



## ***Corporate Governance Compliance Rating Report***



***Petkim Petrokimya Holding A.Ş.***

19 August 2013

Validity 19.08.2014-19.08.2015

## LIMITATIONS

This Corporate Governance Rating Report, issued by Kobirate International Credit Rating and Corporate Governance Services Inc for Petkim Petrokimya Holding A.Ş. is compiled;

in accordance with the criteria stated in CMB's Corporate Governance Directive, no II-17.1, printed on Official Gazette dated January 3<sup>rd</sup> 2014, numbered 28871; as well as CMB's board decisions taken at Board meeting dated 01.02.2013, no 4 / 105.

The criteria, established for the companies whose shares are traded at BIST, are organized separately as First Group, Second Group and Third Group companies and investment partnerships, taking into consideration the group distinctions stated by CMB's Corporate Governance Principles in Item 2 - Article 5 of directive no II-17,1 issued on Official Gazette no 28871, dated January 3, 2014.

The Rating Report issued by Kobirate International Credit Rating and Corporate Governance Services Inc. is based on 47 copies of documents, data and files transmitted by the concerned firm electronically, including data open to general public and examinations made by our rating experts on site.

Kobirate International Credit Rating and Corporate Governance Services Inc. has formulated its Ethical Rules according to the Banking Act, the CMB and BRSA Directives on the Operations of Rating Companies, generally accepted ethical rules of the IOSCO and OECD including generally accepted ethical customs, which is shared with the public through its Internet website ([www.kobirate.com.tr](http://www.kobirate.com.tr)).

Although rating is an assessment based on numerous data, it is consequently the institutional opinion of Kobirate International Credit Rating and Corporate Governance Services Inc. formed accordingly to the methodology disclosed.

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**PETKİM PETROKİMYA HOLDİNG A.Ş.**

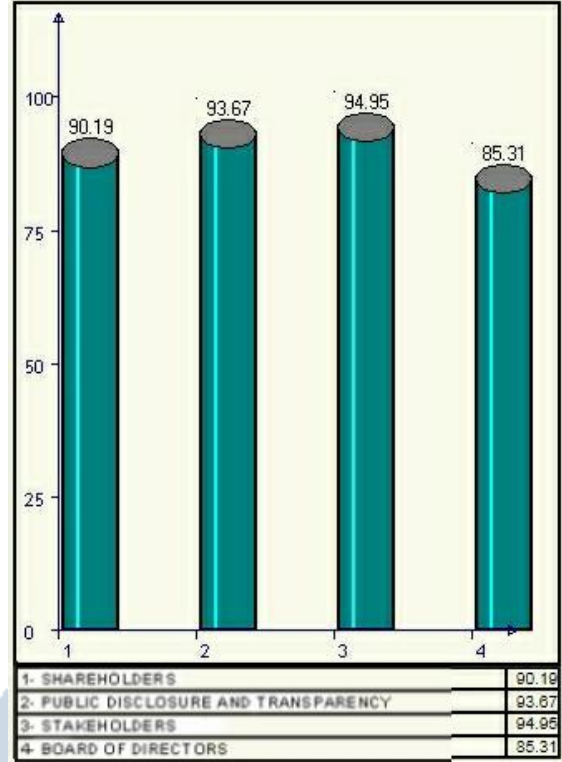
**CMB CORPORATE GOVERNANCE  
PRINCIPLES COMPLIANCE GRADE**

**9.01**

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#### RATING SUMMARY

The process of rating of compliance of **PETKİM PETROKİMYA HOLDİNG A.Ş** with the Corporate Governance Principles is concluded in accordance with the Corporate Governance Compliance Rating Methodology developed by Kobirate Uluslararası Kredi Derecelendirme ve Yönetim Hizmetleri A.Ş., through onsite examinations of the documents, interviews held with executives and persons involved, and of other reviews, according to the CMB's Corporate Governance Principles directive no II-17,1 issued on Official Gazette no 28871, dated January 3, 2014.

At the end of examination of 401 criteria under the main headings of Shareholders, Public Disclosure and Transparency, the Stakeholders and the Board of Directors as specified in the CMB's Corporate Governance Principles and the methodology of Kobirate

A.Ş., developed for "Second Group Companies of the BIST, the Corporate Governance Compliance Rating Grade of **PETKİM PETROKİMYA HOLDİNG A.Ş** is determined as **9.01**. This result signifies that **PETKİM PETROKİMYA HOLDİNG A.Ş** has achieved a considerable compliance with the CMB's Corporate Governance Principles, all possible risks are determined and actively controlled, shareholders' rights are treated fairly, public disclosure and openness activities are conducted at the highest level, stakeholders' rights are treated fairly and the structure and working conditions of board of directors is highly compliant with corporate governance principles. The company highly deserves to be included in the BIST Corporate Governance Index.

In view of rating process under main headings in brief;

It is observed that **PETKIM** has obtained a grade of **90.19** in respect of Shareholders' Section.

It is confirmed that in this section the company in general has achieved a good level of compliance with the CMB Corporate Governance Principles. The existence of Investors Relations Department, timely and duly convention of general assemblies, establishment of a dividend policy and revision of it in accordance with CMB directives are salient positive achievements. In accordance with CMB Directive no II.17-1, the Manager of Investors Relation Department is appointed as Corporate Governance Committee member.

It has been appreciated that **PETKIM** who gained **93.67** for Public Disclosure and Transparency has developed its disclosure policy and revised it in accordance with CMB directives and shared it with public, provided access to several current data on the corporate internet website, which are specified in the principles and might be needed by the investors.

Despite the fact that it misses certain elements, it has been found that the annual report is sufficient in terms of content and information is supported with graphics. In this section **PETKIM** has displayed a significant level of compliance with the principles covering public disclosure and transparency.

It's observed that the company reached the grade of **94.95** for the Stakeholders' Section.

In this section, the Company has achieved very good level of compliance with the CMB's Corporate Governance Principles. A human resources policy is established; regulations are made and disclosed to the employees including recruitment, job descriptions, performance appraisal, promotion, awarding, leave and social benefits.

It is observed that job processes and standards are set forth and that the customers are informed of such processes.

Procedures for outsourcing in terms of products and services are laid down in written documents.

Ethical Business Rules are set forth and introduced to employees to act pursuant to such rules.

As for the Board of Directors Section, the Company's grade is **85.31**, representing a good level compliance with the CMB's Corporate Governance Principles.

It is confirmed that the Board has set company's strategic goals, audits performance of company management, pays further attention to the company affairs to be in compliance with the legislation, the Articles and internal regulations.

The posts of Chairman of the Board and Chief Executive Officer are held by separate individuals, the powers of each of them are indicated in the Articles of Association.

The Board convenes regularly and procedures for meetings are incorporated in both the Articles and internal directives.

It has been observed that the Audit and Corporate Governance and Early Detection of Risk Committees referred to in the Principles have been formed, whose working principles appear in written documents. Moreover there are some committees within the Board that include professionals and these operate actively.

On the other hand, there are other important indications of compliance with the Principles such as the fact that Board comprises adequate non-executive members as well as independent members and that guidelines for remuneration of top executives are set forth and have been disclosed to partners in a separate item at the general assembly.

## 2. RATING METHODOLOGY

The Corporate Governance Compliance Rating is a system which audits whether or not the firm's management structures and management styles, the arrangements for shareholders and stakeholders and the process of informing in transparency and accuracy are performed in accordance with the modern corporate governance principles and which assigns a grade corresponding to the existing situation.

Organization for Economic Co-operation and Development (OECD) established a working group in 1998 in order to assess member countries' opinions on corporate governance and to prepare some non – binding principles.

The fact that principles are open to change in time was also accepted at this work. Although at first these principles were focused on the companies whose shares were quoted in stock exchange, it was emphasized by OECD that it would be also useful to implement these principles in public enterprises and companies whose shares were not quoted in stock exchange.

In 1999, OECD Corporate Governance Principles were approved at the OECD Meeting of Ministers and published. Since then, these principles have been regarded as international references for the decision – makers, investors, shareholders, companies and stakeholders throughout the world.

Since their approval, these principles kept the concept of corporate governance on the agenda and became guidelines for the laws and regulations in OECD members, as well as other countries.

There are four basic principles of corporate governance in OECD Corporate Governance Principles. These are: fairness, transparency, accountability and responsibility.

Turkey has been closely monitoring these developments. A working group, established

within TUSIAD in 2001, prepared the guide, titled, "Corporate governance: The best implementation code". Then CMB issued "Capital Market Board Corporate Governance Principles" in 2003 and updated it in 2005, 2010, 2012, 2013 and 2014, according to international developments in this field.

