

Eczacıbaşı Group Sustainability Report

2017



Eczacıbaşı

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Joint Statement from the Chairman and CEO



We are delighted to present to our stakeholders this 10th Eczacıbaşı Group Sustainability Report. Since 2006, when we became a signatory to the United Nations Global Compact, we have continually sought to improve our sustainability performance and to communicate the results of our efforts as transparently as possible. To this end, we have steadily expanded the scope of data assurance provided by our independent auditor, PricewaterhouseCoopers, from energy use and carbon emissions in 2009, to all of our key performance indicators in priority areas.

We are acutely aware that conditions in Turkey and worldwide are continually evolving, as are the demands, expectations, and

responsibilities of each generation. Hence, we are constantly reviewing and renewing our activities to enable us to adapt and respond proactively to our stakeholders. This is the context in which we celebrated, in 2017, the 75th anniversary of the Eczacıbaşı Group, which has 44 companies in four core sectors and more than 12,500 employees.

Every individual in the Eczacıbaşı Group knows that they are also corporate citizens with associated responsibilities. Every Group employee, every business that chooses to work with us, and every customer who purchases our products or services knows that we will respect their rights unconditionally. To maintain this trust, we are working hard to ensure that our products and services are not only high quality, healthy, and internationally competitive, but that they are also aligned with the sustainability approach that is at the heart of our business strategy. In this regard, we firmly believe that economic value add must be accompanied by social and cultural development and created in a way that is sensitive to the environment. These are the guidelines we are communicating to our employees and endeavoring to put in practice.

In addition to the changes affecting our industries and markets, we consider both global and local challenges and opportunities when shaping our sustainability strategies. Global developments are particularly important in the area of energy efficiency, one of our top priorities of the past decade.

In 2017, global energy demand increased by 2.1%, driven largely by demand from China and India. Fossil fuels provided 72% of the increase, resulting – after three years of zero or negative growth – in a 1.4% increase in global energy-related CO₂ emissions to a new high of 32.5 gigatons. On the upside, renewable energy was the fastest growing energy source in 2017, supplying a quarter of global energy demand growth last year.

These developments have good and bad global implications. On the one hand, extreme weather events are now at the top of the World Economic Forum's Global Risk Index. On the other, efforts to reverse this trend are growing, too. An increasing number of public and private institutions around the

world are developing road maps for overcoming these and other global challenges using the 17 UN Sustainable Development Goals (SDGs) as their guide.

For its part, the Eczacıbaşı Group has developed a road map that takes into account not only the SDGs and global risks, but also the challenges unique to Turkey. In line with this road map, we have set ourselves the target of reducing, by 2020, the per-ton energy and water consumption of Group operations in Turkey by 4% relative to 2016.

Local challenges provide the main reference point for our social sustainability strategies. According to the World Economic Forum's 2017 Global Gender Gap Report, Turkey lags behind 130 countries in terms of gender equality, with a score of 63%. In this challenging context, we have set ourselves ambitious equal opportunities targets: raising the share of women in new recruits to 50%, in overall professional employment to 40%, and in management positions to 35% by end-2020.

To achieve this, we are continuing to expand our best practices in the area of equal opportunities. In addition to affirmative action in recruitment, flexible work schedules, and a home office day, we introduced, in 2017, Turkey's first gender-blind CV policy for job applications. We are also investing in technologies that make all our operations – including production lines – more accessible to women.

Occupational health and safety is another local challenge and a top priority for us in the area of social responsibility. Here, we have set ourselves the target of steadily lowering our injury rate to below 1.0 per 200 thousand work hours through comprehensive health and safety programs that tackle both structural and behavioral risks, with the ultimate goal of a zero accident rate.

As in previous years, we continued to share our best practices in every field of sustainability with national and international sustainability initiatives in 2017. Through our collaboration with these initiatives, we are helping to promote best practices in energy and water efficiency, gender

equality, and supporting research on sustainable solutions for issues affecting business in every industry. Eco-labeling is one such area where we have provided leadership, with several of our operations being the first in their industries to attain international eco-labels for their products. In 2017, these operations also became the first to receive Turkey's new national eco-label.

In another major achievement, Vitro Innovation Center, our center for the research and development of new technologies for bathrooms and tiles, was named Second Best R&D Center in Turkey by Turkey's Ministry of Science, Industry and Technology following an evaluation 751 R&D centers from every industry in Turkey, including those belonging to some of the largest and most prominent providers of technology, communication, and defense equipment and services in the country.

Vitro Innovation Center's achievement demonstrates what we are able to achieve when we are focused on excellence. We are confident, therefore, that by applying the same resolve to the challenges we face in meeting our sustainability targets, we will not only achieve our three-year performance goals but also set new benchmarks for ourselves and others aiming to contribute to the United Nations Sustainable Development Goals.



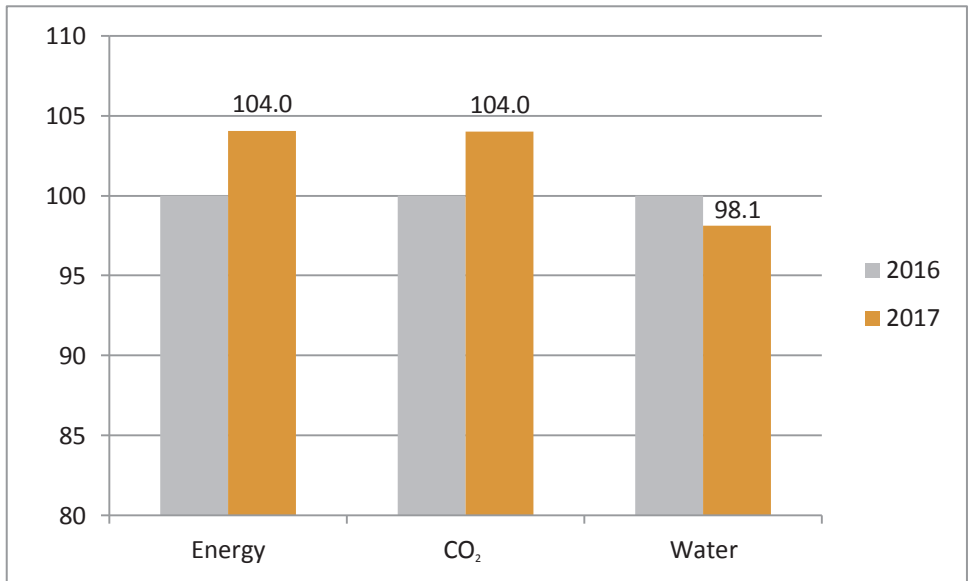
Bülent Eczacıbaşı
Chairman



Atalay M. Gümrah
CEO

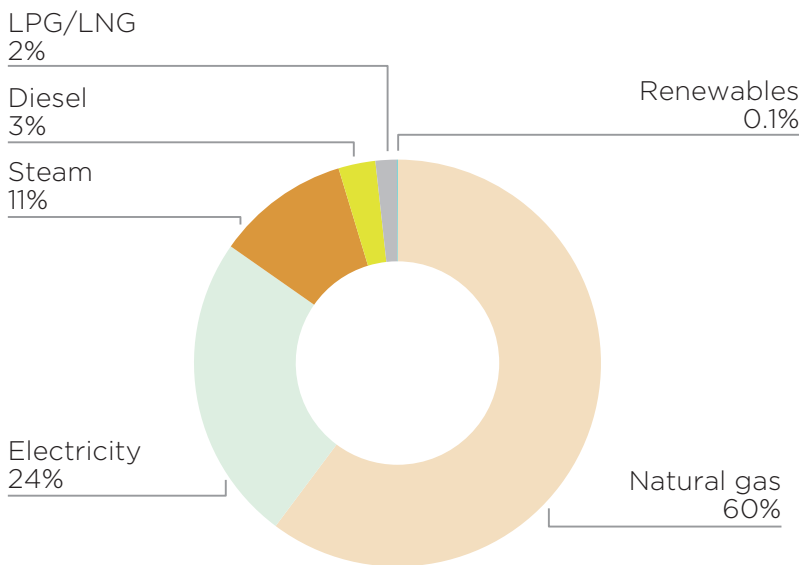
Eczacıbaşı Group Environmental Highlights

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



*Per ton data for industrial sites in Turkey do not include Esan Eczacıbaşı Raw Materials because it accounts for close to 80 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 are adjusted to reflect changes in assets and facilitate comparison between years.

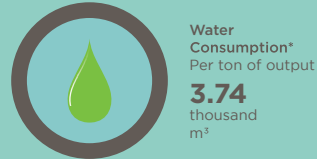
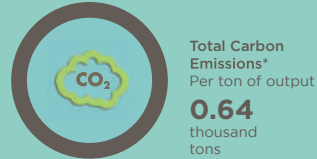
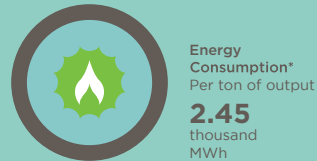
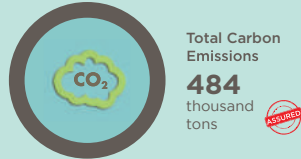
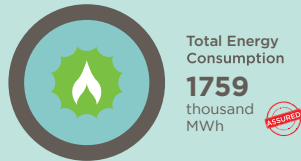
Energy Consumption Source** (% in MWh equivalent)



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

Eczacıbaşı Group Sustainability Highlights

Environmental Indicators












Social Indicators



* Excludes Esan Eczacıbaşı Industrial Raw Materials Co.

** Employees in leadership programs.

	Aim	Timeline	Progress	Explanation
	Reducing the per-ton energy consumption of our industrial sites in Turkey by 4%	2016 - 2020	Needs improvement	Reviewing action plans
	Reducing the per-ton water consumption of our industrial sites in Turkey by 4%	2016 - 2020	On Target	1.4% reduction at the end of first year of the target period
	Creating awareness of green brands and sustainable consumption habits among stakeholders	2012 - ongoing	On Target	Placed 4 th in Ecological Environmental Sensitivity in Capital Magazine's 2017 "Turkey's Most Admired Companies" survey
	Increasing the share of women among new recruits in Turkey to 50%	2016 - 2020	Ongoing	University-wide communication of AllforAll initiative
	Increasing the share of women in overall professional employment to 40%	2016 - 2020	Ongoing	Introduced gender blind CVs
	Increasing the share of women in management positions to 35%	2016 - 2020	Ongoing	Introduced leadership and mentoring program for women
	Steadily lowering injury rates to below 1 per 200 thousand work hours	2016 - 2020	Ongoing	Reduced injury rates by 27.8% in 2017
	Refurbishing wet spaces at 60 boarding schools around Turkey	2007 - 2020	On Target	18,000 students at 40 boarding schools in 33 cities have benefitted from the project; the goal for 2020 is 60 schools in total
	Training pre-school teachers at schools around Turkey on the Orff approach to musical education	2016 - 2017	On Target	90 teachers at 30 schools in Hatay, Konya and Samsun received training

Who We Are



**75 Years
in Business**

In 1942, the founder of the Eczacıbaşı Group established a small venture to produce vitamins that 10 years later became Turkey's first modern pharmaceutical plant. From the start, our mission has been to invest in fields that improve the health and quality of life of our customers and communities.



**+12,500
Employees**

We are a group of young, well-educated and talented people with shared values and a deep commitment to providing the very best quality to our customers in a sustainable way. We are also proud to take part in the Group's initiatives to promote cultural and social development.



**44
Companies**

In 32 business fields, our companies are focused on providing the best and fastest response to the specific needs of their customer base. Acting together, they are powerful organizations with extensive expertise and vertical integration in their industries.



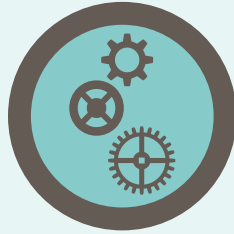
**TL 11.6 Billion
Net Sales**

Diversity is our strength. We earn our income from very different industries and markets. In 2017, international sales accounted for 36 percent of our total revenue. Our goal is to increase this contribution to over 50 percent in the decade ahead.



Social Responsibility

We have founded and continuously supported numerous initiatives to advance culture and the arts, scientific and public policy research, high quality education, and women in sports. We are proud to be recognized for our contributions in these areas because they enrich and strengthen our society.



40 Production Sites

Our production sites range in variety from radiopharmaceutical plants to one of the world's largest complexes for ceramic sanitary ware and tile production. Our 14 production sites abroad and 26 around Turkey are competitively located near suppliers and customers and give us privileged access to local talent and markets.



120 International Markets

Our products and services are available in 120 countries worldwide. Europe, which accounts for 52 percent of our international sales, is the home of our primary strategic markets; in the years ahead, we aim to grow fast in selected markets of Africa, India and the Gulf.



Brand Leadership

We have nine leader brands – one or more in each of our main business fields. Recognizing that customers are the source of our leadership, we continually reenergize our brands with innovations and improvements that deepen their trust in us.

What We Do

<p>Building Products</p> <ul style="list-style-type: none"> • Eczacıbaşı Building Products Inc. Co. • Burgbad AG • Burgbad GmbH • Burgbad France SAS • Vitra Tiles Inc. Co. • Vitra Tiles LLC • Vitra Fliesen 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 <p>Business areas</p> <ul style="list-style-type: none"> • Sanitary ware • Sanitary fitting • Ceramic tiles • Bathroom furniture • Kitchen furniture and accessories • Washing area solutions • Concealed cisterns 	<p>Consumer Products</p> <ul style="list-style-type: none"> • Eczacıbaşı Consumer Products Co. • İpek Kağıt Central Asia LLP. <p>Business areas</p> <ul style="list-style-type: none"> • Tissue paper products • Wet wipes • Cosmetics • Personal care products • Baby care products • Household cleaning products • Away-from-home cleaning and food products 	<p>Healthcare</p> <ul style="list-style-type: none"> • 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. • Eczacıbaşı Shire Health Products Co. • Eczacıbaşı Health Services Co. • Eczacıbaşı Occupational Health and Safety Services Co. <p>Business areas</p> <ul style="list-style-type: none"> • Rx drugs • Non-Rx products • IV solutions • Hospital supplies • Biological and biotechnological products • Radiopharmaceuticals and active ingredients • Home healthcare services • Occupational health and safety services <p>JV Partners</p> <ul style="list-style-type: none"> • Shire (U.S.) • Bozlu Group (Turkey) 	<p>Finance</p> <ul style="list-style-type: none"> • Eczacıbaşı Investment Holding Co. • Eczacıbaşı Investment Partnership Co. • Eczacıbaşı Pharmaceutical and Industrial Investment Co. <p>Business areas</p> <ul style="list-style-type: none"> • Finance Investment
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Information Technology

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

Business areas

- IT
- E-card systems

JV Partners

- Giesecke & Devrient (Germany)

Welding Technology

- Kaynak Tekniği Co.

