



Corporate Governance Compliance Rating Report



Turcas Petrol A.Ş.

12 March 2010

Validity Period : 12.03.2010-12.03.2011

LIMITATIONS

This Corporate Governance Rating Report issued by Kobirate International Credit Rating and Corporate Governance Services Inc. (herein after called “KOBIRATE”) for Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş. (herein after called “Company”) is compiled in accordance with the Corporate Governance Principles Compliance Rating Methodology prepared by KOBIRATE on the basis of the Corporate Governance Principles issued by the CMB in 2005, which are approved by the CMB with its letter of 24.04.2009, no. 5347.

The Rating Report issued by Kobirate International Credit Rating and Corporate Governance Services Inc is based on 67 copies of documents, data, files transmitted by the concerned firm electronically, including data open to general public and examinations made by our rating experts on site.

KOBIRATE has formulated its Ethical Rules according to the Banking Act, the CMB and BRSA Directives on the Operations of Rating Firms, generally accepted ethical rules of the IOSCO and OECD including generally accepted ethical customs, which are shared with the public through its Internet website (www.kobirate.com.tr)

Although rating is an assessment based on numerous data, it is consequently the institutional opinion of KOBIRATE formed in accordance with the methodology disclosed.

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TURCAS PETROL A.Ş.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE GRADE

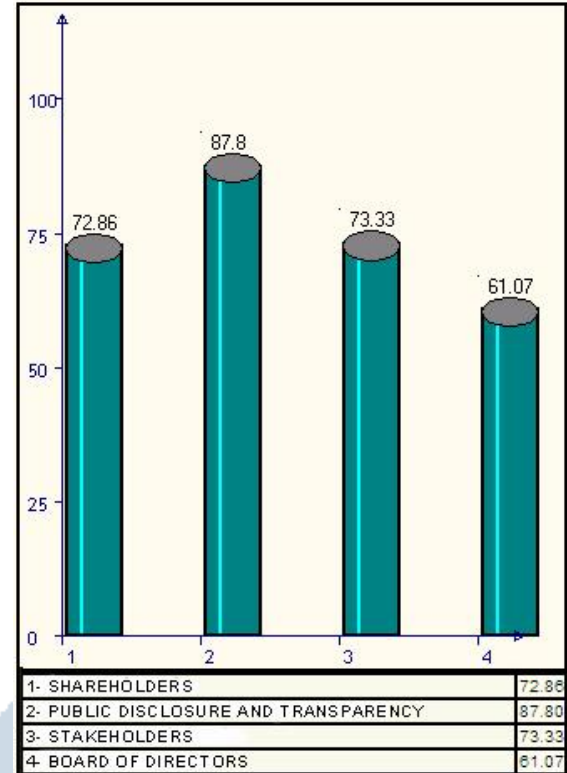
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RATING SUMMARY

At the end of examination of the documents, data and of other reviews, rating of compliance of **Turcas Petrol A.Ş. (TURCAS)** with the Corporate Governance Principles is concluded in accordance with the Corporate Governance Principles Compliance Rating Methodology developed by Kobirate A.Ş. for firms whose stocks are traded on Istanbul Stock Exchange (ISE) according to the Corporate Governance Principles issued and also approved by the Capital Market Board (CMB).

At the end of examination of 313 criteria, data and documents under the headings of Shareholders, Public Disclosure and Transparency, Stakeholders and the Board of Directors as specified in the CMB's Corporate Governance Principles and

methodology of Kobirate International Credit Rating and Corporate Governance Services Inc. The final Corporate Governance Compliance Rating grade of **TURCAS** is **7.52**.

This result indicates that the Company has ensured substantial compliance with the Corporate Governance Principles issued by the CMB and that it is entitled to be traded in the ISE's Corporate Governance Index at high level, however that it is in need of some improvements in respect of compliance with the corporate governance principles though it does not pose big risks.

In view of rating process under main headings in brief;

It is observed that **TURCAS** has obtained the grade of **72,86** in respect of Shareholders section which means that the Company has ensured considerable compliance with the CMB's Corporate Governance Principles.

Especially establishing a regularly operating Shareholders Relations Department and Board of Directors being aware of the importance of Corporate Governance leads to perform the corporate governance related operations more effectively and rapidly.

Further, it is favorable that in time calls to shareholders for the General Meetings including the necessary details, a Dividend Policy being developed and disclosed to public.

On the other hand negative practices observed are: "B" and "C" class shares having concession to nominate candidates for the Boards of Directors and Auditors at general meeting, further some decision making being conditional on affirmative voting of above mentioned shares, minority shares not having right to appoint special auditor and cumulative vote.

Improvement required to be made by the Company is to record the oral claims of the shareholders by the Shareholders Relations Department.

As for Public Disclosure and Transparency, it is observed that **TURCAS** has obtained the grade of **87,80**. It is observed that the firm has ensured almost full compliance with CMB's Corporate Governance Principles in respect of Public Disclosure and Transparency for which has obtained the highest grade in the rating process.

In this section, it is favorable that the Company has developed and announced

its Ethical Rules, Disclosure Policies, the List of individuals subject to Insider Trading to public, announced individual shares on website, Company's Articles of Association regulate prohibitions on commercial or non commercial transactions of the Board of Directors, important decisions taken and reports that might effect the value of capital market instruments being on website, English version of firm's website being available for foreign investors and the External Audit Firm being subject to rotation.

On the contrary, some inadequacies in the annual report are regarded as unfavorable.

It is observed that the firm has obtained the grade of **73,33** in respect of the Stakeholders section. For the purposes of the section of Stakeholders, it is found out that the firm has ensured good compliance with the CMB's Corporate Governance Principles. The firm is operating according to administrative terms of a holding without customer services has begun to purchase a consulting service to realize settlement matching with requirements of the day, and to make internal regulations compatible with this settlement.

Also the firm's established human resources executions have been transformed into written procedures accordingly.

It is favorable for the firm that it has developed its Ethical Rules and Disciplinary Regulations to sustain company assets, and has formed its Social Responsibility and Environmental Principles and Rules and share with public. The stakeholders not to participate company management and no employee-oriented training program has been developed are regarded unfavorable.

An area of improvement to be made is to develop an independent training program to the employees.

In the Board of Directors section, it is observed that **TURCAS** has obtained the grade of **61,07**. It is found out that the firm makes effort to comply with the CMB's Corporate Governance Principles in respect of the Board of Directors section for which it has obtained the lowest grade in the rating process.

It is favorable for the Company that its mission and vision has been set within the Board of Directors and shared with the public; an Audit Committee has been set within the Board, the Directors and Executives not being allowed to make transactions on the firm's capital market instruments. The fact that a Corporate Governance Committee, a Risk Management Committee and a Business Development Committee decided to be set up by resolution of the Board is an important indication of firm's determination to adapt with the corporate governance principles.

The fact that the Board has no independent members, inadequate number of non-executive directors, no attendance fee provided for the Board of directors, no accumulated voting allowed in Board of Directors meeting on membership selection are regarded unfavorable.

At the end of these confirmations, **TURCAS** has reached the grade of **7,52** at the general assessment made on the basis of CMB's Corporate Governance Principles, thus it has been entitled to evaluate in the ISE's Corporate Governance Index.