Obligation to comply with CMB's Corporate Governance Principles, based on the principle of "implement or disclose", and to declare it became part of companies' lives in 2004. Putting the Declaration of Compliance to Corporate Governance in the annual reports became obligatory the following year.

The principles are grouped under four main headings namely: the Shareholders, Public Disclosure and Transparency, Stakeholders and the Board of Directors.

The Corporate Governance Compliance Rating Methodology has been prepared by Kobirate A.Ş. for companies whose shares are traded on BIST, banks, investment partnerships and non – quoted companies.

The methodology takes into consideration the criteria stated in CMB's Corporate Governance Directive, no II-17.1, dated January 3<sup>rd</sup> 2014; as well as CMB's board decisions taken at Board meeting dated 01.02.2013, no 4 / 105.

In a rating process, the full compliance of work flow and analysis technique with Kobirate A.Ş.'s Ethical Rules is considered.

In the process of rating, **401** different criteria are considered to measure the compliance of BIST second group firms with the corporate governance principles.

Such criteria are translated into the Kobirate A.S.'s unique Corporate Governance Rating Questionnaire.

According to CMB's memorandum dated 12.04.2013 and numbered 36231672-410.99(KBRT)-267/3854, the following rates are applied in the new Corporate Governance Compliance Rating:

**Shareholders 25 %**

**Public Disclosure and Transparency 25 %**

**Stakeholders 15 %**

**Board of Directors 35 %**

CMB has sent its notification dated 19.07.2013 and numbered 36231672-410.99 (KBRT) 452, on CMB decision dated 01.02.2013 and numbered 4/105 to our company, which required adding new questions into the methodology in order to ensure that good corporate governance principles, which go beyond meeting the minimum requirements of CMB issued good corporate governance principles – bringing 85 % of full points at most – will be included in the rating grade.

The 2014/2 revised corporate governance compliance rating methodology, created by our company, is restricted if the minimum conditions of corporate governance principles – declared in CMB notification of Corporate Governance dated 03.01.2014 – are met and all criteria is evaluated within same category. In this case all criteria are restricted to 85 % of the full points that the related criterion would get in that subsection. As the company applies and internalize the criteria stated in corporate governance principles and our company finds out other good corporate governance criteria complied and practiced by the company; our rating system completes the section ratings to 100.

The grade to be assigned by the Corporate Governance Rating Committee to the firm ranges between 0-10. In this scale of grade, "10" points mean excellent, full compliance with CMB's Corporate Governance Principles while grade "0" means that there is unsatisfactory compliance with CMB's

Corporate Governance Principles in the existing structure.

In this report the following legends have the following meanings:

✓ Due / Correct Application of CMB's Corporate Governance Principles

✗ Improper / Erroneous Application of CMB's Corporate Governance principles

✓/\* Practices required to be improved in compliance with CMB's Corporate Governance Principles.

### 3. COMPANY PROFILE



<b>Company Name</b>	: Petkim Petrokimya Holding Anonim Şirketi
<b>Company Address</b>	: PK. 12 35800 Aliğa İzmir
<b>Company Phone</b>	: (0232) 6163240 / 10 Lines
<b>Company Facsimile</b>	: (0232) 6161248
<b>Company Website</b>	: <a href="http://www.petkim.com.tr">www.petkim.com.tr</a>
<b>Date of Incorporation</b>	: 03.04.1965
<b>Registered Number</b>	: No.314 with Commercial Registry of Aliğa
<b>Paid in Capital</b>	: TL 1.000.000.000
<b>Line of Business</b>	: Production and trade of petrochemical derivatives and products
<b>Company's Sector</b>	: Chemical Industry

**Company's Representative in Charge of Rating::**

**Mustafa ÇAĞATAY**

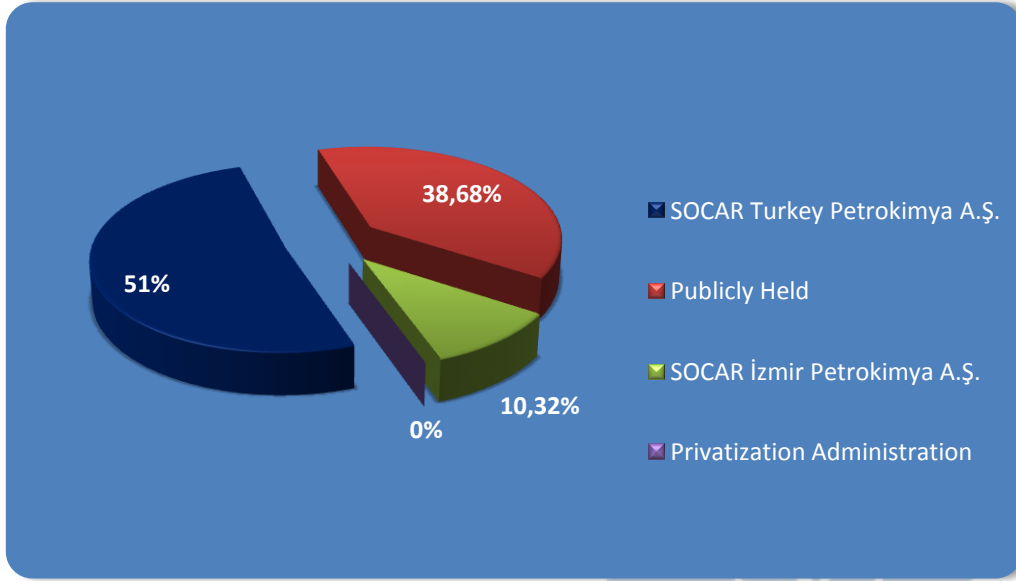
**Internal Audit and Investor Relations Coordinator**

[mcagatay@petkim.com.tr](mailto:mcagatay@petkim.com.tr)

**0232 6161240 / 2501**



**Shareholders Structure (As of report date)**



Source : [www.kap.gov.tr](http://www.kap.gov.tr)

**SOCAR TURKEY Petrokimya A.Ş.**

Shareholder	Share (%)
SOCAR Türkiye Enerji A.Ş.	99,99999
Other	0,000010

**SOCAR TURKEY Enerji A.Ş.**

Shareholder	Share (%)
SOCAR (Azerbaijan State Oil Company)	99,9999999
Other	0,0000001

**SOCAR İzmir Petrokimya A.Ş.**

Shareholder	Share (%)
SOCAR Türkiye Enerji A.Ş.	99,992
Other	0,008

### Company Board of Directors

Name/ Surname	Title	Executive/ Non Executive
Vagif ALİYEV	Chairman	Non Executive
David MAMMADOV	Deputy Chairman	Non Executive
Muammer TÜRKER	Member	Independent Member
Farrukh GASIMOV	Member	Non Executive
Kenan YAVUZ	Member	Non Executive
Hulusi KILIÇ	Member	Independent Member
İlhami ÖZŞAHİN	Member	Independent Member
Mehmet Hayati ÖZTÜRK	Member	Non Executive
Süleyman GASIMOV	Member	Non Executive

### Top Management

Name/ Surname	Title
Sadettin KORKUT	General Manager
Rıza BOZOKLAR	Assistant General Manager (Finance)
Ali Rıza ESMEN	Assistant General Manager (Human Resources)
Natig DAMIROV	Assistant General Manager (Supply)
Nihat GÜRBÜZ	Assistant General Manager (Enterprises)
Ali Ekrem ASLAN	Assistant General Manager (Asset Management)
Mehmet Fatih KARAKAYA	Assistant General Manager (Sales-Marketing)

### COMMITTEES FORMED WITHIN THE BOARD

#### CORPORATE GOVERNANCE COMMITTEE

Name/ Surname	Title	Duty
Hulusi KILIÇ	Independent Member of Board	Chairman
Mehmet Hayati ÖZTÜRK	Member of Board	Member
Farrukh GASSIMOV	Member of Board	Member
Kenan YAVUZ	Member of Board	Member
Mustafa Çağatay	Internal Audit and Investor Relations Coordinator	Member

#### AUDIT COMMITTEE

Name/ Surname	Title	Duty
İlhami ÖZŞAHİN	Independent Member of Board	Chairman
Muammer TÜRKER	Independent Member of Board	Member

## EARLY RISK DETECTION COMMITTEE

Name/ Surname	Title	Duty
Muammer TÜRKER	Independent Member of Board	Chairman
İlhami ÖZŞAHİN	Independent Member of Board	Member
Süleyman GASIMOV	Member of Board	Member