Business areas

- Welding consumables and equipment

JV Partners

- Lincoln Electric (U.S.)

Natural Resources

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

Business areas

- Industrial raw materials

Other Products and Services

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

Business areas

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

JV Partners

- İş REIT (Turkey)

Significant Progress on all Fronts

TOTAL NET SALES & GROWTH



+ 20.7%*

* In Turkish lira terms

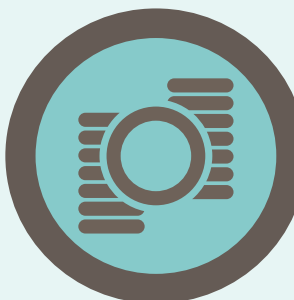
INTERNATIONAL SALES & GROWTH



+ 5.4%*

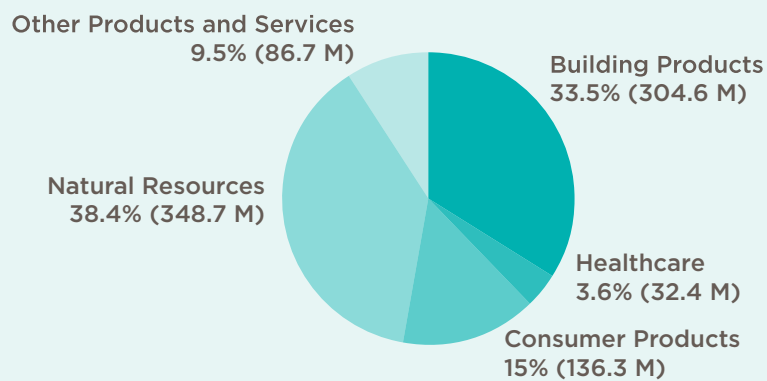
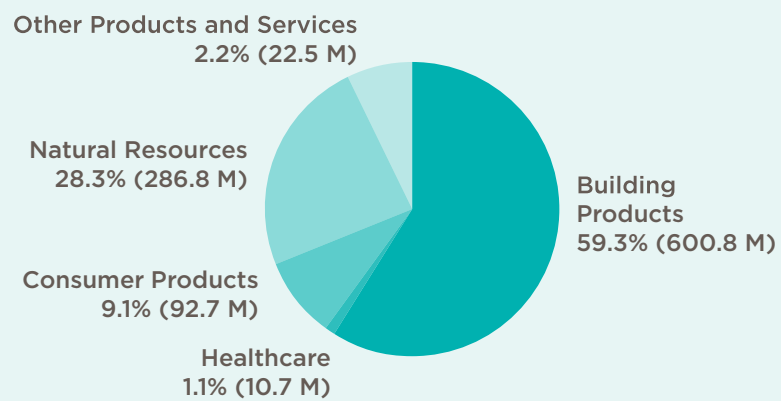
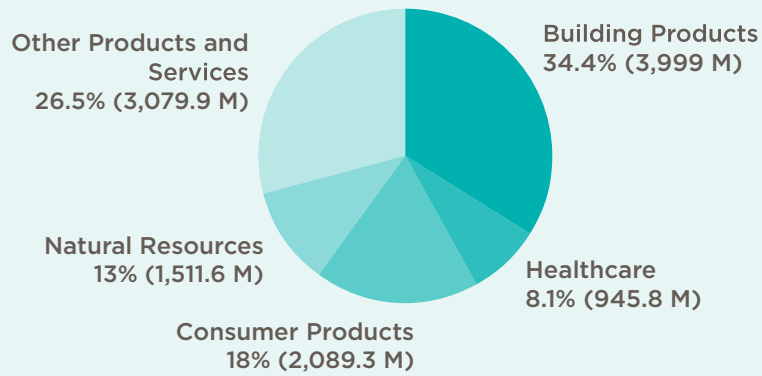
* In Euro terms

EBITDA & GROWTH



+ 75.4%*

* In Turkish lira terms

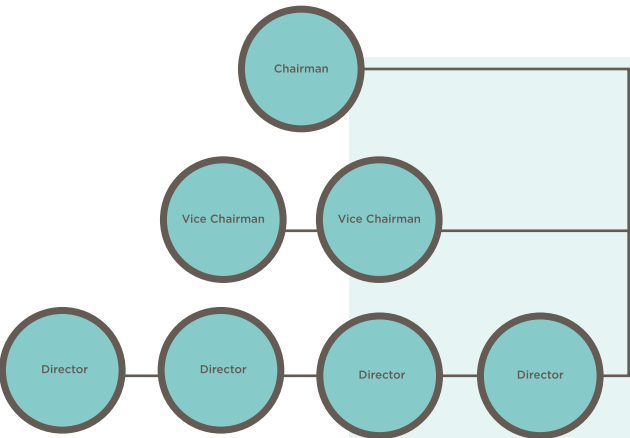




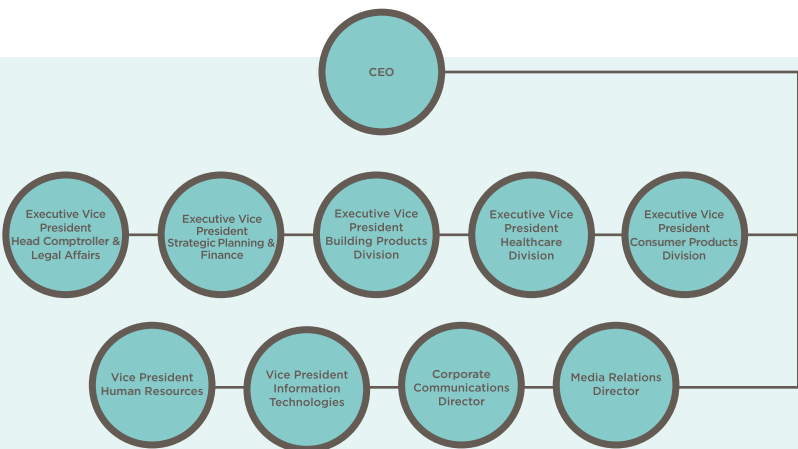
Managing Sustainability

Organizational Structure

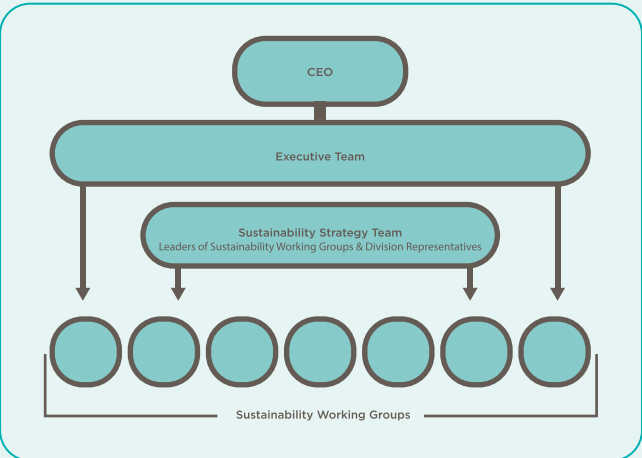
Board of Directors



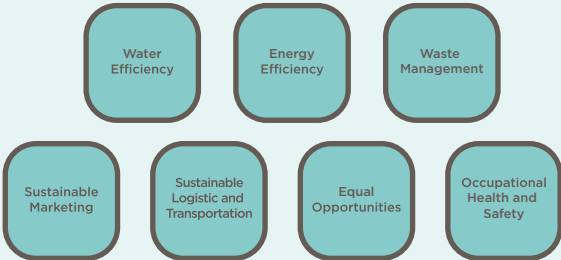
Executive Management



Sustainability Management



Sustainability Working Groups



Sustainability Management and Strategy

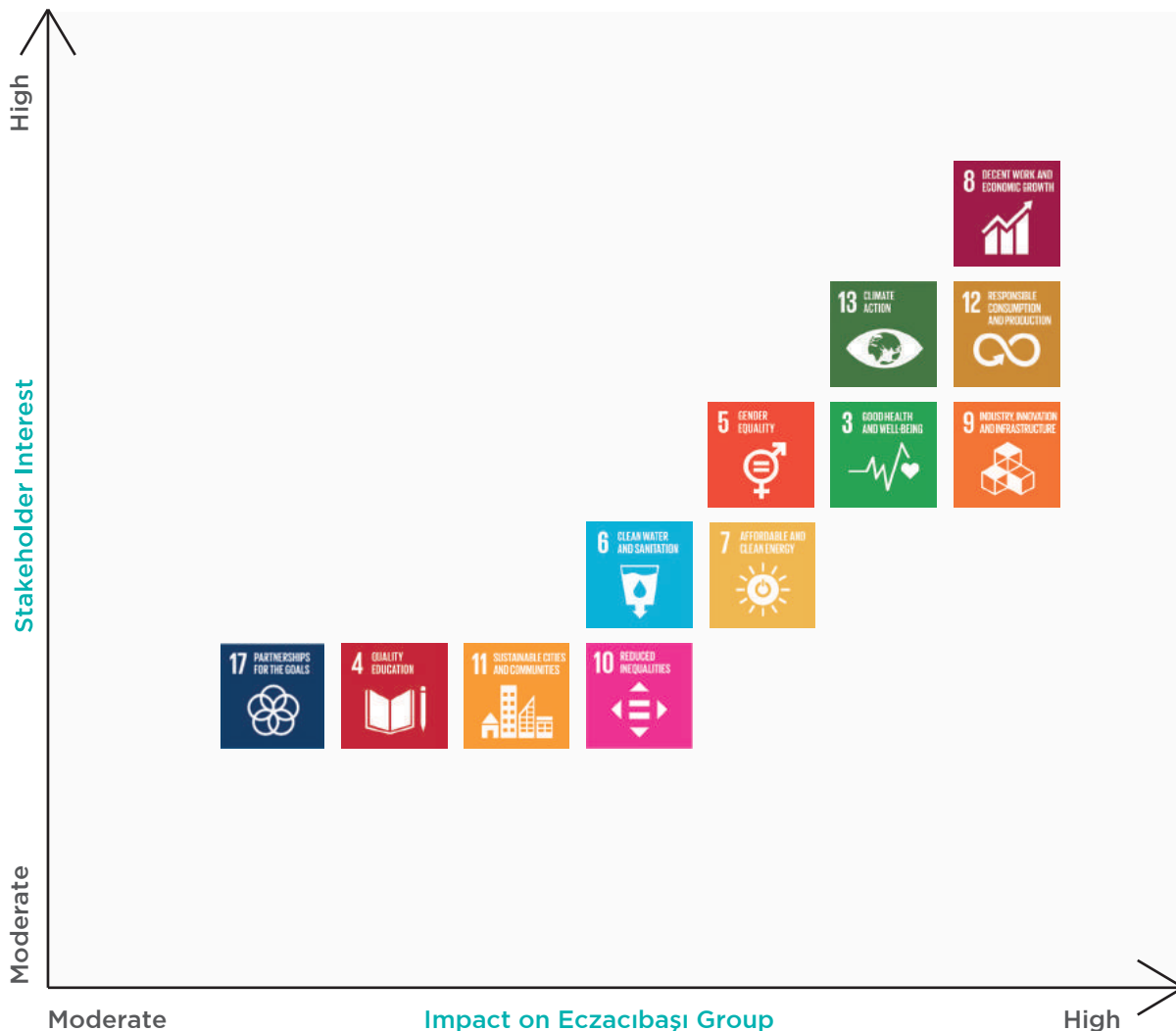
The Eczacıbaşı Group is committed to designing and implementing business strategies that improve its long-term economic performance, enhance the well-being of society, and contribute to the sustainable use of natural resources. To this end, Eczacıbaşı Group companies are endeavoring to incorporate sustainability principles into every business process, from the procurement of raw materials through to the design of products and services, marketing and distribution; to strengthen their communication with stakeholders to understand better their values and expectations and promote sustainable solutions; and to attract, motivate, train and retain the human resources that will drive this transformation.

To achieve these goals, we have determined a set of medium-term priorities based on our evaluation of the risks and opportunities our companies face, the expectations of our stakeholders, and our most pressing concerns.

These priorities can be grouped into five main categories, each with associated medium to long-term economic gains:

1. Eco-efficiency → reduce costs and increase productivity.
2. Sustainability-led innovation → obtain and maintain competitive advantage by offering sustainable and innovative products and services to a growing base of eco-conscious consumers.
3. Sustainability communications → increase brand and corporate value.
4. Gender equality → unleash new vision and leadership talent.
5. Excellence in health and safety → achieve operational efficiency, top quality standards and employee satisfaction.

