By sustainable marketing, we mean the sustainability of marketing-related activities, and, more generally, the design and marketing of products and services with strong sustainability credentials. To support our ongoing efforts in both areas, we established a working group on Sustainable Marketing in 2014 that is developing expertise and tools for promoting sustainable marketing throughout the Group.

One of the first projects of the working group is the development of guidelines for sustainable marketing based on the four marketing "P"s: Product, Price, Place and Promotion. The Eczacıbaşı Group Sustainable Marketing Guide, as the draft document is called, summarizes the basic concepts of sustainable marketing, explains how and why sustainable marketing is gaining importance, and provides a checklist for ensuring that sustainable marketing campaigns are both effective and add value to the company's performance.



In the longer term, the working group aims to establish Eczacıbaşı Group companies as leaders in the area of sustainable marketing.

Certified eco-friendly products

The Eczacıbaşı Building Products Division and its brands have taken the lead in Turkey and Europe in developing and certifying bathroom and tile products that require fewer natural resources throughout their lifecycles. To enable customers to evaluate the sustainability features of its products, the Division has invested time and resources in obtaining certifications that measure and rate the environmental impact of a product or service throughout its lifecycle, such as environmental product declarations (EPDs) and EU Ecolabels, or which measure chemical emissions, such as Greenguard and the new emissions labeling system of the German Quality Assurance Association.

Bathrooms and Tiles: New Vitra and Artema WC pans, urinals and faucets can save a family of four over 190 tons of water a year by reducing water consumption for flushing, showering, hand washing and cleaning. Many of these products also have energy-saving features built into their design and some also require fewer resources to produce. Eco-friendly tile solutions include low-maintenance tiles, self-cleaning tiles, extra-slim tiles and the world's first external cladding solution combining insulation and tile covering for easy, effective and one-step building insulation and covering projects.

Vitra was the first brand worldwide to publish an EPD for ceramic sanitary ware, and the first in Turkey to receive the EU Ecolabel and Greenguard certification for tiles. Vitra is also the first in Turkey to publish an EPD for bathroom furniture.

Artema is the first faucets and fittings brand in Turkey to publish an EPD and register its products with the European Water Label system, which asks that manufacturers openly display the water consumption performance of their products on packaging. In 2015, Artema also became the first brand to receive the Turkish Standard Institute's "Double Star" certificate for products fulfilling the standards in two categories.



Center Feed Bathroom Tissue Dispenser

- Reduces paper consumption by 33% by dispensing single sheets with every tug, down to the last sheet
- Patented internal mechanism makes loading quick and easy

Automated towel dispenser

- Reduces paper consumption by 33% by dispensing single sheets with every tug
- Patented sleep mode reduces energy use by 60%
- Adjustable dispensing speed and sheet length

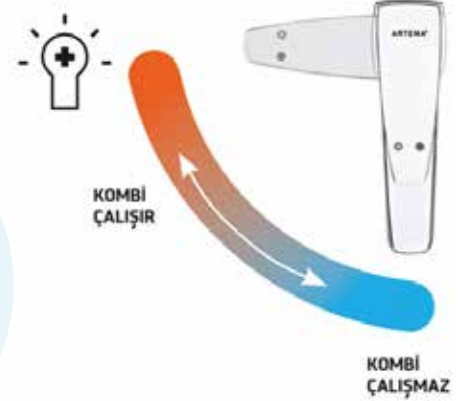


- Innovative rimless design
- One-step cleaning
- 95% more hygienic*
- Available in several price ranges

* According to tests carried out by Akdeniz University.

The Q-Line's 90° left-side rotating loop handle has an energy saving feature: the central heating boiler is not activated when the lever is in the center position.

Q-LINE BLUECO BATARYASI
90° HAREKET



2.5/4 L WC Pan
The world's most water-saving WC pan



İpek Kağıt Tissue Paper and its leading brands, Selpak and Solo, declare their commitment to a sustainable feature.



Uni Baby does not use alcohol, parabens, dyes, Sodium Lauryl Sulfate, Sodium Laureth Sulfate and other chemicals that are harmful to baby skin.

Uni Baby, Uni's special line for infant skin care, aims to ensure that all its products contribute to babies' healthy development.



- Single solution for three SIM card formats
- Streamlines logistics and order management, reduces transportation-related CO₂
- Eliminates need for new SIMs when changing devices, saves resources





Bathroom Furniture: In 2015, Burgbad increased the share of wood certified by the Programme for Endorsement of Forest Certification (PEFC), the world's largest forest certification system, to over 80%. Furniture carrying the PEFC certificate verifies that the wood used in manufacturing is not derived from illegal logging. Last year, Burgbad also received the best possible classification – A – in the emissions labeling system for furniture launched by German Quality Assurance Association (DGM). The world's first emissions label for furniture, the DGM label provides consumers comprehensive and concise information on emissions of harmful substances.

Also in 2015, Burgbad completed the development of a new, solvent-free lacquer that it will gradually introduce in 2016. Its long-term aim is to eliminate all solvent use, this way improving the sustainability credentials of its furniture while also cutting costs. For most applications, the new lacquer is as good or better than the solvent-based original and does not emit noxious fumes.

