

● SPINNING A BETTER WORLD



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**cotton** BREATH EASY

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**Sustainability '07**  
**Report**

**Topkapi®**





## About This Report

This report has been developed during the project "Transparency in the supply chain" which was launched by the "Gesellschaft für technische Zusammenarbeit" (GTZ) and the Global Reporting Initiative (GRI). The project aims at the extension of sustainability reporting to small and medium sized enterprises based on the GRI G3 Guidelines. As a supplier of the Otto Group we are proud to have been asked to join this pilot project and we appreciated the learnings of the process.

During the reporting process, we experienced to live in a sustainable framework. We observed our company from the sustainable aspects and did not only adopt new parameters to our company but earn new life vision and environmental sensitivities personally. We realized that, without integrating social and environmental concerns to our personal life experience we will not be able to transform our company processes and integrate the GRI principles to our internal procedures.

Our first report follows the requirements for the application level B and we plan to provide a follow-up report every two years. It applies to our only production facility with three plants and a knitting mill located in Hadimköy, Istanbul. During the reporting period from June to December 2007 we compiled existing data but also had to collect new information referring to the required report content defined in the GRI framework. Nevertheless, the data stems from the period from January to September 2007. We identified indicators and the boundary of our report in several management meetings.

Moreover we took the opportunity to get in touch with our stakeholders, such as our customers and suppliers, our employees, and the local community, which offered us another perspective onto our activities, performance and challenges. The expectations and interests of our stakeholders will affect the future plans of Topkapi Iplik.

We invite you to read the outcome of our efforts. Please do not hesitate to contact us for further questions, recommendations or comments.

The Topkapi-Reporting-Team

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We believe that the crucial point how the environmental and social issues are addressed, will determine the future of man-kind alongside with the economic income distribution between nations. The rising awareness among the nations toward the sustainability issues put pressure on the manufacturer, who are the main cause of the problems arising. How business will enhance its positive contribution to society whilst minimizing negative impact on people and environment will designate the vitality of the companies in the near future.

Topkapi is well aware of its responsibilities and act as a responsible entrepreneur in the market since its foundation. We integrated the environmental awareness-with Environmental Management System ISO 14001- and social contribution, both for our employees and the community, - in accordance with SA 8000 principles- into our long-term business strategy. Thanks to our corporate business strategy, today we have more than 17000 trees planted around our mills and a primary school and a high school, where more than 7000 students are educated every year.

We integrated social and environmental concerns into the organizational structure and decision making process. Our manufacturing process, supply chain management, marketing and selling practices reflect the sustainable and responsible entrepreneurship commitments.

Where as the world and economy trade is on the rising path, the share of textile is decreasing. Under these circumstances, surviving in the textile sector meant for Topkapi to focus on high quality, special and innovative products and integrate sustainability issues to its business understanding. For several years we focused on yarn production but also on adding value to it by innovative and technological development.

We believe that quality, service, to give the necessary importance to sustainability issues and trust are the most important factors that bring along success. Honestly and keeping our promises are major principles that we follow and will go on doing so anytime and in any condition.

We are happy to see the early results of integrating all standards within Corporate Management System. We have reached the rapid decrease in excessive working hours, environmental accidents, occupational accidents and fire. With regular and well planned trainings, we increased the motivation among employees resulting in high productivity. On the other hand, we have announced the Social Responsibility principles for our suppliers, who had to obey to these principles after an adaptation period. The expansion of our Social Responsibility Code of Conduct to our suppliers gave us the availability to extend social responsibility principles to a broad community.

The certification process for Forest Stewardship Council goes on and within next year we will introduce new eco-friendly products to our sustainable product range, like recycled polyester fiber. The investment plan on renewable energy sources have just started and we hope to finish this project within 7 years. Our activities under the Project "Good Citizen within Local Community" will continue, especially we are aiming at supporting young people in educational and sport manner.

With this report, we aim to provide information about our corporate social responsibility philosophy and to address how we contribute to our employees and community and set out the concrete data related to our efforts to minimize negative effects on environment. We are well aware of the importance of involvement of our employees and management staff in our achievements.

*Yours Sincerely*

**Mahmut Akinci**  
Owner, Topkapi Iplik



## Having a closer look...

Topkapi Iplik SAN. Ve TIC. A.Ş. is a yarn spinning company. It is wholly owned by the Akinci family, in the legal form of a joint stock company (anonim şirket - A.Ş.) according to Turkish law. Our state-of-the-art machinery park is located in three different plants and a knitting mill in Hadimköy-İstanbul.

The production site is built on our estate which comprises 250.000 m<sup>2</sup> of land and is surrounded by more than 17.000 trees. The following pages give a closer look on our company profile, the development of our operations and our products.

Following are some highlights to the readers of this report to give you an impression of our proceedings:

## History of Topkapi Iplik

Topkapi Iplik can look back on a long history of business experience. Building on the production site and the heritage of Santa Politi - a leading industrialist of that time - we started with 5.500 spindles in 1973.

Today - 34 years later - our three mills are equipped with 72.000 spindles which deliver 16.000 tons of yarn every year. We have been and continue to be one of the most modern mills in Turkey.

This development was a long and challenging process. New investments, new ideas and innovations help us to manage the delivery of competitive, high quality products. We are not only finding ways to adapt to the latest standard of technology, we contribute to set the new standards of the industry. Our employees are trained and are capable to embrace change.

It would go beyond the scope of this report to tell the whole history of Topkapi but we like to present some highlights to the readers of this report to give you an impression of our proceedings.

1973 - Modernization of the spinning machinery and the investment in 25.000 spindles purchasing Whiten and Sweiter spinning machines

1974 - Establishment of the first circular knitting plant in Turkey consisting of Terrot and Camber circular knitting machines.

1980 - Relocation of the production sites to Hadimköy

1985 - Further investments in new technologies such as Rieter spinning machines with a total capacity of 10.080 spindles

1991 - Investments in Trützschler, Zinzer and Murata machines with a capacity of 10.080 spindles

1995 - World wide first tests of Rieter G30 ring spinning machines in our plants. An investment of 11.088 spindles followed the perfection of the machine as a result of these experiments.

1998 - Testing and improving of the new spinning machine of Rieter G33, new investment in Trützschler, Rieter and Murata machines with a capacity of 29.808 spindles

2003 - Start of the production in mill 3 and implementation of 16 Monarch circular knitting machines

2005 - Equipment with Rieter machines: K44 and K45 spinning machines tested for the first time in this mill.



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## Goal and Impact 2008



## To reach %24 Growth

### Economic Target : To reach %24 Growth

#### Economic Impacts;

1. Positive Impacts: To increase company's incomes by:
  - a. Increasing the share of value added products within all products.
  - b. Finding new customers and exporting areas like Mauritius, North Africa and Former Soviet Countries.
  - c. Increasing the productivity by maintaining better flow of goods, less stages and decreasing the faults or wrong production and waste.
  - d. Decreasing the total cost with using more efficient electricity and equipment.
  - e. With changing the structure of company's structure from labor -intensive to capital-intensive.