Materiality and Priorities



Eczacıbaşı Group

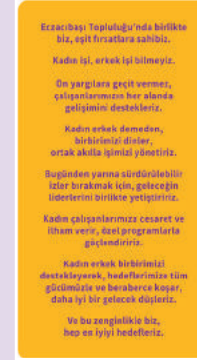
Gender Equality Approach

The Eczacıbaşı Group believes that a sustainable future is only possible if women actively participate in all areas of life, particularly in the business world. We also believe that the long-term success of our businesses depends on our ability to both increase the presence of women in our organizations and ensure that they have equal input in management decisions. Hence, achieving equal opportunities in our own businesses is one of our top sustainability goals.

allforall

Good Practices

- Good to Great initiative
- AllforAll Manifesto
- KPIs for recruitment and promotion
- Projects to increase women in sales and technical positions



Training

- Gender equality training programs
- Leadership program for women managers (Liderizbiz)
- Gender diversity program for managers (Farkındayızbiz)



Platforms

- FEM certificate
- UN Women Empowerment Principles signatory
- Equality at Work Platform
- HeforShe campaign supporter



Policies

- Flexible work schedules
- Home office day
- Gender-blind CVs
- Affirmative action in recruitment
- Investments in lifting technologies for production lines



Award

- "Gender Equality at Work" Award of the Ministry of Labor and Social Security



Sustainability and Innovation



Our Innovation Strategy

From its earliest days, the Eczacıbaşı Group has recognized the value of creative and original ideas. For us, innovation is a corporate culture that is sustainable, measurable and manageable and that enables us to keep one step ahead of the competition. Hence, we strive continually to develop this culture systematically.

We see innovation as an integral part of our daily lives, something that affects all our business processes, independent of our job descriptions. Successful innovation, we believe, is the most creative solution to a consumer's real need. By looking at life, our environment and our products through the eyes of consumers, we are able to take an innovative approach to every stage of the product development journey from conception to launch.

Recognizing the many complementary aspects of innovation and sustainability, we pursue our creative process in ways that minimize our environmental impact. By including our business partners in this process, we strive to develop products and services that create the most value for consumers and facilitate sustainable development.

Innovation for Everyone

For the Eczacıbaşı Group, innovation and value creation are inseparable. Every innovation should contribute new value to our companies and all our stakeholders, and the process of innovating and creating value should be continual and sustainable.

Adding to this momentum is the Inocino Mobile Application, which we launched in 2016. Via this application, employees can share their suggestions immediately and location-independently using their cell phones.

Innovation for Consumers

The consumer is always at the center of our innovation efforts. Successful innovation requires that we make a difference, which we achieve by designing and producing goods and services that respond to our customers' values but exceed their expectations. Our approach starts with the customer and is based on value innovation. It involves spending much more time

with our customers, so as to observe their habits and behavior patterns and understand and measure their passions. We then develop products that address these findings.

Innovation for our Group

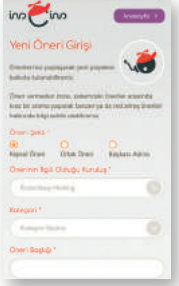
We know that innovation is the only way to differentiate our business and ensure its survival in today's highly competitive economic environment. We also know that innovations do not happen by accident or chance, which is why we approach innovation as a repeatable disciplined process. Innovation is one of the Eczacıbaşı Group's top priorities, and accordingly, we coordinate and manage it at the highest level just as we do production, marketing, sales, finance, information technology, and corporate communications. By employing the value-creating practices of unconventional methods, we strive to ensure that the Eczacıbaşı Group is as competitive and powerful in the future as it is today.

Innovation for our Employees

We benefit from the power of innovation not only in the design of our products and services but also in the shaping of our processes and ways of doing business. Using diverse and effective methods, we create inspiring work environments that are both enjoyable and productive. We consider it essential for the success of our innovation that we have both an approach that encourages participation and the human resources able to think from different perspectives. People are the source of our creativity, so we develop our human resource and communication policies accordingly.

Inocino

In 2009, as part of our efforts to internalize innovation, we developed the Inocino Suggestion Evaluation System, which enables us to transform valuable new ideas into value-creating projects. All Eczacıbaşı Group employees, individually or as teams, may submit their ideas to any unit or company in the Group through the Inocino Suggestion Evaluation System. We evaluate all suggestions submitted through Inocino on their innovativeness, potential contribution to the Group, and capacity for replication in other departments or Group companies. Everyone can track the evaluation and development of their project ideas through the Inocino system, which starts with an evaluation by the Inocino leader of the employee/team who submitted the idea and then continues with the Innovation Committee



of the company or department to which the idea applies. 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 2017, the system received more than 10 thousand suggestions from 1,300 people in 28 companies. To date, Eczacıbaşı Group employees have submitted over 65,000 ideas, 40% of which have become ongoing or completed projects. In 2017, the Group’s natural resources company, Esan, planted a young tree for each of the 400 suggestions that Esan employees submitted to Inocino’s evaluation system that year.

Meetinnovation

We know that innovation only occurs in an environment that encourages creativity and innovative thinking. We are taking steps to establish this environment and transform innovation into a corporate culture.

Since 1998, we have organized annual events to share information about Group companies’ innovative projects and recognize the most innovative among them. First called “Eczacıbaşı Creativity and Innovation Day” and then, after 2008, “Meetinnovation”, this annual event aims to encourage every employee, alone or with a team,

to develop innovative projects that contribute to the Eczacıbaşı Group’s strategic targets and business results.

The primary aims of Meetinnovation are to:

- Establish an environment that encourages innovation in our companies,
- Present successful examples of creative and innovative differentiation in products, processes and services,
- Establish a foundation for innovative thinking at every stage of a project, from the initial idea through to tangible results,
- Reward creative and innovative projects by individuals or teams that contribute to our strategic targets and business results.

Innovation Awards

The Eczacıbaşı Group’s annual innovation competition has been an integral part of Meetinnovation since 1999. Here, companies compete for awards in five categories: Innovative Products and Services, Innovative Efficiency Projects, Innovative Communication, E-Transformation and Sustainability. The winners in each category are announced at Meetinnovation, a daylong event attended by employees, business partners and the press.

2017 Innovation Award Winners



Category	Company	Project Name
2017 Eczacıbaşı Innovation Grand Prizes	Esan	Safety System for Underground Metallic Mineral Mining
E-Transformation	Esan	Safety System for Underground Metallic Mineral Mining
Sustainability	Esan	Safety System for Underground Metallic Mineral Mining
Most Innovative Product	Eczacıbaşı Building Products	V-care Smart WC Pan
Most Innovative Service	Eczacıbaşı-Monrol Nuclear Products	Ankara University Project
Most Innovative Communication	Eczacıbaşı Consumer Products	Detan Insecticide Campaign
Most Innovative Efficiency Project	VitrA Tiles	Cost-Reducing Glaze Technology

In 2017, 17 Eczacıbaşı Group Companies submitted 69 innovative projects that together contributed \$46.5 million to the Group's performance. To date, 476 projects have competed for these awards and collectively contributed as much as \$348.5 million in value to the Group through resource savings, increased productivity and new sales.

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 DIPLOmats (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 Group companies: each company is represented by a Company DIPLOmat, On Site DIPLOmat, and Department Diplomats who actively communicate DIP to all the employees and help generate new projects in their companies.

DIPLOmats are also responsible for organizing annual workshops on DIP theory and best practices. In its fourth full year of operation, over 1,200 DIP projects generated savings equivalent to 1.8% of the Group's total expenditures, a figure well above target.

Every year, the target is distributed to companies according to their operating expenses. DIP projects contributing to the Eczacıbaşı Group's environmental performance accounted for about 14% of total savings and 9% of all projects in 2017. Notably, total savings in this area increased by 33% relative to 2016, in line with a sharp rise in energy, scrap and waste-reduction related DIP projects.

VitrA Innovation Center

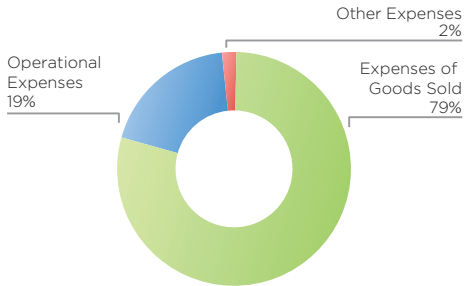
VitrA Innovation Center, which we established in 2011 to develop new products, materials, and technologies for our Building Products Division, contributes significantly to our business results and presence in research and development.

This performance has been recognized by the Ministry of Science, Industry and Technology, which carries out an annual evaluation of R&D centers all around Turkey. In 2017, VitrA Innovation Center jumped up in the Ministry's overall nationwide ranking of R&D centers from 7th to 2nd place according to 2016 performance evaluation results following an evaluation 144 R&D centers in diverse industries around Turkey, including those belonging to the country's largest and most prominent providers of technology, communication and defense equipment and services. VitrA Innovation Center surpassed all but one in the 2016 evaluation of performance indicators. Additionally, for the fifth consecutive year, VitrA Innovation Center received the Ministry's "Most Successful R&D Center" award in the Glass and Refractory industry.

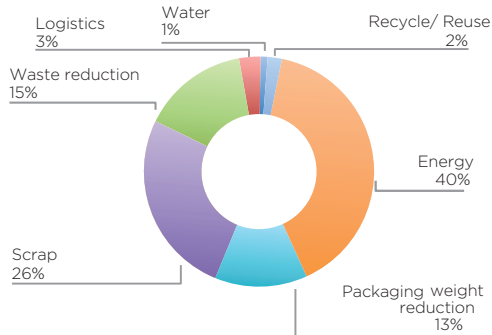
As in 2016, VitrA Innovation Center made 57 patent applications in Turkey in 2017. During the year, it completed 26 projects and launched 22 new ones: five focused on product development, 16 on R&D, and one on cost improvement. As of end-2017, the Center had 32 ongoing projects.

In 2017, the Center also submitted eight different projects to national and international incentive programs. Three of these received combined financial support of TL 943 thousand, one from the HORIZON 2020 program, and two others from national support programs.

DIP Performance



Sustainability-Related DIP Savings



During the year, the Center concluded a joint study with Boğaziçi University launched in 2016 to compare the lifecycle impact of WC pans and faucets produced with polymers with those using ceramic and metal. The study revealed that alternative polymer materials are more environment-friendly than the metals traditionally used in faucet production but less environmentally-friendly than the ceramics used in WC pan production.

Preparations were made for mass production of an eco-friendly, bio-polymer toilet seat containing 37% plant-derived renewable material, which the Center developed with Dupont in 2016. The new product, which combines a high level of functionality and aesthetics with a much lower environmental footprint, will be produced on a large-scale in 2018.

In 2017, the Eczacıbaşı Building Products Division exhibited its first two smart connected technologies products – the Smart Panel and Smart Mirror – at the ISH fair in Messe Frankfurt. The two products were created at the Eczacıbaşı Smart Connected Technologies Lab (SCT Lab) at the Istanbul Teknopark. Sales of the Smart Panel will begin in 2018 and sales of the Smart Mirror, in 2019. In 2017, the Division began collaborating with Vestel Electronics on the scaling-up of the Smart Mirror. The project has been accepted into TÜBİTAK's 1501 Industrial R&D Project Support Program.

During the year, Vitra Innovation Center continued to work on its joint R&D project with Vernet of France to develop a smart faucet that reduces water and energy consumption. Supported by EUREKA, the project aims to prevent water from being wasted while waiting for warm water. The new faucet will not require additional heat sources nor a significant change in plumbing infrastructure and will be the first of its kind worldwide as well as in Turkey.

Also in 2017, the Center partnered with Tecnan of Spain and RND of Turkey to develop eco-friendly coating technologies for faucets and submitted their proposal to the international HORIZON 2020-MANUNET funding program. The program approved the project, enabling partner companies to begin research and development of a high quality, low-cost and environmentally friendly alternative to traditional chrome plating in January 2018.

In 2017, Vitra Innovation Center organized a unique workshop program for schoolchildren in collaboration with the Bozüyük District Governor's office and District Directorate of National Education. Titled "Design-Focused Thinking Workshops", the program introduced more than 200 8 to 12-year-olds to the principles of design-focused thinking and taught them how to use their creativity to solve real-life problems. Using an empathy-based human centered approach, students developed a range of ideas for solving the problem, then picked one and used simple materials to make a prototype. Then, they created a model of the prototype with a computer program, giving them their first opportunity to experiment with this technology.

In addition to project R&D, Vitra Innovation Center staff are involved in broader theoretical work. In 2017, they presented some of this research in speeches and poster presentations at two different international congresses and published two articles in scientific journals included in the Science Citation Index.

Collaboration with Universities

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

Funding Institutions	Completed Projects	Ongoing Projects	Applications Submitted in 2016	Applications Accepted	Under Evaluation
TÜBİTAK-TEYDEB		2	6		
TÜBİTAK-BİDEB			1	1	6
BOREN		1			
EUREKA	1	1			
HORIZON 2020			7		

TÜBİTAK: Scientific and Technological Research Council of Turkey
TEYDEB: Technology and Innovation Funding Programs Directorate
BİDEB: Scientist Support Directorate
BOREN: National Boron Research Institute



VitrA Innovation Center currently has 17 projects with 10 universities, among them Bilkent University, Bogaziçi University, Middle East Technical University, and İstanbul Technical University in Turkey, and Sheffield Hallam University abroad.

Additionally, nine of our companies partnered with one international and 15 local universities on 27 projects involving the development of new products, materials and product design in 2016. Esan has the most ongoing projects with universities -17 in all with 14 universities, among them Istanbul Technical University, Sabancı University, Koç University, and Yıldız Technical University. Three are collaborative projects with TÜBİTAK.

In 2017, Esan continued to work on 10 different projects with a wide variety of departments at 6 different universities. One of the Tubitak funded projects about halloysite in membrane systems for industrial water treatment has been completed. Esan kicked off 4 new projects to increase efficiency, reuse recycled water, develop new products, and underground exploration.



Askaynak Automation collaborates with VitrA

Askaynak and Eczacıbaşı Building Products have begun to collaborate on automation projects. Before the start of this collaboration, VitrA was purchasing its robotic glazing systems from suppliers outside of Turkey; now, Askaynak Automation will design and produce these systems for VitrA. The internal transfer of knowledge and capital that this collaboration has initiated is as important as the improvements it is making to VitrA's sustainability performance.

