



Report On Rating of Compliance with Corporate Management Principles



Petkim Petrokimya Holding A.Ş.

September 2,2010

Validity: 02.09.2010 – 02.09.2011

LIMITATIONS

The Report on Rating of Compliance with Corporate Management Principles issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. for Petkim Petrokimya Holding A.Ş. has been prepared in accordance with the Methodology for Rating of Compliance with Corporate Management Principles prepared by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. based on the Corporate Management Principles published by SPK in 2005 and adopted by SPK with their letter no. 5347 of 24.04.2009.

The Rating Report issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. has been prepared on the basis of 67 documents, information, files sent by the company concerned in electronic environment and data disclosed by the company to public as well as the survey carried out by our experts at the premises of the company.

Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. prepared its Code of Conduct considering the Banking Law, SPK and BDDK regulations governing the Activities of Rating Institutions, generally accepted codes of conduct of international institutions such as IOSCO and OECD, generally accepted ethic customs and made it public on its web site (www.kobirate.com.tr).

Even though the rating grade is an evaluation based on many data, it is eventually a corporate opinion developed by the methodology made public by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş..

The rating grade is in no way qualified a recommendation for acquiring, retaining or disposing an indebtedness instrument. KOBIRATE A.Ş. may not be held responsible for damage incurred as a result of any investments in the company on grounds relating to this report.

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**PETKİM PETROKİMYA
HOLDİNG A.Ş.**

**GRADE OF COMPLIANCE WITH
CORPORATE MANAGEMENT
PRINCIPLES OF SPK**

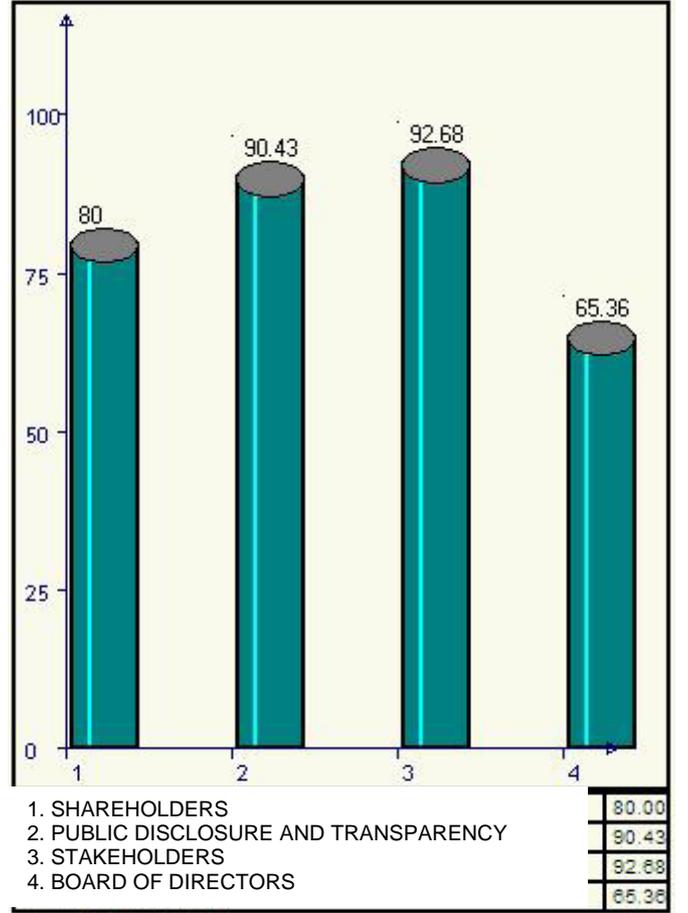
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SUMMARY OF RATING

The rating of compliance of PETKİM Petrokimya Holding A.Ş. with Corporate Management Principles in accordance with Methodology for Methodology for Rating of Compliance with Corporate Management Principles prepared by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. based on the Corporate Management Principles published by Turkish Prime Ministry Capital Markets Board (SPK), and adopted by SPK was finalized as a result of document reviews and interviews with managers and other responsible persons as well as other audits.

As also mentioned in Corporate Management Principles of SPK, the rating study The Grade of Rating of Compliance of PETKİM Petrokimya Holding A.Ş. with Corporate Management Principles has been fixed as **8,15** as a result of

examination of 388 criteria under the titles of Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors and assessment of these criteria based on the methodology of Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. this result means that PETKİM significantly complies with Corporate Management Principles published by Turkish Prime Ministry Capital Markets Board. Their internal control systems have been established and work even they need a few improvements. The rights of the shareholders are fairly observed. The risks that the company might incur were significantly identified and can be controlled. The rights of the stakeholders are fairly observed. The public disclosure activities and transparency are at a superior level. The structure and operating conditions of the board of directors are in

compliance with corporate management principles, however, they need some improvement under the corporate management principles even such nonconformities do not present major risks.

Upon reviewing the rating study under main headings in summary;

It is observed that the grade achieved by PETKIM is **80,00** points under the Shareholders Section. It is observed that the Company substantially complies with Corporate Management Principles of SPK. Particularly, Existence of a successful Investor Relations Department and the board of directors and directors being aware of the importance of corporate management help the company perform corporate management related activities within the organization more effectively and quickly.

Observation of time limits as specified in the principles for calls for General Assembly, general assemblies being held in accordance with the current laws, regulations and articles of incorporation, no procedures making it difficult for the shareholders to experience their right to vote or restrictions for application of an upper limit in number of votes, establishment and submission to general assembly for approval and public disclosure of profit distribution policy were considered to be practices in compliance with the principles.

However, it is considered negative practices that there is no regulation on “Appointment of Special Auditor” and “Accumulated Vote System” which are significant criteria to enable the shareholders to access information and experience shareholding rights. Furthermore, 1 (one) unit of share group “C” being privileged regarding “Nomination to Board of Directors” and restrictions applicable to transfer of shares are areas that need improvement.

It is observed that PETKIM well complies with the principles with its practices under Public Disclosure and Transparency and its grade is **90,43**. In this section, it is favorable that the Information Policies are in place and have been communicated to the general assembly, the List of Items that may be subject to Insider Trading has been made public, the natural person ultimate controlling shareholders are published on the web site, the web site of the company is also in English to enable the foreign investors to get information and the Independent Audit Body is subject to rotation. However, it is considered a deficiency under this section that should be eliminated that the contents of annual activity report does not contain any signed declaration by the member(s) of Board of Directors and senior management that the periodic financial tables fully reflect the financial standing of the company and that the company fully complies with the regulations.