#### 2. Negative Impact:

- a. Due to the cost and risk of developing new and value-added products, the new additional cost can be aroused.
- b. Dependency to the main brands in the world. The more valuable goods mean concentration of income in the hands of few popular brands.
- c. Dependency to the few numbers qualified and certified suppliers. This situation can affect the sustainability of the products and the control on the cost.

#### Environmental Impacts;

##### 1. Positive impacts

- a. The increase of more natural - friendly raw materials usage in our products will help to the efforts to save nature and increase people's awareness to the nature.
- b. The improvement of efficiency in all processes in the company will decrease electricity and

water usage, indirectly the greenhouse gas emissions.

##### 2. Negative impacts

An increase of raw material usage if increase the total output.

#### Social Impacts;

##### 1. Positive impacts

- a. Increase of taxes paid to the government
- b. In the long term, Increase of wages

##### 2. Negative impacts

- a. New costumers and suppliers might have lower social, environmental and labor standards.

#### Environmental Targets

- 1- We plan to reduce energy consumption by %10 at the 2008 by increasing energy efficiency and process redesign.
- 2- We aim to increase the share of organic cotton to %20 as the part our environmental concept.
- 3- We plan to increase the share of renewable energy sources, like wind and solar energy, within next 7 years.
- 4- We plan to replace the share of polyester by a new innovative type of polyester that is completely made of recycled plastic bottles, prospectively in 2008.

#### Social Targets

We plan to extend the share of Fairtrade cotton to 10% in 2008.

#### Reporting procedures in the next reporting period

We will start to add this reporting procedure with monitoring of data to our monthly monitoring routine. We will also set monthly and yearly targets to specific indicators as of January.



## Topkapi In Numbers

**.516**

Starting only with very few workers our company is now employer of 516 staff members and provides the financial basis for their families. Some of them are part of our business since two or three generations.

**.9000**

Working at full capacity our plants can drive 72.000 spindles and produce 9.000 tonnes of yarn each year.

**.35**

After starting organic cotton yarns production, Topkapi reached a special position in the world organic market and produces 35% of the total world organic cotton yarn production.

**.17.000**

Our three plants are surrounded by 17.000 trees which we planted to compensate our CO<sub>2</sub> emissions since starting our business activities in Hadimköy-Istanbul.

The Akinci Family started activities of yarn production in 1973. We can look back on 34 years of experiences in our business.

**.34**

33.264 of our spindles carry 5% organic cotton blended yarn every year.

**.33.264**

Every year we produce 10.080 spindles of 100% organic cotton yarn.

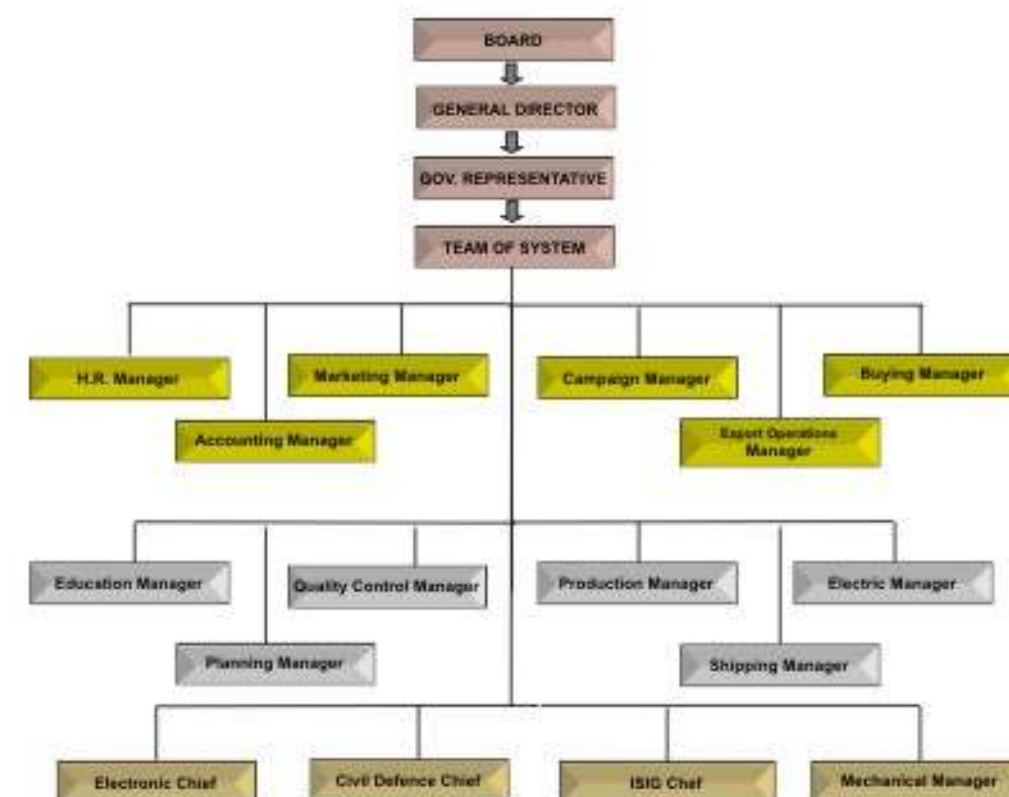
**.10.080**

## Processes and Structures

### Monitoring Processes



Our economic, environmental and social performance is constantly controlled by an all embracing monitoring system: Each department collects data which refers to its operations and reports these information in the monthly and the yearly monitoring meetings. Twice a year each department prepares a special report comparing the collected data with the data of the previous years. At the beginning of each year, all departments announce their aims for the next year. Moreover, they present new process performance criteria, which will be the new guideline for the monitoring in the previous year. This procedure helps us to define and reach our future plans, monitor success and deal with challenges.





## Code Of Conduct



1- We commit not to use forced, including bonded or prison, labour. Nor to require workers to lodge "deposits" or their identity papers with their employer.

2- We commit to provide equality of opportunity and treatment regardless of race, colour, sex, religion, political opinion, nationality, social origin or other distinguishing characteristics.

3- We commit not to use child labour. Only workers above the age of 15 years or above the compulsory school-leaving age, whichever is higher, are engaged.

4- We commit to recognise the right of all workers to form and join trade unions and to bargain collectively. Workers representatives will not be the subject of discrimination and will have access to all workplaces necessary to enable them to carry out their representation functions.

5- Employers commit to adopt a positive approach towards the activities of trade unions and an open attitude towards their organisational activities.

6- Wages and benefits paid for a standard working week will meet at least legal or industry minimum standards and always be sufficient to meet basic needs of workers and their families and to provide some discretionary income.

7- Deductions from wages for disciplinary measures will not be permitted nor will any deductions from wages not provided for by national law be permitted without the expressed permission of the worker concerned. All workers will be provided written and understandable information about the conditions in respect of wages before they enter employment and of the particulars of their wages for the pay period concerned each time that they are paid.