It may be possible in the future for **TURCAS** to bring its compliance with CMB's Corporate Governance Principles

to a further step by eliminating inadequacies and erroneous practices including improvement on above mentioned areas without ignoring the need for continuous improvement of Corporate Governance practices.

2. THE RATING METHODOLOGY

The Corporate Governance Compliance Rating is a system which audits whether or not the management structures of the firms, 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.

In 1999 the Economic Cooperation and Development Organisation (OECD) approved and published the Corporate Governance Principles at the Meeting of Ministers. Since then, these principles have been regarded as international references for the decision-makers, investors, shareholders and companies throughout the world. In 2002, these principles were revised and updated to reflect the requirements of the present day.

In Turkey, the Capital Market Board (CMB) is carrying out the Corporate Governance studies. The CMB established the Corporate Governance Principles first in 2003, later in 2005, it revised and published the principles. The principles are grouped under four main headings namely: the Shareholders, Public Disclosure and Transparency, Stakeholders and the Board of Directors.

Besides the CMB, by the Directive on Bank's Corporate Governance Principles, promulgated in Official Gazette of 01.11.2006, No: 26333, the Banking Regulation and Supervision Agency (BRSA) introduced the rules required to be complied by Banks.

Kobirate A.Ş. achieves the Corporate Governance Compliance Rating by a

system identically based on the Corporate Governance Principles of the CMB (CGPCMB). Through this system, the firms are analyzed under four main headings: Shareholders, Public Disclosure and Transparency, Stakeholders and the Board of Directors in accordance with CGPCMB.

Kobirate A.Ş. achieves the Corporate Governance Rating of the Banks by a system based on CGPCMB as well on the BRSA's Regulations Relating to Corporate Governance Principles for Banks.

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

In this analysis, 313 different criteria are considered to measure the compliance of firms whose shares are traded on ISE with the Corporate Governance Principles. Such criteria are translated into the Kobirate A.Ş. unique Corporate Governance Rating Questionnaire and firms' or banks' responses are received electronically. The responses are analyzed and re-examined by the rating experts and analysts and reported with results which is submitted to Kobirate Corporate Governance Rating Committee for final decision.

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 an unsatisfactory compliance with CMB's Corporate Governance Principles in the existing structure.

On this context, in order to reach the total grade, the following rates as adopted from Corporate Governance Principles of CMB are applied:

- Shareholders %25
- Public Disclosure and Transparency %35
- Stakeholders %15
- Board of Directors %25

In this report the following legends have the following meanings:

✓ Proper application of CMB's Corporate Governance Principles

✗ Improper application of CMB's Corporate Governance Principles

✓/✗ Practices required for the improvement of the CMB's Corporate Governance compliance.

3. COMPANY PROFILE



Name of the Company : Turcas Petrol Anonim Şirketi
Company Address : Emirhan Caddesi 109 Atakule Kat:6 Beşiktaş 34349 İstanbul
Company Telephone : (0212) 2590000 / 18 Lines
Company Facsimile : (0212) 2590018 / 19
Company Web Site : www.turcas.com.tr
Time of Incorporation : 07/03/1980
Trade Registry Number : 171118 / 118598
Company's Paid in Capital : 136.500.000.-TL
Scope of Business : Local and international operations, investments in exploration, production, transport, distribution, storage, import, export and trading in such sectors as energy and subsectors of oil, petrochemicals, fuel, electricity and natural gas.
Company's Sector : Energy

Company's Representative in Charge with Rating:

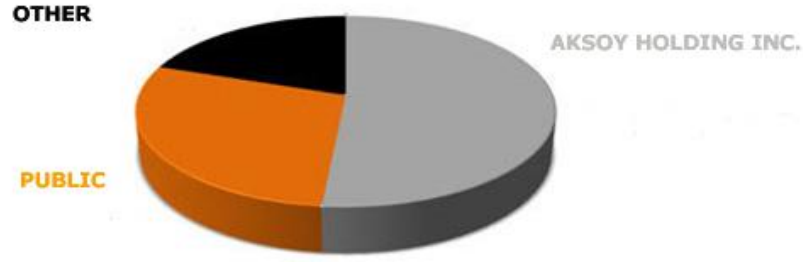
C.Yusuf Ata

Head of Shareholders Relations Department

yusuf.ata@turcas.com.tr

0212 2590000

Company's Capital Structure



| | Name of the Shareholder | Shared Capital TL | Share % |
|---|---------------------------|-----------------------|---------------|
| ■ | Aksoy Holding INC. | 70.361.147,35 | 51,55 |
| ■ | Shares held by the Public | 39.219.204,54 | 28,73 |
| ■ | Other Shareholders | 26.919.648,11 | 19,72 |
| ■ | TOTAL | 136,500,000.00 | 100,00 |

The Board of Directors

| Name | Title |
|------------------------|---------------|
| Erdal Aksoy | Chairman |
| Yılmaz Tecmen | Vice-Chairman |
| N.Süreyya Serdengeçti | Member |
| M.İlhan Nebioğlu | Member |
| Bülent Çorapçı | Member |
| Banu Aksoy Tarakçıoğlu | Member |
| S.Batu Aksoy | Member |

Directors

| Name | Title |
|---------------------|--|
| Cabbar Yılmaz | Coordination and Regulatory Affairs Director |
| Cemal Şafak Ayışıği | Group CFO |
| Yiğit Özkan | Oil and Gas Projects Director |
| Arkın Akbay | Director of Electricity Projects |

Balance-Sheet Comparison of Company's selected items as of third quarters of the last two years

| | 2008/9 | 2009/9 | Changes % |
|------------------------|-------------|-------------|-----------|
| Current Assets | 100.967.269 | 83.548.996 | -17,25 |
| Fixed Assets | 452.709.312 | 424.904.365 | -6,14 |
| Total Assets | 553.676.581 | 508.453.361 | -8,16 |
| Short Term Liabilities | 10.112.122 | 5.894.636 | -41,70 |
| Long Term Liabilities | 2.964.176 | 4.526.607 | 52,71 |
| Equity Capital | 540.600.283 | 498.032.118 | -7,87 |

Source : ISE

Comparison of some items in Company's Income Statement as of third quarters of the last two years

| | 2008/09 | 2009/09 | Changes % |
|----------------------------------|--------------|--------------|-----------|
| Sales Revenues | 41.616.511 | 30.815.639 | -25,95 |
| Cost of Sales (-) | (45.687.541) | (29.067.294) | -36,37 |
| Gross Main Operating Profit/Loss | (4.071.030) | 1.748.345 | 142,94 |
| Operating Expenses (-) | (5.216.973) | (7.106.834) | 36,25 |
| Net Main Operating Profit/Loss | (3.118.941) | 8.632.055 | 376,76 |
| Before Tax Profit/Loss | 71.098.515* | 24.783.250 | -65,14 |
| Net Profit/Loss For The Period | 68.463.809 | 21.527.267 | -68,55 |

Source : ISE

*For detailed information please check. The Income Statement of the Company (01.01.2009-30.09.2009 period) at ISE's Web Site

The Least and Highest Company's stock values on the ISE during last year

| Least | Highest |
|-------|---------|
| 2.25 | 5.55 |

Source : Turcas Petrol A.Ş. Web Site

Brief History of the Company

Türkp petrol and Lubricant Oils, founded in 1931 as Turkey's first privately-owned petroleum distribution company, which became a joint stock company in 1936, teamed up with British Burmah Castrol in 1988 to establish Turcas Petroleum. The name "Turcas" evolved from the combination of the first three letters of Türkp petrol and Castrol. Following the Initial Public Offering of the company's minority shares in 1992, Tabas Petroleum acquired the majority of the company's shares in 1996. Subsequently, Tabas Petroleum and Turcas Petroleum were merged in 1999 and the new entity was named Turcas Petrol.