PETKIM’s grade under the Stakeholders Section is fixed as **92,68**, and it is observed that the company very well complies with the Corporate Management principles of SPK with its practices under this section. They are favorable practices that the company has comprehensive and contemporary human resources policy, unionization exists, detailed regulations regarding the rights of customers and suppliers are in place, and the codes of conduct and social responsibility projects have been established and made public. Non-existence of any major legal disputes with stakeholders and governmental organizations is considered indicators of the fact that sound relations are established with employers, customers, suppliers and public authorities in accordance with established written procedures. It is considered that the company being subject to inspection by such bodies as Energy Market Regulatory Board and International Energy Agency by the nature of business of the company creates positive impacts

regarding protection of right of stakeholders in a broad sense. However, it is the most significant deficiency under this section that the employees are not able to appoint a representative in the Board of Directors.

The members of Board of Directors of PETKIM, having achieved **65,36** points under the Board of Directors and Directors section are persons experienced in the business of the company, and established and declared to public the mission and

vision of the company. It is considered positive that the board of directors, composed of seven (7) persons, is formed by non-executive members. The Audit Committee and Corporate Management and Risk Committee have been established. It is considered improvement areas that the Board of Directors contains no independent member, the members do not get attendance fee and the method of accumulated vote is not applied in election of the members of board of directors.

2. RATING METHODOLOGY

The Corporate Management Rating is a system that checks whether the management organization, style of management regulations relating to shareholding and stakeholding of companies and full transparent and true information are carried out in accordance with current contemporary corporate management principles and assigning a grade corresponding the current state of play.

The Council of Ministers Organization for Economic Cooperation and Development (OECD) adopted and published the Corporate Management Principles of in 1999, as from which the principles has become an international reference for decision makers, investors, shareholders and companies all over the world. The principles were subjected to a review in 2002, and made responsive to current circumstances.

In Turkey, the Capital markets Board (SPK) undertook the studies relating to Corporate Management. SPK established the Corporate Management Principles in 2003 for the first time, and then reviewed the principles and published in 2005. The principles have been grouped under four main sections as Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors.

In addition to SPK, BDDK also established the requirements that the Banks should comply with under the Regulation on Corporate Management Principles for Banks published in the Official Gazette no. 26333 of 01.11.2006.

Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. (Kobirate A.Ş.) carries out the Corporate Management Rating using a system fully based on the Corporate Management Principles of Capital Markets

Board (SPKKYI). In this system, the companies are analyzed under four main sections as Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors.

During this analysis, 388 different criteria supervised in companies traded at IMKB in order to measure the compliance of the company with corporate management principles. These criteria have been transformed into Corporate Management Rating Questionnaires specific to Kobirate A.Ş., and the responses to these Questionnaires are received from companies or banks in electronic environment. The responses received are reviewed, reported with conclusions by rating experts and analysts and submitted to Kobirate Corporate Management Rating Committee for final decision.

The grade that the company would achieve from the Corporate Management Rating Committee is fixed between 0 and 10. In this grading system, 10 stands for excellent meaning full compliance with Corporate Management Principles of SPK, and 0 for too weak meaning no compliance with Corporate Management Principles of SPK in any aspect.

In this context, the final grade is obtained the four sections are evaluated in the following weights as also adopted in Corporate Management Principles of SPK:

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

In this report:

✓ means practice which is correct / in compliance with Corporate Management Principles of SPK

* means practice which is wrong / not in compliance with Corporate Management Principles of SPK

✓/* means improvement area to make compliant with Corporate Management Principles of SPK

3. INTRODUCTION OF COMPANY

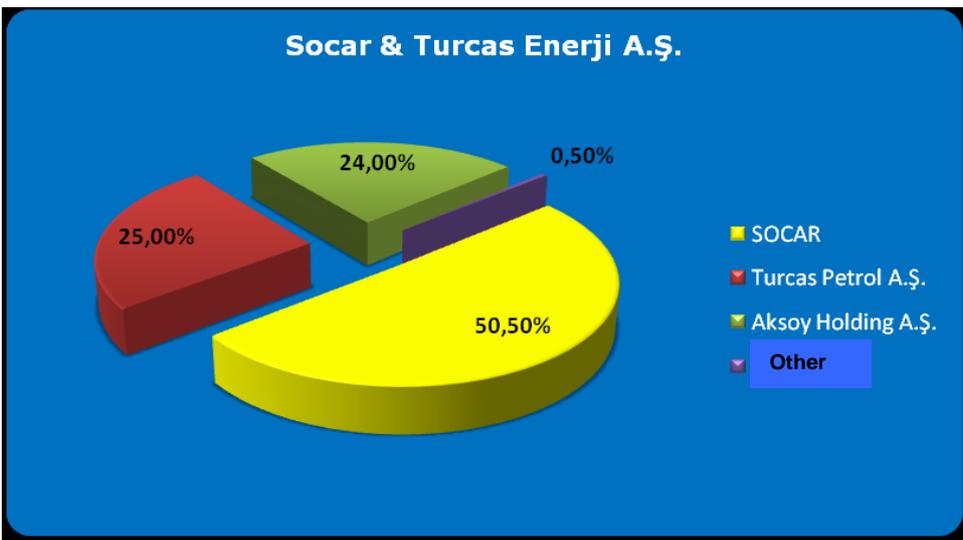
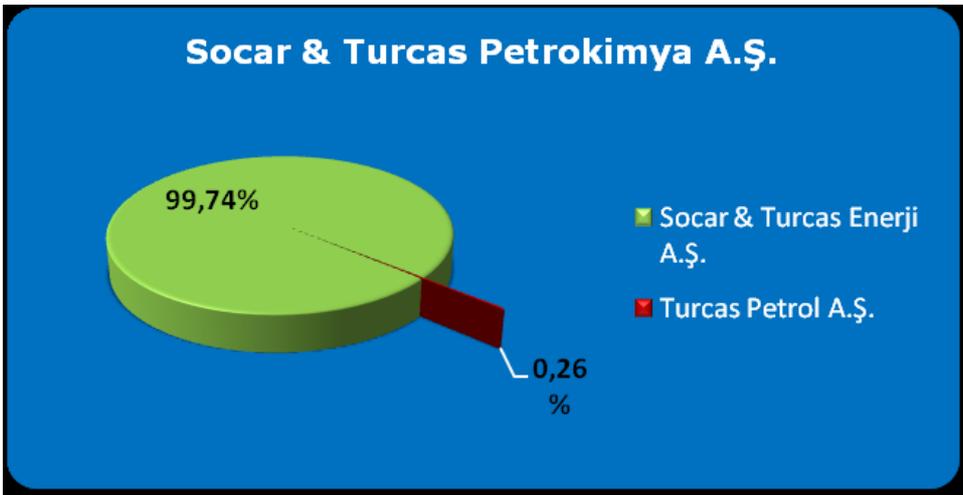
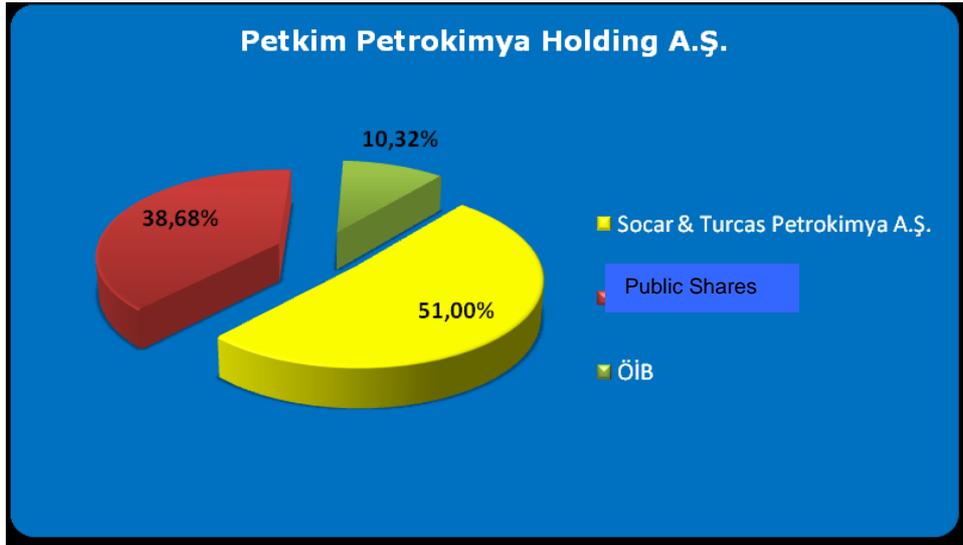
<i>Company Title</i>	: Petkim Petrokimya Holding Anonim Şirketi
<i>Address</i>	: PK. 12 35800 Aliğa İzmir
<i>Phone</i>	: (0232) 6163240 / 10 Lines
<i>Fax</i>	: (0232) 6161248
<i>Web</i>	: www.petkim.com.tr
<i>Date of Incorporation</i>	: 3 April 1965
<i>Commercial Registration No</i>	: 314 Aliğa Commercial Registry
<i>Paid-up Capital</i>	: TL 1.000.000.000.-
<i>Business</i>	: Production of, and trading in, petrochemical semi-finished and finished products
<i>Business Sector</i>	: Chemical Industry