8- Hours of work will comply with applicable laws and industry standards. In any event, workers will not on a regular basis be required to work in excess of 45 hours per week and will be provided with at least two days off for every 6 day period for shift workers and 1.5 days for daily workers. Overtime will be voluntary, will not exceed 6 hours per week, will not be demanded on a regular basis and will always be compensated at a premium rate.

9- A safe and hygienic working environment will be provided, and best occupational health and safety practice will be promoted, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Physical abuse, threats of physical abuse, unusual punishments or discipline, and intimidation by the employer is strictly prohibited.

10- Obligations to employees under labor or social security laws and regulations arising from the regular employment relationship will not be avoided through the use of labor-only contracting arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment. Younger workers will be provided the opportunity to participate in education and training programs.

11- The Code of Conduct and the internal procedures will be clear and accessible to all employees. The employees must receive regular training about internal procedures.

## Company Values

### Humanitarian Working Philosophy

We are very well aware that the long term success of a firm depends mainly on its human resources. Consequently we established sincere and strong relations with our employees since many years. We offer a healthy and friendly working atmosphere and support the transfer of knowledge and experience as well as the development and training of young workers. Close to 600 people working here dedicate all their energy to learn and produce, thanks to the confidence of having all kinds of social support.

### Experience and Innovation

We do not only rely on our many years of experience but we also embrace new technologies and innovations. Considering the importance of cotton with its historical background and importance for the development of industry we are constantly improving our manufacturing processes in breaking new innovative grounds. We pioneered many ways in short staple fiber ring spinning in Turkey. As the product development partner of the world leading textile machine producer Riter. Many spinning machines have been tested in Topkapi Iplik's spinning mill, perfected in accordance with our experience and later they have been introduced to the world market.

### Sustainable Development

Using high value raw material cotton we have a high awareness of the importance to protect nature. We are deeply convinced that the economic development of our enterprise must be in accordance with our ecological and social environment. Within our whole production process we adhere to high ecological and social standards which is proven by our certification in ISO 140001 and SA 8000. In addition, Topkapi is the first certified organic yarn producer in Turkey. We are also a supporter of a Fairtrade project, aiming at the encouragement of people in developing countries to stand on their own feet.





## The Community



One way of supporting our community was the construction of two schools. The location of the schools is a very poor part of the country and with the advice of the local community leaders we decided to support education in Hardimkoy.

The Hacı Ahmet Akinci High School and the Rahmi Akinci Primary school host up to 7000 students educated by 100 teachers. Some of them later graduate university, with a scholarship provided by Topkapi Iplik.

Sport plays an important role in the community. We support our local teams not only with equipment like balls, tricots and shoes. We also organize trips to away games and record all their matches for an archive. Besides we like to watch their games ourselves in the community.

Four times a year we support 30 poor families in our community. The care packages of 40 kg contain mainly food and hygiene articles. Apart from the food help, we try to support civil society organizations and social clubs with several equipments such as iron for construction.

Our operations have an economic and social impact on all limbs of our supply chain and our stakeholders. We are an active member of the community in Hadimkoy.



## Supporting Local Suppliers

As a common practice Topkapi Iplik prefers to source as many products needed as possible from Turkey and especially from suppliers in and around Istanbul. On the one hand we benefit from the fast and flexible delivery, on the other hand we support the local economy. 33% of all source goods are from Istanbul or some other parts of Turkey.

But as a global player in yarn production, Topkapi needs to compete with other global suppliers. This increases price and cost pressures and raises the need for global sourcing of raw materials.

Our suppliers are selected according to their location, their human rights performance, prices and quality. According to the supplying procedure of Topkapi Iplik, it's a standard process to visit local suppliers. International suppliers are checked by agents or receive special questionnaires.

Following this procedure we had to reject one supplier due to excessive working hours and not providing of personal protective equipment by the employees.

### The number of significant suppliers

Raw material suppliers	29
Spare part suppliers	63
Packaging material suppliers	16
Machine suppliers	21
Transporters	16
<b>Total:</b>	<b>145</b>





## Keeping in touch ...

As a part of the society we are aware of our relationship to our direct stakeholders. The reporting process helped us to reflect on the impact we have on the people we are in contact with in our daily business. Moreover we want to strengthen the trust of our customers in our performance and products. The stakeholder dialogue is not totally new to us: Topkapi already sends out customer appraisal forms once a year to all customers in order to measure their satisfaction and get feedback to improve our products and services. There has been a 63% return in the last two years.

	Yes	No	absent
2005	92,1	5,8%	2,1%
2006	93,7%	5,3%	1,1%

Our decision was to contact all stakeholders with which we are in close relations and who affect us or are affected by our processes the most. We visited the municipality government body, the local companies near to Topkapi Iplik and some community leaders living in Hadimkoy. Moreover, we asked all our employees in group discussions about their perspective on the working conditions, their suggestions for our performance and their critique. Also customers were involved into our dialogue via email-questionnaire or phone interviews.

We were surprised by the great willingness of our stakeholders to contribute to the dialogue about our performance and we were impressed with their patience in answering our questions. At this stage we want to take the opportunity to thank them for their constructive feedback. Here is a summary of the answers we got:



## Our Customers

We have stable business relations to a number of international textile companies such as H&M and the Otto Group. Asking them about their perception of our performance they described us as a reliable and trustworthy partner. All questioned customers state that they are satisfied with our timely deliveries and payments. Furthermore they express positive experiences of communication possibilities with our company.

Our interviewed customers showed high satisfaction with the quality of our products. We were encouraged in our activities concerning Corporate Social Responsibility because most of our partners appreciate the implementation of management systems such as SA 8000 or ISO 14001.

We also appreciated to get some feedback on opportunities to improve and we are determined to advance our performance. In some cases customers mentioned that they would like to see an increase in our flexibility with regard to operative processes, others experienced some communication difficulties. We are aware of these issues and will keep in touch with our customers to solve these problems.

## Our Employees

As the most important resource of our daily business we asked our employees about their attitude towards their employer Topkapi Iplik. The employees we talked to appreciated the opportunities for young people to learn and work at Topkapi. The salaries and wages were reported to be beyond the average in Turkey. Our employees value the monthly bonus payments and the food aid we provide. In general they feel comfortable with our working conditions and described their working environment as healthy and safe. They judge the opportunity to visit the doctor and to get consultation whenever they need as a great advantage.

The offered meals were welcomed because they are prepared under hygienic conditions, served hot and fresh.

We were happy to learn that our employees acknowledge our contributions to the environment and that they like to support our activities.

Some workers would like to see an improvement of the small dining hall, that does not provide enough space for all workers at lunch time. Moreover, there was the idea for offering a higher variety of programmes for leisure activities to strengthen the relationships between employees and management.



## Our Community

As a company we have direct influence on the community which lives near by our factory. It was quite interesting to get an overview about their perceptions. Our commitments to the community were acknowledged, especially the opportunities we offer to young people and students. We started a scholarship program to support the educational development.