In 2005, a Joint Venture Agreement was signed with The Shell Company of Turkey Ltd. for retail and commercial sales, marketing and distribution of petroleum products and lubricants, and STAS was founded. STAS, in which Turcas has a 30% shareholding, began operations on July 1, 2006, having obtained the required licenses from the Energy Market Regulatory Authority.

Line of Business

Turcas turned into a holding company organization after transferring its gas station network with app. 650 dealers – which at one point exceeded 1000 but then reduced in line with the company's optimization program – along with its related assets under the newly established Shell & Turcas Petrol A.Ş. ("STAŞ") operational as of July 1, 2006 founded jointly with Shell Turkey. After this point, Turcas has owned fuel retail and lubricants businesses not directly but indirectly through STAŞ of which %30 shares is held under Turcas balance sheet as a subsidiary.

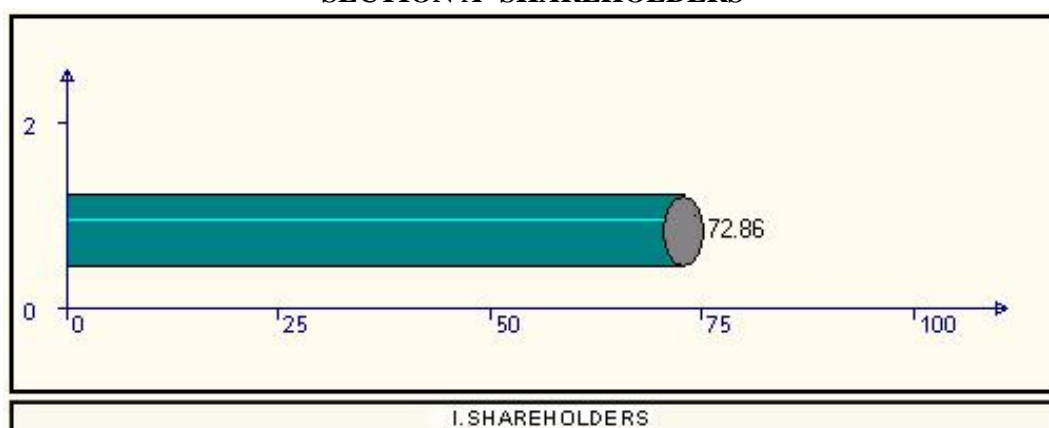
STAŞ is expected to increase its profitability, efficiency and market share as one of Turkey's leading companies in petroleum products distribution and lubricants market. Since Turcas (and Shell Turkey) committed not to compete with STAŞ in accordance with the provisions of the Joint Venture Agreement entered into, Turcas' existence and activities in these markets continue and grow through its share in STAŞ.

As per its Board Resolution, Turcas has already started to engage in energy projects such as generation, distribution and trading of electricity, importation and wholesale of natural gas, refining of crude oil, and exploration and production of oil especially overseas with the intention of investing or partnering in the ones that are deemed appropriate. Within this context, Turcas has decided to sustain its growth as an energy holding company by cooperating with local and/or foreign partners based on the nature of related projects and with the discretion of its Board.

In parallel with this strategy, Turcas has been going through a Re-structuring Process. From now on, Turcas will continue its business activities in Oil and Petrochemicals, Natural Gas, Power fields.

4. ITEMS OF THE RATING PROCESS

SECTION A- SHAREHOLDERS



Overview

- ✓ Shareholders Department is established and it fulfills all duties involving shareholders effectively.
- ✓ Disclosure policies are developed in detail and announced to public.
- ✓ General meeting of shareholders are held pursuant to the legislation.
- ✓ The method of calling the general meeting is proper and information fluence to the shareholders before the meeting is sufficient.
- ✓ Procedure for voting is available on the Company's web site as a separate section.
- ✓ There are no restrictions on voting right and no limit to vote number to be given by the shareholder.
- ✓ Dividend policies are set and the public is informed properly.
- ✗ The minority shareholders do not have the right to appoint the special auditor.
- ✗ There is preference shares.
- ✗ Regulations are not made relating to minority rights and accumulated voting.
- ✗ Dividend advance payment is not defined in the Articles of Association.
- ✗ The Articles of Association contains provisions restricting the transfer of shares.
- ✓/✗ Attention must be extended to provide shareholders with information by referring to the relevant items of agenda before the general meeting
- ✓/✗ It must be ensured that the stakeholders and media attend to the general meeting without right of speak and that regulation is indicated in the Articles.
- ✓/✗ The verbal inquiries submitted to Shareholders Relation Dept. Must be recorded.

In this Section, the Company has been assessed by 70 different criteria in respect of facilitation of shareholders' rights, shareholders' right to obtain and review information, shareholders' right to attend the general meetings, shareholders' voting rights, minority shareholders' right to share transfer, right as they desire and the principle to treat all the members equally. The Company obtained **72,86** for this section.

a. Facilitation of the Shareholders' Rights

Operations involving the shareholders are performed by the Shareholders Department set up in 2008 within the Finance Dept. C.Yusuf ATA, Head of Shareholders Department and Nurettin DEMIRCAN, Accounting Manager serve as executives authorized to sign while Engin CAYLAN and Nesrin ASULA serve as operation officers.

It is observed that the officers of the above department are at proficient level in terms of knowledge and experience required by the job, that they fulfil successfully the actions and tasks mentioned in the CMB's Principles.

From on-site visits and the documents examined, it is observed that records of the shareholders are kept, the register of members (shareholders) is update that members inquiries in writing concerning the firm are responded in shortest time, all aspects of disclosure, including its policy are observed.

It has been found out that the general meeting of shareholders have been held in accordance with the regulations and the Articles of Association, documents of General Meeting subject to availability to the shareholders have been displayed at firm's headquarters and on the internet for review, the results of voting have been recorded and displayed on the internet website.

b. Right to Obtain and Review Information

Data required for accurate exercise of the shareholders' rights is available to the shareholders and firm's website (www.turcas.com.tr) is effectively used

for this intention. It is observed that written inquiries submitted by shareholders are responded as early as possible, that the requested information is provided carefully, fully and timely. However, it will be useful to keep orderly the questions asked orally by the shareholders and answers given by the executives.

"Public Disclosure Policies" approved by the Board found out on Company's website under the shareholders right to obtain information is explained in details.

Notwithstanding that there is no regulation relating to the "Shareholders Right to Request a Private Auditor for Meeting of Shareholders" Section 22 of the firm's Articles of Association makes a reference to a legal guaranty described in Section 348 of the TCC stating that "Special Auditors are appointed by the General Meetings if required in order that certain issues are reviewed and inspected".

c. Right to Attend the General Assembly

TURCAS's practices in respect of general meeting process have ensured compliance with the principles under this subsection at considerably high level.