Other Eczacıbaşı Group operations and brands have undertaken similar initiatives to develop products that contribute to sustainable development goals and to communicate their sustainability features to consumers through transparent certification programs.

Cleaning products: In 2014, Eczacıbaşı Profesyonel launched Maratem Bio, a biological cleaning product series that eliminates bad odors in toilets and bathrooms; helps maintain grease traps, septic and grey water tanks; prevents odors; and reduces manual cleaning frequency without containing any ingredients that are harmful to the environment and living things.



Tissue paper: İpek Kağıt Tissue Paper procures 100% of its pulp from suppliers who are certified by the Forest Stewardship Council (FSC) as producing their wood pulp from sustainably managed forests. The company also uses elemental chlorine-free or total chlorine-free bleaching processes that pose no risk to human health or the environment, and packages its products in material that biodegrades within five years. İpek Kağıt communicates its sustainability pledge on its product packaging and related materials with the statement, "Committed to the Future". In 2015, İpek Kağıt launched an innovative series of single-dose automated towel and bathroom tissue dispensers for commercial venues that reduce paper consumption by 33% relative to conventional systems and energy use by as much as 60%, thanks to a special sleep mode.

Baby care products: Eczacıbaşı Hygiene Products is the frontrunner of Turkey's wet wipe market with the popular Uni brand. Uni Baby, Uni's special line for infant skin care, aims to ensure that all its products contribute to babies' healthy development. For this reason, it does not use alcohol, parabens, dyes, Sodium Lauryl Sulfate, Sodium Laureth Sulfate and other chemicals that have been proven to be unhealthy for infant skin in Uni Baby wet wipes, diaper rash creams, shampoos and, most recently, laundry detergents and softeners. The company communicates this information with a registered icon and statement.



Smart cards: E-Kart, the largest supplier of smart card based digital security solutions in Turkey and its region, is the first Turkish company in its industry to certify that CO₂ emissions generated during its daily operations are measured and offset through climate protection projects meeting ISO 14064 standards. In 2011, the company decided to contribute to the battle against global warming through systematic efforts to reduce its own carbon footprint. It calls these efforts "We Promise". In another first for its industry, E-Kart has certified the greenhouse gas emissions of four product groups – credit cards, debit cards, GSM cards and contactless cards – to PAS 2050:2011 specifications.

Uni Baby organizes newborn skin care symposiums twice a year in cooperation with the Association of Pediatric Nurses. The aim of the project is to communicate the best evidence-based newborn skin care practices to hospital nurses and families and the most suitable Uni Baby products for these purposes. The symposiums also provide an opportunity for people to test Uni Baby products. In 2015, 395 pediatric nurses attended the symposiums in Ankara and Izmir, and the goal is 400 in 2016.

Encouraging sustainable choices throughout the value chain

"Eco-Touch" cleaning products for commercial establishments

Eczacıbaşı Profesyonel provides complete professional cleaning and hygiene solutions and an expanding selection of food products to more than 12,000 B2B customers in Turkey's fast-growing tourism, restaurant-catering, shopping mall, education and health industries. In addition to offering more than 800 products and 11 brands, the company provides customized training and consultancy services to help customers achieve high standards of cleanliness and hygiene, employee safety, and resource efficiency.

In 2012, recognizing the emergent opportunity for sustainable solutions in the away-from-home sector, the company launched "Eco-Touch", a marketing platform for environment-friendly hygiene and cleaning products. Working closely with both its suppliers and customers, Eczacıbaşı Profesyonel is developing hygiene and cleaning product portfolios that help professional customers reduce their water consumption, eliminate their use of harmful chemicals and encourage sustainable forest management.

The Eco-Touch product portfolio includes paper products made by İpek Kağıt Tissue Paper, and Green Care, a sub-brand of Tana Professional that is certified as meeting the rigorous environmental performance and reporting standards of the EU Ecolabel and Nordic Ecolabel. In 2014, Eczacıbaşı Profesyonel launched a catalogue of all Eco-Touch products and the points they can contribute to customers wishing to obtain "green certification" of their businesses.

A central component of the Eco-Touch marketing platform is communication of customers' commitment to sustainable hygiene and cleaning practices. Here, Eczacıbaşı Profesyonel offers customized labeling and signage for rooms, bathrooms, dining halls and other public spaces that express customers' commitment and invite end-users to use resources more sustainably as well.

To further strengthen its communication with large customers, Eczacıbaşı Profesyonel launched a loyalty program for its largest accounts in Turkey, which together account for about one-third of its sales revenue. EP Exclusive Club, as the program is called, is the first in Turkey's away-from-home market and one of a handful in Turkey's B2B markets. The aim of the program is to strengthen communication with business partners doing fun and creative activities together outside of work.

Promoting green architecture, eco-labeling, and circular economies

The Eczacıbaşı Group is collaborating with the Turkish Green Building Council (ÇEDBİK), of which it is a founding and board member, on enhancing awareness in the building industry about "green building" design and certification.