Because of our long-time business in Hadimkoy since 1977 we had the possibility to build good relations to the community. The people we talked to were thankful for the support of the local football clubs and benefits for local associations. Furthermore they mentioned the planting of 17.000 trees within 20 years. Our commitment to people in need by arranging soup kitchens or health and financial support are most welcome.

The results were in general positive but we were confronted with some critical comments regarding the noise at locations around the factory.





T-SHIRT



7m<sup>2</sup>





# What Responsible actions We take

## Measuring Progress

■ The following presentation of our performance according to social, economical and environmental indicators of the Global Reporting Initiative will give a very detailed view onto the sustainability aspects of our company. Some issues were also new to us and we were confronted with very positive but also challenging discoveries. These findings are a good basis to work on the improvement of our enterprise.



A firm has to concentrate on customers' social and economic demands at the same time. The business practices of Topkapi Iplik require long term relations with customers based on reliability, trust worthiness and loyalty. Thanks to its firm principles, Topkapi is acting in the supply chains of the world's biggest brands for many years.

Customers



The employees are the fore front units of our company, who first realize the problems and related solutions. With providing employees to understand company values and philosophy will help us to manage and facilitate the grow up of our company.

Employees



With the start of 2007, Topkapi decided to take place in the global effort to support African countries in their efforts to improve the living standarts of its people. Later Topkapi engaged in projects of similar nature with Asian countries.

Suppliers



A special committee has been formed with clear responsibilities and deadlines for implementation. The appropriate countermeasures have been identified with the responsible officers in the internal Risk Management Code of Conduct.

Environment



## Customers

Since with the start of 90's Topkapi adopted its production and marketing philosophy according to the increasing importance of social and environmental issues. As the sustainability issues started to become selective factors in the consumer behaviors, Topkapi re-organised its production and marketing strategy from marketing orientation strategy to sustainable marketing concept.

Topkapi's sustainable marketing concepts' critical charge is that, a firm may satisfy its customer as is stated in the marketing concept, at the same time it can also adversely affect society. The key point in our new concept is that, a company recognizes that a market includes not only the buyers of a firm's products but also other people directly affected by the firm's operations. The company must concentrate on long-term view of customer satisfaction and performance targets, instead of concentrating on short term advantages.



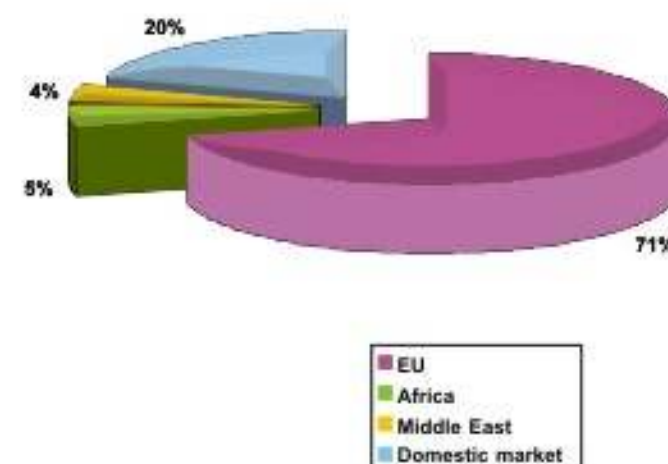
Firm have to concentrate on customers' social and economic demands at the same time. The business practices of Topkapi Iplik require long term relations with customers based on reliability, trust worthiness and loyalty. Thanks to its firm principles, Topkapi is acting in the supply chains of the world's biggest brands for many years.

## Product &amp; Markets

There are wild trees in India. Their fruit produces such a wool that it is grown as good and beautiful as the sheeps. The Indians make their clothes out of this tree's wool" says famous historian Heredotes ( 484-425 B.C) in one of his books and he adds that yarns spun out of this wool are finer compared to that of sheep's wool. Cotton was generally called 'tree wool' or 'plant wool' in those days. Domesticated simultaneously in Peru and India some 5,500 years ago, cotton was a luxury fiber in ancient Rome, a canvas for the artistry of Indian cloth makers, and a prime motive for the colonization of the New World. Alexander the Great carried cotton cloth on his back from India to Europe.

Topkapi Iplik transforms this unique gift of nature into yarn with great care. Cotton is the most significant agricultural product used in industry, the means of existence for millions of families all around the world.

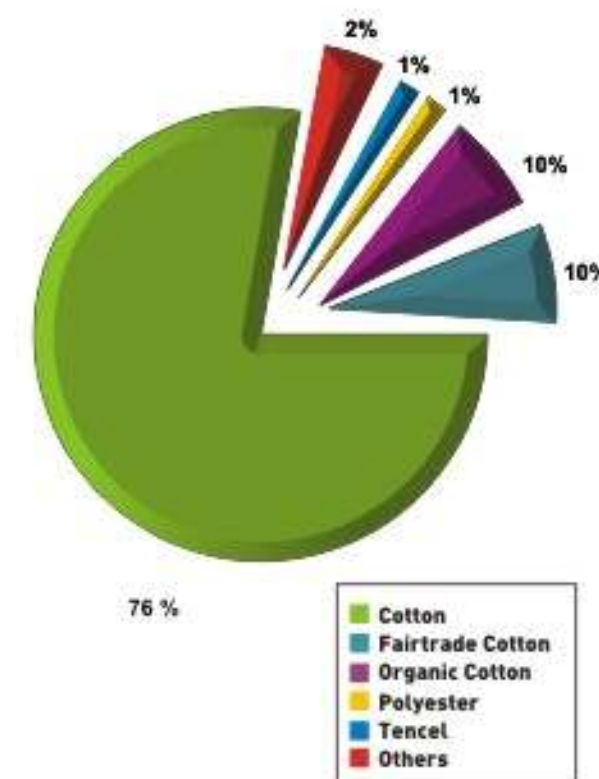
Share of Export Markets



Topkapi Iplik is experienced about the worldwide innovations in short staple ring spinning technology because many new generation ring spinning machines have been tested firstly in our plant, perfected in accordance with those experiments and later introduced to the world markets.

Our main product is top quality yarn for the production of high-value textiles by concentrating on innovative and technological development. We are specialized on COM4® Compact, Twin and Vario Yarns and Vortex yarns which are extremely demanded on the world market.

Share of Raw Material



%70 of spinning mill is processed as knitting yarns and %30 as warp yarns in the weaving mill, predominantly for sports and outer clothing and household textile (towels and duvet covers), ready-to-wear, underwear, overalls and footwear. Topkapi Iplik sells 70% of its yarn production, more than %70 of which is exported to European Union, Mauritius, Balkans and ext. Its prestigious customers include Mango, Zara, Benetton, Nike, Banana Republic, Otto Versand, bioRe, H&M and Coop Switzerland.