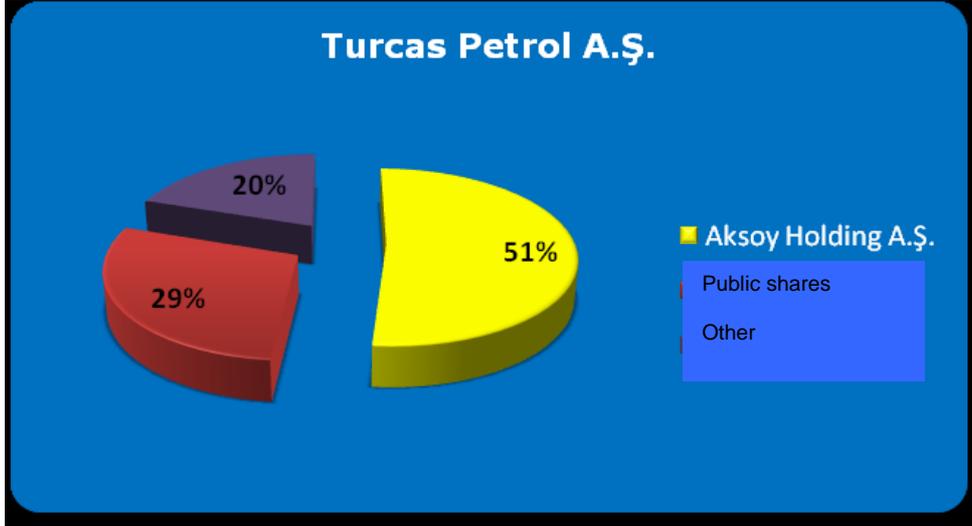
Company Representative for Rating

Fusun Ugan
Manager of Investor Relations Department

fugan@petkim.com.tr
0232 6161240 / 4575

Shareholding Profile of the Company





Natural Person Ultimate Controlling Shareholders

Shareholder	Percentage (%)
Erdal AKSOY	10,88
S. Batu AKSOY	3,75
Banu AKSOY TARAKÇIOĞLU	3,75

Board of Directors

Name / Surname	Title
Vağif ALİYEV	Chairman of Board of Directors
Erdal AKSOY	Vice Chairman of Board of Directors
Osman İLTER	Member of Board of Directors
David MAMMADOV	Member of Board of Directors
Faruk GASIMOV	Member of Board of Directors
Kenan YAVUZ	Member of Board of Directors

Senior Management

Name / Surname	Title
M. Hayati ÖZTÜRK	General Manager
Abdülkadir TUNCER	Deputy General Manager (Plants)
Ali ÖZTÜRK	Deputy General Manager (Logistics)
Cemal Şafak Ayıışığı	Deputy General Manager (Financial)
Bülent N. SUNAY	Deputy General Manager (Sales and Marketing)
Hatice KAYGIN	Deputy General Manager (Human Resources)

Comparison of balance sheets of the company for the last two year-ends and semi-annuals in selected items

	2008/12	2009/12	Change %	2009/6*	2010/6**	Change %
Current Assets	443.535.509	854.482.826	92,65	605.259.882	906.104.147	49,70
Fixed Assets	1.254.757.401	1.258.720.152	0,3	1.226.731.640	1.269.697.653	3,50
Total Assets	1.698.292.910	2.113.202.978	24,43	1.831.991.522	2.175.801.800	18,77
Short-Term Liabilities	251.315.642	566.076.485	125,25	336.027.046	551.750.619	64,20
Long-Term Liabilities	90.384.631	76.863.962	-14,96	99.189.913	88.418.828	-10,86
Equity	1.356.592.637	1.470.262.531	8,38	1.396.774.563	1.535.632.353	9,94

Source: Independent Audit Reports of Petkim Petrokimya Holding A.Ş.

* 1 January 2009 – 30 June 2009

** 1 January 2010 – 30 June 2010

**Comparison of income tables of the company for the last two year-ends and semi-annuals
in selected items**

	2008/12	2009/12	Change %	2009/6*	2010/6**	Change %
Sales Income	2.320.432.985	2.057.459.379	-11,33	895.322.514	1.395.782.933	55,90
Sales Cost (-)	(2.355.288.084)	(1.943.592.965)	-17,48	(822.519.993)	(1.273.678.062)	54,85
Gross Profit / Loss	(34.855.099)	113.866.414	426,69	72.802.521	122.104.871	67,72
Operating Profit / Loss	(131.286.670)	41.498.598	131,61	42.269.236	72.943.007	72,57
Financial Income	93.730.864	106.732.564	13,87	49.888.752	67.118.936	34,54
Financial Expenses	(119.722.617)	(83.499.972)	-30,26	(47.294.585)	(74.956.021)	58,49
Profit / Loss Before Tax	(157.278.423)	64.731.190	141,16	44.863.403	65.105.922	45,12
Net Term Profit / Loss	(151.258.150)	114.035.094	175,39	40.547.126	65.369.822	61,22

Source: Independent Audit Reports of Petkim Petrokimya Holding A.Ş.