In 2013, we published an easy-to-use catalogue of green bathroom solutions for architects and builders aiming for high sustainability ratings from international "green building" assessment systems. The catalogue provides comprehensive information about all Vitra bathroom products that qualify for sustainability points from LEED, BREEAM and DGNB, the world's leading assessment systems, including the points they receive in each assessment category and the variety of product options and specifications available.

We are also collaborating in several areas with the Turkish Business Council for Sustainable Development (SKD), of which we are a member of the Board. We are a co-leader of SKD's working group on eco-labeling, which has published a catalogue on the different eco-labels recognized internationally and is raising awareness in Turkey's business community of the growing importance of eco-labeling. We are also leading the SKD's working group on the "circular economy", an emerging concept that a growing number of businesses are embracing. Although practical examples of circular economies are still infrequent, visionary businesses have begun to find ways to use the principles involved to develop new business models and market share.

In addition to the institutions listed above, the Eczacıbaşı Group is an active member of the board of Global Compact Turkey.

Community

Inspired by our founding values, we continue to prioritize and strengthen our bonds with the communities we serve. We do this through employee volunteer efforts, company projects, social media campaigns, and Group-level sponsorship of organizations and initiatives that enrich society.

We conserve, enrich, and promote Eczacıbaşı Group values not only through our business operations but also through our social initiatives in culture and the arts, science, education and sports. We found or support social initiatives that draw on the expertise of our businesses and create opportunities for our brands and employees to be part of long-term, sustainable solutions.

Since its foundation in 1942, the Eczacıbaşı Group and members of the Eczacıbaşı family have founded or co-founded numerous NGOs involved in education; health and hygiene; arts and culture; public policy and scientific research; and sports. Every year, all of our companies are expected to contribute to one or more of these activities.

Culture and the Arts

Istanbul Foundation for Culture and the Arts (İKSV)

The Eczacıbaşı Group is a steadfast supporter of the Istanbul Foundation for Culture and the Arts (İKSV), founded in 1973 on the initiative of Dr. Nejat F. Eczacıbaşı.

As the Leading Sponsor of the Istanbul Foundation for Culture and Arts, the Group supports all festivals and biennials organized by İKSV, which include the Istanbul Festivals of Music, Film, Theatre and Jazz, as well as the Istanbul Biennial, the Istanbul Design Biennial, Leyla Gencer Voice Competition, autumn film week Filmekimi, and one-off events throughout the year. The Foundation also organizes the Pavilion of Turkey at the International Art and Architecture Exhibitions of la Biennale di Venezia and coordinates an artist residency program at Cité International des Arts, France.

Aside from organizing cultural and artistic events, including those hosted at its performance venue, Salon, İKSV conducts studies and prepares reports

on cultural policies in Turkey. The Foundation also supports artistic and cultural production through awards presented at festivals; the commissioning of works; participation in international and local co-productions; the Aydın Gün Encouragement Award presented annually to a young musician working in the field of classical music; and the Talât Sait Halman Translation Award presented to the author of an outstanding literary translation into Turkish.

Istanbul Modern

Eczacıbaşı is the founder and core collection donor of Turkey's first private museum of modern and contemporary art, the Istanbul Museum of Modern Art, which opened its doors in December 2004.

Istanbul Modern is committed to advancing the public's appreciation of modern and contemporary art in Turkey, contributing to the production of new work, and sharing Turkey's artistic creativity and cultural identity with global audiences.

At its 8,000 square meter site on the shores of the Bosphorus, Istanbul Modern hosts permanent and temporary exhibitions of paintings, sculpture, photography and new media, as well as educational programs, a research library, cinema, cafe, restaurant, and gift store. Through a wide variety of events, the museum aims to encourage visitors of all ages and segments of society to engage actively with the arts. To date, Istanbul Modern has hosted about six million visitors, more than 100 exhibitions – including 17 abroad – and close to 650 thousand children and adults have benefited from its educational programs and events.

In 2009, Istanbul Modern received a Special Commendation from the European Museum Forum and in 2010, the Presidential Culture and Art Award, presented each year to individuals and institutions that make an important contribution to Turkish culture and the arts and enrich the country's cultural life.

VitrA Ceramic Arts Studio

The VitrA Ceramic Arts Studio was established by Dr. Nejat F. Eczacıbaşı in 1957 with the goal of encouraging ceramic artists and public appreciation of this medium. Over the years, the 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. Since 2012, the Group is collaborating with the Division of Ceramic and Glass Design at Mimar Sinan University of Fine Arts to contribute to the artistic development of university students and enrich their perspectives by providing them opportunities to work side by side with internationally acclaimed ceramic artists. The Vitra Ceramic Arts Studio is a member of the Geneva-based International Academy of Ceramics (IAC).

Education

Eczacıbaşı Hygiene Project

Healthy and child-friendly learning environments greatly enhance the academic success and well-being of children.