Cotton is a precious gift of nature and living resource of about 20 million families. The world cotton production has increased threefold between 1950-1995 as a result of high quality speed, watering and use of intensive input. World cotton demand is increasing in parallel with growing population. In 1950, world fibre production was 8.32 million tons, consumption per capita was 3.3 kg. World fiber production rose to 62.88 million tons in 2003 and world population of 6.34 billion corresponds to an average per capita consumption of a 9.9 kg.



## Customers

## Sustainable Products Range

In the light of a new production and marketing concept, at the end of the 90's Topkapi has introduced its first sustainable product-organic cotton yarn - as a first time in Turkey. Following the first step, new products have been added to our sustainable product range and we are planning to add new products in the next years.



## 1- Organic Cotton Yarns

We decided to continue with organic cotton use in our mill 1 in 1999. Topkapi, wants to minimize agriculture's impact on the environment and to pass next generations a more liveable world. We process %100 organic cotton in our mill with 10.080 spindles and %5 organic cotton blended yarn with 33.264 spindles.

Organic cotton agriculture is a production method that aims to yield products containing minimum chemical residue by minimizing agricultural impact on the environment and to rise the quality of products.

As a first step, Topkapi prepared a special brochure explaining the importance of using organic cotton and the way of getting organic certificates of processing organic products. The most of Turkish companies learned the organic process via our brochure.

After starting organic cotton yarns production, Topkapi reached a special position in the world organic market and produced 35% of all world yarn production in those years. In order to increase and shape market and consumer awareness, and to encourage organic cotton farmers Topkapi gave a start to special promotion as using %5 organic cotton on all yarns produced in one of its mills during the year 2003 without any price difference. All customers have been informed about the yarns they are buying. This was the one of most important campaigns aiming to promote organic cotton yarn use and it reached a big success.

## 2 - Tencel

Following the organic cotton yarn production, in accordance with its Societal Marketing Concept for 21st century, Topkapi decided to add another important sustainable product to its product range in 2004.

The production of Tencel is revolutionary. Lyocell is a manufactured fiber, but it is not synthetic. It is made from wood pulp harvested from tree farms that practise sustainability and is a %100 biodegradable. The production is based on a solvent spinning process. The closed loop circuit recycling the solvent is what makes this process revolutionary. The solvent is recovered up to 99.5% and the emissions, which remain, are decomposed in adapted biological purification plants. The manufacturing process was awarded the "European Award for the Environment" by the European Union and the International FSC.



## 3 - Kapok

In 2006, a huge step has been taken in order to help the world to save tropical fauna and rainforests. Ceiba pentandra, is a majestic tropical tree and appropriate symbol for the complex biological interactions and human connections with the environment that drive our work.

The kapok fiber, one of the few sustainable rainforest crops, derived from seed pods of the majestic Ceiba tree, is a golden silky fiber, which can dispel wind and dampness and relieve pain.



The ancient Maya of Central America believed that a great Ceiba tree stood at the center of the earth, connecting the terrestrial world to the spirit-world above. The long thick vines hanging down from its spreading limbs provided a connection to the heavens for the souls that ascended them. Even today, these grand trees are regularly spared when forests are cut - it is a common event to see lone, isolated Ceiba trees proudly spreading their shady branches high above a pasture or agricultural field, a relict of the great forests that once were there.

The giant limbs of the Ceiba's umbrella-shaped crown are laden with epiphyte (aerial plants) and provide a home for countless species of animals. Birds, such as Toucans, Araucarias, flycatchers and trogon feed and nest in the tree's high perches, mammals, such as White-faced Capuchin monkeys use the enormous limbs as aerial highways, frogs raise their tadpoles in the tiny pools that collect in bromeliads, and insects reach the peak of their diversity in the canopy of giant trees like the Ceiba.



## Employees

There are companies called 'School Companies', with their long business experience and corporate company culture they are playing the role of schools for their employees. Topkapi is widely accepted as a yarn school within the Turkish Textile Industry. Topkapi does not offer only textile education for its employees but essential information at international level relating to work safety, environmental awareness and human rights issues.

Employment and complying with national regulations such as for health and safety or with international standards already meet basic needs of our employees. What makes the difference is that we are taking concrete steps in workers' satisfaction, career planning and personal welfare. It is the best way to show to our employees that we are appreciating them as individuals and giving the necessary value to their contribution to the company.

The employees are the fore front units of our company, who first realize the problems and related solutions. Providing employees to understand company values and philosophy will help us to manage and facilitate the grow up of our company.

We know that, employee participation will get the employees more devoted to the company and will increase our company activeness. In order to establish good internal partnerships with our employees we applied the following precautions:

- 1-To create reliable atmosphere between management and employees
- 2-Partnerships with employees by implementing models of employee consultation and participation in the decision-making process.
- 3-With training intensively our employees about work safety, environment and human rights we empowered the individual.

More than 500 people working here dedicate all their energy to learning and production thanks to the confidence having every kind of social opportunity.



## Training

Thanks to its working conditions and respect for human dignity, Topkapi was the first spinning mill not only in Turkey but in the whole of Europe to receive SA 8000 certification for social responsibility and accountability.

Topkapi appreciates loyal employees with long years of service who implement the company's quality goals on a daily basis. Therefore, a skilled and well-educated workforce is the most important asset for us. Employees are completely prepared for their responsibilities by the company's own training department. Topkapi is investing in employee training and regular in-mill training courses guarantee a consistently high skill level. The Employee Training Department has a target to educate all employees at least 90 minutes every year. The training plan is announced at the beginning of each year and materials are prepared carefully in accordance with national and international regulations and certifications owned.

The most important part of our training philosophy, is training on human rights and work safety issues, which is repeating every 6 months. The education materials are prepared according to the SA 8000 code and OHSAS 18001 certification regulations. The second phase in our training plan is environmental issues relating to the Environmental Management System ISO 14001. Employees are trained on our environmental politics and policy as well as action plans. After empowering our employees with the necessary information on social and environmental issues, the theoretical and at work training is taking place.

## Listening to our Employees

The operations of a company are highly dependent on the communication within the team. The working atmosphere suffers if changes in operations are not communicated in adequate notice periods. According to the collective bargaining agreement, significant changes in the working conditions have to be notified in a formal written document and employees can provide their view within six days.

The suggestions of our employees are of high value for our company. We have also arranged a system with complaint boxes to offer them the possibility to express their thoughts, ideas and complaints. They are welcome to contact the management whenever they like to do that.



## SA 8000 Certificate

Topkapi was the first spinning mill not only in Turkey but in Europe which received SA 8000 certification for social responsibility and accountability. The SA 8000 Standard is an auditable certification standard based on international workplace norms of the International Labour Organisation (ILO) conventions, the Universal Declaration of Human Rights and the UN Convention on the Rights of the Child. Standards are integrated into a management systems.

## Safe Working Environment

After obtaining and adoption of SA 8000 principles to our Corporate Management System, the absentee, injury rate have decreased rapidly. Because of nature of our work, there is no occupational disease between our employees.