### Balance-Sheet Comparison of Company's Certain Selected Items *as of Last 2 Yearends*

(000TL)	2012/12	2013/12	Change %
Current Assets	1.442.049	1.700.413	17,92
Fixed Assets	1.357.307	1.545.217	13,84
Total Assets	2.799.356	3.245.630	15,94
Short Term Liabilities	1.019.246	1.219.582	19,66
Long Term Liabilities	115.793	318.542	175,10
Equity	1.664.318	1.707.505	2,59

Source : Petkim Petrokimya Holding A.Ş. 2013 Annual Report

### Revenue Table Comparison of Company's Certain Selected Items *as of Last 2 Yearends*

(000 TL)	2012/12	2013/12	Change %
Net Sales	4.348.910	4.158.730	-4,37
Gross Profit Margin	81.267	269.836	232,04
Operational Profit	5.727	72.073	1.158,48
EBITDA	32.186	234.532	628,68
Net Profit / Loss	24.605	48.897	98,73

Source : Petkim Petrokimya Holding A.Ş. 2013 Annual Report

### The Bottom and Peak Closing Values of Company's Shares traded on the BIST during Last Year

Bottom (TL)	Peak (TL)
2,39 (03.03.2014)	3,69 (18.07.2014)

### ***Brief History of the Company***

Petkim Petrokimya A.Ş. was established in 1965 under the initiative of TPAO. First investments started in Yarımca, Izmit. Ethylene, Polyethylene, Chlor Alkali and VCM factories became operational in 1970.

In 1985, complementary and joint facilities of the second complex, Aliğa were completed and became operational. Extension investments were started in 1988 and completed in 2005, bringing highest production and sales figures for Petkim Aliğa Complex.

After a tender, on May 30, 2008, 51 % of Petkim Petrokimya Holding A.Ş. public shares were officially sold as a block to SOCAR & Turcas Ortak Girişim Grubu for \$ 2.04 billion and contract was signed to transfer Petkim shares to SOCAR & Turcas Petrokimya A.Ş., established by SOCAR & Turcas Ortak Girişim Grubu.

Petlim Limancılık Ticaret A.Ş. was established on November 22, 2010, to increase the efficiency of port operations.

On February 1, 2011 Petkim received its license from EPDK to built Wind Power Plant.

On August 5, 2011, Turcas Petrol A.Ş. sold all of its shares to SOCAR Turkey Enerji A.Ş. with the approval of EPDK. Thus 51% of Petkim shares were transferred to SOCAR Turkey Enerji A.Ş., which is a SOCAR company.

On October 25, 2011, STAR Rafineri A.Ş. made a ground - breaking ceremony for a refinery to be built on Petkim grounds with a capacity of 10 million tons.

On June , 2012, 10,32 % of public shares belonging to the Prime Ministry Privatization Administration were sold to SOCAR İzmir Petrokimya A.Ş., which is a subsidiary of SOCAR Turkey Enerji A.Ş, the indirect main shareholder of the company.

On January 4, 2013, the company received "Strategic Investment Incentive Document" from the General Directorate of Incentive Implementation and Foreign Investment

An agreement was signed on February 22, 2013 with APMT BV. and APM Terminalleri Liman İşletmeciliği A.Ş. for a container port to be built within Petkim facilities and run by APM Terminalleri Liman İşletmeciliği A.Ş.

The company raised its registered capital ceiling from TL 1 billion to TL 4 billion with the approval of Capital Markets Board.

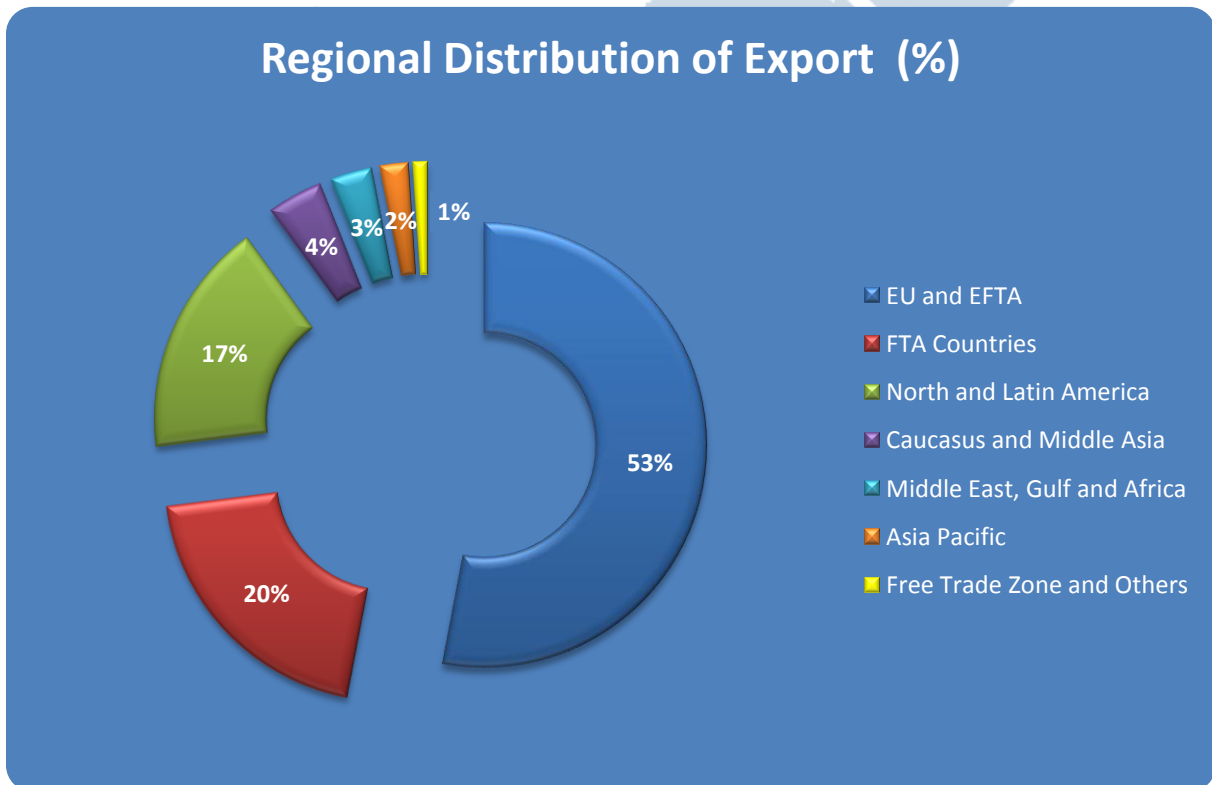
### Information on operations

Petkim, the only integrated petro chemical facility of Turkey, continues its operations at a complex of 21 facilities, which comprises 14 factories and supporting 7 facilities, including dam, port and treatment facilities.

Its portfolio includes high value products like thermoplastic, fibers and painting raw material. The company provides inputs for sectors such as construction, agriculture, automotive, electricity, electronics, packaging, textile, pharmaceuticals, detergent and cosmetics.

Petkim's exports are worth \$ 816 million as of yearend 2013. Domestic customer portfolio includes 6000 companies. As in it did in 2013, the company continues its investments in 2014 to develop new communication channels with customers, to increase energy efficiency and to increase its market share.

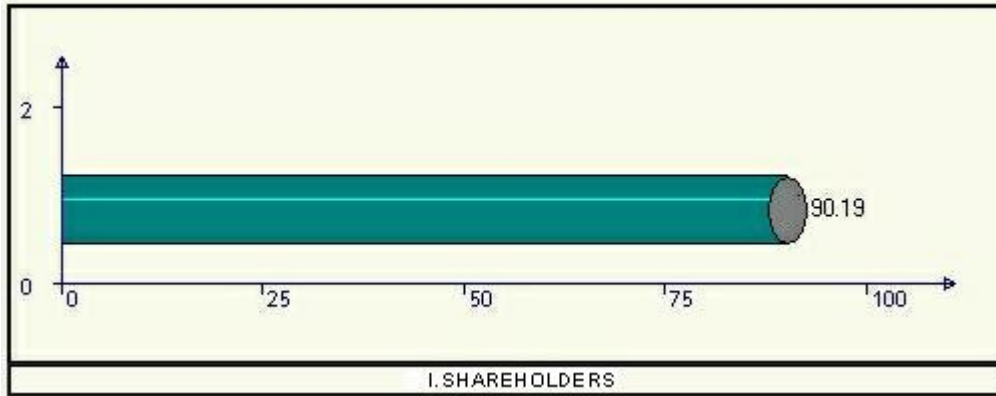
Regional distribution of Petkim's exports, providing \$ 816 million foreign exchange for Turkey, can be examined below.