Robotic glazing systems

This system uses at least two robots at the same time. One robot moves the components that are going to be glazed and the other sprays the glaze. This automated process can glaze objects of different shapes, one after the other, without difficulty. Aside from saving labor, robotic glazing removes related health risks because the process takes place in a stainless steel-encased room. Robotic glazing also reduces glaze consumption and increases the quality of glazing, because the robot can be programmed to change spraying parameters depending on the geometry of the part to achieve the exact level of glazing required. Askaynak Automation designed and implemented its first robotic glazing system for VitrA in just 16 weeks.



Targets, Projects & Performance



Energy

Energy use in production processes



The Eczacıbaşı Group has set itself an overall per-ton energy reduction target of 4% for its third three-year target period 2017-2020. To this end, each operation has determined its own annual and three-year targets.



In 2017, our Consumer Products Division achieved the best performance in the area of energy efficiency. Here, the top performer was Eczacıbaşı Consumer Products' chemical products plant, which reduced its per-ton energy consumption by almost 10% in 2017 with several major energy efficiency projects implemented in both 2016 and 2017.

Eczacıbaşı Consumer Products' tissue paper plant achieved the second largest reduction in per-ton energy consumption with efficiency improvements in 2017. Last year, it continued to switch to LED lighting and sensor use, and from low to high efficiency motors in its production plant.

Efforts to reduce our energy footprint

Over the last decade, the Eczacıbaşı Group has carried out numerous projects in the following areas to improve its energy efficiency.

- Solar thermal energy for heating water and photovoltaic electricity generation
- Waste heat recycling
- Co-generation systems
- Improved insulation systems
- High efficiency heating and cooling systems
- LED lighting and greater use of sensors
- Detailed energy use and efficiency studies of each business
- Changes in production processes to increase efficiency.

VitrA Tiles undertook 24 energy projects in 2017 that will save it nearly 16 thousand MWh of energy consumption annually. Additionally, during the move of its production plant at Tuzla to Bozüyük in 2017, it made adjustments to its machinery and equipment that it expects will save it another 3,000 MWh annually in the years ahead.

Eczacıbaşı Building Products has begun using waste heat from its kilns to heat water. This project saved the company about 7,000 MWh-equivalent of natural gas in 2017.

Esan, our mining and mineral processing company, completed 19 projects in 2017 that will generate more than 6,300 MWh of energy savings annually. Esan's single largest project, which will save nearly 2,000 MWh per year, enables it to pump the aqueous concentrate of lead-zinc at the Balya plant directly through the dewatering unit without any reduction in its solid ratio. Other projects aimed at improving production processes through investments and operational changes, such as the installation of pulverized washing out systems, the reviewing of water cycles, and upgrading of electrical equipment, are expected to generate another 1,500 MWh annually in energy savings.

Overall, our manufacturing operations in Turkey completed 68 major projects in 2017 that will save them close to 30,000 MW of energy annually, an amount equivalent to 1.7% of their total energy consumption in 2017.

Industrial Energy Efficiency Projects in 2017

	Number of Projects	MWh Savings
Building Products Division	43	23,642
Consumer Products Division	6	257
Other Industrial Operations	19	6,331
Grand Total	68	30,230

Energy management systems

Every Eczacıbaşı Group company monitors and evaluates its energy consumption in order to determine areas for improvement. Four of our companies accounting for over 80% of the Group's energy consumption (Eczacıbaşı Building Products, Vitra Tiles, Eczacıbaşı Consumer Products' tissue paper plant, and Eczacıbaşı Consumer Products' chemical products plant) also have ISO 50001 certified energy management systems.

Vitra Wins Energy Efficiency Award

Vitra won third prize in the 17th Energy Efficiency in Industry Project Competition organized by the Ministry of Energy and Natural Resources for its project to reuse waste heat in ceramic sanitaryware production.



Additionally, Eczacıbaşı Building Products, Vitra Tiles, Eczacıbaşı Consumer Products' paper tissue plant, and Esan (at its Balya plant) have carried out detailed studies of their energy use, which they have then used to determine priority projects. Eczacıbaşı Building Products' faucet production plant, for example, has to date implemented 90% of the projects that resulted from its energy study.

Esan, one of our most active companies in Turkey in the area of energy management, joined the first round of participants in an advanced training course for Energy Management System experts organized by Turkey's Renewable Energy Directorate in collaboration with the United Nations Development Program (UNDP) and funded by the United Nations Industrial Development Organization (UNIDO). At the end of the nine-month project, which involved audits, training and reporting, Esan, received an "Energy Management System Certificate of Achievement" in 2017.

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.

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, which generated close to 3.0 thousand MWh of electricity in 2017, as expected. In combination with the Güllük project, Esan generated 3.6 thousand MWh of energy and prevented about 2 thousand tons of carbon emission. Esan is using this energy for its new plant in Eskişehir, Turkey's first and Europe's only primary magnesium metal production facility.



To encourage more companies to follow in the footsteps of Esan, the Eczacıbaşı Group is generating awareness about the growing potential of renewable energy for electricity production as a result of falling costs and changes in Turkey's legal framework. It is also creating opportunities for companies to learn from experiences and best practices in this area and encouraging them to evaluate the feasibility of renewable energy in electricity production for new and existing operations.

The Eczacıbaşı Group is also encouraging operations to find electricity companies that offer power generated from renewable sources. Many electricity companies have a choice of suppliers and energy sources, and customer demand determines their offering. This was the case of our bathroom furniture producer in Germany, Burgbad, which encouraged its electricity supplier to offer electricity from renewable sources. Burgbad continued to purchase electricity from this supplier in 2017.

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.



Since 2013, we have extended these practices throughout the Group as regular components of our energy efficiency management systems. We are also continuing the process of switching all buildings to LED lighting systems, which we will continue until the transition is completed.

Logistics and Transportation

Since 2014, our sustainability working group focused on logistics and transport has overseen efforts to calculate the carbon emissions of all outgoing shipments from 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 our vehicle fleet's business travel. It has 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.

In 2017, we calculate that our carbon emissions from logistics totaled 47.3 thousand tons, an amount equivalent to about 10% of our total emissions, including Esan. This figure is 4% lower than in 2016. Part of this reduction can be attributed to our vehicle fleet, which saw its average motor size decline 1% in 2017 following an executive-level decision in 2016 that all new vehicles have smaller engines.

To date, the primary solutions we have found for reducing carbon emissions from shipments 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.



Carbon Emissions from Transportation, Thousand tons*

	2014	2015	2016	2017
Logistics in Turkey	13.8	14.2	14.9	14.2
Logistics Abroad	40.7	34.7	34.4	33.2
Total Logistics	54.5	48.8	49.2	47.4
Vehicle fleet in Turkey	7.3	8.5	6.5	6.5
Total Carbon Emissions	61.7	57.3	55.8	53.9

* Results are based on carbon conversion factors, assumptions and reporting guidelines and procedures developed in 2014 in collaboration with My Climate.

Business travel and meetings

Another source of carbon emissions is business travel. To reduce these emissions, the Group has developed and installed video conferencing systems in all of its operations and encouraged employees to take advantage of the Group's internal instant messaging and communications systems.

Although we do not yet calculate the emissions from business travel, we do monitor the ratio of travel expenses to net sales. This ratio declined by 23% between 2013 and 2016 and by another 9% in 2017. Over the same period, the use of audio visual conferences increased by 15% and their length by 17%. These increases indicate that people are increasingly replacing travel with video conferencing.

Five of our nine companies included in our coverage achieved the water reduction targets they set for themselves in 2017. The remaining four are reviewing their plans for the three-year target period to determine the actions they need to achieve their targets.

Eczacıbaşı Consumer Products' tissue paper plant, our most intensive water consuming operations, reduced its per-ton water consumption by 9% in 2017. During the year, it implemented a number of changes in its production processes that will save it close to 43 thousand m³ of water annually.

Eczacıbaşı Consumer Products' baby and personal care plant reduced its per-ton water use by 23% in 2017, thanks to the increase in production levels at its new plant and a variety of efficiency projects. The new plant, to which it moved in 2016, has an in-house distillation system for water purification that also contributed to the rise in per-ton water use during the first year.

Eczacıbaşı Consumer Products' chemical products plant also treats water before using it in its production processes. However, rather than discharging the waste water from its reverse osmosis system, it uses it for flushing and watering gardens. In 2017, a 45% increase in the company's production level led to a large increase in wastewater from the distillation process as well as in water from sanitization processes. By reusing this wastewater, the company was able to reduce its per-ton water consumption by 4% in 2017.

Eczacıbaşı Building Products lowered its per-ton water consumption by 4.8% in 2017, its largest reduction since 2010, largely due to the reuse of backwash water from the filtration system at its faucet plant to water gardens.

Water

The efficient use of water – the most important resource for life – is one of our top priorities. Here, our efforts are two-fold: on the one hand we are developing technologies and implementing measures that reduce our own water consumption during production. On the other, we are developing technologies and products that enable our customers to enjoy the same level of comfort and satisfaction with a far lower level of water consumption.

In 2017, the Eczacıbaşı Group reduced its per-ton water consumption by 1.4% with respect to the previous year, giving it a strong start towards its 2017-2020 target of a 4% reduction for the Group as a whole. As with energy consumption data, all water consumption data stated in this report for the years 2016 and 2017 have passed PwC's rigorous evaluation for limited assurance.

Measures taken by Eczacıbaşı Group companies in their plants to conserve water

- Improving water treatment systems to facilitate waste water recycling
- Using reverse osmosis to recycle rinse water
- Improving the efficiency of rinse processes to reduce rinse frequency
- Collecting and using rainwater as well as underground water generated by mineral extraction processes,
- Changing product formulas.

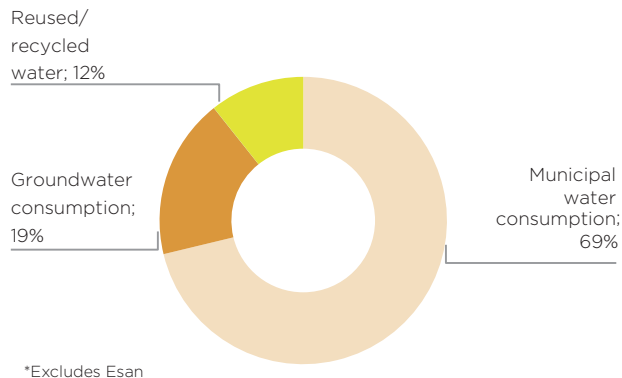


Water Use and Wastewater Discharge

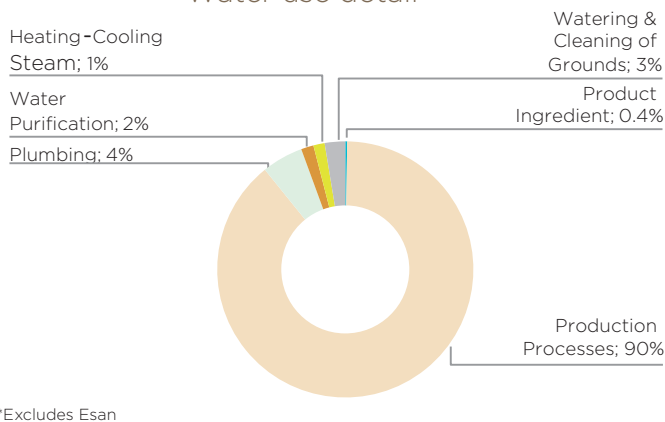
On a Group-wide basis, most water is used for production processes. Included in this category is water used for washing production equipment and products as well as water used as a transporting medium. Included in the latter definition is water used for paper production and in the preparation of ceramic slurry.

Water as an ingredient in the final product, such as cleaning products produced by Eczacıbaşı Consumer Products' chemical products plant or personal care products manufactured by Eczacıbaşı Consumer Products' baby and personal care plant, are classified under "Product Ingredient". This use of water accounted for the lowest share of water consumption in 2017.

Water sources



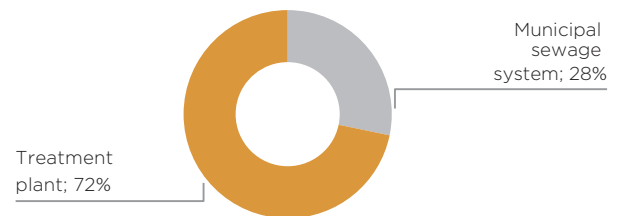
Water use detail



The majority of wastewater created by our operations is treated on-site, either at our own treatment facilities or at the treatment facilities of the industrial zones where our plants are located. In 2017, 28% of our wastewater – all of it domestic – was discharged into the municipal sewage system.

All of our companies in Turkey are systematically studying how to increase their treatment and reuse of wastewater and rainwater.

Wastewater discharge detail



*Excludes Esan

Waste

In addition to reducing its energy and waste consumption, the Eczacıbaşı Group is increasingly focusing its environmental sustainability efforts on waste management. Esan, our natural resources operations, is the largest producer of waste in the Group, followed by our ceramic sanitary ware and tile operations, Eczacıbaşı Building Products and VitrA Tiles, and our tissue paper manufacturer Eczacıbaşı Consumer Products' tissue paper plant. These three operations produced 125 of the 131 thousand tons of waste produced by all Group operations in Turkey except Esan in 2017. Of this amount, 10 categories of waste accounted for 93% of the total volume.



As in the previous year, 98% of the waste produced by our manufacturing operations in Turkey is non-hazardous, 54% of which we recycle or reuse. The largest volume of non-hazardous waste is created in ceramic production processes prior to thermal processing (36%) and is currently disposed. This is followed by ceramic scrap created during the thermal process (32%) and sludge created by the production process for ceramic sanitary ware (11%) which is reused by Building Products Division companies. The remaining non-hazardous waste comprises molds for the casting process, pulp fiber sludge, domestic waste, wood and wood dust, and scrap iron, most of which is recycled or reused either on site or through licensed waste management companies.

Waste market

With the establishment of a Working Group on Waste Management, we aim to transform company best practices into a Group-wide drive to make waste disposal a thing of the past. This means reducing, reusing 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.