* 1 January 2009 – 30 June 2009

** 1 January 2010 – 30 June 2010

**The Closing Top and Bottom Values of Company Shares in I.M.K.B during the period
01.01.2010 – 18.08.2010**

Bottom	Top
1.57	2.52

Source: Reuters

Brief History of Company

Establishment of petrochemical industry in Turkey was adopted under the 1st Five-Year Development Plan, and Petkim Petrokimya A.Ş. was established in 1965 under the leadership of T.P.A.O. with a capital of TL 250 million.

The first investments of the company were launched in Yarımca / İzmit. In 1970, Yarımca Complex started trial production primarily upon completion of Ethylene, Polyethylene, Chlorine Alkali, VCM and PVC facilities.

It was decided under the 3rd Five-Year Development Plan to establish the second complex of Petkim in Aliğa, Izmir to suit the increasing demand.

Aliğa Complex of Petkim was planned and constructed as including state-of-the-art technologies and started operating in 1985.

The enterprise was covered by privatization on 28.05.1986 under the Law no. 3291.

It transferred Yarımca Complex to TÜPRAŞ Türkiye Petrol Rafinerileri A.Ş. in 2001 upon the resolution of High Board of Privatization, and continues its business in Aliğa Complex.

During the tender process for privatization of 51% public shares in Petkim capital through block sales, It was approved by the resolution of High Board of Privatization no. 2007/63 of 22.11.2007 that the shares in question to SOCAR & TURCAS Joint Venture which submitted the second highest proposal as a result of final bargain negotiations conducted open to public on 5 July 2007.

The contract for transfer of Petkim shares to SOCAR & TURCAS Petrokimya A.Ş. incorporated by SOCAR & TURCAS Joint Venture was signed on 30.05.2008.

The transaction for sale of 51% public shares in Petkim Petrokimya Holding A.Ş. to SOCAR & TURCAS Joint Venture for 2.04 billion USD in block sales was officially completed.

The studies in Petkim have been going on in full course as from that date. The ISO 9001 Quality Management System Certificate was renewed, and ISO 14001 Environmental Management System Certificate and TS 18001 Occupational Health and Safety Management System Certificate achieved as a result of Integrated Management System Certification Audit carried out by TSE.

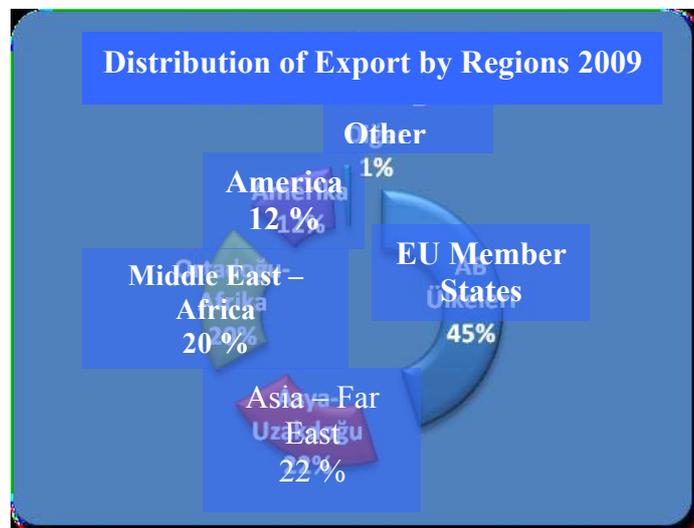
Information on Business of the Company

Petkim currently operates in a complex in Aliğa consisting of 14 factories and 22 plants in total and 8 units such as dam, port, treatment plants, etc. supporting production of these factories.

The production of Petkim, the only complex in Turkey for production of petrochemical products suits 20-25% part of national requirements, and the rest is suited through import.

Besides domestic market, Petkim exports to its 214 foreign customers in 62 countries. The regional distribution of export is given below:

The table showing annual production capacity of Petkim, suiting 20-25% of national requirements is given below.



Production Capacities	Tons/Year
Products	
Ethylene	520.000
Thermoplastics	713.000
PVC	150.000
AYPE	190.000
AYPE-T	133.000
YYPE	96.000
PP	144.000
Fiber Raw Materials	249.000
ACN	90.000
PTA	70.000
MEG	89.000
Other Products	434.000
PA	34.000
BENZENE	134.000
GAS CHLORINE	100.000
VCM	152.000
MASTERBACH	10.000
BAG	4.000
TOTAL	1.916.000

Source: Petkim Petrokimya Holding A.Ş. Activity Report 2009

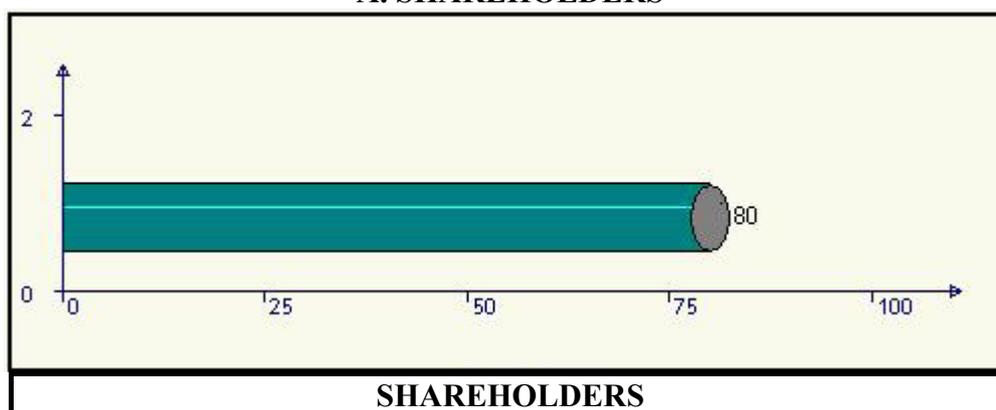
The paid-up capital of the company has been increased from TL 204.750.000.- to TL 1.000.000.000.- by a capital increase through bonus issues all of which covered out of equity in 2010.

Petkim employs 2469 personnel in total as of 17.08.2010, 1952 of which are blue collars and 517 white collars. The blue-collar personnel (in-scope) experience their unionization rights under Petrol-İş Labor Union.

The company has quite significant activities in the fields of training, environment, health and sports under social responsibility projects.