Source: Petkim Petrokimya Holding A.Ş. 2013 Annual Report

#### 4. RATING SECTIONS

##### A. SHAREHOLDERS



#### Overview

- ✓ Investor Relations Department Manager has the licenses that are made obligatory by CMB.
- ✓ Relations with shareholders continue on a healthy basis.
- ✓ General Assemblies are held in accordance with regulations and main contract.
- ✓ There are no regulations that make the use of voting rights difficult.
- ✓ Dividend policy is updated, presented for the approval of the General Assembly and disclosed to public.
- ✓ Donations and Aid policies are prepared and presented for the approval of the General Assembly.
- ✓ Share purchase policy is updated in accordance with the new CMB Directive and disclosed to public.
- ✓ Minority shareholder's (within the scope of Turkish Commercial Law, article 411) right to call for general assembly is regulated in the main contract.
- ✗ There is privilege in voting right.
- ✗ There are restrictions in transfer of shares.

In this section, as stated CMB's Corporate Governance Principles, the company was evaluated on 115 different criteria, including **Facilitation of Shareholders' Rights**, shareholders' right to **Obtain and Review Information**, shareholders' right to **Attend the General Assembly**, shareholders' **Right to Vote**, **Rights of Minority Shareholders**, shareholders' **Right for Dividend** and shareholders' right to **Transfer Their Shares** to whomever they want, whenever they want. The company's grade for this section is **90.19** points.

#### a. Facilitation of the shareholders' rights

Investor Relation Unit is organized under Internal Audit and Investor Relations Coordinatorship. The Coordinatorship reports directly to General Manager. İlkay ÇETİN (Investor Relations Supervisor) and Emre Can YÜCEOĞLU (Investor Relations Expert) work at the department under the management of Internal Audit and Investor Relations Coordinator Mustafa ÇAĞATAY.

Internal Audit and Investor Relations Coordinator Mustafa ÇAĞATAY has CMB

Advanced Level License and Corporate Governance Expertise License. PETKIM, which is among BIST Second Group Companies according to CMB Corporate Governance Directive no II.17-1, has fulfilled the obligation for its Investor Relations Director to have CMB license. The aforementioned employee was appointed as a member of Corporate Governance Committee on 28.03.2014.

It has been found that the employees working at Investor Relations Department have adequate qualifications in terms of knowledge and experience required for the task, that they play an effective role in protection and facilitation of shareholders' rights, starting with the right to obtain and review information in particular.

Job description of Investor Relations Unit has been made and the internal regulation includes the duties stated at the 11/5 item of CMB Corporate Governance Directive No II-17.1.

Any data that might affect the exercise of shareholders' rights are currently at disposal of shareholders on the corporate Internet website.

In this subsection **PETKIM** has achieved high level compliance with the principles.

#### ***b. Right to Obtain and Review Information***

The information required for the proper exercise of shareholders' rights are presented to the shareholders and to this end the company's web site ([www.petkim.com.tr](http://www.petkim.com.tr)) is used efficiently.

All information concerning the company has been given on time, truthfully and completely. There have been no warnings or

penalties on this issue given by Regulatory authorities.

It has been seen that inquiries of shareholders - through phone and / or other means of communications - have been responded in the shortest time and sufficient care has been given for them to obtain and review information. As it is mentioned in the Corporate Governance Principles Compliance Report, shareholders' oral or written questions on the operations of the company, general assembly meetings and share transactions were answered in 2013. Monthly average has been 65 inquiries.

The "Disclosure Policies" appear on the website, explaining in detail the shareholders' right to get and review information under the aforementioned policies.

There is no regulation and practice at shareholders' right to obtain and review information to be cancelled or constrained by the Articles and/or a decision by any corporate organ. There are no regulations and practices to make difficult for shareholders' right to demand appointment of a special auditor in the general assembly; but there is no regulation in the main contract on this issue. However with the statement of: "Although there is no regulation in the main contract on demanding appointment of a special auditor in the general assembly, shareholders' right to get and review information has been legally ensured with Article 438 of Turkish Commercial Law", the right of shareholders to demand special auditor has been underlined in the Corporate Governance Compliance Report.

It is confirmed that the Company has achieved significant compliance with the principles in this subsection.

### **c. Right to attend the General Assembly**

Due to the practices in the general assembly, **PETKİM** has adjusted a good compliance with many principles hereunder.

The General Assembly meeting to discuss operations of 2013 took place on 28.03.2014; Its announcement was made on 03.03.2014. It has been found that financial tables, annual reports, audit reports and Board's dividend proposal, all of which should be ready for the review of shareholder according to article 437 of Turkish Commercial Law no 6102 and other announcements that partnership should make in accordance with regulations and Corporate Governance Principles have been shared with shareholders three weeks before the General Assembly.

General assemblies are held at the company's head office, avoiding inequalities among shareholders.

The total number of shares, reflecting the Company's current partnership structure and voting rights has been disclosed for shareholders and public through corporate internet website simultaneously with the announcement of general assembly. It is also observed that the shareholders have been notified about number of shares representing privileged shareholders and voting rights. It is found that the shareholders have been informed about possible candidates and reasons of change in the event of having the change of board members on the agenda.

It is also learned that the shareholders have been informed on demands for agenda items made by shareholders, CMB, other public institutions and or enterprises. The issues that were demanded in writing by shareholders to be on the agenda were taken into consideration by the board of directors.

When the agenda was being prepared, special care was given to express the items clearly in order not to cause different interpretations and to avoid using expressions like "other" or "various".

At the general assembly meeting, dated 28.03. 2014, where our experts also attended it was observed that all of the board members, company auditor, officers responsible for preparing financial tables and persons related to specific issues on the agenda were available. The representative of the firm, which conducts independent audit of the company, has also attended the general assembly.

It has been found that the items on the agenda were separately voted and the results were shared with shareholders before the closure of the meeting. It has also been noted that the chairman of the meeting has taken great care to have the issues of the agenda expressed objectively, comprehensively, clearly and simply. Shareholders have been able to express their opinions and ask questions under equal circumstances.

It has been seen that the chairman of the meeting let all the questions of shareholders to be answered, except those that are accepted as commercial secret. All the questions and answers have been disclosed to public by being recorded at the minutes and annual reports.

Allowing majority shareholders, board members, managers with administrative responsibilities their spouses and first and second degree relatives to have transactions that might cause conflict of interest with the company or its subsidiaries or to engage in commercial activities in the same business area with the company or its subsidiaries in



their own name or on behalf of someone else or joining another company, who operates in the same business area, as unlimited partners was included in the general assembly agenda as an issue. Shareholders were also informed as a separate item of agenda that aforementioned persons had no transactions within this scope and this information was recorded in meeting minutes.

General Assembly was informed that company did not give guarantees, pledges, mortgages and bails or provide revenue or interest in favor of third persons, in accordance with article 12 / 4 of CMB's Corporate Governance Directive numbered II-17.1. In another item, the general assembly was informed on amount of all aids and donations for that period.

The announcement document says that general assembly meetings are open to public including stakeholders and media, without right to address the meeting and this issue has been regulated in the Articles.

In this subsection the company has achieved a fairly good compliance with principles.

#### **d. Voting Right**

Neither the Articles nor the internal procedures contain any difficulties to exercise the voting right and opportunity to exercise the voting right in the easiest and most convenient manner is given to each shareholder.

It is possible for the shareholders' to exercise their voting right in person or by proxies, whether member or not at the general assemblies, the members are submitted with the specimen proxies to be used for this purpose at firm's headquarters and on corporate internet website.

The voting method is regulated in the Articles and shareholders are also informed on the subject at the meetings.

**PETKİM** doesn't have a subsidiary with mutual relationship which brings sovereignty.

According to the Articles each share provides one voting right. However, the 11<sup>th</sup> article of the Main Contract gives to C group shareholders privilege of putting forward candidacies for board members. This practice has been evaluated as an area open for improvement.

#### **e. Minority Rights**

There has not been any violation of exercise on minority shareholders' rights as basic shareholders in terms of attendance to the general meeting, representation by proxy, imposition of no upper limit for voting rights. In this manner it is found that care is given to the exercise of minority rights.

It is welcomed that the company has made an arrangement in the 30<sup>th</sup> article of the Main Contract enabling minority shareholders to call for general assembly meeting, in accordance with article 411 of Turkish Commercial Law.

#### **f. Dividend Right**

Pursuant to the criteria laid down by CMB "Dividend Directive" no II-19.1, issued by Official Gazette dated 23.01.2014, No: 28891, the Company has revised its Dividend Policy and it was approved by the shareholders at the general assembly on 28.03.2014 .