The Eczacıbaşı Group aims to ensure that Turkey's public school children, educators and families have equal access to high-quality and hygienic learning environments. In 2002, the Eczacıbaşı Group laid the foundations of its Hygiene Project, which targets k12 students in public schools, with a special emphasis on Regional Secondary Boarding schools. Spearheaded by three Group brands – Vitra, Artema and Selpak – this Group-wide social responsibility project is renovating the bathrooms and showers of dormitories and school buildings with Vitra and Artema products, teaching students about good personal care and hygiene practices through the Selpak personal hygiene program for schoolchildren, and organizing projects that enrich children's emotional and intellectual environments. The Group's volunteer association, Eczacıbaşı Volunteers, is contributing in the latter area by establishing computer and music rooms, libraries and recreational spaces, and by organizing special events like painting competitions and day trips.

Partnering in the project is the Ministry of Education, which is helping to determine the neediest schools and ensuring that they have the required plumbing infrastructure. Other Eczacıbaşı Group companies contributing to the success of the project are Eczacıbaşı Girişim and Eczacıbaşı Profesyonel, which are providing cleaning materials and basic supplies.

To date, more than 17,200 students at 36 schools in 29 cities primarily in eastern Turkey have benefitted from the project, to which the Group's building products companies have contributed more than 139 thousand square meters of tile and close to 55 thousand bathroom components. In March 2015, the Eczacıbaşı Group signed another cooperation protocol with the Turkish Ministry of Education extending the project to 60 schools in all by end-2020.

Selpak additionally organizes personal hygiene classes at primary schools all around Turkey. Since 2002, more than 6 million students at 8,497 primary schools in 65 cities have benefitted from this program.

The Eczacıbaşı Hygiene Project was the recipient of the International Public Relations Association's 2009 Golden World Award in Social Responsibility and an Honorable Mention in the associated Special United Nations' award competition. It also received two Honorable Mentions from the US, one in the "Best Social Responsibility Project of Europe" category of the 2009 Stevie International Business Awards and the other in the "Community Relations" category of the PR News Platinum Awards.

The Eczacıbaşı Hygiene Project

- Contributes to the academic success and wellbeing of students by improving the hygiene environments at schools
- Raises community awareness of good hygiene practices
- By offering students the best possible hygiene experience at school, the project equips them with the experience and knowledge to trigger a change in their families' hygiene practices and lifestyles
- Enriches the educational and social lives of students and promotes academic success by creating opportunities for art and theatre, music, and scientific exploration.

Reproductive Health Hotline

Universal access to accurate information on reproductive health is a basic right and an essential component of community health. In 2000, the Eczacıbaşı Group joined forces with the Family Planning Association of Turkey to establish ALO OKEY, a 24-hour reproductive health hotline providing professional information about reproductive health to anyone who calls in.

Today, Eczacıbaşı Girişim is in charge of managing and maintaining this hotline.

"Dancing Notes" Musical Training for Pre-School Teachers

"Dancing Notes" is a musical training program for pre-school teachers that is based on the Orff approach and aims to instill the love of music in young children, enhance their sense of rhythm, create experiences that develop their musical skills, and provide opportunities for discovering talented children at a very early age. Launched in early 2015, the program is a collaborative effort between the Ministry of Education and the Dr. Nejat F. Eczacıbaşı Foundation.

During the first year of the project, 30 teachers from 10 pilot schools in Istanbul received training on the Orff approach to musical education and were provided the Orff instruments needed to implement this educational method in their schools. Having successfully completed this trial program, the Foundation signed a protocol with the Ministry of Education in 2016 to extend the project to 30 more schools in Hatay, Konya and Samsun.

Long-Term Partnership with Turkey's Vocational Schools

Eczacıbaşı-Lincoln Electric Askaynak is a regular contributor to the Turkish vocational school system.

Since 2005, when it signed a protocol with the Ministry of Education's Vocational Education Directorate, Askaynak has published and distributed, free of charge, more than 40 thousand copies of supplementary educational material for students in the metal technology, infrastructure technology and shipbuilding departments of vocational high schools around Turkey, provided consumables and state-of-the-art welding equipment for free or at very economical prices, and donated special glass to technical high schools to build more than 270 welding workbenches.

Askaynak also organizes seminars and daylong events on new developments in welding technologies for students and faculty at universities around Turkey. Since 2005, Askaynak has organized over 650 seminars of this kind at the sites of customers and at its own plant for about 13,000 participants.

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 over 100 musicians studying a wide range of instruments as well as orchestration, direction and composition.

Recipients of Music Scholarships for the 2015-2016 Academic Year



Çiğdem Solmaz / Mezzo Soprano

Çiğdem Solmaz started her musical career studying flute at Akdeniz University, then switched to opera at the Istanbul University State Conservatory, where she studied under Lynn Trepel Çağlar. Solmaz graduated first in her class in 2014 and is now studying opera at the Vienna Conservatory. In September 2015, she was also accepted into the Vienna Opera (Wiener Staatsoper), where she is receiving voice training from Julia Conwell.