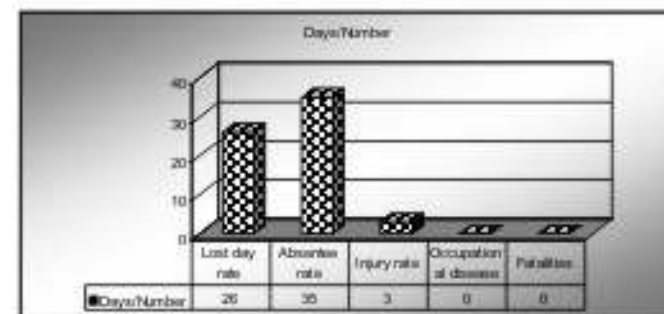
Since we started the production, we did not experienced fatality in the company.

## Health and Safety

To guarantee the health and safety of our employees we implemented a health and safety committee with joint representation. It helps us to facilitate a positive health and safety culture and has the right to stop production and all facilities in case of danger for health and safety.

The committee among others consists of worker health and work safety responsible technical personal, a company doctor, a workers' representative, a training/orientation director, and an employers' representative as the president of this committee.

Our workers have the possibility to contact the company's physician in case of illness or injury. He is also available in case of emergency and guarantees fast medical aid.





## Our social performance

The success of our company is totally dependent on our employees, their motivation, health and satisfaction. They are the ones who understand all strengths and weaknesses within the production process. Knowing about their wellbeing as well as listening to their suggestions is the best way to improve our business.



Category	Female	Male	Total	Wages – Salaries		Ratio of woman to man per hr
				Females per hr/TL	Male per hr /TL	
Mid. Management	0	21	21	–	6,04	n.a
Administrative staff	11	7	18	4,16	4,67	89,1%
Technical staff	0	20	20	–	4,86	n.a
Employees	191	255	457	3,03	3,00	+1%
Total	204	305	516			

## Our Workforce

Our workforce comprehends 516 employees of which 13 have supervisor responsibilities. They are all contracted on equal terms, that is on fulltime for a permanent period. Their provenance is Istanbul or the direct surrounding.

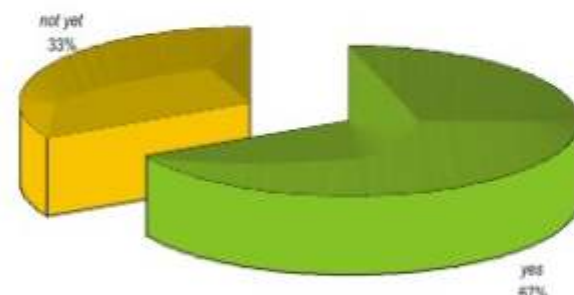
## Payment

The precondition for a good performance on the job is a salary which does not only cover the basic needs. An adequate salary allows to save money for higher expenditures of an emergency case. Our wages and salaries are far in excess of the national minimum level. The entry level wage of Topkapi is 30% higher than the minimum level wage, which is set at 715 TL/month (414€) and 2,5 TL/hr respectively

## Collective bargaining agreements

The freedom of association is a human right as defined by international declarations and conventions. Topkapi Iplik is one of the biggest Turkish textile companies which has implemented freedom of association for all employees.

We are an active member of Turkish Textile Employers' Association who manage the collective bargaining with the Turkish Textile Employees Association. As a member of TTEA we adapt our wages according to the yearly agreement between employers and employees.



Number of employees covered by collective bargaining agreements due to their membership in the Turkish Textile Employees Association



## Suppliers

We know that raw material supplying is the most important parameter in producing high quality products. So we work with the leading suppliers of the world to maintain our standard quality. We provide our cotton need of 12.000 tons/year from American, Greek and African suppliers. Supplying %50 of our cotton from America as a licensed user gives us the advantages of working with less recipes, maintaining same values in repeating orders and increasing productivity and efficiency.

With the start of 2007, Topkapi decided to take place in the global effort to support African countries in their efforts to improve the living standards of its people. Later Topkapi engaged in projects of similar nature with Asian countries.

Our activities began with our certification to the FLO Fairtrade Label, which brings benefits such as access to international markets, with increased sales and increased income as well as advice and support. The Fairtrade standards require the industry to pay a Fairtrade minimum price and a Fairtrade Premium to the producers. Topkapi bought 947 tons of Fairtrade cotton from Mali, Senegal and Cameroon. This quantity is appr. %10 of our cotton usage. In 2007 / 2008 we sourced %30 of the world wide produced Fairtrade cotton.

Since 2007 Topkapi has also sourced Organic Cotton from Boweevil's project in Uganda by permanent and reliable business activities and large purchase shares that help create an impact on business success of the project and on the local



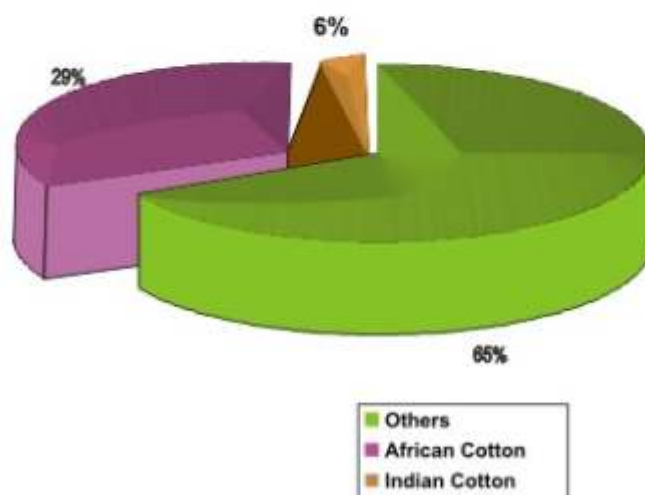




society. The impact has been proven by improvements such as an increase in permanent housing in these areas, a growing number of shops, better medical care, and the fact that people can afford it. A major improvement has also been the reduction of child mortality. Organic cotton trade encourages agriculture free of chemicals and thereby avoids harming producers and the environment.

"Boweel Uganda Organic Project" includes 16.000 farmers in the north of the country. The total quantity bought from Uganda Organic is 310 tons of cotton which is equal to 30% of all organic cotton bought by Topkapi during the 2007.

Share of Cotton Sources



Furthermore Topkapi includes Organic Cotton from India since 2007. The total quantity of organic cotton bought from India is: 586 tons which is the appr. 50% of organic cotton used.

In the light of our decision to support African producers, we started to buy conventional cotton from Mali, Benin, Ethiopia and Togo. The bought quantity is 2582 tons of cotton which is appr. 30% of our conventional cotton usage during 2007.





The total quantity of cotton bought from Africa and India is appr. the %40 percent of all cotton bought by Topkapi.



## Did you ever think what makes the difference?

We produce in accordance with internationally recognized quality systems. The high quality standard of our products as well as our responsible production processes which attend human health, the environment and the needs of our employees are certified by the following labels:

The percentage of significant products covered by a special labelling procedure is %20.