Dividend policy contains the minimum data enabling the investors to foresee the procedure and guidelines for distribution of profit to be generated by the company in future periods. With this document the company announced to the shareholders that as its dividend policy for 2013 and following years it accepts as a principle to distribute maximum dividend for shareholders, taking into consideration its mid and long term

strategies, investment and finance plans and economic developments. The dividend policy for 2013 and following years envisages distributing profits, not less than 50 % of Company's distributable annual profits.

It is also indicated in the dividend policy that a stable policy will be adapted during the distribution of profits, which will keep the balance between the interests of shareholders and the interests of company; that in case of not distributing dividend proposed by the Board of Directors in the general assembly, its reason and information on the usage of undistributed profit will be presented to the shareholders in the general assembly and; that dividends will be paid within legally defined duration.

The fact that the subject paying dividend advance has already been regulated in the Main Articles is a positive point.

Dividend Policy is disclosed to public in the electronic environment and annual report.

In accordance with CMB directive numbered II-14.1, the company has announced a net profit of TL 48,896,680 in its consolidated financial tables for the period of 01.01.2013 - 31.12.2013. At the general assembly meeting on 28.03.2014, it was decided to distribute TL 47,000,000 dividends (TL 44,400,000 from distributable net profit and TL 2,600,000 from extraordinary substitutes envisaged to be distributed) on 01.07.2014 and distribution took place on that date.

For this subsection **PETKİM** has achieved high level compliance with the principles.

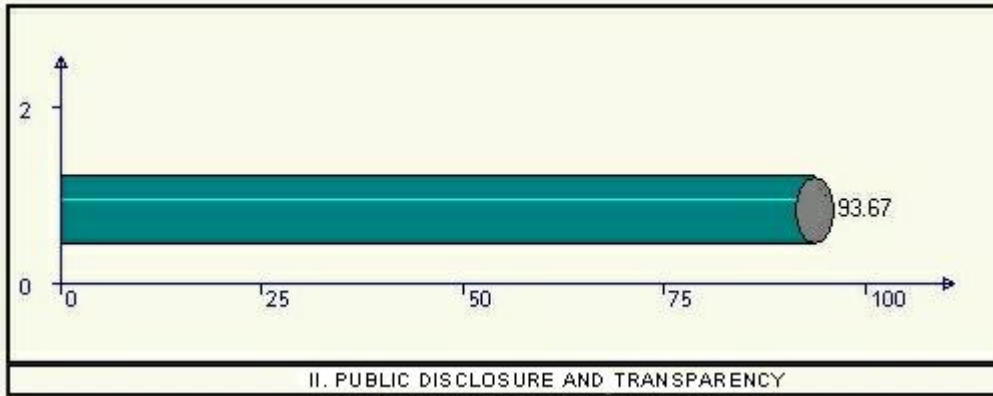
#### ***g. Transfer of Shares***

According to Article 9 of company's main contract, the transfer of bearer company shares (except those traded at stock exchange) is subject to the approval of Board

of Directors. In order for the Board to approve it, the Board member representing C group shares should vote positively.

C group shares can be transferred to another Turkish Public Enterprise, which has the same authority given to Prime Ministry Privatization Administration by the Law numbered 4046. In such a case the transfer can immediately be put in the stock register without requiring any Board decision.

## B. PUBLIC DISCLOSURE AND TRANSPARENCY



### Overview

- ✓ Disclosure policies have been revised, announced to the public in electronic media and approved by general assembly.
- ✓ The corporate internet website is being used effectively as a tool to update and enlighten the public within the context of the principles.
- ✓ The information and documents that are required to be on the website by principles are published on the basis of last 5 years.
- ✓ Information in the website has also been prepared in English.
- ✓ Ultimate majority real person shareholders of the company are disclosed to public.
- ✓ The annual report is prepared comprehensively and its content meets the principles.
- ✗ There is no information in the annual report about major events, which have taken place between the end of fiscal period and the meeting of general assembly.

As for this section, the Company has been assessed by 88 different criteria under the headings of **Corporate Internet Website** and **Annual Report** as laid down in the Corporate Governance Principles of the Capital Market Board, for which the Company has deserved the grade of **93.67**.

**PETKİM** fulfils its public disclosures under its Public Disclosures Policies developed by the board, approved by the general assembly and disclosed to the public. Company's disclosure policy is revised according to CMB's Special Conditions Notification numbered II.15.1, which came into effect after published in Official Gazette no 28891, dated 23.01.2014 and presented to and approved by the shareholders at general assembly on 28.03.2014 and disclosed to the public.

The public disclosure policy contains what to be disclosed to public in addition to those required by the legislation, how, in what frequency and by which channels such data will be disclosed to public, the technique to be used to respond to questions directed to the company.

Principles about the disclosure of information intended for future is in the disclosure policy. In a case of disclosure to public, it has been observed that assumptions and hypothetical data are also disclosed, and information doesn't contain exaggerated predictions. Furthermore, it's in line with company's financial situation and annual reports.

### **a. Corporate Internet Website**

The corporate internet website ([www.petkim.com.tr](http://www.petkim.com.tr)) serves as an active and effective platform for public disclosure and its coverage is updated continuously. The information appearing on the corporate internet website is consistent with announcements made pursuant to the relevant regulation and doesn't contain conflicting and missing information.

The corporate internet website covers the commercial registry details, the shareholding and management structure as of the latest situation, the final text of company's Articles of Association, the special case statements, the financial reports, the annual reports, the agenda of the general assemblies, the lists of attendees, the proceedings of the assemblies, the specimen Proxy, the dividend policy, the disclosure policy, remuneration policy, the compensation policy of employees, redemption of shares policy, the donations and grants policy, corporate social responsibility policy, human resources policy, the Ethical Rules developed by the Company, information requests, questions and notifications and answers given under frequently-asked questions title in addition to the coverage of mandatory disclosure pursuant to the legislation.

The Internet website coverage is disseminated in the English Language as well to ensure that international investors benefit from it.

In accordance with the capital market, regulations financial chart notifications were disclosed on Public Disclosure Platform in Turkish and English simultaneously. In order to help people to make decisions, English text is summarized in a brief, correct, complete,

direct, comprehensible and sufficient manner and in consistency with the Turkish text.

In this subsection **PETKIM** has achieved a very good level compliance with the principles.

### **b. Annual Report**

It is clear that board of directors has prepared the annual report about the company's activities in such a way that comprehensively provides complete and correct information. Annual reports of the last five years are being shared with the shareholders and the public on electronic media.

The content of annual reports comprises;

- Résumés and tenures of board members and senior managers,
- Information about the sector that company operates in and about the its position within the sector,
- Changes made on the articles of association during the period and their reasons,
- Report on compliance to corporate governance principles,
- Information on related party transactions and balances, which is obligatory to disclose according to the regulations,
- Independent audit reports.

In addition to topics quoted in regulations and other parts of corporate governance principles, annual reports include information on;

Board members' and managers' ongoing jobs outside the company,

Declarations of independent board members on their independence,

Members of subcommittees within the board of directors and meeting frequencies of these subcommittees,

Changes of regulations, which might significantly affect company operations,

Important law suits against the company and their possible conclusions,

Social rights and professional training of employees, as well as other company activities that have social and environmental impacts and corporate social responsibility activities,

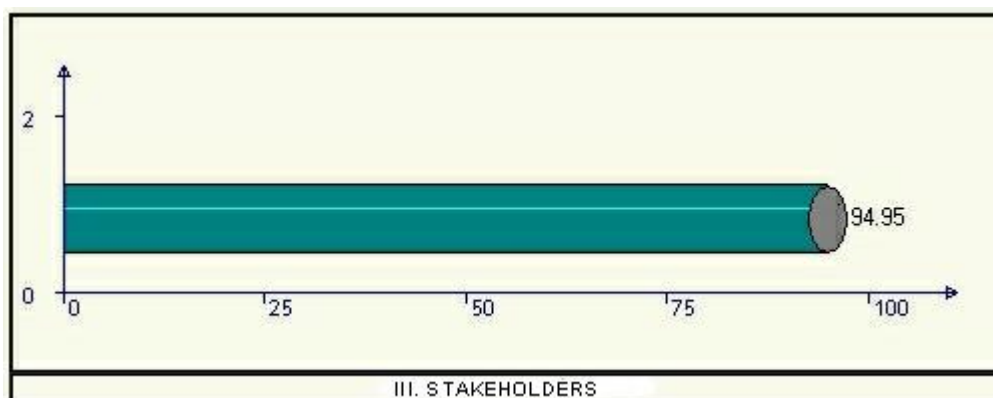
Board's declaration of responsibility and auditor report,

The need for permission by the general assembly for majority shareholders, board members, managers with administrative responsibilities their spouses and first and second degree relatives to have transactions that might cause conflict of interest with the company or its subsidiaries or to engage in competitive commercial activities.