4. SECTIONS OF RATING

A. SHAREHOLDERS



Summary Overview of the Section

- ✓ An Investor Relations Department exists and effectively performs all duties concerning the shareholders.
 - ✓ Information policies are arranged in detail and announced to the public.
 - ✓ General assembly announcement method and general assembly meetings are held in accordance with the laws and legislation.
 - ✓ General assembly information document is issued and the shareholders are ensured to have access to information that would facilitate the enforcement of their rights.
 - ✓ Stakeholders and the media are invited to the general assembly meetings without having the right to speak.
 - ✓ The method of voting, which is set through the articles of incorporation, is published in the web site as an independent section.
 - ✓ There are no procedures complicating the enforcement of the right to vote and no upper limit for the number of votes to be cast by the shareholder.
 - ✓ A profit distribution policy has been established and announced to the public.
- ✗ The shareholders are not entitled to request the assignment of special auditors.
 - ✗ There are concessions in the rights to vote.
 - ✗ No arrangements regarding minority rights and cumulative vote practice are available.
 - ✗ There is no arrangement regarding dividend advance practice.
 - ✗ The articles of incorporation include restrictive provisions with respect to the transfer of shares.
- ✓/✗ The concessions of the votes that can be cast in the general assembly should be classified on the basis of shareholders and informed to the shareholders at the beginning of the meeting.
 - ✓/✗ The articles of incorporation shall make provision for the information to be disclosed about the candidates for membership in the board of directors in the general assemblies.

The Company was reviewed on the basis of 100 different criteria within the framework of the topics of facilitation of the right of shareholding, the rights of being informed and reviewing of the shareholders, the rights of attendance in the general assembly of the shareholders,

voting rights of the shareholders, the rights of minority shareholders, the rights of receiving dividends of the shareholders, the rights of the shareholders to transfer their shares to any person at any time and the principle of equal proceedings for all shareholders, as specified in the Corporate Management Principles of the Capital Markets Board, and the Company achieved **80,00** points in this section.

a. Facilitation of the Right of Shareholding

PETKİM Investor Relations Department operates under the Financing Directorate and consists of Füsün UGAN, Financing Director / Investor Relations Department Manager, and four experts. The department was established in 1990 when the company shares were offered to the public, restructured in 2005 as “Investor Relations Department” and it was seen that the personnel are qualified with the required knowledge and experience and they satisfactorily carry out the activities and duties specified in SPK (Capital Markets Board) Principles. The department has a proactive and dynamic structure and its personnel are participative in trainings and seminars on corporate management and in the social platforms of investor relations experts aimed at sharing knowledge.

It was established upon studies carried out and documents reviewed at the Investor Relations Department that; the shareholders book was kept sound and up-to-date, written / oral information requests of the shareholders regarding the company were responded as soon as possible, the inquiries and responses were kept in files, and all issues including legislation and the information policy of the company were followed up. It was ascertained that **PETKİM** management regularly held meetings with and informed analysts, investors and media representatives, and responded to their inquiries. In this context, information on the company and the sector were shared totally 74 times through teleconferences with the investors

and banks, and investors’ meetings with domestic corporate shareholders within 2009.

It was established that the general assembly meetings were held in accordance with the laws, legislation and the articles of incorporation; documents on the general assembly, which the shareholders may utilize, were prepared and provided for review at the company headquarters and on the web site; the voting results were recorded and published in the web site of the company, and sent to those shareholders who requested them.

It was decided that **PETKİM** conformed to the principles at utmost level through its practices mentioned in this sub-section.

b. Right of Being Informed and Reviewing

The information necessary to soundly enforce the shareholding rights were made available for use by the shareholders and the web site of the company (www.petkim.com.tr) was effectively used to this end. Developments that may influence the enforcement of the shareholding rights were sent to the Public Clarification Platform (KAP), SPK and İMKB (Istanbul Stock Exchange) as releases, and also announced in the web site of the company.

It was observed that the oral / written inquiries of the shareholders about the company communicated via telephone and/or other communication means were responded as soon as possible and the information was provided completely, timely and meticulously. Similarly, it was established that inquiries about the legal and commercial relations between the company and the real / corporate persons, with which the company is directly / indirectly interrelated with respect to capital, management or inspection, were also responded, and around 100 inquiries were responded monthly in 2009. It was seen that the inquiries by the shareholders

and the responses of the authorities were kept regularly.

The “Information Policies” approved by the Board of directors of the Company are published in the web site and the methods regarding the right of being informed of the shareholders are described in detail within the scope of such policies. It was indicated by the legal consultancy department of the Company that there was no claim filed by the shareholders for annulment of the decisions of the general assembly due to failure to provide adequate, correct and/or timely information.

There was no arrangement in the articles of incorporation regarding “The individual right of each shareholder to request from the general assembly the assignment of a special auditor”; such right was subject to the legal assurance defined under article 348 of Turkish Commercial Law.

c. Right of Attendance in the General Assembly

PETKİM has ensured quite good conformity to the principles under this section through its practices of general assembly meeting process. Invitations for general assembly meetings were announced through Turkish Commercial Registry Gazette, national and local newspapers and the Internet three (3) weeks in advance of the date of meeting. Stakeholders were also invited to the ordinary general assembly held on 31.03.2010 and the meeting was held as an open session. It was established that the contents of announcement and the presentation of agenda were sufficiently clear to avoid different interpretations. An informative document on the agenda was prepared and submitted for the information and review of the shareholders along with other information and documents listed in the principles. The ordinary general assembly convenes in a hall of the company headquarters suitable for a crowded meeting within the periods set

forth in the principles following the end of each accounting period. Sample letters of attorney prepared for those who could not attend the meeting were offered to the use of shareholders at company headquarters, enclosed with the announcement issued in the printed media and in electronic medium, thus trying to keep the interest and participation of the shareholders at utmost level. Information was obtained that the subjects requested by the shareholders to be taken on the agenda were taken into consideration by the board of directors when preparing the meeting agenda; the items of agenda were independently voted, counted and announced to the shareholders before the end of the meeting. Board members, auditors, general manager and assistants, manager and employees of the investor relations department, and other relevant persons attended the meeting. The representative of the independent audit body also attended the meeting and declared that the financial statements and other relevant reports such as the capital adequacy statement complied with the existing principles and standards, and that the information were correct and honestly reflecting the truth.

Upon review of the meeting minutes, it was established that; the chairman chaired the meeting equitably and in an effective manner as to ensure that the shareholders enforce their rights and that the shareholders were informed about the annual activity report, financial statements of the company and performance indicators. Although the articles of incorporation do not provide a detailed definition about candidacy for board membership, it was understood that the candidates were elected from persons having the required knowledge and who were experienced in the sector, and that the attendants were informed about the backgrounds of the candidates.

It was established that there was no provision in the articles of incorporation about taking decisions in the general assembly on: division and exchange of shares leading to changes in the capital and management structure and assets of the company, purchase / sales, renting or leasing or donating and granting substantial amount of material / immaterial assets and providing guarantees such as surety and mortgage in favor of third persons; however, the shareholders were informed in the meeting on such decisions.