Currently, the main waste product transferred between Group operations in Turkey is the treatment sludge of Eczacıbaşı Building Products’ VitrA ceramic sanitary ware plant, which amounted to roughly 15 thousand tons in 2017. VitrA Tiles is using this sludge in its porcelain tile manufacturing process located at the same production site. The aim is to continually 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 recycle or reuse more than half of their waste, so our average recycling/reuse rate, excluding our mining operations, is 54%. On the downside, disposal is still a major component of waste management, so there is significant room for improvement in this area.

In this regard, several Group companies made changes aimed at reducing waste and/or waste disposal in 2017. Eczacıbaşı Building Product’s ceramic sanitary ware plant installed a machine for compressing the styrofoam used during the production process. By increasing its density and reducing its volume, this waste has become more attractive for recycling intermediaries.

Eczacıbaşı Building Product’s faucet production plant began to send the core sand used in its casting process to a cement plant, which is using it in its cement mix. This way, a material that was once disposed of as waste has now become a raw material for another production process.

In 2017, our tissue paper producer Eczacıbaşı Consumer Products’ tissue paper plant continued to expand its cooperation with a packaging producer who began using 100% of its DAF (Dissolved air flotation) unite sludge as an input the previous year. This year, about 40% of the plant’s total waste was consumed by this packaging producer.

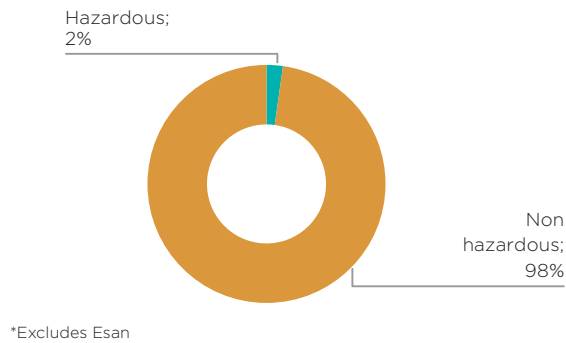
Kanyon, the Group’s shopping center, has composted 26 tons of domestic waste collected from restaurants at the center and produced 8 tons of compost since installing an on-site composting machine in 2016. With this project, Kanyon has enabled customers to contribute to waste management and be a part of a sustainable solution.



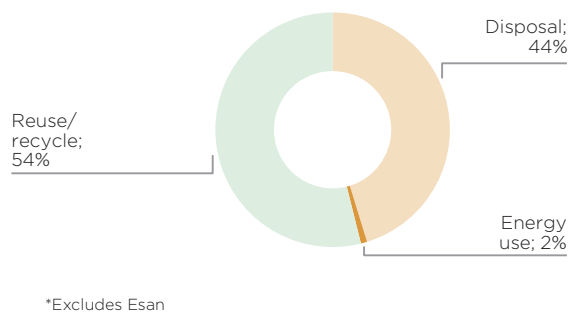
Our ceramic sanitary ware plant in Bozüyük, which produces more than 5 million ceramic sanitary ware units annually, has a recycling/reuse rate of 84%, the highest in the Group. Solid ceramic waste, which accounts for 33% of the plant's total waste, is purchased by a local cement manufacturing plant. Sludge from waste water treatment, which accounts for another 32% overall, is used on-site by VitrA Tiles to make porcelain tiles.

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.

Waste detail



Waste management



Our goal is zero waste

- The Eczacıbaşı Group is working to make its products not only longer-lasting and more eco-friendly but also a source of value-add for other processes after their useful lives are over.
- For this reason, from the design stage onward, we consider the environmental impact of every stage of production: from the resources used to produce them, to the resources consumed during their use, through to the disposal of our products at the end of their useful lifespans.
- In addition to our responsibility to produce a high-quality product, we constantly review our production processes to ensure that we are responding to changing customer expectations.
- We embrace a zero-waste approach to waste management, which means making robust efforts to design waste out of the entire production process.
- Thanks to our waste inventory, we are quickly able to determine if there is an opportunity for recycling or reusing waste products within Group companies or externally.



Social

Women and Equal Opportunities



In Turkey, as around the world, there are still significant barriers to women's access to education and healthcare services, and to their full and equal participation in economic, social and political life. Research shows that women thrive under fair and equal conditions and make greater contributions to the welfare of their communities and per capita GDP growth in their countries. Hence, ensuring equal opportunities for women is absolutely essential to economic, social and environmental sustainability.

According to the World Economic Forum's 2017 Global Gender Gap Report, Turkey ranked 131 overall out of 144 countries in gender equality with a score of 63%. Iceland, which ranked first, had a score of 88%, while Yemen at the bottom scored 52%.

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. Unfortunately, after placing first in health and survival in the period 2014-2016, Turkey fell back to 59th position in 2017, its level of 2013.

In the business world, Turkey's gender equality performance is relatively better, at least among its largest companies. According to McKinsey&Company's 10th annual survey of the top 102 companies in the EU and Turkey, women have a 40% share of professional positions in Turkey's top companies (36% in the EU), and a 25% share of senior management positions (20% in the EU).

However, most of the senior management positions held by women are in finance and other support functions: marketing, human resources, corporate communications, and legal affairs. Numerous studies show a strong correlation between the share of women on executive committees and corporate performance, and many companies, recognizing this, have taken measures to increase the presence of women in leadership positions. But progress continues to be slow in the EU as well as in Turkey.

The Eczacıbaşı Group believes that a sustainable future is only possible if women actively participate in all areas of life, particularly in the business world. We also believe that the long-term success of our businesses depend on our ability to not only increase the overall share of women in our organizations, but also to ensure that they ultimately have equal input in management decisions. Hence, achieving equal opportunities in our own businesses is one of our top sustainability goals.

To this end, we are enriching our human resources policies and applications with measures that make it easier for women to play an active and equal role in business life. We are also continually advancing our system for measuring, monitoring and reporting our performance in this area.

The Eczacıbaşı Group's equal opportunities efforts gained momentum after 2011. That was the year that we articulated in our Human Resources Handbook – the primary reference for the Group's human resources principles, approach and policies – our principle of giving priority to the recruitment of women.

Starting on 8 March 2011, the Eczacıbaşı Group adopted the following guideline for recruitment in Turkey: when faced with a choice between men and women candidates of equal talent, preference will be given to women. Soon after, we also began to apply this principle to internal recruitment for professional positions. The same year, we also joined the "Equality at Work Platform" established in collaboration with the World Economic Forum and Turkey's Ministry of Family and Social Policies.

allforall

In 2013, we adopted “flexible work schedules” to make it easier for working parents to balance work and home responsibilities, introduced “Gender Equality training programs”, and became a signatory to the UN Women Empowerment Principles. In 2014, we introduced equal opportunity targets in our sustainability key performance indicators (KPIs) for Group operations based in Turkey, and in 2015, we began a project to make our workplaces in Turkey more comfortable for working mothers with young babies by renewing lactation rooms at all our operations.

In 2016, we carried the idea of flexible work schedules one step further by offering employees the option of working out of the office one day every week.

We also carried out a comprehensive evaluation of the Group’s equal opportunities performance that began with a funnel analysis and self-evaluation exercise of 11 human resources functions and outcomes, an online survey of employees in Turkey that received close to 1,500 responses, and one-on-one interviews with more than 25 members of Eczacıbaşı’s top management team. In October 2016, the action team leading the project organized a mirror workshop to share the results of the data obtained and in November 2016, an action prioritization workshop.

The result is ALLforALL, a “good to great initiative” that we launched in Turkey on 8 March 2017, International Women’s Day, to advance our efforts to increase the recruitment, retention and promotion of women throughout our Group.

Through a series of specific measures such as gender blind application processes, mentoring, leadership programs and anti-bias training, we aim to increase the share of women in recruitment from 43% to at least 50% by 2020, and the share of women in overall professional positions and management positions from respectively 33% to 40% and from 28% to 35%.



Leadership development program for women

Liderizbiz, our new leadership development and mentoring program for women, is one of two programs we launched in 2017 as part of our ALLforALL equal opportunities initiative. Designed to support the development of women leaders through both classroom training and mentoring, the program is creating opportunities for women to meet with role models, learn from their experiences, and share ideas in order to become more effective leaders. Since November 2017, we have organized two sessions attended by 40 women managerial candidates, five of whom have since been appointed to management positions. The third session is being organized in the fall of 2018.

Gender diversity management program for managers

Farkındayızbiz, the second ALLforALL development program that we launched in July 2017, aims to create awareness about unconscious gender biases and assist people in recognizing and overcoming them. Management is the first target audience of this program, and by year-end 2017, 65% of all managers had completed the program. In 2018, after all managers have completed the program, training will be extended to other teams of employees.



Representatives of Group companies who participate in panel talks at universities or are invited to speak in university classes always tell students about the Group’s equal opportunity efforts. Group companies also regularly organize talks and workshops on equal opportunities for their own employees.



Türkiye'de ilk kez, cinsiyetten arındırılmış özgeçmiş uygulaması başladı!
Eczacıbaşı Topluluğu Türkiye'de ilk kez cinsiyetten arındırılmış özgeçmiş uygulamasını başlattı. Uygulama, seçme ve yerleştirme sürecinde adaylara eşit fırsatlar sunulmasını sağlıyor.

New equal opportunities measure: gender-blind CVs

The Eczacıbaşı Group has begun to use gender-blind CVs in its recruitment processes to eliminate the possibility of unconscious gender biases shaping recruitment decisions. To this end, the names, photographs, and any other information that might indicate gender (such as military service) are removed from the CVs that are given to managers who make the final selection among candidates.

ALLforALL in Production

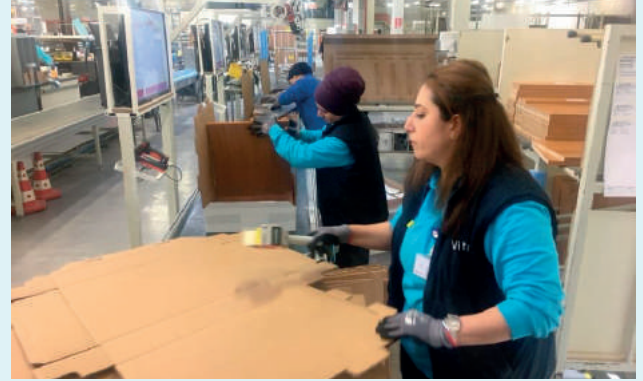
Eczacıbaşı Building Products has adjusted several production lines at its bathroom furniture and ceramic sanitary ware plants to make them more attractive to women employees.

Eczacıbaşı Building Products has installed new machinery at its ceramic sanitary ware plant with weight-lifting systems to remove physical barriers associated with lifting heavy objects. Now, for the first time in the plant's history, women are working on its casting line – not just one or two, but fully 40% of all employees on the line.

At its bathroom furniture plant, Eczacıbaşı Building Products has set up an assembly line that only employs women. Originally for mirrors only, the new line is more nimble and flexible and able to assemble a variety of bathroom furniture products.

The supervisor of the new line says that women have enriched the work environment and given everyone, including managers, whole new perspectives. She and the other women employees on the line are very happy to be in this new project and proud to demonstrate that women can do many different kinds of jobs.

Both of these projects aim to eliminate the distinction made between “women’s work and men’s work” and increase the share of women in production in the years ahead.





Healthy and Safe Work Environments



The Eczacıbaşı Group's efforts to achieve the best possible occupational health and safety standards in its industry and social projects to promote healthy personal care, sexual wellbeing, and good hygiene practices directly promote UN Sustainable Development Goals 3 and 8.

Healthy and safe environments in every Eczacıbaşı Group workplace

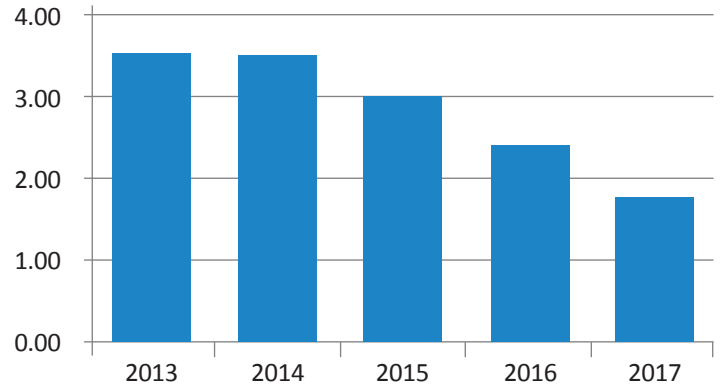
The Eczacıbaşı Group's first priority is to ensure the healthiest and safest environments in its own workplaces. With the vision of being the best in occupational health and safety standards in Turkey and among the best worldwide, our OHS specialists are carrying out detailed statistical research to evaluate performance in every company and determine areas for improvement.

Our occupational health and safety targets, policies, and programs reflect our priority and strong commitment to excellence in this area, 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.

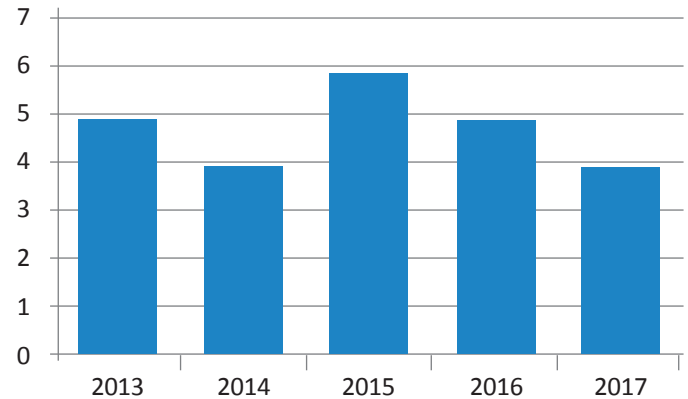
Our two most critical goals in occupational health and safety (OHS) are disease prevention and highly effective near-miss and accident prevention programs in operations with relatively high operational risks. To demonstrate our resolve, we introduced an occupational health and safety target in our sustainability key performance indicators (KPIs) for Group

operations in Turkey that requires them to reduce injury rates by 10 to 30% each year until they are well below 1.0 on a consistent basis. In 2017, as in the previous year, seven of our operations in Turkey successfully reduced their accident rates. Although only four achieved accident rates below 1.0, our overall average continued to decline to 1.74 in 2017.