Calls for general meeting of shareholders have been made through Turkish Commercial Registry Journal, local and national newspapers and the Internet, three (3) weeks in advance the meeting date. The presentation of notice coverage and items on the agenda are so clear not to cause different comments. Annual general meetings of shareholders are held in times specified in the Principles after the end of each accounting period and at a venue suitable for a meeting with vast attendance.

Specimen proxies issued for who will not attend the meeting are made available to members in press and electronically and efforts are made to ensure members interest and attendance are at high level. During the preparation of agenda of the meeting, issues requested by the members to be included in the agenda are considered by the Board, the items of agenda are voted separately, counted and announced to members before the meeting closes.

The meeting of shareholders was attended by the directors, auditors, managers and employees of Shareholders Department and other relevant individuals concerned. From examination of minutes of the meeting, it has been observed that the chairman of the meeting has conducted the meeting equitably and effectively allowing for exert by members of their rights, the members have been provided with information on the matters as annual report, financial statements, performance indicators. Although the Articles of Association do not contain detailed description about nomination for Directorship, it is found out that nominees have been elected from those individuals having knowledge and sectoral experience required for the post, that the attendees have been provided with details of backgrounds of the nominees.

It is confirmed that the Articles of Association do not contain a provision relating to adoption of resolutions by the Board on split and replacement of shares affecting firm's capital and management structure and assets, purchase/sale of tangible/intangible assets of large sums, taking or giving on lease or donations and provision of guaranty and mortgage as security in favor of third parties, however that the shareholders have been provided with particulars of such resolutions.

Instead, the fact that the information provided to the members prior to the general meeting of shareholders have not been given by making reference so as to facilitate establishment of correlation with the items of agenda and the introductory documents have not been issued, that no regulation has been made in the Articles of Association to ensure that the stakeholders and media representatives are invited to attend the general meeting of shareholders is considered imperfections required to be eliminated to ensure full compliance with the principles.

d. Voting Right

Procedures making it difficult to exercise voting rights are incorporated neither in the Articles of Association nor in the practices, further, there is no ceiling limitation to number of votes to be given by members at the general meeting of shareholders. It is ensured that voting right is exercised as one entitled due to acquisition of share (interest) and that there is no regulation making it difficult to exercise such rights. At the general meeting of shareholders, the members may exercise their voting rights in person or by a Proxy who is a shareholder or non-shareholder individual, the specimen proxies to be used for this purpose are made available to the members in notice inserts and on electronic environment.

There is no restriction on exercise of voting right in terms of individual and institutional representation. Notwithstanding that the Articles contain no provision it is found out that votes are given openly and by handing up at the general meeting and that the attendees are informed of voting method prior to the meeting and that shareholders are informed of voting procedure electronically as well.

However, among areas incompliant with the principles are: in the Articles of Association the holders of shares of Class “B” and “C” have right to nominate for members of the Boards of Directors and Auditors that some resolutions of the general meeting are made subject to affirmative votes given by “C” class shareholders.

e. Minority Rights

There is no violation on rights; in respect of attendance by minority shareholders at general meeting, representation by proxy, imposition of ceiling limit on exercise of voting right. However, the fact that the Articles do not contain a provision as to giving accumulated votes by the minority shareholders and appointment of Directors are evaluated as area of improvement.

f. Dividend Right

TURCAS has formulated and disclosed electronically its Profit Appropriation Policy under the relevant provisions of both the TCC and the CMB Directives. Under such policy, regulations are made on amount and resource of corporate income, appropriation criteria, donations intended to be made. It is confirmed that the Articles provide for no concession to any group in distribution of dividend. Although it is observed that in general the firm has ensured compliance with the Corporate Governance Principles of the Capital Market Board in respect of this section, the fact that the Articles do not contain any provision as to “dividend advance payment” to be made to members appears as an area required to be improved in respect of compliance with the principles.

g. Transfer of Shares

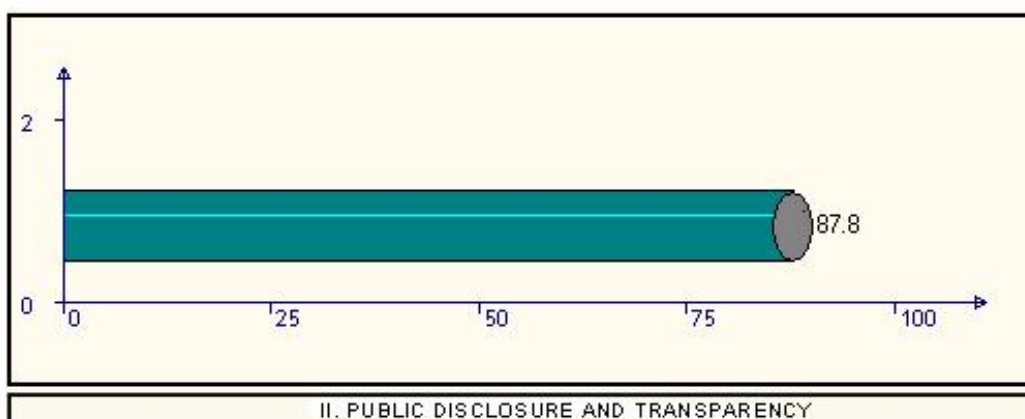
The firm’s Articles of Association contain the provision that for the validity of transfer of the registered shares of Class A against the company the Board consents in advance to transfers and assignments made by “Blank Endorsement” and that for validity of the transfer of shares class B and C with concession on nomination of Members of the Boards of Directors and Auditors for the company, the consent of the Board in advance is required. Accordingly, the restriction on transfer of shares class “A” is eliminated by the consent of the Board in advance and the holders of shares class B and C are under obligation to comply with the terms of transfer agreement for transfer of shares of class B and C.

h. Principles on Equally Treatment to Shareholders

Since no complaint has been made by any of the shareholders about discrimination at the on-site visits, and no finding has been traced at the firm approaches to the shareholders equitably.

Especially we are of the opinion that all the shareholders have been treated equally in respect of informing the members and public disclosure.

SECTION B- PUBLIC DISCLOSURE AND TRANSPARENCY



Overview

- ✓ Ultimate dominant individual shareholders of the company are disclosed to public electronically.
- ✓ Public Disclosure Policy is announced to public on website.
- ✓ The Internet website is considerably comprehensive, updated and used effectively as a public disclosure tool, and data is presented in both Turkish and English languages.
- ✓ Annual report contains data of company's performance and prospects. Further, details given are supported by statistical and graphic operations.
- ✓ The periodic financial statements and notes there are prepared in accordance with the relevant regulations and international standards.
- ✓ The list of possible insider traders can be found on the annual report and on the website.
- ✓ The profit appropriation policy can be found on the annual report and the website.
- ✓ The Ethical Rules are disclosed to public under the public disclosure policy.
- ✓ Major events and changes required to be disclosed to public are announced duly and without any delay.
- ✓ The meeting minutes of important board resolutions that might affect the value of capital market instruments can be found on website.
- ✗ Annual report does not contain any explanation about transactions undertaken by Directors and Executives outside the company, any conflicts of interest arisen between the firm and companies providing services such as investment consulting, investment study, and rating including measures adopted by the firm to avoid such clash of interest.
- ✗ The annual report does not contain a representation signed by the members of the Board and the top management that the periodic financial statements give a fair view of firm's financial situation and that the firm complies with the regulations completely.