Deniz Ömeroğlu / Sound Design

Deniz Ömeroğlu completed her undergraduate studies at Istanbul Bilgi University with honors while also completing her piano studies at the Istanbul University State Conservatory. Currently, she is studying composition and sound design at the Utrecht School of the Arts.



Denizcan Eren / Flute

Denizcan Eren began his musical education in 2000 in the Children's Choir of the Izmir State Opera and Ballet. He completed his primary and secondary schooling at the Music Preparatory School of the Faculty of Music and Performing Arts of Bilkent University, graduating from the Flute Department of Bilkent University's Music High School and the Flute Department of the Nice State Conservatory. In September 2015, he began his graduate studies at the Basel Music Academy's Graduate School of Music.



Emre Engin / Violin

Emre Engin began his violin training at the Uludağ University State Conservatory. With an "Exceptional Talent Scholarship" from the Contemporary Education Foundation of Turkey, he studied with Prof. Itzhak Rashkovsky at the Royal College of Music in London, which he completed with honors. He now has a full scholarship at the Manhattan School of Music, where he is studying with the Maestro Pinchas Zukerman.



Engin Kansu / Harp

Engin Kansu began her music studies in 2003 at the Hacettepe University Ankara State Conservatory. During her time there, she attended master classes and played with many youth and professional orchestras. Through the Erasmus program, Kansu completed her undergraduate studies at Hochschule für Musik Detmold in 2013 and was accepted in the school's graduate program.



Merih Erdem Özden / Orchestra Conductor

Merih Erdem Özden studied trumpet and composition at the Bilkent University Faculty of Music and Performing Arts. There, he had the opportunity of working with prominent conductors of several youth orchestras. In 2011, he started studying orchestral conducting at Graz University, where he is now continuing his graduate studies.



Salih Can Gevrek / Piano

Salih Can Gevrek began studying music at the age of seven with a scholarship to the Music Preparatory Primary School of the Faculty of Music and Performing Arts of Bilkent University. In 2011, he came in first in the entrance exam for the Royal College of Music in London and received a full scholarship to study there. Gevrek has won prizes in numerous national and international competitions and attended many master classes. Currently, he is doing graduate work at the Royal College with the Russian pianist Dmitri Alexeev.

Public Policy and Scientific Research

Turkish Informatics Foundation

The Eczacıbaşı Group is a corporate sponsor of the Turkish Informatics Foundation (TBV), established in 1995 through the efforts of the Group's Vice Chairman, Faruk Eczacıbaşı, 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.

Over the past 20 years, TBV has delivered short and long-term projects on the legal, administrative, foreign policy and local-to-national development aspects of ICT in Turkey, with special focus on Turkey's e-transformation (e-Turkey). TBV hosted the leading IT summit in Turkey and engaged actively in all key ICT-related national and international events, including the 2014 Internet Governance Forum in Istanbul.

In June 2014, TBV founded Turkey's first Information Society Institute, a platform for discussing how to mobilize a freer, more technologically-capable, creative and engaged information society in Turkey and its region.

Dr. Nejat F. Eczacıbaşı Medical Awards

The Eczacıbaşı Group established this fund in 1959 to promote high caliber medical research. To date, the Fund has presented 32 Eczacıbaşı Medical Science Awards, 41 Eczacıbaşı Medical Incentive Awards and 176 grants for valuable research in health and medicine. Since 2002, the Awards are also providing support for promising research carried out by medical students.

In 2015, Dr. Deniz Atasoy, Assistant Professor in the Physiology Department of Medipol University's Faculty of Medicine, and Dr. Ethem Murat Arsava, Associate Professor in the Neurology Department of Hacettepe University's Faculty of Medicine, received Medical Incentive Awards. Professor Dr. Yusuf Baran of the Molecular Biology Department in the Life and Natural Sciences Faculty of Abdullah Gül University, received the Scientific Research Incentive Award. Additionally, medical students Miray Nilüfer Cimsit from Koç University, Doğukan Koç from Dokuz Eylül University, Güneş Parlakgöl from Istanbul University, and Doğan Üren from Marmara University's Faculty of Medicine received Medical Student Project Awards for their leadership of research projects.

Dr. Nejat F. Eczacıbaşı Medical Awards 2015 Award Winners Speak out

"The Eczacıbaşı Medical Incentive Award is widely considered to be one of the most prestigious science awards in our country. Winning an award like this triggers a wide variety of sentiments: happiness, pride, excitement... Maybe I can't list them all. But I can try to summarize their impact on scientists like this: if you ask a scientist what motivates them the most, what encourages them, it's likely that they will respond with "presenting a new idea or body of work" or "making a new discovery". But, even if they don't say it, secretly they always want something else, too. Both for themselves and for the students who follow them, they want to hear kind words from the public from time to time; they want approval and appreciation for their achievements and work. This is precisely the great void that the Eczacıbaşı Group is filling."

Dr. Ethem Murat Arsava, Medical Incentive Award

"For many years, the Eczacıbaşı Group has promoted social development in our country through its support of its most important drivers – science, culture and the arts. For this reason, being considered worthy of the Eczacıbaşı Medical Incentive Award, considered to be among the most prestigious in this field, was a source of both pride and honor for me. This award also makes me happy because, as a scientist carrying out a large part of my research in the United States, it shows that our country is starting to give the basic medical sciences the attention they deserve."