Accident rate



Companies with accident rate < 1



Notably, for the third year in a row, the Eczacıbaşı Building Products Division's showering and bathtubs plant achieved an accident-free year in 2017.

During the year, Group companies continued comprehensive 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 are also implementing their own projects and measures aimed at raising awareness and reducing risks.

For example, the Eczacıbaşı Building Products Division has an OHS training hall at its production complex in Bozüyük with prototypes in miniature of typical risks in the plant environment. Using these prototypes, OHS staff demonstrate to new employees the importance of wearing personal protective equipment, and how to use it and store it properly. They also demonstrate the proper techniques for safe lifting and carrying. To strengthen its OHS culture, the Division has also created an "Occupational Health and Safety Tunnel" in the entrance corridor of its Bozüyük production complex to remind employees about the importance of using their personal protective equipment at all times and respecting safety rules.

Virtually all our companies organize regular on-the-job (Toolbox) talks and single-point training sessions to highlight risks in specific functions and demonstrate the best behavior for reducing them. Many are also investing in robotic and pneumatic lifting equipment to minimize and eventually eliminate the need for employees to lift heavy objects.

Eczacıbaşı Consumer Products' baby and personal care plant and chemical products plant improved their fire prevention measures and systems with automatic fire extinguishing systems. The baby and personal care plant installed new systems on the extractor hoods in its cafeteria, and chemical products plant, in its electrical panels. Chemical products plant also added protective cages to its forklifts in the production materials unit to protect forklift operators and initiated on-the-job (Toolbox) talks.

The Building Products Division reduced its accident rate by 6% in 2017, thanks to continuing projects to improve on-the-job health and safety.

In 2017, the Building Products Division initiated Kiken Yochi (hazard prediction) training as part of its TPM (Total Productive Maintenance) and OSH activities. In addition to obligatory OHS training for personnel involved in accidents, Vitra Tiles began holding monthly meetings with all plant employees to evaluate each accident occurring during the previous 30-day period. At these meetings, OHS staff analyze the root causes of each accident with the person involved in the accident and ask other participants to suggest ideas for preventing similar accidents in the future.

The Building Products Division also continued to expand its use of pneumatic systems for lifting heavy objects in 2017, with the aim of soon eliminating all tasks requiring employees to lift heavy objects.

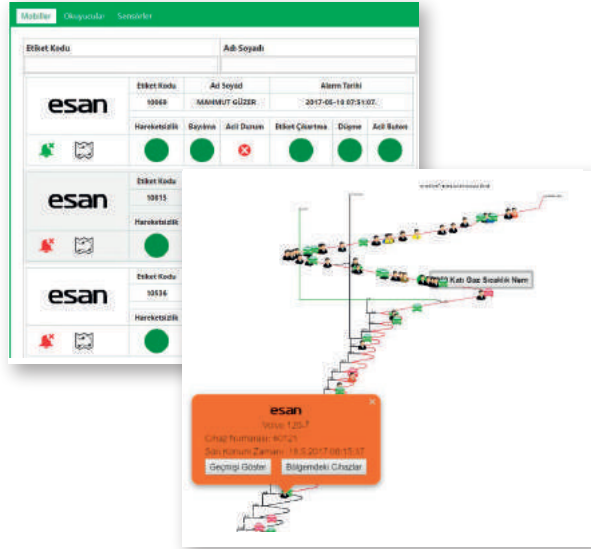
Eczacıbaşı Monrol developed and installed software that enables a central office at headquarters to monitor and evaluate the radiation exposure of employees at plants around the country.

Toolbox session



New "safety awareness" entrance





Esan expanded further its occupational health and safety activities in 2017 with a new campaign titled “Target: Zero Accident”. In addition to adopting new safety measures and organizing activities, the company prepared numerous messages, visual materials and texts to drive home the priority it gives to achieving an accident-free work environment.

Askaynak adopted behavior-based safety training in 2017, which it developed for each of its departments to focus on the specific behavioral risks in each business function. At the same time, Askaynak reviewed and re-engineered its work environment to reduce risks associated with the layout of machinery and production processes.

Esan has a new signaling system for underground traffic that has greatly improved traffic safety. Previously, all traffic in the mine shafts was directed through a wireless radio system. Now, Esan has traffic lights on the most travelled routes as well as speed radars to check speeds and report back violations. Another investment enables Esan to track the movement of every employee underground and pinpoint their location at any moment. By connecting wireless systems at different points, the system ensures communication in the event that one or more points are cut off from the main system. These two projects won Esan two IDC awards in 2016: “Best IoT Project of the Year in Production” and “Best Innovation Project of the Year”.



Stakeholder Engagement



Employees

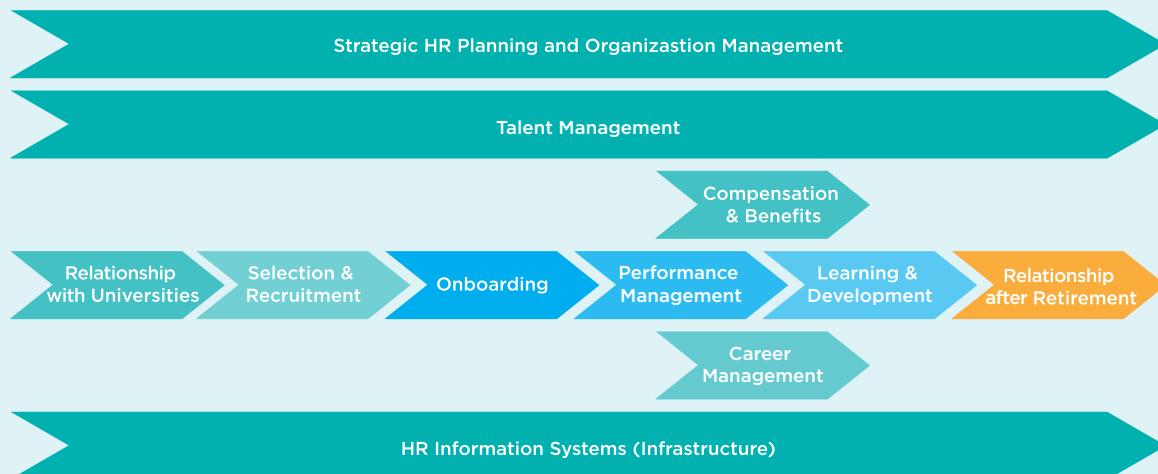
Recognizing that our Group's success depends on the success and engagement of our employees, we strive to ensure that every one of our operations has in place the best human resources recruitment, development and retention programs, provides professional, appealing and healthy working environments, and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

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. Maintaining an efficient backup system that any new and/or vacant position resulting from the strategic plans are filled by the Group employees that have priority in accordance with the talent management.

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.



Personal and professional growth

The Eczacıbaşı Group aims to provide an environment where employees are continually given opportunities to learn, gain experience, and this way steadily advance their personal and professional development. This is the environment that we earnestly believe will most encourage people to develop themselves and their work and create added value.

Using performance management applications and career maps, we help employees determine their objectives and prepare development and action plans for acquiring the required personal and professional competencies.

The main goals of our human resource policies are to attract, develop and retain the highest quality human resources and to ensure that we have a dynamic organization that is aligned with our companies' strategic plans and goals. Accordingly, we are dedicated to creating an appealing work environment that offers the best human resource management applications and training programs, strong communication channels, and continual opportunities for personal and professional development. This way, we aim to establish long-term relationships with our employees that begin in their university years and continue through their retirement.

Developing our talents

For us, "excellent human resources" means people who are well-educated and well-prepared for life, open to innovation and change, entrepreneurial and energetic, and who actively work on their personal and professional development, are open to training others, and embrace the Group's core values.

The Eczacıbaşı Group views every employee as a talent. One of our 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.

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 provided by our Group-wide training and development programs, while technical training is coordinated by each company according to its needs.

Both "Future Fit", our talent development program, and "Manage To", our management development program, aim to build a community of qualified, successful and motivated managers with strong leadership skills and Group-wide vision. We want to ensure that our managers are not only capable of achieving the Group's ambitious growth targets, but that they also 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.

The Eczacıbaşı Group's extensive and comprehensive training and development activities have contributed to employee loyalty and competency, which we systematically monitor and measure. Since the start of our managerial development programs, we have achieved an average 5% increase in both variables.

The Eczacıbaşı Group has a growing number of award-winning managerial development programs that it has developed in-house and patented.

Leadership development

Future Fit is a patented development program that supports the Eczacıbaşı Group's talent management processes. Individuals taking part in the program attend classes, take online courses, are coached, mentored, participate in a project, share experiences and take part in other development activities over the course of 2.5 years. This long-term program is focused on three general skill areas: leadership, people management, and business management.

Management development

"Manage To" is a patented training program for managers designed to create a common managerial culture throughout the Group and ensure that managers have the basic competencies that will enable them to develop a strategic perspective and focus on people management. The program also includes a preparatory program for potential managers called "Manager To Be".



People Management

“Talent HeRo” is a game designed to teach and assist managers internalize their principal HR functions and processes and increase their awareness about their HR roles and responsibilities. Gamification ensures that managers enjoy the learning experience and retain their new knowledge through increased engagement with the subject matter. It is a patented training program designed entirely by the Eczacıbaşı Group’s human resources team. “Talent HeRo” aims to develop heroes of talent.

From onboarding to retirement, managers have a “hero” role in an employee’s lifecycle. In order to ensure that they fulfill this role satisfactorily, “Talent HeRo” equips managers with the relevant people management knowledge and experiences.

The name “Talent HeRo” is derived from this approach. “HeRo” emphasizes “HR”, illustrating the pivotal role that human resources skills play in becoming a hero. The motto for the game is “Who is the hero among us in the war for talent?”

The aims of the program, which are also the strategic aims of the Eczacıbaşı Group’s HR policies, are as follows:

- Increasing the effectiveness of people management by ensuring all line managers adopt HR roles and responsibilities,
- Ensuring line managers comprehend how HR practices affect their business plans and results, the logic inherent in HR practices, the relations between HR concepts, and, accordingly, increase their ownership of HR practices,
- Supporting line managers’ personal development by improving their management skills,
- Supporting and strengthening the Eczacıbaşı Group’s corporate culture, management principles, and approaches,
- Positively contributing to internal and external corporate brand perception through creative design and implementation.

As a group, Eczacıbaşı aims to create a shared approach to attracting, developing, and retaining talent by instilling these principles in its management culture. This strategy is emphasized by its slogan: “Every manager is an HR Manager”. Since the start of the program in February 2016, all managers from every

Eczacıbaşı Group company have completed the program. Now, the game is a crucial component of the orientation program for new managerial appointments.

Talent HeRo won a Silver Medal in the “Best Use of Games and Simulations for Learning” category of the 2016 Brandon Hall HCM Excellence Awards. In 2017, it received a Silver Medal in the “Achievement in Workforce Development and Learning – EMEA” category of the 2017 Stevie Awards Great Employers.

Smart Act, A Talent HeRo Experience

SMART ACT, a Talent HeRo Experience, is a component of Talent HeRo focused on the recruitment and selection processes. It explains the different stages of the recruitment and selection journey, guides managers in making their interviews more effective, and facilitates decision-making by helping them pay attention to all assessment results.

In 2017, the Eczacıbaşı Group’s HR selection process won a Silver Medal in the “Best Sourcing & Assessment Strategy” category of the Brandon Hall HCM Excellence Awards and a Bronze Medal in the “Achievement in Recruitment” category of the Stevie Awards Great Employers. SMART ACT capitalizes on this excellence and aims to embed it further in the Group’s management culture by teaching the core principles to line and hiring managers.

As with the other programs, SMART ACT was created by the Eczacıbaşı Group and is a patented HR program.



In 2017, the Eczacıbaşı Group launched a pre-boarding mobile application that gives new recruits the opportunity to begin preparing themselves for their job before they officially join the company.





Stronger organizations with “Lead the Chain”

The Consumer Products Division has developed a new training program for members of the Supply Chain Department that will contribute to their personal and professional development. “Lead the Chain”, as the program is called, will involve technical training with specialists, seminars, technical visits, online discussions and more over the course of about one year. At the end of the program, successful participants will receive a certificate from Istanbul Technical University. The aim of the program is to strengthen teams by giving them the skills to see problems from different perspectives and proactively find solutions. In addition to “Lead the Chain”, the Division is also contributing to the professional development of its employees with academic programs for marketing, sales, finance, production and trade marketing.



The “Art of Sales” has begun!

The Eczacıbaşı Consumer Products Division has developed a sales training program for sales teams that responds specifically to their needs and expectations and sets out the Division’s sales standards and methods for different channels. Implementation of the program will begin in Turkey and at Group operations abroad in the first quarter of 2018.

The program has six levels and 10 sections, and is supported by a feedback process and online references. Through the program, which includes simulations and games as well as classwork, the Division aims to create a shared understanding of its special sales methodology and ensure that it is applied in a sustainable way.

Retaining our talent

Aside from professional development programs, we are developing and adopting measures that improve employee motivation and satisfaction with their work. In 2016, following on the success of a 2013 measure to allow for flexibility in work schedules, we launched a new policy in Turkey enabling employees to work out-of-office one day a week.

Attracting young talent

The Eczacıbaşı Group’s flagship graduate recruitment program, “Career Test Drive”, aims to attract young talents from Turkey’s colleges and higher education institutions by recruiting “pilots”, undergraduate students in their penultimate year and graduate students in their freshman year, for exclusive internship programs in the corporate communications, finance, human resources, information technologies, innovation, marketing, new business development, product development, production, quality R&D, sales, and the supply chain management departments of Group companies.

Career Test Drive (CTD) program openings are advertised in campus job fairs and via lectures, tea talks, consultations, in-house activities like area visits in our company locations, the social media accounts of the Eczacıbaşı Group, and print and online advertisements.