✓/× **The Disclosure Policy requires to be submitted to the general meeting for approval.**

In this section, the Company has been assessed by 82 distinct criteria in respect of the rules and instruments of public disclosure, public disclosure of relationships between the firm and shareholders, Board of Directors and executives, periodic financial statements and reports for public disclosure, the function of external audit, the concept of trade secret and insider trading, and changes required to be disclosed and it has obtained **87,80** points.

a. Rules and Instruments of Public Disclosure

In principle, **TURCAS** executes its announcements under Public Disclosure Policies approved by the Board and shared with public.

It is observed that the firm is at considerably high level in respect of public disclosure, that it uses effectively such public disclosure instruments and techniques as press releases, electronic data distribution channels, meeting held with shareholders and potential investors, announcements made via media organisations or the Company Website in addition to those required by legal regulations as to disclosure of data to public in this respect.

Company's website is being used as an effective platform for disclosure, which is available in English as well as in order to inform the foreign investors. 5 (five) officers authorized to sign and responsible for disclosures to be made to the public have been identified, who pay necessary attention to public disclosure of major developments affecting the firm at the

moment they have been informed or decided. Also regarded to this subsection, the "Dividend Policy" and the "Ethical Rules" have been disclosed to the public.

However, it appears as an inadequacy that the public disclosure policies and ethical rules have not been submitted to the approval of general meeting yet.

b. Public Disclosure of Relationship Between the Company, Shareholders, Board of Directors and Executives

From review of the records and documents, no finding has been traced that the Directors, executives and employees have made transactions in firm's Capital Market Instruments. It is observed that the company's employees are aware of the fact that public disclosure is made through the ISE immediately in the case that such tranches as 5%, 10%, 25% and 33% of company shares are exceeded or reduced, and that we have not encountered any assessment that the firm has been warned of a contrary practice. The lists of ultimately dominant individual shareholders are displayed on the Website while the public has been informed of company's capital structure.

It is concluded that in general the firm has ensured compliance with the Corporate Governance Principles of the Capital Market Board for the purpose of this section.

c. Periodical Financial Statements and Reports in Public Disclosures

Company's periodical financial statements are prepared in an accurate, fair manner and in accordance with the UFRS and contain the necessary details. Our foregoing opinion is supported by the interpretation of the Independent Audit firm that "The enclosed consolidated financial statements reflect the financial situation of **TURCAS** and its subsidiaries as of 31 December 2008, its financial performance and cash flows for the year ending on the same date in an accurate and fair manner under the financial reporting standards issued by the Capital Market Board." However, it is expressed in the Consolidated Financial Statements that according to the financial statements of SOCAR and Turcas Energy Inc (STEAS) as of 31 December 2008, which is participated in by 25% and evaluated by the method of obtaining share from the net worth the shareholders equity has turned into negative balance of TL 626.701.981, that in the financial statements the networth of TL. 12.500.000 representing the investment made by the Group for STEAS has been considered as investment loss evaluated by networth method. However, the Independent Audit Firm has expressed through a "Conditional Opinion" indicating that on 23 March 2009 the Board of Directors of STEAS resolved that the paid up capital of STEAS be raised from TL.50.000.000 to TL. 200.000.000 and that this resolution be submitted for approval by the General Meeting on 17 April 2009, that of the said capital increase an additional provision for loss of TL.37.500.000 is earmarked for the group and that in consolidated financial statements prepared as of 31 December 2008 no provision is made for such loss."

Annual Report is issued considerably thoroughly and is Concrete compliance with the principles, which is supported by details of firm's performance in various fields for years and statistical data and graphes of future prospects. On 31 August 2006, the Energy Market Regulation Board (EPDH-EMRB) imposed an administrative fine of TL.113.599.140 against the firm on the ground that supply was made to the dealers without a licence. The Company instituted legal proceedings to have the fine cancelled and to have the payment orders removed (cancelled). On 25 January 2007, as a result of appeal made to the General Meeting of the Administrative Case Sections of the Council of State for suspension of enforcement, the execution of penalties were suspended, and on 28 February 2007, the Company was served the rulings with motives for suspension of enforcement. The uncertainty over the legal proceedings still continues and the said issue was inserted in the annual report. However, areas required to be improved to ensure compliance with the principles follow: failure in insert of explanations in the Annual Report on details of transactions assumed by the directors and executives outside the firm, conflicts of interest between the company and firms providing services such as investment consulting, investment analysis and rating including the measures adopted by the firm as to avoidance of such (conflict) clash of interest. Again, below are the areas required to be improved in this section: the annual report has not been signed by the director and chief executive officer responsible for production of Company's periodical financial statements and reports and by assistant general manager charged with preparation of periodical financial statements and reports or by an executive assuming such responsibility and top management's representation that the

periodical financial statements and report do give fair view of Company's financial situation and that the Company complies fully with the regulations are not inserted in the annual report; the independent audit firm has expressed no opinions or declaration as to effectiveness of the Company's internal control system.

Further, a stock and or other capital market instrument-based incentive scheme developed to ensure the Company's employees to acquire firm's securities is not available.

In general, it is concluded that for the purposes of this section, the firm made efforts and progress to comply with the Corporate Governance Principles of the Capital Market Board, however, it has still some imperfections.

d. The Independent Audit Function

It is concluded that the Company has ensured full compliance with the criteria in this subsection. It is found out that business has been conducted with the external audit firm pursuant to the CMB Regulations subject to rotation at certain intervals and that attention has been paid to avoid establishment of relations to be detrimental to independence of such firms and their auditors.

The firm finally signed for 2009 and 2010 agreement with "Basaran Nas Bagimsiz Denetim ve A.S", one of external audit firms authorized by the CMB. It is determined that the agreement executed and business done with this firm are in compliance with the regulations, and it is stated by the company executives that there is no litigation between both parties. The external audit firm has been appointed by the audit board, however, no report has been issued to the Board on

whether or not an item affecting its independence exists.

e. The Trade Secret Concept and Insider Trading

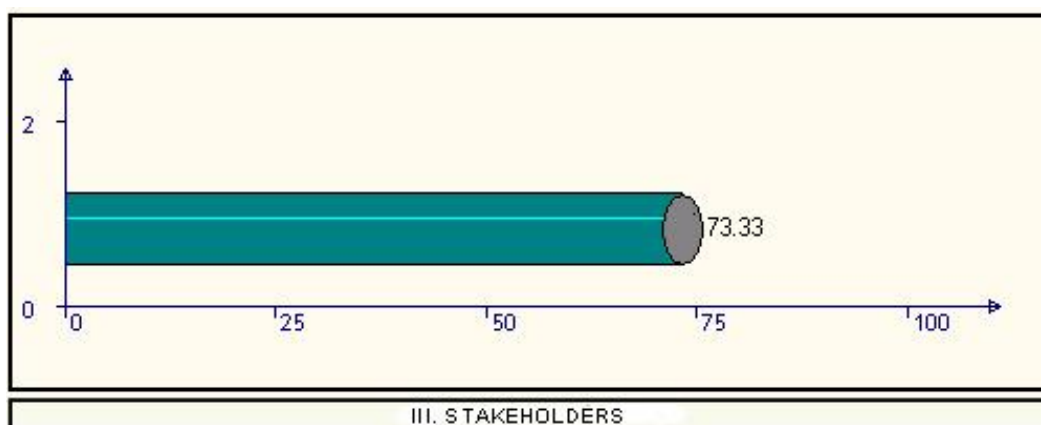
It is confirmed that the concept of trade secret is described in the Ethical Rules, that measures have been taken to avoid insider trading accordingly, and that the list of individuals having access to data not publicly disclosed is disseminated electronically, in the annual report and the corporate governance compliance statement. At the discussion held with the Company's Legal Counseling Dept., it has been indicated that no action has been brought against the Company in this respect, that no finding has been traced in the ISE and CMB newsletters indicating that the Company has faced a warning or penalty in this matter.