Label	Name	Purpose	Impact
	SA 8000 Since 2003	Global social accountability standard for decent working conditions	Management system Human & workers' rights Health & Safety Compensation
	OHASAS 18001 Occupational Health and Safety Management System Since 2003	Generic management system standards which assures continuously improved OHS performance	Occupational Safety Workplace Conditions Sanitary Facilities Risk management
	Faire Trade Since 2006	Independent guarantee that disadvantaged producers in the developing world are getting a better deal	Fair payment of farmers Support of community projects in the production region
	ISO 14001 Environment Management System Since 2003	Generic management system standards with regard to environmental management	Continuous reduction of environmental impacts in our whole production process
	Organic Exchange Since 2003	Non-profit business organization focused on facilitating the growth of a global organic cotton industry	Reduction of the usage of synthetic fertilizer and pesticides in the cultivation of cotton
	ISO 9001 Quality assurance System Since 2002	Generic management system standards with regard to quality management system	Continuous improvement of product quality, increase of customer orientation
	Oeko-Tex/Standard 100 Since 1999	Label that guarantees ecological standards of textiles during production	Product responsibility Consumer health
	TENCEL Fibre Since 2004	Fibre which is produced from pulp according to FSC principles.	Natural material 100% biodegradable Biological purification
	dri-release® treated with Freshguard® Since 2004	High quality fibre for sportswear	Long duration of fibres



## Environment

## Environment

Topkapi decided to be a part of environmental safety movements since the mid of 90's. Environmental concerns were not a new concept for Topkapi. Topkapi already has been giving the importance to protect and improve its own environment. Topkapi planted appr. 17000 trees since almost after the start of the production in this new plant. Topkapi has a hectare of fruit garden consisting of more than five types of fruits as well as half of a hectare of vegetable and a hectare of grape garden all to be used by the employees. The new approach was to introduce an Environmental Management System (EMS) taking into account the global environmental concerns and to adopt the internationally accepted regulations.

The first step towards to an EMS, was applying and obtaining the Oeko-Tex Standard 100 in January 1999 for all products. The Oeko Tex Standard 100 was introduced at the beginning of the 90's in order to meet customers demand for no risk to health textile products. This certificate guarantees that all products meet the human-ecological requirements of the standard presently established for baby articles. The second step was the introduction of the International Skal Certification for organic cotton yarn production for the first time in Turkey which was obtained in 1999. Topkapi pioneered in the Turkish market with the organic production and prepared a special brochure explaining the importance of using organic cotton and the way of getting an organic certificate and the way of processing organic products. The third and most important step was taken in 2003 by obtaining the ISO 14001 Environmental Management Certificate. The Environmental Management System of Topkapi is a tool for managing the impacts of the organization's activities on the environment. It provides an approach to planning and implementing environment protection measures.

The EMS monitors environmental performance of our company according to announced aims and criteria. An EMS integrates environmental management into a company's daily operations, long term planning and other quality management systems.

To develop an EMS, Topkapi described and announced in an internal code of conduct, which is updated every year, the environmental impacts of its products, services and production methods.



**A special committee has been formed with clear responsibilities and deadlines for implementation. The appropriate countermeasures have been identified with the responsible officers in the internal Risk Management Code of Conduct.**

Each production and management section considers and announces its targets to reduce the impacts and prepare a special report comparing the achievements with the previous years' results each month. Each department announces its action plan to achieve its targets.

The risk and waste management systems are one of the important parts of Topkapi's EMS. The corporate risks were identified, classified and recorded in an inventory. A special committee has been formed with clear responsibilities and deadlines for implementation. The appropriate counter measures have been identified with the responsible officers in the internal Risk Management Code of Conduct.

As we realize that the supply of many of our natural resources is limited and irreplaceable, We decided that two conditions clearly demonstrate the importance of careful new product planning. Increasingly environmental factors started to influence product decisions, because we simply can not afford to continue wasting our natural resources and polluting our environment. The recent development in this process has started in 2006 including environmentally friendly product development. The first product of this new concept was blended yarn from the Kapok tree as described in the products and market section.



## Our Environmental Responsibility

The production of yarn is a high energy consuming industry and we aim at minimizing our environmental impact constantly. Moreover we contribute to the protection of nature by using 98% natural raw materials and 10% of organic produced cotton.

### Recycled materials

We aim at constantly increasing the portion of material which is composed of recycled assemblies. Currently

15% (118.144 pieces) of our spare parts and  
70% (1.597.618 pieces) of the packing substance are recycled input materials.

## Reduce the impact

We perceive the protection of the environment as an integral element of our business. We implemented several environmental management systems to make the conservation of nature a part of our daily business. Our efforts are honoured by several certificates such as ISO 14001, ECO-TEX and pure wear.

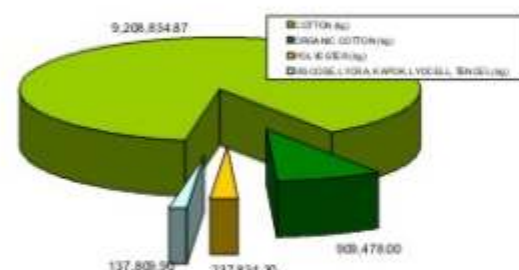
### Cotton

98% of our raw material is cotton. Besides the superior properties for the production of different types of clothes, the cultivation of cotton is a way to save energy and contribute to a sound environment due to its biodegradability.

At the same time cotton accounts for about 25% of the global insecticides market and about 10% of the pesticides market by value. Each year cotton producers around the world nearly spend 2.6 billion \$ for pesticides. This has severe consequences for the human health and the environment.



### Raw material by weight

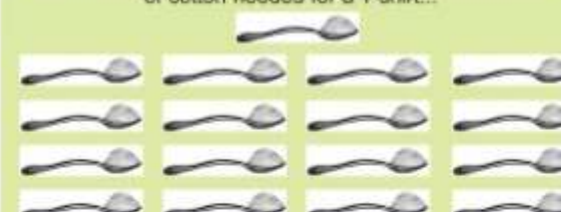


### Organic Cotton

The cultivation of organic cotton reduces these negative impacts to a great extent. Therefore we use 10% organic cotton as raw material: our yearly output are 10.080 spindles with 100% organic cotton and 33.264 spindles with 5% organic cotton blended yarn. Our plan is to extend the share to 15 or 20% in the next year.

One other aspect of our commitment is the production of high quality yarn. Improved quality of our yarn makes it not necessary to use waxes!

How much synthetic fertilizer is used to raise the amount of cotton needed for a T-shirt...



Seventeen tea spoons of synthetic fertilizers are used to raise nine ounces of cotton

(one T-shirt).

3/4 of tea spoon of active ingredients: pesticides, herbicides, insecticides and defoliants.