CTD assigns a mentor, a copilot (i.e. buddy) 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, classes on subjects like work life and presentation techniques, and ends with project presentations by the “pilots” to their mentors and relevant managers, including general managers, executive vice presidents and the CEO.

CTD pilots are assisted and provided opportunities to enrich their learning at every step of their program in the form of training and exclusive one-to-one mentoring.

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

Student interest in this unique program is growing steadily. In 2017, Career Test Drive received about 15,000 applications from university students.

Overall, since the program's launch in 2009, Career Test Drive has received some 50,000 applications and provided internships to 374 university students under the mentorship of 200 managers. One out of every four interns participating in the program have been recruited to career positions in Group companies. Follow-up research has shown that "pilots" who become full-time employees perform better, are more engaged, and have greater potential for leadership positions than other new graduate hires.

To date, the program has been awarded with three prestigious awards:

- Brandon Hall Excellence Awards: Silver award in "Best Unique or Innovative Talent Acquisition Program" category,
- Brandon Hall Excellence Awards: Silver award in "Best Sourcing & Assessment Strategy" category,
- Stevie Awards: Silver award in "Achievement in Recruitment" category.



Eczacıbaşı Pharmaceuticals Marketing named "Best Employer"

Eczacıbaşı Pharmaceuticals Marketing is one of Turkey's "Best Employers" according to the Great Place to Work Institute. Every year the institute carries out surveys of workplaces in 53 countries, evaluating their focus on employees and level of employee trust. In its 2018 survey of companies in Turkey, Eczacıbaşı Pharmaceuticals Marketing was named one of Turkey's "Best Employers" in the 250-500 employee category.



"Compete with Eczacıbaşı Consumer Products" campus program

Eczacıbaşı Consumer Products has developed a program for students that give them the opportunity – through two competitions – to experience what marketing and engineering functions are like in business life. Student interest in these competitions, called Markatlon and Engenius, has increased steadily since their launch in 2016, turning them into well-known campus brands. Not only has the number of submissions increased, but also their quality. In early 2018, "Compete with Eczacıbaşı Consumer Products" won the "Youth and Campus Relations" award in the Best Practice Awards organized jointly by Istanbul University and Kariyerim Magazine.

"Eczacıbaşı: Come Alive" is the message of our new employer brand...



For 75 years, the Eczacıbaşı Group has sought to contribute to a more modern, high quality and healthy future as set out in its values and principles.

Always aware that "people" are the source of sustainable success, the Eczacıbaşı Group strives to add value to the lives of both its employees and everyone it comes in contact with. This is the inspiration of our vision for Eczacıbaşı as the best employer and a great place to work and the motivation behind our new employer brand. In 2017, we conducted a comprehensive and detailed study of what it means to be a member of the Eczacıbaşı Group. We held workshops with white and blue collar employees from every Group business, including subcontracted employees. We surveyed current and former employees, people who turned down job offers, and hundreds of students, to learn from their experiences, their perceptions, and their expectations. From the vast data we collected from this research, we saw that what separates Eczacıbaşı from other employers is our success in living our values.

The Group's new employer brand, "Eczacıbaşı: Come Alive", is both an invitation to work with us and a promise that people will gain much more than a job at Eczacıbaşı.

Promoting sustainable lifestyles

We are committed to responding to the expectations of customers who wish to lower their impact on the environment by purchasing products that use fewer resources during production, transportation and use. Additionally, we are continually looking for packaging solutions that reduce our use of material or use recyclable or biodegradable materials.

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.

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.

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



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.

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 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, and extra-slim tiles. VitraClean and Vitra Hygiene surface technologies both lengthen the lifespan of ceramic sanitary ware products and reduce

the build-up of grime, thus reducing the need for constant cleaning and harsh chemicals.

One of the Group’s newest bathroom products to help users reduce their water and carbon footprint is Rim-ex, a WC pan without a rim or hidden channels. In addition to making the toilet bowl easier to clean, the design greatly improves hygiene. Vitra is gradually extending this technology to all new WC pan series.

An even newer product developed in 2016 is a slim WC seat and cover that requires 40% less energy to produce and generates 60% fewer greenhouse gas emissions during its lifecycle. The seat is produced with an eco-friendly bio-polymer developed in collaboration with DuPont that contains as much as 37% plant-derived renewable material.

A new control panel for WC pans help users to reduce their water use while providing improved hygiene. Vitra’s Smart Connected Panel is a concealed system interface that reports cistern performance and offers a range of flushing modes (Eco, ChildLock, Vacation, Autoflush) that can be managed on a mobile app to save water and improve hygiene.

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. It is also the first to receive the Turkish Standard Institute’s “Double Star” certificate for products greatly exceeding the standard requirements. In 2016, Artema launched PowerBox, an external dynamo powered by the flow of water that can supply the energy needed by as many as five photocell mixers.

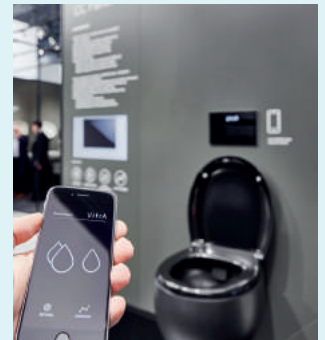
“Powerbox” external dynamo



Eco-friendly toilet seat



Vitra’s Smart Connected Panel



Bathroom Furniture: In 2017, Burgbad increased the share of wood certified by the Programme for Endorsement of Forest Certification (PEFC), the world's largest forest certification system, from 80% to 90% of its overall procurement. Furniture carrying the PEFC certificate verifies that the wood used in manufacturing is not derived from illegal logging. Burgbad has 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.

After joining the “climate compact for the furniture industry“, Burgbad worked on reducing their carbon emissions and on compensating the rest completely. Based on DGM criteria, they have calculated the direct and indirect carbon emissions in the areas of Scope 1, Scope 2 and Scope 3 for the year 2016 and neutralized their carbon footprint completely buying high-quality Gold Standard certified CO₂ -emission rights.

Other Eczacıbaşı Group operations and brands have also undertaken 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 Consumer Products' chemical products plant 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: Eczacıbaşı Consumer Products' tissue paper plant procures 100% of its pulp from suppliers that are certified by either the Forest Stewardship Council (FSC) or PEFC (Programme for the Endorsement of Forest Certification) 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.

Eczacıbaşı Building Products Division: Blue Life

Blue Life is the name that the Eczacıbaşı Building Products Division has given to its sustainability drive, which seeks to reduce the environmental impact of its products throughout their lifecycles using smart design, thoughtful procurement policies, efficient production techniques and eco-sensible packaging. Blue Life also means contributing to a better society through long-term social responsibility projects targeting children, hygiene and education.

By choosing Blue Life products for their bathroom spaces, a family of four can conserve up to 190 tons of water per year. Many of these products are also designed to reduce material use during production, with consequent savings in energy use for production and transport.

In recent years, the Division has certified a large number of its products with European and international organizations measuring the environmental performance of products over their lifecycles. It has also prepared an easy-to-use catalogue of green bathroom solutions for architects and builders aiming for high sustainability ratings from international “green building” certification 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.





Life Cycle Management in the Eczacıbaşı Building Products Division

In its drive to differentiate its brands and products, the Eczacıbaşı Building Products Division relies heavily on Vitra Innovation Center. At Vitra Innovation Center, we design and develop products and manufacturing processes that contribute to the sustainability credentials of both our own operations and the users of our products. To this end, we are increasingly focusing our R&D efforts on the lifecycles of products with the goal of reducing their environmental impact at every stage, from raw material use through to disposal.

MANUFACTURING

Heat recovery

- Recycles waste heat from the stacks and cooling pipes of kilns and furnaces in its ceramic sanitary ware, tiles, and faucets plants for other thermal processes.

Energy-efficiency

- ISO 50001 certified energy management systems
- LED and natural lighting
- Plant insulation
- Sensor lighting technology used in all production areas and warehouses
- 100% electricity-powered forklift fleet

Effective use of water treatment systems

- Treats and reuses water used for rinsing chrome plating in faucet production, reducing fresh water consumption for this process by 20%.
- Reuses wastewater from ceramic sanitaryware manufacturing processes, for a 40% reduction in fresh water use in this operation.

RAW MATERIAL

New raw material for toilet seats:

- 37% plant-derived biopolymer created by DuPont
- Environment friendly and biodegradable
- Attractive, ultra glossy surface
- Requires 40% less energy to produce
- Reduces GHG emissions by as much as 60%

New slip formula for large cabinet-top sinks:

- Eliminates use of chamotte (calcined clay), which requires very high firing temperatures
- Reduces GHG emissions by as much as 60%
- Improves product quality by eliminating risk of subsequent cracking
- 50% reduction in cost



DISTRIBUTION

Energy-saving logistics:

- Comprehensively examined international transport routes
- Discussed alternative supply routes and modes of transport with stakeholders
- Developed multi-modal transportation network that reduced carbon emissions by 950 tons and cut transport costs by almost \$1 million.

PRODUCT USE

Eco-labeling

- World's first EPD for ceramic sanitary ware
- Green Bathroom Solutions catalogue for LEED, BREEAM, DGNB certification

Smart water management panel

- Multifunctional interface for concealed cisterns
- Sensor diagnosis of cistern performance
- Easy-to-clean glass surface
- Mobile app management of all features
- Eco Mode saves water
- ChildLock, for restricting access
- Vacation Mode for odor prevention
- AutoFlush for hybrid use

Q-line energy-saving faucet

- 90° left-side rotating loop handle prevents unwanted activation of the hot water boiler
- Cold water flows at lever's central forward position, warm to hot water when moved left
- Special cartridge for programming maximum temperature and flow
- Aesthetic loop-shape design for easy handling and precise control

Rim-ex water-friendly toilet bowl

- Rimless toilet bowl with new wash technology
- Improved hygiene and easy cleaning
- Reduces need for frequent cleaning and harsh chemicals
- Offers complete removal of all hidden parts for thorough cleaning

Powerbox energy saver

- Small, external dynamo powered by the flow of water
- Supplies the energy needed to power as many as five photocell faucets
- Needs no additional battery power or external energy source

END OF LIFE

From waste to new product

- First in Turkey to reuse 100% of wastewater treatment sludge on-site to produce porcelain tiles, equivalent to 13 thousand tons in 2016
- Solid ceramic waste is sold to a local cement manufacturing plant
- Reuses all brass shavings from casting processes to produce new ingots in-house.

In 2016, Eczacıbaşı Consumer Products' tissue paper plant launched two innovative products with improved sustainability features. The Solo Giant Roll Paper Towel (three times larger than the standard size) reduces glue and carton consumption to one-third the amount normally used and polythene packing consumption to three-quarters the usual amount. The Selpak Professional V-folded napkin, designed exclusively for the Selpak dispenser, delivers napkins one at a time, improving hygiene and reducing consumption by at least 10% compared to traditional dispensers. In 2015, Eczacıbaşı Consumer Products' tissue paper plant 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: Uni Baby, our baby care brand, aims to ensure that all its products contribute to babies' healthy development. For this reason, Uni Baby wet wipes, diaper rash creams, shampoos and, most recently, laundry detergents and softeners do not use alcohol, parabens, dyes, Sodium Lauryl Sulfate, Sodium Laureth Sulfate and other chemicals that could irritate or be unhealthy for infant skin. The brand communicates this information to consumers with a registered icon and statement that focuses users' attention on the unhealthy chemicals that will never be found in Uni Baby products.

This way, the brand aims to differentiate its products and raise awareness among new parents of the chemicals it should look for, and avoid, in newborn and baby products. Thanks to the success of this marketing strategy, competitors have launched similar products and communication campaigns, to the benefit of consumers.

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".

Encouraging sustainable choices throughout the value chain

"Eco-Touch" cleaning products for commercial establishments

Eczacıbaşı Consumer Products' chemical products plant provides complete professional cleaning and hygiene solutions and an expanding selection of food products to roughly 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 10 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 Consumer Products' chemical products plant 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 Eczacıbaşı Consumer Products' tissue paper plant, 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 Consumer Products' chemical products plant 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 Consumer Products' chemical products plant 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.

Promoting green architecture, eco-labeling, and circular economies

The Eczacıbaşı Group is collaborating with the Turkish Green Building Council (ÇEDBIK), 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. Additionally, we lead the SKD’s working group on the “circular economy”, an emerging concept that more 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.

Arts and Culture

Istanbul Museum of Modern Art

The Eczacıbaşı Group is the founder and core collection donor of the Istanbul Museum of Modern Art, Turkey’s first private museum of modern and contemporary art. Established in 2004, Istanbul Modern is committed to advancing the public’s appreciation of modern and contemporary art, contributing to the production of new work, and sharing Turkey’s artistic creativity and cultural identity with global audiences. To this end, the museum hosts



National Environmental Labeling System

In January 2018, the Ministry of the Environment and Urbanization completed a project to establish a national environmental labeling system. It is a voluntary system that aims to provide consumers correct and scientifically verifiable information that helps them distinguish between products that are more harmful to the environment and those that are more sensitive. The labeling system, which has already received the approval of the EU and other international markets, is being introduced first in the textile, ceramics and tissue paper industries. In two of these – tissue paper and ceramics – Eczacıbaşı Group brands were the first to receive an eco-label: Selpak and Selpak Professional Kitchen Towels in the tissue paper industry and Vitra in the ceramics industry.



permanent and temporary exhibitions of paintings, sculpture, photography and new media, as well as educational programs, cinema programs, a research library, cafe, 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 some 7 million visitors, organized 124 exhibitions - including 17 abroad - and introduced more than 750 thousand children and adults to its educational programs and events.

Istanbul Modern's recent efforts to raise awareness and interest in artwork by women artists and acquire more works by women for its collection have gained strength with the Eczacıbaşı Group's "Women Artists Fund", a special project that the Group launched in 2017 on the occasion of its 75th anniversary. The Fund aims to contribute to the growing volume of work by women artists in Turkey and raise local and international visibility of their work. New collaborations focused on women artists, publications and public events, and panels and conferences will be part of this effort.

Istanbul Foundation for Culture and Arts (İKSV)

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

İKSV organizes 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.