It is observed that the Company has ensured good compliance with the Corporate Governance Principles of the Capital Market Board.

f. Major Events and Changes Required to be Disclosed

Through the PDP, the Company shares the Special Condition Statements with the public. It appears that it has not suffered any sanction or written warning from ISE during the audit period. Matters required to be disclosed are described in detail and disclosed under the Company's Public Disclosure Policy. Public disclosures to be made by the Company are coordinated and made by the Shareholders Department. As for the significant events and developments required to be disclosed to public, it appears that the Company has ensured full compliance with Corporate Governance Principles of the Capital Market Board.

SECTION C- STAKEHOLDERS



Overview

- ✓ **The Company has developed its Ethical Rules Directive and disseminated electronically.**
- ✓ **There is no regulation making difficult to exercise the stakeholder's rights.**
- ✓ **Company has provided safety and comfortable working environment to its employees.**
- ✓ **There is no complaint made or action brought involving discrimination among the employees or non payment of their entitlements**
- ✗ **The stakeholders do not participate in the Company management**
- ✓/✗ **Although the ethical rules are developed and approved by the Board, it has not been submitted to general meeting for consideration.**

For the purposes of this section, the Company has been assessed by 30 different criteria in respect of company policies towards the stakeholders, stakeholders' participation in the company

management, protection of company assets, company policy on human resources, relations with the customers and the suppliers, ethical rules and social responsibilities, the Company obtained **73.33** points.

a. Company's Policy Towards The Stakeholders

Company's stakeholders are its employees and suppliers only. The Company has written Ethical Rules for its employees. It complies with the Corporate Governance Principles of the Capital Market Board in respect of this section.

b. Stakeholders' Participation in the Company Management

No mechanism of inquiry or proposal indicating that the opinions of stakeholders have been obtained on matters involving the company has been traced at the end of reviews made. The company staff is not entitled to be represented on the Board of Directors. Establishment of a mechanism mentioned above may be an element encouraging the staff to develop proposals in issues concerning the Company.

c. Protection of Company Assets

Principles to protect company assets are set forth under the Ethical Rules. Further, through CPA audit and External Audit, it is sought to avoid any operation that might cause the Company's assets to reduce.

At the end of examinations made, it is confirmed that there is no irregularity at the Company in respect of this section.

d. Company Policy of Human Resources

In consideration of TURCAS's historical development, it is observed that it has a rather profound past in the market and that it has thus established principles. However, a revision of structuring due to changes in internal organizations and operations in recent years is needed.

Accordingly consulting support has been procured from a Management Consulting Firm resulting in reformulation of all internal regulations and human resource policies which are being put into written procedures.

At the end of examinations made and interviews held with the employees at the firm, it is found out that for development of recruitment and career plans the principle to provide individuals of equal qualifications with equal opportunity is complied with, that the employees have been provided with secure working conditions, that no discrimination has been made among employees in terms of race, religion, language and gender. These items are inserted in firm's ethical rules as well.

e. Relations with the Customers and Suppliers

The firm has no customers due to transfer of its production and marketing operations to other intragroup companies. As for the suppliers, a separate agreement is executed with each supplier and its relations with individual supplier are disclosed to public through disclosing tools. At the end of discussion held with the firm's legal department, it is found out that there is no litigation involving the suppliers.

f. Ethical Rules

The Company has issued a body of ethical rules required to be complied with by all employees, which were approved by the Board and displayed on the website.

However, the ethical rules in question have not been submitted for perusal of the general meeting yet. Review of the ethical rules indicates that it has a thorough content in compliance with the principles. Procedures to be performed in case of confirmation of employees act contrary to ethical rules appear in service contracts, further, a written representation and undertaking under title "Individual Compliance with Job Ethics Policy and Regulations" is obtained from employees at the end of each year.

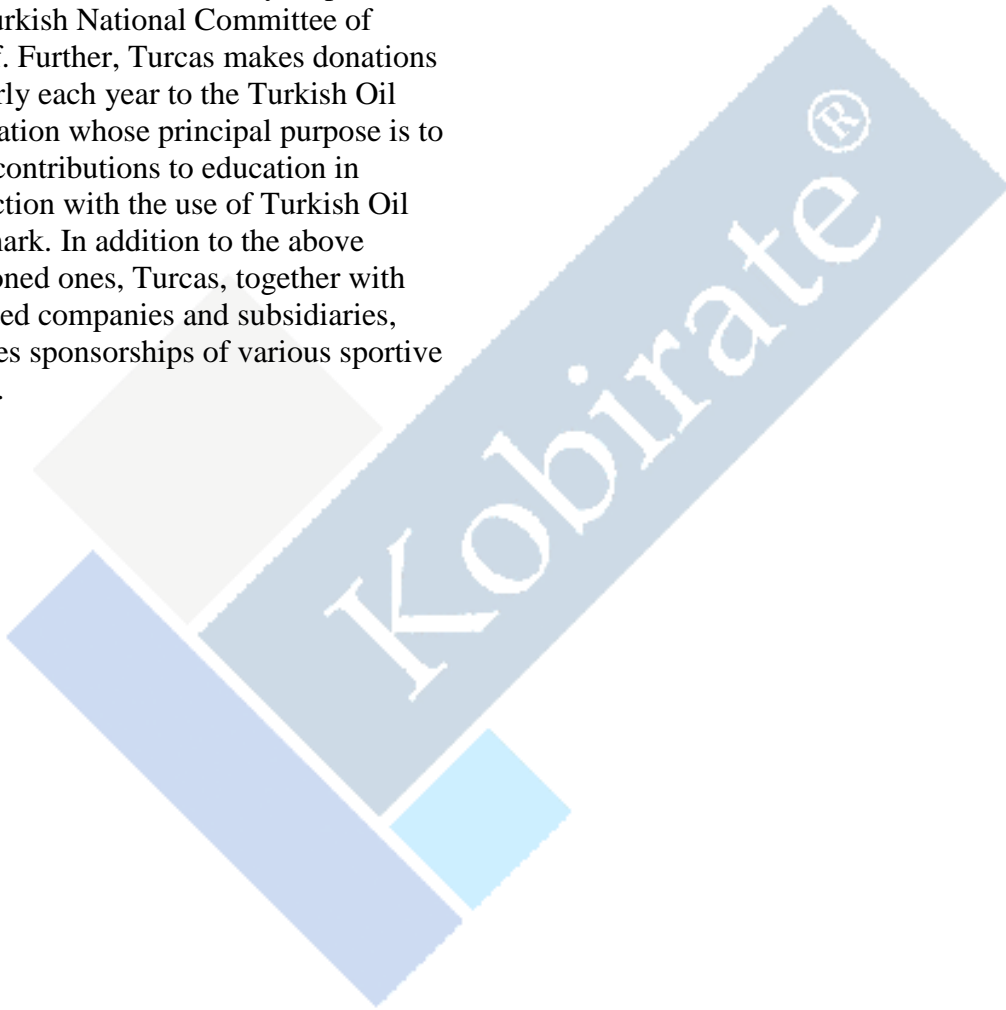
g. Social Responsibility

Given the **TURCAS's** responsibility to the environment, the Board of the Company approved and began to implement its Security, Health and Environment (SHE) policy in 2001.