Dr. Deniz Atasoy, Medical Incentive Award

"By rewarding young scientists and medical school students every year, the Eczacıbaşı Group – one of the leading institutions in the field of medicine in our country – makes a significant contribution to the scientific community. In addition to supporting ground-breaking medical research, these awards ensure that coming generations in our country show an interest in scientific research and generate public awareness about scientific research underway in the field of medicine."

Professor Dr. Yusuf Baran, Scientific Research Incentive Award

Sports

Women's Volleyball and the Eczacıbaşı Sports Club

The Eczacıbaşı Sports Club is home to the Eczacıbaşı Vitra Women's Volleyball Team, Champion of the 2015 CEV Denizbank European Champions League and Champion of the FIVB Women's Club World Championship. One of Europe's strongest teams, Eczacıbaşı Vitra has also won 28 National Championships since its establishment in 1968, as well as three President's Cups, eight National Cups, and two Super Cups. Additionally, it has played in 11 European Cup Finals, winning the "European Cup Winners' Cup" in 1999.

Volleyball for women and girls is the main focus of the Eczacıbaşı Sports Club, which the Eczacıbaşı Group established in 1966 to fuel young people's interest in sports; contribute to the development of world-class, fair play athletes; and provide opportunities for these athletes to demonstrate their skill in international competitions.

Over the next four decades, the Eczacıbaşı Sports Club single-handedly trained many of Turkey's best sportsmen and women in the fields of basketball, volleyball, gymnastics, table tennis and chess before focusing its resources exclusively on women's volleyball. Over that 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 Chess Championships.

In addition to its Women's Volleyball 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.

Volunteerism

Eczacıbaşı Volunteers is a volunteer initiative established by Group employees to carry out projects that advance the welfare of children, primarily with respect to education, health and the environment. In principle, Eczacıbaşı Volunteers focus on projects that complement the social responsibility projects of Group companies and contribute to children's mental, physical and emotional wellbeing.

Since 2008, Eczacıbaşı Volunteers have carried out close to 150 projects that have directly benefited 55,000 children in regional boarding schools involved in the Eczacıbaşı Hygiene Project and two pediatric wings at university hospitals in Istanbul. They have also organized eye exams for 1,500 children in a local neighborhood and collected school and student supplies for 925 primary schools around Turkey requiring assistance.

In 2015, Eczacıbaşı Volunteers focused most of their efforts on enriching the academic environment of several boarding schools through the establishment of music rooms, science and technology labs, and other projects of this kind.

Highlights of Eczacıbaşı Volunteers' Activities in 2015

In 2015, Eczacıbaşı Volunteers raised close to \$40 thousand through donations, fund-raising auctions and the sale of gift items designed by children to fund a wide range of activities and projects. Some of these activities responded to direct requests from students and teachers around the country. Others were associated with the Eczacıbaşı Group's long-running Hygiene Project for regional boarding schools. Eczacıbaşı Volunteers also organized regular events for students without families and children in cancer treatment programs.

- Music room for the Balıkesir Balya Zübeyde Hanım Regional Boarding School
- School supplies and clothing for a large number of schools
- Ceramic kiln and furniture for the İstanbul Beylikdüzü Aşık Veysel Fine Arts High School
- Playground equipment for the Kastamonu Araç İlesi Şehit Ünsal Aksoy Park
- Volleyball uniforms and balls for the İstanbul Üsküdar Sıteiler Middle School
- Funding for science students at the Aksaray Yavuz Sultan Selim Regional Boarding School to enable them to participate in a national robotics contest
- Music room for the Sinop Boyabat Yaşar Topçu Regional Boarding School
- Teachers' room for the İstanbul Maltepe Ertuğrul Gazi Anadolu High School
- Picnics, day trips, and other events for students attending the Darüşşafaka schools for orphans and Children with Cancer Educational Fund



Eczacıbaşı Group's Energy and Carbon Reporting Guidance

This Energy and Carbon Reporting Guidance ("ECRG") document supports the preparation and reporting of energy consumption and carbon emissions data by the Eczacıbaşı Group (hereafter "Group"). It is the responsibility of Group management to ensure that appropriate procedures are in place to prepare its energy consumption and carbon reporting in line with, in all material respects, the ECRG.

All data up to and including FY15 (financial year ending 31 December 2015) only comprises the relevant operations in Turkey (as detailed on page 47), excluding all international operations. The data for these years, therefore, do not represent the entire Group.

General reporting principles

In preparing this guidance document, consideration has been given to following principles:

- Information Preparation – to highlight to users of the information the primary principles of relevance and reliability of information; and
- Information Reporting - the primary principles are comparability / consistency with other data including prior year and understandability / transparency providing clarity to users.