It 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 Cite International des Arts, France.

Aside from cultural and artistic events, İKSV promotes artistic and cultural production

through awards, the commissioning of works, and participation in international and local co-productions; it also carries out studies aimed at supporting policy decisions involving culture and the arts.

To mark both its 75th anniversary and longtime support of the Istanbul Foundation for Culture and Arts (İKSV) as founding sponsor, the Eczacıbaşı Group has become the main sponsor of İKSV's new Culture&Art Card project, which aims to increase the access of university students age 18 to 25 to culture and art events.

VitrA Ceramic Arts Studio

Dr. Nejat F. Eczacıbaşı established the VitrA Ceramic Arts Studio in 1957 with the goal of encouraging ceramic artists and public appreciation of this medium. Over the years, the VitrA Ceramic Arts Studio has opened its doors to a large number of young and talented ceramic artists, organized public exhibitions of their work, and hosted master classes, conferences, slide shows and workshops on ceramic art.

In 2012, VitrA signed a protocol with the Division of Ceramic and Glass Design at Mimar Sinan University of Fine Arts (MSGSU) that aims 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.

As part of the agreement, MSGSÜ and VitrA invite several national and international guest artists every year to work at the studio, run workshops, and exhibit their work at the end of the year. The VitrA Ceramic Arts Studio is a member of the Geneva-based International Academy of Ceramics (IAC).

Education, Health and Hygiene

Eczacıbaşı Hygiene Project

The Eczacıbaşı Group launched the Eczacıbaşı Hygiene Project in 2007 with the aim of





improving the physical and emotional environment of students at regional boarding schools. Participating in the project are several Eczacıbaşı Group brands and companies, Eczacıbaşı Volunteers, and the Ministry of Education. The project aims to complete 60 schools by 2020.

After the Ministry of Education has determined the target schools and renovated their plumbing infrastructure, the project renews the bathroom and washing areas of dormitories and classroom buildings with VitrA and Artema products.

Selpak, the Group's tissue paper brand, organizes personal hygiene classes for boarding school students and provides product support, as does Eczacıbaşı Consumer Products' B2B business. During and after the renovation, Eczacıbaşı Volunteers contribute their time to organizing educational and recreational activities and to creating new classrooms for music, art and hobbies.

Theater, computer classes, painting competitions, and sustainable development workshops are just a few of the activities that volunteers have realized to enrich the intellectual and emotional world of students.

Reproductive Health Hotline

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 and accurate information about reproductive health. Today, Eczacıbaşı Consumer Products is in charge of managing and maintaining this hotline.

Partner in the Turkish Vocational School System

Eczacıbaşı-Lincoln Electric Askaynak, the Eczacıbaşı Group's welding consumables and equipment company, is a regular contributor to the Turkish vocational school system. Since 2005, when Askaynak 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 annually 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 380 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 820 seminars of this kind at the sites of customers and at its own plant for more than 15 thousand participants.

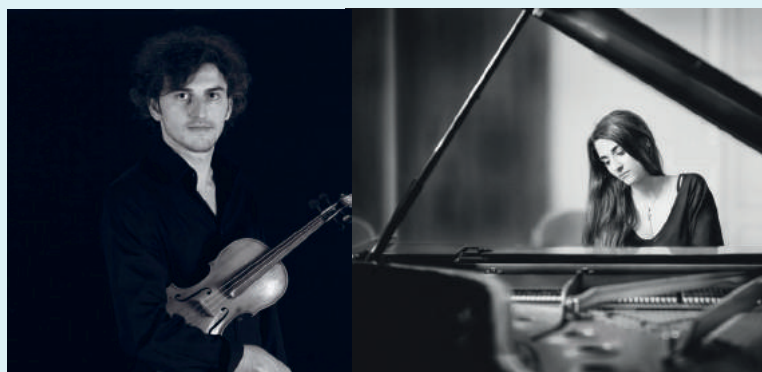
Dr. Nejat F. Eczacıbaşı Foundation Music Scholarships

The Dr. Nejat F. Eczacıbaşı Foundation provides scholarships to outstanding young artists in the field of music who are pursuing graduate musical studies abroad.

Eight young musicians received Dr. Nejat F. Eczacıbaşı Music Scholarships in 2017. To date, the Foundation has supported more than 122 musicians studying a wide range of instruments as well as orchestration, direction and composition.

"Dancing Notes" Musical Training for Pre-School Teachers

"Dancing Notes" is a musical training program for pre-school teachers that 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 three years of the project, 150 teachers from 40 schools in Istanbul, Konya, Samsun and Hatay received training on the Orff approach to musical education and were provided the Orff instruments needed to implement this educational method in their schools. To date, more than 4,000 students have benefited from the project. Dancing notes will continue in 2018 in collaboration with the Ministry of Education.

Sports

Eczacıbaşı Sports Club

The Eczacıbaşı Sports Club is the first professional sports club in Turkey dedicated solely to women's volleyball. It is widely considered to be the pioneer of this sport in Turkey as well as one of the top volleyball clubs in Europe today. Every year, some 8-10 players from the Club are invited to play on Turkey's national teams.

The Club was established by the Eczacıbaşı Group 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 in the early 1990s.

Today, the Eczacıbaşı Sports Club is home to the Eczacıbaşı Vitra Women's Volleyball Team, the record-holder of Turkey's National Championships and first-ever back-to-back Champion of the FIVB Women's Club World Championship (2015 and 2016).

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. The Eczacıbaşı Sports Club provides full scholarships and room and board for 25-30 talented players who would not otherwise have the resources to take part in the program and who demonstrate an ability to achieve academically while pursuing their career in volleyball.

In 2016, the Eczacıbaşı Sports Club launched a major expansion of its early training program. Called "Future Strike", the project aims to encourage thousands of young girls, ages 6 to 13, to take up sports. In addition to training new generations of high-caliber volleyball players, the project hopes to contribute to participants' personal development by instilling them with self confidence and a love for sports. In 2017, the program hosted 10 campuses around Turkey and about 2,000 enrollees. The project goal is to have 30 schools operating in 11 provinces by 2021 with over 5,000 children training in Eczacıbaşı uniforms.

The Eczacıbaşı Sports Club also trains over 500 young girls every year for its development teams, which represent the next opportunity for talented children in the 12-18 age group.

Public Policy and Scientific Research

Dr. Nejat F. Eczacıbaşı Medical Awards

The Dr. Nejat F. Eczacıbaşı Medical Awards were established in 1959 to recognize, support, and reward high-caliber medical research in Turkey. To date, close to 200 medical research projects have received grants and awards from the Eczacıbaşı Group, including, since 2002, promising research projects carried out by medical students.



The Eczacıbaşı Group presented six medical awards in 2017 for outstanding medical research, including a Medical Award of Honor for globally recognized achievements in the world of medicine.

Prof. Dr. Olcay Neyzi, a world-renowned scientist in the field of pediatric health and disease, received the Eczacıbaşı Medical Award of Honor for her tremendous contribution to the field of pediatrics both in Turkey and worldwide. Chair of the Department of Pediatrics at Istanbul University's Faculty of Medicine and Director of the university's Pediatrics Institute between 1979 and 1994, Neyzi founded the Woman and Child Research and Education Unit in the same faculty and the inter-disciplinary Family Health Department in the Pediatrics Institute.

Turkish Informatics Foundation (TBV)

The Eczacıbaşı Group is a co-founder and corporate sponsor of the Turkish Informatics Foundation (TBV), which was founded in 1995 to assist in Turkey's transformation into an information-based society.



In 2017, on the occasion of its 75th anniversary, the Eczacıbaşı Group became the main sponsor of TBV's new KOD Awards, a competition for creators of digital educational games that promote math and science learning.

The competition is the first of its kind in Turkey and is open to anyone who has created a digital game, or an idea for a digital game, that contributes to math and science learning at the primary school, middle school and high school levels. In addition to motivating professionals and amateur game developers to develop these important learning tools, the awards aim to highlight the great contribution that information technologies can make to education and inspire new generations to enter this field.

Eczacıbaşı Volunteers

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 175 projects that have directly benefited 64,000 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 950 primary schools around Turkey requiring assistance. In 2017 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.

Additionally, they also sponsored a science team from one of the project schools that wished to compete in the nation-wide "Science Heroes Meet" tournament. The team won the award for its district and a ticket to the national competition.

Eczacıbaşı Group Reporting Guidance

This Reporting Guidance (“Guidance”) document supports the preparation and reporting of energy consumption, carbon emissions, total share of women professionals, women among new recruits, injury rate, training hours, total waste disposed and share of recycled waste data by the Eczacıbaşı Group (hereafter “Group”). It is the responsibility of the Group management to ensure that appropriate procedures are in place to prepare the indicators mentioned above in line with, in all material respects, the Guidance.

All data up to and including FY17 (financial year ending 31 December 2017) only comprises the relevant operations in Turkey (as detailed on page 52), 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 and bio-diesel.
- ‘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).

- ‘Total Share of Women Professionals’ means the number of white collar woman employees (permanent and full time) divided by the total number of white collar employees (permanent and full time) during the reporting year (1 January to 31 December).

- ‘Women among new recruits’ means the number of woman employees (permanent and full time) hired divided by the total number of employees (permanent and full time) hired during the reporting year (1 January to 31 December).

- ‘Injury rate’ is calculated by considering the number of accidents and working hours during the reporting year (1 January to 31 December).

Working hours are calculated via HRIS software that keeps data of time of entrance and departure of employees:

Injury rate: $\text{Accident number} \times 200 \text{ thousand hours} / \text{Working hours}$

- ‘Training hours per talent’ is calculated by considering the total hours of training that have been provided by the Group or any third party training institution to “talents” during the reporting year (1 January to 31 December). ‘Talent’ refers to employees in leadership programs.

Training hours per talent: $\text{Training hours} / \text{Number of talents}$

- ‘Water Consumption’ consists of all kinds of water used at the facilities including municipality water and groundwater. The water consumption value is presented during the reporting year (the period between 1 January and 31 December). The water consumption data includes water used for product ingredients, heating-cooling steam, water purification, plumbing, water cleaning of grounds and production processes.

Water consumption data is obtained from supplier invoices and meters for the production facilities except for the facilities of Esan. Esan is the Group’s mining and mineral processing company. A general formula, which indicates that the amount of water that would be used in one unit of production at a rate of 1/5. This rate is derived from the fact that the floatation process is realized at rate between 15% and 20% based on applications taking part in literature. The Group defined the rate of 1/5 as optimum considering the structure of operation. In the scope of assurance, well water consumption m3 (in thousand) is provided.

- ‘Total Waste Disposed’ means the amount of disposal waste during reporting year (1 January to 31 December). To determine the method of disposal, Group has used the legal categories laid out in the disposal documentation provided by its accredited waste contractors. Based on the disposal documentation, disposal operations include landfill, engineered landfill, physico chemical treatment and incineration on land. All of the waste disposal operations were conducted outside of operation areas of Group.

- ‘Share of Recycled Waste’ is calculated by considering recycled or reused waste amount and total waste amount of Group during the reporting year (1 January to 31 December). Reused waste means that waste used again for the same or different purposes without re-processing and recycled waste refers to waste which is broken down into raw materials, changed and reprocessed for use and used for new products.

When waste amounts are calculated, waste generated by Esan Eczacıbaşı Raw Materials is not included.

Scope of reporting

For FY17 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;

- o Energy used by third parties in the manufacture / production of purchased raw materials, products and other supplies;

- o Energy used in the use / consumption and disposal of manufactured products;

- o Energy in respect of outsourced and contracted operations /manufacturing (i.e. activities contractually performed by third parties);

- o Energy supplied to third parties; and

- o 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 “2010 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 2006 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 24 industrial sites in Turkey, listed below by company, are included in our 2017 Statement of Energy Consumption and Carbon Emissions.

Building Products Division

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

VitrA Tiles (ceramic tiles) 1 site

Healthcare Division

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

Consumer Products Division

Eczacıbaşı Consumer Products (bathroom and facial tissue, napkins, kitchen towels, away-from-home products and selected cosmetics) 4 sites

Other Products and Services

Esan Eczacıbaşı Industrial Raw Materials (industrial raw materials for ceramic sanitaryware and tiles) 6 sites

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

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



Limited 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 the Selected Information contained in the Eczacıbaşı Group Sustainability Report for the year ended 31 December 2017.

The Selected Information subject to limited assurance consist of the data marked with (“Assured”) in relation to the Statement of Energy Consumption, Carbon Emissions, Water Consumption, Total Share of Women Professionals, Women among New Recruits, Injury Rate, Training hours per Talent, Total Waste Disposed and Share of Recycled Waste for the year ended 31 December 2017 set out 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 Reporting Guidance (hereafter “Reporting Guidance”, see pages 50 and 52 of the Eczacıbaşı Group Sustainability Report). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of Selected Information that is free from material misstatement, whether due to fraud or error.

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 the 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 performance and activities related to the Selected Information. We permit the disclosure of this report within the Group Sustainability Report for the year ended 31 December 2017, 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.

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”) and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements 3410 - ‘Assurance Engagements on Greenhouse Gas Statements’ (“ISAE 3410”) 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 and ISAE 3410. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

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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.

Inherent 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.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Limited Assurance 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 2017, the Selected Information has not been properly prepared, in all material respects, in accordance with Eczacıbaşı Group's Energy and Carbon Reporting Guidance.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Ediz Günsel, SMMM
Partner

Istanbul, 8 June 2018

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)

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; (p. 34)

Principle 4: the elimination of all forms of forced and compulsory labour; (p. 34)

Principle 5: the effective abolition of child labour; (p. 34) and

Principle 6: the elimination of discrimination in respect of employment and occupation. (p. 28, p. 34)

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges; (pp. 2-3, 21-27)

Principle 8: undertake initiatives to promote greater environmental responsibility; (pp. 21-27, 42-43) and

Principle 9: encourage the development and diffusion of environmentally friendly technologies. (pp. 21-27, 42-43)

Anti-Corruption

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