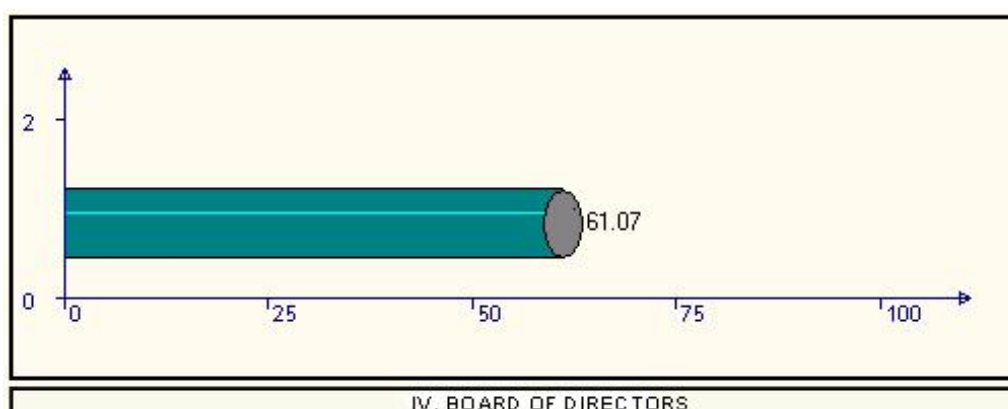
The staff is trained by the philosophy that any and all accidents may be avoided under such policy.

Such policy is introduced also to the third parties doing business with the firm with which they are requested to comply. There has been no action brought against the Company for damages to the environment during the period.

As for responsibility to the society, pursuant to the Management's approval, various donations are made to such charities as Turkish Education Foundation (TEV), Charity for Martyrs Widows, Orphans of Turkish Security Department and Turkish National Committee of Unicef. Further, Turcas makes donations regularly each year to the Turkish Oil Foundation whose principal purpose is to make contributions to education in connection with the use of Turkish Oil trademark. In addition to the above mentioned ones, Turcas, together with affiliated companies and subsidiaries, assumes sponsorships of various sportive events.



SECTION D- THE BOARD OF DIRECTORS



Overview

- ✓ Company's mission and vision statements developed by the Board, is shared with the public.
- ✓ Audit Committee is formed within the Board.
- ✓ Directors and executives are appointed among individuals whose competence, experience and professional formation are suitable for nature of duty.
- ✓ The minutes of Board's resolutions are prepared and kept safely.
- ✓ There is no debt/loan relationship between the Directors and the Company.
- ✓ Principles of Activity of the Board are established by internal regulations.
- ✗ Director representing the shareholders of Class (Group) "C" has positive/negative veto right on certain important matters.
- ✗ The Chairman of the Board and the Chief Executive Officer is the same person.
- ✗ The number of non-executive members are inadequate, consequently the non-executive members may be appointed to more than one committee.
- ✗ There is no independent member on the Board of Directors.
- ✗ Remuneration of Directors are not determined by personal performance.
- ✗ Accumulated voting is not applicable.
- ✗ There is no adequate internal audit system.
- ✗ The Articles of Association do not contain a provision that any share and stakeholder may make a call of meeting of the Board.
- ✗ There is no jointly and severally responsibility representations signed by the Directors.
- ✓/✗ Corporate governance and risk management committees are formed and their working principles are set forth.
- ✓/✗ Written regulations involving audit committee do not meet the criteria desired in respect of principles.

- ✓/✗ **Although the Articles of Association does not contain any provision for call of meeting of the Board by the share and stakeholders, the firm has introduced such practice in its internal regulations.**
- ✓/✗ **Joint Responsibility Representation signed by the Directors is not taken, however, the Articles contain a provision that the Directors are liable to the members and third parties for damages and losses caused by failure in fulfilment of their duties.**

In this section, the Company is assessed by 131 different criteria within the framework created under the headings such as; primary functions of the Board, working principles, duties and responsibilities of the Board, composition and appointment of the Board, financial benefits provided to the Board members, number, structure and independency of committees formed within the Board and the executives for which it received a grade of **61,07**.

a. Primary Functions of Board of Directors

The Board of Directors consist of 7 persons, one chairman and 6 members.

| Name | Job Title | Executive/ Non-Executive |
|------------------------|---------------|--------------------------|
| Erdal Aksoy | Chairman | Executive |
| Yılmaz Tecmen | Vice Chairman | Executive |
| S.Batu Aksoy | Member | Executive |
| Banu Aksoy Tarakçıoğlu | Member | Executive |
| Bülent Çorapçı | Member | Non-Executive |
| M. İlhan Nebioğlu | Member | Non-Executive |
| N. Süreyya Serdengeçti | Member | Non-Executive |

The Board is authorized to make decisions at top level, develop strategy and represent

the Company. The Board has set forth its mission, vision and strategic objectives as described in its corporate governance compliance report disclosed accordingly. The Board ensures the control and supervision of compliance of the Company affairs with legislation, the Articles, and internal regulations, also reviews continuously and effectively the Company's degree of goal attainment, Company's operations and past performance, monitors the accuracy of financial data and approves the strategic objectives demonstrated by the executives.

On the other hand, the Board considers the fact that the executives have qualifications suitable and required for their posts, and takes measures to retain qualified individuals at the Company for a long term.

Recently, corporate governance and risk management committees have been set up within the Board whose operating principles have been set forth. Company's Board continues to serve in order that the system is operable on the said committees. The Company has an audit committee, however, review of the committee activities reveals that there are practices required to be improved in this area. On the contrary, determination and desire of both the Board and the top management to comply with corporate governance principles and to produce solutions to areas of improvement are appreciated.

b. Conduct Rules, Tasks and Responsibilities of the Board

The Company has a directive on principles of activities for the Board. This Independence Directive contains regulations in writing as to requirements of care and deliberation in fulfillment of Directors duties, restrictions on transactions and competition with the firm,

dedication of adequate time to deal with business affairs.

The Directors are informed of all particulars involving the Company. The Board has no secretariat, which duty is fulfilled by the Assistant to the Chairman while both reporting and public disclosure can be made properly. Signatures of all Directors appear under all resolutions in the Register of Resolutions and it is observed that no objection has been raised to any decision and that no action has been brought against the Board so far.

At the end of examinations made, it is confirmed that the Register of the Board's Resolutions is maintained orderly, that the resolutions required to be disclosed have been announced timely. Both the ethical rules and the "Operation Rules for the Board" contain provision in order that the Directors keep the trade secrets and that they are not involved in insider trading.

Although the Directors have not made written representations prior to commencement of office that they would comply with the Articles, the Company's internal regulations and the policies developed and that in case of breach thereof they would jointly and severally indemnify the Company, shareholders and stakeholders against damages and losses they would have incurred. However, the Articles of Association contains a provision that "the Directors are liable to the members and third parties for damages and losses caused by failure in fulfillment of their duties properly".