The facts that the concessions on the votes to be used during the general assembly were not classified on the basis of shareholders and informed to the shareholders at the beginning of the meeting, and that the articles of incorporation made no arrangement about which information of the candidate board members would be disclosed during the general assemblies were detected as deficiencies that should be eliminated with respect to this sub-section.

It was established that the conformity of the practices of the company under this sub-section to the principles was at a very good level.

d. Right to Vote

No procedures complicating the enforcement of the right to vote were provided either in the articles of incorporation or in practice; and no upper limit was set for the number of votes that could be cast by the shareholders during the general assembly. The right to vote is ensured to be enforced as a right arising out of acquisition of shares and there is no arrangement complicating enforcement thereof. Shareholders may either cast their votes personally or through a third person holding or not holding shares; sample letters of attorney to be used for this purpose are provided to the shareholders as enclosures to announcements and in electronic medium. There is no limitation on personal and corporate representation in

the enforcement of the right to vote. Article 33 of the articles of incorporation provides that voting will be open and votes will be cast by raising hands. It is seen that such provision is observed during the meeting, the attendants were informed about the method of voting prior to the meeting, and the voting procedure was informed to the shareholders in electronic medium, as well. According to article 32 of the articles of incorporation, each person has one vote in general assembly meetings. However, 1 (one) share of group “C” from those representing the capital is held by Republic of Turkey Prime Ministry Privatization Administration and has concession about “Nominating Candidates for the Board of directors”. Although this is not compatible with corporate management principles, Privatization Law no. 4046 dated 24.11.1994, Principles Section, Article 2 contains the expressions, “Preventing the adverse effects of a monopolistic structure that would occur” and “Issuing concessionary shares to be owned by the state for strategic issues”, which reveal that it is attempted to prevent monopolization, to preserve economic and sector stabilities, to avoid damages in state economy and public interests –in a wider sense, the stakeholders– through the above criticized concession (and limitation on transfer of shares) within the process of privatization.

e. Minority Rights

The minority shareholders are not subject to any violation of rights with respect to issues such as attendance in general assembly, representation by proxy and imposition of an upper limit in the enforcement of the right to vote. However, the fact that the articles of incorporation does not provide for any arrangement regarding the election by minority shareholders of board members by means of cumulative votes was assessed as an issue requiring improvement.

f. Right of receiving dividends

PETKİM has established a dividend distribution policy in accordance with the

relevant provisions of both Turkish Commercial Law and SPK and Corporate Management Principles, and with the articles of incorporation and it has disclosed this policy to the public in electronic environment. The dividend distribution policy of the company for 2010 and following years was provided for the information and approval of the shareholders during the last general assembly through decision no. 57/123 dated 12.02.2010 of the board of directors .

Such policy has made arrangements regarding the amount, source, distribution criteria and distribution time of the dividend. The Company also has arrangements regarding the facts that it adopts as a principle to distribute maximum amount of dividends to the shareholders taking into consideration the medium and long term strategies, investment and financing plans and economic developments; that a consistent policy between the interests of the shareholders and the interests of the Company shall be pursued in implementing the dividend distribution policy; and that the board of directors shall inform the shareholders about why the dividend will not be distributed and how the undistributed dividend shall be utilized, in the event that dividends are not distributed.

The company articles of incorporation provide that there is no concession granted to any group in dividend distribution. Although the Company is observed to generally conform to the “Corporate Management Principles” of the Capital Markets Board, the lack of an arrangement in the articles of incorporation regarding the grant of “advance dividend” was detected as an issue that should be improved for compliance with the principles.

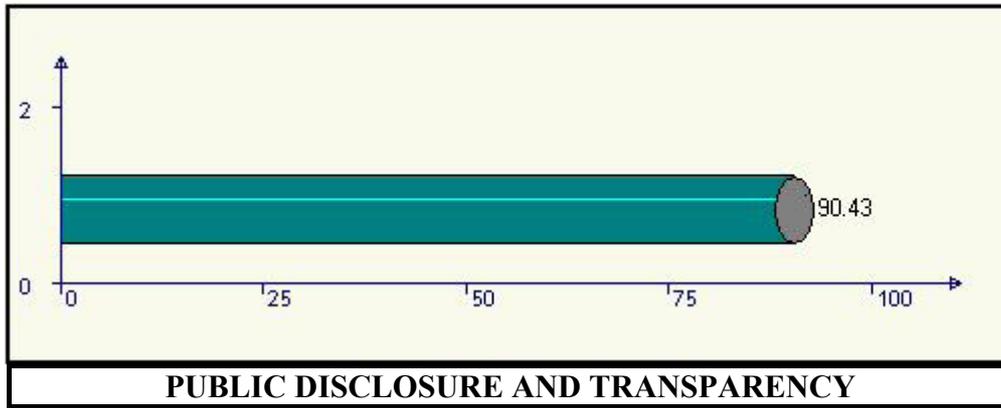
g. Transfer of Shares

According to article 8 of **PETKIM** articles of incorporation, Company shares are divided to the three groups of A, B and C. A portion of 38.7% of group A shares were offered to public and are dealt at IMKB; there is no limitation on the transfer of such shares. 1 (one) share of group C is owned by Republic of Turkey Prime Ministry Privatization Administration. According to the articles of incorporation, the transfer of registered shares shall be valid before the Company conditional upon the approval of the board of directors and also the affirmative vote of the member representing group C share in the decision of the board of directors for recording in the stock register. The concessions granted for the group C share in the articles of incorporation shall persist as long as Republic of Turkey Prime Ministry Privatization Administration holds the group C share. Group C share may be transferred to another Turkish Public Body bearing in essence the authorities granted to Republic of Turkey Prime Ministry Privatization Administration by Law; in such case, the transfer shall be recorded in the stock register without requiring the decision of the board of directors . The concessions on group C shares may only be restricted or annulled through duly amending the articles of incorporation upon decision by Supreme Board of Privatization or the competent authority of that time. The situation of this sub-section with regard to the principles is criticized in the section of “Right to Vote”.

h. Equal Proceedings for All Shareholders

It was concluded that the Company treated the shareholders equitably as the shareholders made no complaint regarding discrimination during onsite inspections and no finding pertaining thereto was observed in the Company. It was decided that all shareholders were treated equally particularly with respect to informing the shareholders and public disclosure.

B. PUBLIC DISCLOSURE AND TRANSPARENCY



Summary Overview of the Section

- ✓ Real person ultimate controlling shareholders of the Company were disclosed to the public in electronic environment.
- ✓ The information policy was informed to the general assembly and announced to the public in the web site.
- ✓ The web site is quite comprehensive and up-to-date and is effectively used as a means of public disclosure, and the information is presented in Turkish and English.
- ✓ The activity report provides information on company performance and expectations. Furthermore, the provided information is supported with statistical studies and graphics.
- ✓ Periodical financial statements and footnotes are prepared in accordance with current legislation and international accounting standards.
- ✓ The list of insiders is issued in the activity report and the web site.
- ✓ Dividend distribution policy is presented in the activity report and the web site.
- ✓ Codes of conduct are disclosed to the public within the framework of the information policy.
- ✓ Significant events and development that should be disclosed to the public are disclosed to the public in accordance with the legislation and without delay.
- ✗ The annual activity report does not contain signed statements of the member/s of the board of directors and the superior management verifying that the periodical financial statements fully reflect the financial status of the company and that the company fully observes the legislation.
- /□ Statement of the board of directors should contain information on the conflict of interests because of failure to fully observe the principles.