The fact that there were no information on company measures to prevent conflict of interest between the company and service suppliers in the fields like investment consultancy and rating is seen as an area of annual reports, which needs re – regulating.

In this subsection **PETKİM** has achieved a rather good level compliance with the principles.

## C. STAKEHOLDERS



### Overview

- ✓ Ethical Rules have been formed, and disclosed through electronic means.
- ✓ There are no regulations to complicate stakeholders' rights.
- ✓ Human resources policy and many subjects concerning stakeholders, like customer information procedures and relations with suppliers are internally regulated.
- ✓ Employees are provided with a safe and pleasant working environment.
- ✓ There has been no complaint by employees about discrimination and using rights.
- ✓ Compensation Policy towards employees have been formed and disclosed to public.
- ✓ Care is given to confidentiality of information about customers and suppliers on trade secret basis.
- ✗ There are no regulations in the Articles of Association supporting participation to management of employees and stakeholders.

As for this section, the Company has been assessed by 57 different criteria under the headings of **Company Policy Towards the Stakeholders, Supporting Stakeholders' Participation in Company Management, Company Policy on Human Resources,**

**Relations with the Customers and Suppliers, Ethical Rules and Social Responsibility** as laid down in the Corporate Governance Principles of the Capital Market Board, for which the Company has deserved the grade of **94.95**.

#### a. Company Policy Towards Stakeholders

The Corporate Governance Principles describe the Stakeholders as an individual, organization or interest group as employees, creditors, customers, suppliers, trade unions, various non-governmental organizations having an interest in attainment of company's objectives or in its operations. It is concluded that **PETKIM** protects the stakeholders' rights specified in regulations and mutual agreements.

It is concluded that the company respects the stakeholders' rights, specified in regulations and mutual agreements. The impression is that in case of lack of any regulation, the company respects stakeholders' rights within goodwill rules and company's reputation. It is observed that many internal regulations were prepared to this end.

Compensation Policy towards employees has been developed and disclosed to public via corporate website.

Stakeholders are adequately informed on company policies and procedures to protect their rights, necessary mechanisms have been formed to transmit operations contrary to company's legislations and ethically improper to Corporate Governance or Audit Committees.

In this subsection **PETKİM** has achieved a considerable level compliance with the principles.

#### ***b. Supporting Stakeholders' Participation in Company Management***

Methods to support employees' and other stakeholders' direct participation to company management are not included in The Articles. However, the employees are able to share their suggestions that will create added value for the company with the management through "Suggestion System". Employees' opinions and suggestions are assessed by authorized units and those that are found appropriate are put into effect. Blue – collar employees are also able to participate to management by conveying their suggestions, demands and opinions through their union. Employee Satisfaction Survey is another means through which the employees can express their wishes and demands for the improvement of the enterprise they are working for.

Among the most important channels for the company to communicate with customers and suppliers are Customer Information System, Supplier Information System and Transportation Information System. Thanks to these systems, accessible at the online

address of [www.petkim.com.tr](http://www.petkim.com.tr), the customers and suppliers can convey opinions and suggestions. Complaints and suggestions from these channels, as well as the feedback from customer satisfaction survey, are assessed and their results are reflected in business processes.

#### ***c. Company Policy on Human Resources***

Procedures on recruitment, working conditions, register files, disciplinary practices, power and commitment of employees, remuneration, health rights, leave rights, promotion, task alteration and dismissal, death, resignation, retirement and education has been developed and it's been observed that the company sticks to these policies in practice. Both during development of the policies and practice we got the impression that equal opportunity is given to individuals under the equal conditions.

Recruitment and career planning procedures have been developed and tradition to comply with these procedures has been developed.

Performance and reward criteria have been established and disclosed to employees. In the interview with Human Resources managers it has been found that the mentioned criteria is followed in determination of benefits provided to employees

It has been seen that the company implements education programs to increase knowledge, capability and experience of the employees and prepares education policies. In the period between 06.2013 and 06.2014, the company organized 70,450 hours of education under 46 different educational titles. It has been learned that 58,000 hours of education took place.

Information is given to employees on subjects such as remuneration, career, education and health via corporate website. It has also been expressed that performance meeting attended by board members and top management, as well as employees convenes once a year. Exchange of opinions on abovementioned issues and company's financial situation take place at this meeting

The company's organization chart has been formed according to working conditions and units and number and qualification of employees for these units have been developed with written internal regulations.

As a result of examinations at the company and interviews with employees, we have reached the information that the employees are provided a safe working environment and conditions and that there exists no discrimination among employees in terms of race, religion, language and gender.

The authorities declared that regulations for employees are updated where necessary and shared with the employees through the corporate website and / or at meetings.

As of **30.06.2014**, a total of **2.366** people were employed (**509** white collar and **1.857** blue collar) at the company. There is union organization for blue collar employees. Freedom of establishing association or being member of one is not restricted, on the condition getting permission first.

Employee stock-options schemes are not developed.

In this subsection **PETKİM** has achieved high level compliance with the principles.

#### ***d. Relations with Customers and Suppliers***

It has been noted that processes about customers, suppliers and outsourced services are prepared and their standards are determined.

It is understood that the company takes every precaution to ensure customer satisfaction in marketing and sales of products and services. Within this scope, "PETKİM Customer Communication Line" at the online address of [www.petkim.com.tr](http://www.petkim.com.tr) was put into service in 2013 to provide an easy access to company for the customers. Suppliers, transporters, other persons and enterprises commercially related with the company can also convey their demands, suggestions and complaints to the company using same address. Company officials have declared that PETKİM has been the first company moving into TSE-ISO 10002 Customer Satisfaction Management System as a result of its work on customer – focused sales and marketing policy.

The company also conducts "Supplier Satisfaction Survey", organizes meetings and pays visits to get feedback on suppliers' needs and expectations. It is learned that the results are assessed and necessary improvements are done. 141 domestic suppliers and 41 suppliers from abroad participated to these surveys in 2013. The authorities told us that the average satisfaction rate for domestic and foreign suppliers was 90.23 % and it was well over the target of 80 %.

It has also been declared by the officials that information and documents obtained from customers and suppliers during the activities are kept confidential within the scope of



trade secret security not to be reached by unrelated individuals.

In this subsection **PETKIM** has achieved a very good level compliance with the principles.

#### ***e. Ethical Rules and Social Responsibility***

Business Ethic Rules required to be complied by all employees are laid down, approved by the Board and appears on the company website. Our impression is that activities are conducted within the framework of ethical rules that are disclosed to public.

On close examination it is seen that the ethical rules are very comprehensive and compliant with the principles. The company has made comprehensive arrangements in its ethical principles to fight all sorts of corruption including embezzlement and bribery. The sanctions to be taken against employees who violate ethical principles are written on work contracts

The company launched PETKIM Academy in 2013 in order to put its expertise and experience in petro chemistry into the service of its employees, some stakeholders from the industry and all industrial enterprises under an academic organization. Training is given by internal trainers and through educational cooperation at the academy. The training program is appropriate for the management, market strategies of industrial enterprises, as well as their organization of technical functions, quality, production and maintenance. Alongside this program, it is aimed to meet educational and development demands of employees, customers, as well as technical and managerial staff like foremen, technicians, engineers or managers. The experienced and qualified trainers at PETKIM Academy schools have all attended to

”Education of Trainers” programs on preparing impressive presentations and training programs and received their certificates.

Haydar Aliyev Technical and Industrial Vocational High School, built by the company, has been transferred to the Ministry of National Education to enroll students for the academic year of 2012-2013. With a capacity for 720 students, the school cost TL 16 million.

Also supporting sports activities, the company is the main sponsor of Aliğa PETKIM Basketball Team.

As part of its corporate social responsibility policies PETKIM has disclosed to public that as a petro chemical complex who is ‘Respectful for Human Beings and Environment’, it determined work safety and environmental protection as priority targets.” PETKIM has invested more than \$ 210 million in environment within last 11 years. It is also learned that PETKIM keeps its chimneys with high thermal output open for 7 / 24 online inspection of Ministry of Environment and Urban Planning.