The Board convenes once a month on average, however, 13 meetings were held in 2009. Thus it is understood that the Board has convened at least once a month regularly and as planned in advance as required by the Corporate Governance Principles of the Capital Market Board.

Each Director has one vote on the Board. However, adoption of certain fundamental resolutions specified in the Articles is made subject to at least one affirmative vote given by any Director representing shares of Class "C".

c. Composition and Appointment of the Board of Directors

Appointment rules for Directors and job description of the Board collectively are laid down in detail in the Articles of Association. The Board comprises 7 Directors the number of which is adequate. However areas required to be improved as follow: The number of non-executive members of the Board is inadequate, therefore that the non-executive members assume duties on more than one committee, also that the Board has no independent member matching the CMB's independent member criteria. Further, the Chairman also serves as an executive.

None of the Directors is condemned pursuant to the Capital Market Act and the Turkish Criminal Code and it is understood that all Directors are individuals who are matching the aspects required by the principles, who have ethical values, qualifications required for the post in terms of education level, professional knowledge and experience. However, it appears as an area of improvement that the qualifications required for appointment as Director have not been laid down in the Articles of Association.

"Accumulated Voting" is not applicable for appointment of Directors allowing for election of a Director by minority shareholders.

d. Financial Benefits Provided For The Board Members

It is declared by the executives that there is no transaction involving business, finance, loan and guarantor relationship between the Company and the Directors and that no Director has borrowed from the Company. Areas determined to be improved under this subsection are: the fact that the Directors are made no payment under the title of emolument and attendance fee and that a success-indexed reward mechanism has not been established.

At the end of review of financial benefits provided for the Board Members, it is revealed that the Company has not ensured satisfactory compliance with the Corporate Governance Principles of the Capital Market Board.

e. Quantity, Structure and Independence of Committees Formed at the Board of Directors

| Audit Committee |
|------------------------|
| Bülent Çorapçı |
| M. İlhan Nebioğlu |

| Corporate Governance Committee |
|---------------------------------------|
| M. İlhan Nebioğlu |
| N. Süreyya Serdengeçti |
| Cabbar Yılmaz |

| Risk Management Committee |
|----------------------------------|
| Yılmaz Tecmen |
| Banu Aksoy Tarakçıoğlu |
| C.Şafak Ayışığı |

| Business Development Committee |
|---------------------------------------|
| Erdal Aksoy |
| S. Batu Aksoy |
| Şehsuvar Aladağ |

An Audit Committee serves within the Board of Directors. Corporate Governance Committee, Risk Management Committee and Business Development Committee have been set up recently. Since none of the Directors is independent, the Head of Audit Committee does not have the status of independent member. However, all the 2 members of the Audit Committee are non-executive while the 3-member of Corporate Governance Committee comprises 2 non-executive members and 1 top level executive who is authority on the subject. As it is mentioned in the previous section, it is inadequate that the same member serves within 2 committees.

The CMB describes the fundamental functions of the audit board as follows: “supervision of the operation and effectiveness of Company’s accounting system, disclosure of financial data and the external audit, selection of the external audit firm, execution of audit agreement; initiation of external audit process and the follow-up of conduct of audit.” However, in view of operation and practice, it is thought that activity and reportings of the committee are not effective and in compliance with the principles and that there is need for improvement in this area.

On the other hand, that principles of activity for the audit committee have been set forth in writing, which has been submitted to the Board for approval, is regarded as indications that a working order systemized and compliant with the principles in this matter will be established in the future. Similarly, the fact that the Corporate Governance Committee and the Risk Management Committee have been established, that principles of activity have been set forth, which are approved by the Board, that professionals are assigned to the committees is important as an indication of the Company’s desire to operate in compliance with the principles.

f. Executives

The executives fulfill their duties in a fair, transparent, accountable and responsible manner and conduct in compliance with the Company's internal regulations, legislation and the Articles of Association ensuring that the Company's affairs are achieved in compliance with the mission, vision objectives, strategies and policies of the firm.

It is found out that the executives are authorized so as to fulfill their duties that in view of their backgrounds they have the professional qualifications required for fulfillment of duties assigned thereto, that they are equipped with sufficient knowledge, skills and technical formation.

For the executives like other employees, an ethical rule expressly outlines the prohibition on transactions and competition with the firm, obligation to keep secrets while the Public Disclosure Policy provides for a framework of procedures by which disclosure may be made. Further, it is also confirmed that the executives serve with the Company on the basis of full-time employment. It has been declared by the executives that there is no individual inflicted under the Capital Market Act and Turkish Criminal Code among the executives.

Executives promise not to serve with rival companies for a certain period after termination of their contracts of service.

However, the issue of how to indemnify the damages and losses incurred by the firm and the third parties due to executives failing to fulfill their duties properly is not incorporated and written undertaking that the executives will

indemnify the damages and losses attributable to their faults or negligence is not provided by the executives leaving the imposition of sanction onto the relevant provision of the Act based on the foregoing internal regulations.

5. KOBIRATE INTERNATIONAL CREDIT RATING AND CORPORATE GOVERNANCE SERVICES INC. 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. Internal control systems are established and are operational. Any risks to which the Company might be exposed are recognised and controlled effectively. The rights of the shareholders are impartially taken care of. The level of public disclosure and transparency are high. Interests of the stakeholders are fairly considered. The structure and the working conditions of the Board of Directors are in full compliance with the Corporate Governance Principles. The Company is eligible for inclusion in the ISE corporate governance index.</p> |
| 7–8,9 | <p>The Company complied considerably with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are in place, and operational, although some improvements are required. Potential risks, which the Company may be exposed are identified and can be managed. 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. Some improvements are needed in compliance with the Corporate Governance Principles even though they do not constitute serious risks. The company is obviously eligible for inclusion in the ISE Corporate Governance Index.</p> |
| 6–6,9 | <p>The Company has moderately complied with the Corporate Governance Principles issued by the Capital Market Board. Internal Control systems at moderate level have been established, and operate, however, improvement is required. Potential risks that the Company may be exposed are identified and can be managed. The interest of the shareholders are taken care of although improvement is needed. Although public disclosure and transparency are taken care of, there is need for improvement. Benefits of the stakeholders are taken care of but improvement is needed. Some improvement is required in the structure and working conditions of the Board. Under these conditions, the Company is eligible for inclusion in the ISE 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. Internal control systems are in place at a minimum level, but are not true and efficient. Potential risks that the company is exposed to are not properly identified and are not under control. Substantial improvements are required to comply with the Corporate Governance Principles in terms of the benefits of both the shareholders and the stakeholders, public disclosure, transparency, the structure and working conditions of the Board. Under the current conditions, the Company is not eligible to be listed in the ISE Corporate Governance Index.</p> |
| < 4 | <p>The Company has failed to comply with the Corporate Governance Principles issued by the Capital Market Board. It also failed to establish its internal control systems. Potential risks that the company might be exposed are not identified and cannot be managed. The company is not responsive to the Corporate Governance Principles at all levels. There are major weaknesses in the interest of the shareholders and the stakeholders, public disclosure, transparency, Structure and working conditions of the Board appears to be at a level that might cause the investor to incur material losses.</p> |