The Company was reviewed on the basis of 94 different criteria within the framework of the topics of principles and means of public disclosure, disclosure to the public of the relations between the Company and the shareholders, board members and managers, periodical financial statements and reports in public disclosure, function of independent audit, the concept of trade secret and insider trading, and the events and developments that should be disclosed to the public, as

specified in the Corporate Management Principles of the Capital Markets Board, and the Company achieved **90,43** points in this section.

a.Principles and Means of Public Disclosure

The company essentially carries out its information activities within the framework of “Information Policies” approved by the board of directors , informed to the general assembly and shared with the public. It was established that the company is at a quite good level in public disclosure and that it effectively uses the public disclosure means and methods such as press bulletins, electronic data distribution channels, meetings with shareholders and potential investors and announcements through media organizations or the web site in addition to those set forth in legal regulations for disclosure of the information to the public. The web site of the company contains most of the information listed in the corporate management principles, is used as an effective platform for information and is presented also in English for informing foreign investors. Hayati ÖZTÜRK, General Manager, Şafak AYIŞIĞI, Assistant General Manager and Füsun UGAN, Head of Investor Relations Department, are authorized signatories for releases to be sent to the Public Disclosure Platform. 2 (two) personnel working in the Investor Relations Department are exclusively in charge of supervising and following up all issues regarding public disclosure and they are adequately attentive in disclosing any important developments or decisions influencing the company to the public. Also in relation with this sub-section, “Dividend Policy” and “Codes of Conduct” were disclosed to the public.

The statement of the board of directors covering whether the principles are enforced or not, and the justification if they

are not enforced is contained in the corporate management conformity report; however, information on the conflict of interests arising out of not fully conforming to the principles is not available. The practices of the company under this sub-section satisfy the principles at good level.

b.Disclosure to the public of the relations between the Company and the shareholders, board members and managers

As a result of reviews on the records and documents, there was no finding that the board members, managers and company employees transacted on the Capital Market Instruments of the company. It was seen that the employees of the company were aware that in case their shares exceeded or fell below thresholds such as 5%, 10%, 25% and 33%, this should be announced to the public through IMKB without delay, and it was established that the transactions that took place within the reviewed period were disclosed to the public along with special condition descriptions. We did not have any finding that the company was warned because of a practice on the contrary. It is understood that **PETKİM** is attentive about carrying out its relations also with related party corporations on an equitable and reasonable basis. Since its frequent and continuous transactions, which are projected to be developed, with SOCAR Trading S.A. of the group companies are foreseen to reach 10% or more of the total assets or gross sales in its financial statements to be disclosed to the public as of 2010, the company requested an assessment on whether the conditions set regarding relations with such company are equitable and reasonable. As a result of the assessment made by Güreli YMM ve Bağımsız Denetim Hizmetleri A.Ş. (Güreli Financial Consulting and Independent Audit Services Co.), it was established that the transactions with the related parties

were equitable and reasonable, and the assessment report was announced to the public at Public Disclosure Platform.

The table of real person ultimate controlling shareholders was published on internet environment and the public was informed about the partnership structure of the company. It was decided that the company conformed to the Corporate Management Principles of Capital Markets Board in this section in general.

c. Periodical financial statements and reports in public disclosure

PETKİM's periodical financial statements and financial statement footnotes are prepared in a manner as to reflect the actual financial status of the company, revised in line with the issues contained in the independent audit report within the framework of the current legislation and, when required, international accounting principles, and then disclosed to the public. The independent audit body that has audited the company stated its opinion that "financial statements of the company correctly and honestly reflect the financial status as of December 31, 2009 and the financial performance and cash flows of the year ending on such date within the framework of the financial reporting standards published by the Capital Markets Board", thus supporting our findings. Since there is no incentive system for the employees of the company developed for providing them with shares of the company based on shares and/or based on other capital market instruments, the periodical financial statements provide no information thereof.

The activity report is prepared quite comprehensively and largely in accordance with the principles, and the performance data of the company in various fields as of years and the future expectations are supported by statistical data and graphics. Similarly, the annual activity report

includes comprehensive information on the social rights of employees, professional training and environmental protection.

However, the fact that there was no explanation about the conflict of interests arising between the company and the organizations that it receives services regarding issues such as investment consultancy, investment analysis and rating and about the measures taken by the company to prevent conflict of interests was considered as an issue that should be improved with respect to conformity to the principles. Furthermore, the fact that the annual activity report was not signed by the board member in charge of preparation of periodical financial statements and reports, the general manager and the assistant general manager in charge of preparation of periodical financial statements and reports or the manager who has assumed this responsibility, and that statements indicating that the periodical financial statements fully reflect the financial state of the company and the company fully observes the legislation are not included in the activity report were established as fields that should be improved under this sub-section.

d. Function of Independent Audit

It was concluded that the company fully satisfies the criteria in this sub-section. It was established that independent audit bodies were hired by way of rotation at certain intervals due to SPK legislation and care was taken not to establish relations that would damage the independence of such bodies and their auditors. The company has most recently concluded a contract for 2010 and 2011 with "Güney Bağımsız Denetim ve SMMM AŞ", which is an independent audit body authorized by SPK. It was determined that the contract and studies with this firm comply with the legislation, and company authorities have reported that there has been no conflict between the body and the company

submitted to jurisdiction. **PETKİM** authorities have stated that no consulting services were received from the independent audit body and the audit staff and other personnel employed by this body. The independent audit firm was selected by the audit committee and the committee submitted to the Board of directors a report as to whether there was any issue damaging independence.