580 olive trees on the earthworks field for STAR Refinery and on the PETKIM Port feedback area have been transferred by Menemen Forestry Department teams to PETKIM Ataturk Olive Grove in Yeni Şakran, which comprises a total of 6,000 olive trees. 540 olive trees on the field of STEP Energy Plant have been transferred to field of 60 decares in Aliğa.

The income from these trees will be used to finance the project, titled, “Smiling Caps, Smiling Faces”, which is organized by Aliğa Urban Council in order to provide vocational help for disabled people.

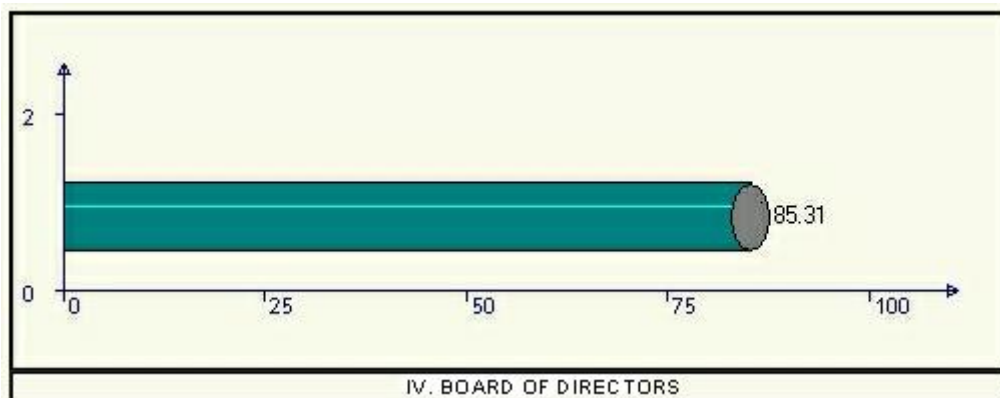
At two fields – total area 228 decares – in Güzelhisar village, Aliğa, 14,150 young trees have been planted. The Third Haydar Aliyev Friendship and Remembrance Forest – first two were formed in 2010 and 2011 - has been formed near Örlemiş village, Yenişakran. All afforestation areas will be transferred under the responsibility of Regional Forestry Directorate five years after the signing of protocols.

PETKİM has also decided to support the “Technical Assistance Project to Increase the Implementation of SEVESO II Directive” as a pilot project. Launched by the Ministry of Environment and Urban Planning in 2013, the project aims to strengthen corporate infrastructure against possible big industrial hazardous material accidents and limit the damage on environment, as well as preventing big industrial accidents.

Using a wide range of energies including natural gas, electricity, hydrogen, steam and other hydro carbon fuels, PETKİM implements many projects in order to use energy most efficiently. As a result of its hard work in this area the company received TS EN ISO 50001 Energy Management System Certificate after the inspection of TSE.

In this subsection **PETKİM** has achieved a very good level compliance with the principles.

## D. BOARD OF DIRECTORS



### Overview

- ✓ Company's strategic targets, human and financial sources it requires are determined by the Board of Directors.
- ✓ The posts of Chairman and CEO are carried out by separate individuals and there isn't any person with solely unlimited authority in the company.
- ✓ The number of Board Members is adequate for them to work productively and creatively.
- ✓ All Board Members are non-executives.
- ✓ 3 Board Members are independent members.
- ✓ Every Board Member has one vote.
- ✓ There isn't any loan/credit involvement between Board Members and company.
- ✓ Corporate Governance, Audit and Early Detection of Risk Committees have been established and working principles are determined.
- ✗ Privilege has been given to the board member, who represents C group shares, for some decisions.
- ✗ No targeted ratio and policy have been prepared for women members of the board, for a ratio no less than 25 %.
- ✗ There is no practice of self-criticism and performance evaluation for Board Members, both as board and as members.
- ✗ Board members are not insured against damages they might cause to the company due to mistakes in the discharge of their duties.
- ✓/✗ The remuneration and other interests provided for managers with administrative responsibilities are not disclosed on personal basis in the annual report.

In this section, the Company has been assessed by 141 different criteria under the headings of **Function of the Board, Operating Principles of the Board, Structure of the Board, Mode of Board Meetings, Committees formed within the Board and Financial Benefits Provided to the Directors and the Top Executives** as laid down by the Capital Market Board's Corporate Governance Principles, for which the Company has gained the grade of **85.31**.

#### **a. Function of Board**

By the strategic decisions it will take, the Board manages and represents the company keeping the risk, growth and return balance with paying attention to company's long term interest in particular under a reasonable and prudent risk management approach. In this sense, the Board has described the corporate strategic objectives, and determined the required human and financial resources.

The Board monitors company activities to be compatible with regulations, main articles, internal procedures and established policies and audits management performance.

The Board is authorized to make decisions, to determine the strategy and represent the company at the highest level.

In this subsection, **PETKİM** has achieved a high level compliance with the principles.

#### **b. Operating Principles of the Board**

Board of Directors of **PETKİM** conducts its activities in an open, accountable, fair and responsible fashion.

The distribution of responsibilities among board members, duties and powers of members are disclosed to public in the annual report.

The Board has developed internal control systems including risk management and IT systems to minimize effects of risk and processes on shareholders and stakeholders. It is found that the Board reviews at least once a year the effectiveness of risk management and internal control systems.

None of company's staff has the authority to decide solely and unrestricted. Posts of Chairman of the Board and CEO are held by different individuals. Powers of the chairman of the board and general manager are separated and this separation is regulated in the Articles of Association.

Our impression is that the Board plays a leading role in the maintenance of effective communication and in easing and resolving disputes that might arise between the company and the shareholders. To this end, the Board is in close cooperation with the Corporate Governance Committee and Investors' Relations Department.

In this subsection, the company has achieved a rather good level of compliance with the principles. However Manager Liability Insurance amounting to over 25% of the capital against defects of Board Members duties has not been made and it is deemed as an imperfection.

#### **c. Structure of the Board**

Company's Board is formed with 9 members one being the Chairman. The requirement of at least 5 members to form the Board has been met and the number of Board Members found sufficient to serve effectively and constructively and to form and arrange organization of committees.

The Board comprises non-executive directors. On the other hand three (3) of non-executive directors are independent ones, meeting the criteria laid down by Capital Market Board. Corporate Governance Committee (as Candidate Nomination Committee) has assessed the nominations for independent candidates, including the management and shareholders, according to whether the candidate has had the criteria for being

independent and sent its evaluation as a report for board's approval. The independent Directors have presented their written representations that they are independent under the legislation, the Articles and the criteria laid down by the Principles to the Board and these representations are disclosed to public on electronic environment, annual report and Corporate Governance Compliance Report.

There are no women directors in the Board. It will be appropriate for the company to determine a target ratio – no less than 25 %, a deadline and policies to reach these targets and report progress on these targets annually to the Board.

On the other hand, Manager Liability Insurance amounting to over 25% of the capital against defects of Board Members duties has not been made.

In this subsection, the company has generally achieved compliance with the principles.

#### ***d. Mode of Board Meetings***

The Board comes together frequent enough to implement its duties efficiently. Numbers of Board meetings, required majority to convene and to take decisions are written in the Articles of Association.

Mode of the Board meetings is made written in company internal regulations. The following information is given In the "Working Principles and Procedures of the Board of Directors";

- Invitations to meetings and preparation procedures are defined
- Distribution of responsibilities in the Board will be done at the first meeting after election,

- Meeting frequency of the board,
- Method of preparing the agenda for the meeting,
- Information and documents related on the topics of the agenda will be presented to the examination of members at least 3 (Three) days prior the meeting,
- Each member is entitled with one voting right,
- The Board Members have the obligation to provide information to each other and managers have the obligation to provide information to the Board.

Many more topics mentioned in the principles are decreed including acting in accordance with this regulation in practice.

It is found that board meetings take place regularly. The Board convened 10 (Ten) times in the period between 30.06.2013 and 30.06.2014.

There are no restrictions on board members' taking jobs outside the company. However it is seen that members take care to allocate the necessary time for company affairs.

C group 1 (One) share of PETKIM capital belongs to Prime Ministry Privatization Administration. With a arrangement in the 15<sup>th</sup> article of main contract, validity of some decisions have been made conditional on the positive vote of the board member, elected from C group.

In this subsection **PETKİM** has achieved sufficient level compliance with the principles.

**e. Committees Formed Within the Board**

In order for the Board to fulfill its duties and responsibilities soundly, Auditing Committee, Corporate Governance Committee and Early Detection of Risk Committees are formed. A separate Nomination and Remuneration Committees haven't been established because of the Board's structure. These duties are carried out by Corporate Governance Committee. Working rules of Corporate Governance Committees is determined accordingly.