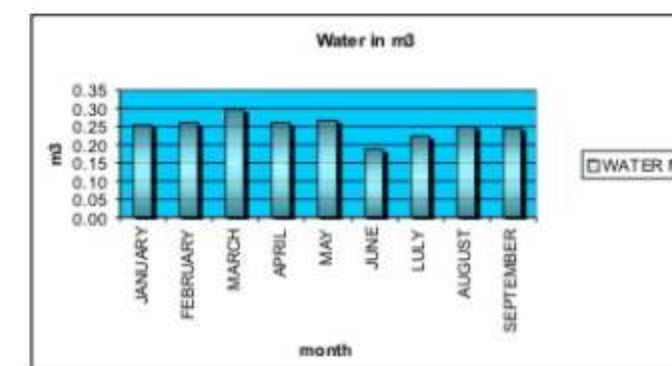
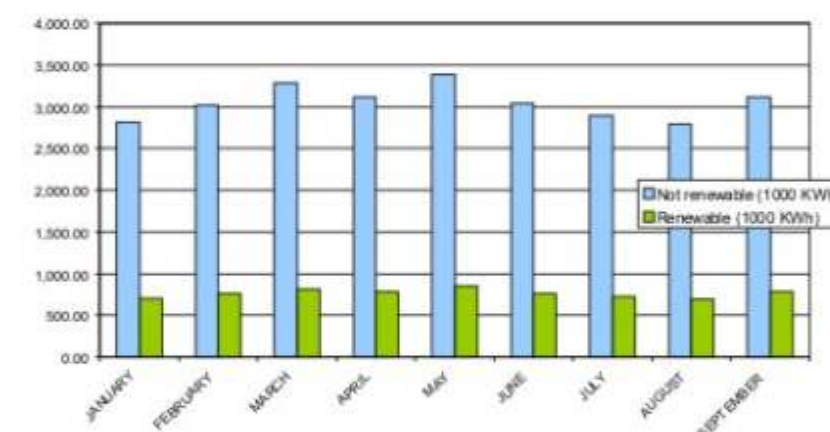
### 17.000 trees

Furthermore we made a great effort to contribute to the improvement of our direct environment. Since 1980 every year we planted on average 1000 trees in the surrounding of our plants. Today approximately 17.000 trees embellish the area.

We cannot provide reliable documentation and methods yet to quantify compensation of CO2 emissions but we trust in the effect and keep improving our documentation and measurement techniques.

## Indirect Energy Use

In total we consumed 27.461.300 kwh (80%) non-renewable energy and 6.865.200 kwh (20%) renewable energy. The renewable energy is generated by water power.



## Water consumption

Water is supplied by the municipality and the city water network.. Our total water consumption is at 2,25 m3 between January and September 2007

## Waste Management

For the disposal of our waste we follow the strict instructions of the national legislation and ISO 14001 criteria. The following table gives a detailed overview of all waste types which emerge from our production processes and the way of the disposal.

### Hazardous waste

Churn battery: 5 pieces  
Electric bulbs: 456 pieces  
Electric pieces: 92,2 kgs  
Electronic pieces: 14 kgs  
Scrap cable: 39,2 kgs  
Oily materials: 289,4 kgs  
Churn oils: 1,200 kgs  
Scrap bearing: 58,5 kgs  
**TOTAL TONS: 1.673 TONNES**

### Non-hazardous waste

Paper and pasteboard: 35,200 kgs  
Nylon and nylon bags: 17,120 kgs  
Scrap iron: 116,520,00 kgs  
Scrap aluminium: 4,715 kgs  
Plastics: 3,660 kgs  
Copper: 295,5 kgs  
**TOTAL TONS: 177.510 TONNES**

### Methods of waste management

Recycle: 178.816 TONNES  
On-site storage: 58,5 kgs  
Incineration: 456 Pieces and 39,2 kgs  
Landfill: 5 Pieces

## CO<sub>2</sub>-emissions

Direct CO <sub>2</sub> emissions	In Litre	In Tons
<b>GASOLINE</b>	14.601,79	34,6
<b>LPG</b>	4329	5,8
<b>DIESEL OIL</b>	17.401,37	46,1
<b>FUEL OIL</b>	49.142,00	116,5

Indirect CO <sub>2</sub> emissions	In kWh	In Tons
<b>Electricity Grid</b>	34.326.817 kWh	15.859 t CO <sub>2</sub>
<b>Total CO<sub>2</sub> emissions</b>		16.062 t CO <sub>2</sub>

In the year 2007 we had a total amount of 16.062 t CO2 emissions. In correlation to our production we emit 1,78 tonnes CO2 per 1000 tonnes of yarn.



## GRI Index

G3 Disclosure	Description	Reported under	Page
<b>Strategic and Analyses</b>			
1.1	Statement from senior decision maker	Letter from the owner	01
1.2	Description of key impact, risk and opportunity	Letter from the owner	01
<b>Organization Profile</b>			
2.1	Name of organization	Having a closer look	02
2.2	Major Products	Products & Markets	17
2.3	Operational Structure of the organization	Processes & Structures	07
2.4	Location of organization	Having a closer look	02
2.5	Countries where the company operates		
2.6	Nature of ownership and legal form	Having a closer look	02
2.7	Markets served	Products & Markets	17
2.8	Scale of the reporting organization, including -No. of employees -Net sales of previous years -Quantity of products of services provided	Products & Markets, Employees	17 22
2.9	Significant changes during the reporting period	No occurrence of significant changes	
2.10	Awards received during the reporting period	None	
<b>Report Profile</b>			
3.1	Reporting period	About this Report	prefix
3.3	Reporting cycle	About this Report	prefix
3.4	Contact point for questions regarding the report or its contents	About this Report	prefix
3.5	Defining report content	About this Report	prefix
3.6	Boundary of the report	About this Report	prefix
3.7	Any specific limitations on the scope or boundary of the report	No specific limitation	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities	Only one single company	
3.9	Data measurement techniques and basis of calculation	About this Report, People	prefix, 12
<b>Governance, commitment and engagement</b>			
4.1	Governance structure of the organization	Products & Markets	07
4.2	Indicate whether the chair of the highest governance body is also an executive officer	Having a closer look	02
4.3	For organizations that have a unitary board structure. State the number of members of the highest governance body that are independent and/or non-executive members	Not applicable	
4.4	Mechanisms for employees to provide recommendations or direction to the highest governance body.	Employees	21
4.5	Linkage for compensation for members of the highest governance body	Not applicable	
4.6	Process in place for the highest governance body to ensure conflicts of interest are avoided	Processes & Structures	06
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental and social performance	Processes & Structures	06
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## GRI Index

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LA2	Rates of injury, occupational diseases, lost days and absenteeism and total number of work-related fatalities by region	Employees	22
LA4	Percentage of employees covered by collective bargaining agreements	Employees	22
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	Employees	21
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	Employees	21
LA10	Average hours of training per year per employee by employee category	Employees	20
LA14	Ratio of basic salary of men to women by employee category	Employees	22
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PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	People	12