Key definitions

For the purpose of this report, the Group defines:

- 'Energy' to mean electricity, natural gas, diesel / gasoline, fuel oil, LPG, steam, propane / butane and coal. For the purpose of this report, energy does not include alternative forms of fuel, such as bio-waste, bio-mass, bio-diesel, or renewable sources of energy (such as wind or solar energy), which collectively represent an insignificant share of total energy consumption and carbon emissions.
- 'Energy consumption' means the energy used during the reporting year (1 January to 31 December), being the energy purchased during the period. Energy consumption data includes energy used in the operation of on-site industrial facility and manufacturing processes, including electrical systems, heating, lighting, on-site transportation and air circulation.
- 'Carbon emissions' means the carbon emitted as a result of the energy consumption during the reporting year (1 January to 31 December).
- 'Industrial sites' include plant buildings, treatment works, warehouses, laboratories and industrial site administration buildings.

Where the Group has on-site generated energy, the related energy consumption is defined as the energy of the generation fuel (e.g. for on-site natural gas fired electricity generator, the energy consumption will be the natural gas used rather than the electricity output of the generator).

Scope of reporting

For FY15 and comparative periods presented, energy consumption and carbon emission data relate to the energy consumed in Turkey by the Group's:

- Industrial sites in Turkey, comprising production facilities and mining operations;
- Administrative buildings located at the industrial sites; and
- Own transportation of materials and products within the industrial plant sites.

Energy consumption and carbon emissions at industrial sites belonging to joint ventures have been allocated between joint-venture partners according to their shares, in line with the Group's financial accounting policies.

The following are omitted from the scope of reporting:

- Energy used outside of the factory gate. For example, transport from suppliers, to customers, in between Group locations, or business travel (even if they involve vehicles belonging to the site), and employee commuting;
- Energy consumed in non-industrial operations;
- Energy used by third parties in the manufacture / production of purchased raw materials, products and other supplies;
- Energy used in the use / consumption and disposal of manufactured products;
- Energy in respect of outsourced and contracted operations / manufacturing (i.e. activities contractually performed by third parties);
- Energy supplied to third parties; and
- Carbon equivalent emissions arising from other greenhouse gases on the basis that these are not material.

Energy consumption and carbon emissions from acquisitions and disposals are included and terminated respectively from the date of contractual completion of the transfer of asset ownership / leasehold. This is consistent with the Group's financial reporting.

Data preparation

Energy consumption

Energy consumption data are reported for electricity, steam, and primary fuel sources, which comprise natural gas, diesel, LPG, and fuel oil. Electricity, natural gas, and steam consumption data are obtained from supplier meters and reconciled with internal meters (when available) and/or service provider invoices. Diesel, LPG, and fuel oil consumption data are obtained from supplier invoices.

The Group has used the following published conversion factors:

- For electricity, no energy conversion is required as the unit of supply is invoiced in kWh;
- For steam, the conversion factor (from ton to kWh) is calculated by using thermodynamic tables for saturated steam (Ozturk, A. & Kilic, A. (1991). Thermodynamic Tables and Diagrams. Birsen Publications) based on the steam temperature, pressure and condensation factors (ratio of closed to open circuit condensation and the relating temperatures), which are generated internally;
- For natural gas, the energy conversion factor (from cubic meters to kWh) provided by the Turkish Energy Market Regulatory Authority is used; and
- For fuels other than natural gas (diesel, LPG and fuel oil), energy conversion factors (from litres or kilograms to kWh) are obtained using the related ratios of the carbon conversion factors provided by The Greenhouse Gas (GHG) Protocol (July 2009).

Carbon emissions

Carbon emissions are calculated by the Group using published conversion factors. Conversion factors enable the determination of the amount of carbon released into the atmosphere per unit of energy consumption. Different types of energy sources have different conversion factors reflecting their carbon intensity. In future periods, conversion factors may be updated to reflect changes/improvements in published data.

The following conversion factors are used:

- For fuels (such as natural gas, diesel, LPG, residual fuel oil), conversion factors are obtained from the calculation tool provided by the GHG Protocol (July 2009), which uses data provided by the IPCC (Intergovernmental Panel on Climate Change). Refer to IPCC 2006 Guidelines for National Greenhouse Gas Inventories (www.ipcc-nggip.iges.or.jp/public/2006gl/vol2/); and
- For electricity and steam, conversion factors are obtained from the "2012 Guidelines to Defra / DECC's GHG Conversion Factors for Company Reporting" provided by the UK Government. Electricity conversion factors listed within "Annex 10 - International Electricity Emission Factors" for year 2009 and Turkey are used. These conversion factors for electricity and steam have been used instead of the factors detailed within the GHG Protocol calculation tool because they include transmission and distribution losses.

Restatements

The measuring and reporting of carbon emissions data inevitably involves a degree of estimation. Restatements are considered where there is a change in the data of greater than 5 percent at a Group level.

Eczacıbaşı Group's industrial sites in Turkey

All of the Eczacıbaşı Group's 27 industrial sites in Turkey, listed below by company, are included in our 2015 Statement of Energy Consumption and Carbon Emissions.