Board of Directors determined the committee's duties, working principles and which members to be consist of in written documents, which were approved in the general assembly and disclosed to public via electronic means, as well as Public Disclosure Platform.

All members of the Audit Committee and minimum the Chairman of other committees are appointed from independent members. The General Manager has no assignment in any committee.

All sources and support are provided by the Board to ensure the committees perform their obligations.

Committees invite appropriate executives to their meetings to benefit from their opinions. All discussions in committees are recorded in writing.

Committees convene with the frequency deemed necessary for the efficiency of their work and declared in working principles. They submit the reports covering meetings and results to the board of directors.

**The Audit Committee;** monitors performance and effectiveness of company's accounting system, public disclosure of financial information, independent audit and internal control system. The selection of independent audit company and supervision of its work at every stage is implemented by the audit committee. The committee reassesses company's processes and activities on subjects like accounting system, financial reporting, public disclosure, internal control and audit system, independent external audit, law, regulation and compliance with ethical principles. If it deems necessary, the committee makes suggestions to the board.

Internal Audit and Investors Relations Coordinatorship audits the effectiveness and performance of internal control and risk management systems within the scope of annual audit plan according to risk managements. Audit results are reported to the general manager and Audit Committee.

On the other hand, it's explained by the officials that internal control mechanisms had been established for all levels of personnel to implement and follow in order to ensure that company activities are carried out in accordance with current legislation and within the framework determined by the Board of Directors and that the integrity and reliability of accounting and reporting systems are ensured.

The Audit Committee convened 4 (Four) times in 2013 and 4 (Four) times in the first half of 2014.

The Committee comprises 2 (members) and both members meet the criteria for independent board members as laid down by CMB.

**Audit Committee comprises the following members:**

Ad Soyadı	
İlhami ÖZŞAHİN	Chairman (Independent)
Muammer TÜRKER	Member (Independent)

**Corporate Governance Committee;** establishes whether the corporate governance principles are implemented in the Company, as well as the grounds for non-implementation, if applicable; conflicts of interest, if any, arising from failure to fully comply with these principles, and discloses to public through Corporate Governance Compliance Report.

The Committee consists of 5 (Five) members. Its structure complies with the principle which requires that all of the members – if there are only two – or majority of members – if there are more than two – should consist of non-executive Board Directors.

In accordance with CMB Corporate Governance Notification number II.17-1, Investor Relations Unit Coordinator Mustafa ÇAĞATAY has been appointed as a member of Corporate Governance Committee as of 28.03.2014.

Corporate Governance Committee convened 3 (Three) times in 2013 and 3 (three) times in the period between 06.2013 and 06.2014. It reported meeting results to the board.

**Corporate Governance Committee comprises the following members:**

Ad Soyadı	
Hulusi KILIÇ	Chairman (Independent)
Mehmet Hayati ÖZTÜRK	Member (Non - Executive)
Farrukh GASSIMOV	Member (Non - Executive)
Kenan YAVUZ	Member (Non - Executive)
Mustafa ÇAĞATAY	Member (Internal Audit and Investors Relations Coordinator)

**Early Detection of Risk Committee** is responsible for the early detection of the risks that may endanger the existence, development and sustainability of the company, implementing necessary measures for the risks determined and managing the risk. It reviews the risk management system for minimum once a year. Working principles of the committee have been prepared and disclosed to public in electronic environment.

Early Detection of Risk Committee convened 8 (Eight) times in the period between 06.2013 and 06.2014 and reported the meeting results to the board.

**Early Detection of Risk Committee comprises the following members:**

Ad Soyadı	
Muammer TÜRKER	Chairman (Independent)
İlhami ÖZŞAHİN	Member (Independent)
Süleyman GASIMOV	Member (Non - Executive)

In this subsection the company has achieved a good level of compliance with the Corporate Governance Principles of CMB.

**f. Financial Benefits Provided to the Directors and the Top Executives**

Guidelines on compensation of the Directors and top executives are written and disclosed to public in the electronic environment. After the examination of minutes and interviews with the managers, it has been found that remuneration principles for board members and top managers disclosed to partners as the 15<sup>th</sup> item at the general assembly on 08.05.2012 and that the shareholders had the opportunity to express their opinions.

It is observed that actions have been taken in compliance with the principle that the stock-

options or payment plans based on the corporate performance are not used for remuneration of the independent directors. The emoluments of independent directors are sufficient to protect their independency.

It is found that the Company has not lent and extended loan to any Director or top executive or made available any credit under personal loan through any third person or provided securities such as surety in favour of them.

Remuneration and all other benefits provided to directors and top executives are explained, meeting the statement of “on personal basis or board and top executive basis” on the Corporate Governance Compliance Report format chapter 5.6, prepared by CMB, by making the separation between board and top executive.

The issues below are determined as areas in need of improvement in this subsection;

There is no target ratio, deadline or policy for the ratio of women – no less than 25 % - in the board,

Despite the fact that the board is responsible for the achievement of publicly declared operational and financial performance targets of the company, there is no explanation in the annual report about the reasons in case they have not been achieved,

The board doesn't evaluate its performance or self criticize itself on personal basis or as a whole,

The practice of awarding or dismissing board members on the basis of their performance doesn't exist,

Remuneration and other benefits that are provided for board members and top executives are not explained in the annual report on individual basis.



**5. KOBİRATE ULUSLARARASI KREDİ DERECELENDİRME VE KURUMSAL YÖNETİM HİZMETLERİ**  
**A. Ş. CORPORATE GOVERNANCE RATING GRADES AND DESCRIPTIONS**

GRADE	DEFINITIONS
9-10	<p>The Company achieved a substantial compliance with to the Corporate Governance Principles issued by the Capital Market Board.</p> <p>Internal control systems are established and are operational. Any risks to which the Company might be exposed are recognised and controlled effectively.</p> <p>The rights of the shareholders are impartially taken care of.</p> <p>The level of public disclosure and transparency are high.</p> <p>Interests of the stakeholders are fairly considered.</p> <p>The structure and the working conditions of the Board of Directors are in full compliance with the Corporate Governance Principles.</p> <p>The Company is eligible for inclusion in the BIST corporate governance index.</p>
7-8,9	<p>The Company complied considerably with the Corporate Governance Principles issued by the Capital Market Board.</p> <p>Internal control systems are in place, and operational, although some improvements are required.</p> <p>Potential risks, which the Company may be exposed are identified and can be managed.</p> <p>Benefits of the shareholders are fairly taken care of. Public Disclosure and transparency are at high levels. Interests of the stakeholders are equitably considered. Composition and operational conditions of the Board comply with the Corporate Governance Principles.</p> <p>Some improvements are needed in compliance with the Corporate Governance Principles even though they do not constitute serious risks.</p> <p>The company is eligible for inclusion in the BIST Corporate Governance Index.</p>
6-6,9	<p>The Company has moderately complied with the Corporate Governance Principles issued by the Capital Market Board.</p> <p>Internal Control systems at moderate level have been established and operated, however, improvement is required.</p> <p>Potential risks that the Company may be exposed are identified and can be managed.</p> <p>The interests of the shareholders are taken care of although improvement is needed.</p> <p>Although public disclosure and transparency are taken care of, there is need for improvement.</p> <p>Benefits of the stakeholders are taken care of but improvement is needed.</p> <p>Some improvement is required in the structure and working conditions of the Board.</p> <p>Under these conditions, the Company is not eligible for inclusion in the BIST Corporate Governance Index.</p>

GRADE	DEFINITIONS
4-5,9	<p>The Company has minimum compliance with the Corporate Governance Principles issued by the Capital Market Board.</p> <p>Internal control systems are in place at a minimum level, but are not full and efficient.</p> <p>Potential risks that the company is exposed to are not properly identified and are not under control.</p> <p>Substantial improvements are required to comply with the Corporate Governance Principles in terms of the benefits of both the shareholders and stakeholders, public disclosure, transparency, the structure and working conditions of the Board.</p> <p>Under the current conditions, the Company is not eligible to be listed in the BIST Corporate Governance Index.</p>
< 4	<p>The Company has failed to comply with the Corporate Governance Principles issued by the Capital Market Board.</p> <p>It also failed to establish its internal control systems.</p> <p>Potential risks that the company might be exposed are not identified and cannot be managed.</p> <p>The company is not responsive to the Corporate Governance Principles at all levels.</p> <p>There are major weaknesses in the interest of the shareholders and the stakeholders, public disclosure, transparency.</p> <p>Structure and working conditions of the Board appear to be at a level that might cause the investor to incur material losses.</p>