Building Products Division

*Eczacıbaşı Building Products
(ceramic sanitary ware, faucets,
bathroom/kitchen furniture, acrylic
bathtubs and shower trays) 4 sites*

VitrA Tiles (ceramic tiles) 2 sites

Healthcare Division

*Eczacıbaşı-Baxter Hospital Supply
(parenteral solutions, peritoneal dialysis
products and other hospital supplies) 1 site*

*Eczacıbaşı-Monrol Nuclear Products
(radiopharmaceuticals for
nuclear medicine) 7 sites*

Consumer Products Division

*İpek Kağıt Tissue Paper
(bathroom and facial tissue, napkins,
kitchen towels) 2 sites*

*Eczacıbaşı Girişim
(away-from-home products and
selected cosmetics) 1 site*

*Eczacıbaşı Hygiene Products
(away-from-home products and
selected cosmetics) 1 site*

Other Products and Services

*Esan Eczacıbaşı Industrial Raw Materials
(industrial raw materials for
ceramic sanitary ware and tiles) 7 sites*

*Eczacıbaşı-Lincoln Electric Askaynak
(welding consumables and electrodes) 1 site*

*E-Kart Electronic Card Systems
(magnetic stripe and smart cards) 1 site*



Independent Assurance Report to the Directors of Eczacıbaşı Holding A.Ş.

We have been engaged by the Directors of Eczacıbaşı Holding A.Ş. (the “Company”) to perform an independent assurance engagement in respect of Selected Information contained in the Eczacıbaşı Group Sustainability Report for the year ended 31 December 2015.

The Selected Information subject to limited assurance consists of the Statement of Energy Consumption and Carbon Emissions for the year ended 31 December 2015 in page 5 of the Eczacıbaşı Group Sustainability Report.

Respective responsibilities

The Directors of the Company are responsible for the content of the Sustainability Report and the preparation of the Selected Information in accordance with the criteria set out in the Eczacıbaşı Group’s Energy and Carbon Reporting Guidance (hereafter “Reporting Guidance”, see pages 46 and 47 of the Eczacıbaşı Group Sustainability Report).

Our responsibility is to form a conclusion, based on limited assurance procedures, on whether anything has come to our attention that causes us to believe that the Selected Information has not been properly prepared in all material respects in accordance with Eczacıbaşı Group’s Reporting Guidance.

We are in compliance with the applicable independence and competency requirements as articulated by the International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants. Our team comprised assurance practitioners and relevant subject matter experts.

This report, including the conclusion, has been prepared for the Directors of the Company as a body, to assist the Directors in reporting Eczacıbaşı Group’s energy and carbon performance and activities. We permit the disclosure of this report within the Group Sustainability Report for the year ended 31 December 2015, to enable the Directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors as a body and the Company for our work or this report save where terms are expressly agreed and with our prior consent in writing.

*For the purpose of reporting, “Eczacıbaşı Group” includes Eczacıbaşı Holding A.Ş. and its subsidiaries and joint ventures.

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Assurance work performed

We conducted this limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – ‘Assurance Engagements other than Audits or Reviews of Historical Financial Information’ (“ISAE 3000”) issued by the International Auditing and Assurance Standards Board.

A limited assurance engagement is less in scope than a reasonable assurance engagement under ISAE 3000. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

Our limited assurance procedures included:

- Making enquiries of relevant management of the Eczacıbaşı Group and reviewing a sample of relevant management information.
- Evaluating the design and implementation of the key processes and controls for managing and reporting the Selected Information.
- Limited testing, on a selective basis, of the preparation and collation of the Selected Information prepared by the Eczacıbaşı Group.
- Undertaking analytical procedures over the reported data.

Limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. It is important to read the Selected Information in the context of the Reporting Guidance.

In particular, the conversion of different energy measures to megawatt-hour (mwh) and energy used to carbon emissions is based upon, inter alia, information and factors generated internally and/or derived by independent third parties as explained in the Reporting Guidance. Our assurance work has not included examination of the derivation of those factors and other third party information.

Conclusion

Based on the results of our procedures, nothing has come to our attention that causes us to believe that, for the year ended 31 December 2015, the Selected Information has not been properly prepared in all material respects in accordance with Eczacıbaşı Group Energy and Carbon Reporting Guidance.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Ediz Günsel, SMMM
Partner

Istanbul, 14 June 2016

Reference Guide to the UN Global Compact Principles

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; (pp. 2-3) and

Principle 2: make sure that they are not complicit in human rights abuses. (pp. 2-3)

Labor Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; (p. 32)

Principle 4: the elimination of all forms of forced and compulsory labor; (p. 32)

Principle 5: the effective abolition of child labor; (p. 32) and

Principle 6: the elimination of discrimination in respect of employment and occupation. (p. 32, pp. 27-29)

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges. (pp. 2-3, 19-26)

Principle 8: undertake initiatives to promote greater environmental responsibility. (pp. 19-26)

Principle 9: encourage the development and diffusion of environmentally friendly technologies. (pp. 19-26)

Anti-corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery. (pp. 2-3)