e. The Concept of Trade Secret and Insider Trading

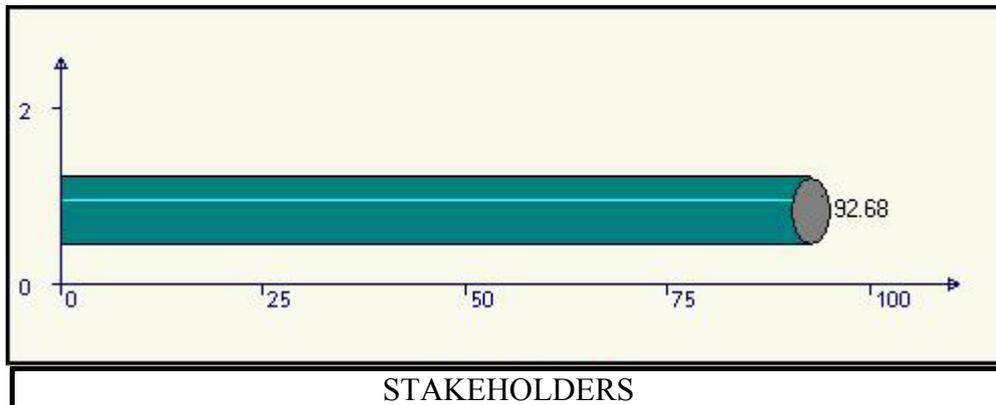
The concept of trade secret was defined in the codes of conduct, the practices that would prevent the insider trading were contained in this context and the list of persons who can access to information undisclosed to the public was given in electronic environment, in the activity report and in the corporate management conformance statement. The persons who can access to internal information provide undertakings that they shall not gain indirect and/or direct earnings using such information. Furthermore, a series of technical measures were taken to ensure safety and protection of trade secrets; however, it was understood that the balances were regarded in order to enable the stakeholders to enforce their right to be informed, while trying to protect the trade secrets. It was indicated by the legal consultancy department of the Company that there was no claim filed against the company regarding these issues and there was no finding in the IMKB and SPK bulletins indicating that the Company received any warning or penalty about the issue. It is observed that the company largely complies with the “Corporate Management Principles” of the Capital Markets Board with respect to this section.

f. Important Events and Development that should be Disclosed to the Public

The company publicizes Special Situation Disclosures through the Public Disclosure

Platform. It was established that the important events and developments as well as issues required to be disclosed to the public by SPK and IMKB were regularly announced through the public disclosure means and no penalty or warning was received from SPK and IMKB because of any practice on the contrary. The issues that should be publicized by the company were defined and announced in detail within the Information Policy. Disclosures to the public of the company are coordinated and announced by the Investor Relations Department. It is seen that the company fully complies with the “Corporate Management Principles” of the Capital Markets Board in the section of important events and development that should be disclosed to the public.

C. STAKEHOLDERS



Summary Overview of the Section

- ✓ Codes of Conduct were established, submitted to the general assembly and published in electronic environment.
- ✓ There is no arrangement complicating the enforcement of rights by the stakeholders.
- ✓ The employees are provided with a safe and peaceful work environment.
- ✓ A comprehensive human resources policy and training policy was established.
- ✓ There are regulations for admission, promotion, rewarding and discipline issues and such regulations are observed in practice.
- ✓ Relations with customers and suppliers are bound by written procedures and well-designed systems are established to ensure a high level of satisfaction.
- ✓ There is unionization actively carrying out activities, where in-scope employees are members to.
- ✓ The company acts sensitive with respect to social responsibility.
- ✗ The employees have no representative in the board of directors and there is no

provision in this regard in the articles of incorporation.

The Company was reviewed on the basis of 41 different criteria within the framework of the topics of company policy regarding stakeholders, supporting the participation of stakeholders in company management, protection of company assets, human resources policy of the company, relations with customers and suppliers, codes of conduct and social responsibility, as specified in the Corporate Management Principles of the Capital Markets Board, and the Company achieved **92,68** points in this section.

a. Company Policy Regarding Stakeholders

The company policies implemented by **PETKİM** concern a very large group of stakeholders. Employees, customers, suppliers, public institutions and, due to its field of activity, the environment are defined as the stakeholders of the company. Models and mechanisms aimed at protecting the rights and interests of the abovementioned stakeholders were established and endeavored to be meticulously implemented by the board of directors of the company. Upon interviews with the authorities of the legal consultancy and studies on company records, impression was gained that the

rights of stakeholders are protected through contracts; in case of any infringement of rights for any reason, effective and rapid compensation is provided; and that the interests of stakeholders are protected within rules of goodwill and also protecting the company reputation.

During the process of privatization, a substantial portion the employees requested transfer to other public institutions and some employees who were willing to retire quitted the company. Another portion of employees were discharged upon being fully paid their financial and social benefits. It was seen that even through some problems submitted to jurisdiction were inevitably experienced during this process with some employees, most of them were resolved amicably.

Placing emphasis on producing high-quality products and services complying with the standards and on customer satisfaction, the company was entitled to a renewal of ISO 9001 Quality Management System Certificate as a result of the Integrated Management System Certification Audit performed by TSE (Turkish Standards Institute) and was awarded ISO 14001 Environment Management System Certificate and TS 18001 Occupational Health and Safety Management System Certificate.

It was seen that the company provides information about the rights and the company policies and practices regarding the protection of such rights to its employees through the intranet system; its customers and suppliers through the support lines on its web site; and the public by publishing special status disclosures, information and documents about the company through its web site. It was also established that printed and visual media, as well as **PETKİM** Bulletin are effectively used to inform the stakeholders.

It was decided that the company complies with the corporate management principles at utmost level with respect to this sub-section.

b. Supporting The Participation Of Stakeholders In Company Management

Although the articles of incorporation make no regulation regarding the representation of the employees in the board of directors , models ensuring involvement of the employees in management were developed through internal arrangements. Blue collar employees have representatives in the discipline committee, board for leaves and environment and occupational safety board through Petrol-İş union, where they are members of.

PETKİM Recommendation System was developed in order to improve the involvement of the employees in corporate activities by means of their creative and innovative opinions and to most effectively implement the recommendations. In this system, the individual and group suggestions of employees developed in almost all subjects are assessed. In this context, 2.400 out of totally 2.819 recommendations provided by the employees were decided to qualify as recommendations in 2009; 1.459 were found to be feasible and 905 were applied. In order to determine the satisfaction of the employees regarding the company, an “Employee Satisfaction Survey” complying with the requirements of EFQM Perfection Model has been regularly conducted since 2006. It was determined as a result of the survey conducted in 2009 that the level of satisfaction was quite high. In order to reach more detailed information on the employee perceptions according to the results of Employee Satisfaction Survey and to project improvements based on the survey results, Focus Group Meetings were held in 2009 with

employees representing the group with a low level of satisfaction. The views set forth after the study made in this scope were assessed and fields of improvement were determined.

In order to promote customer relations, learn customer expectations and share **PETKİM**'s future plans with customers, sectoral, regional and product service meetings were started to be held in 2009 with the participation of the General Manager and assistants. Besides the "Customer Satisfaction Survey" aimed at measuring the perceptions of customers about **PETKİM**, an online survey where the results of customer complaints are assessed was started in June 2009. Customer feedback obtained from customer visits, sectoral, regional and product service introduction meetings and surveys were assessed in a manner as to be reflected on the work processes, and customer satisfaction was at a very high level in 2009.

"Supplier Satisfaction Survey" is also conducted in electronic environment in order to assess the adequacy and effectiveness of purchasing applications. Survey results are assessed and improvement studies are carried out in line with the complaints, recommendations and requests. Information technologies were more comprehensively utilized in 2009 in order to keep supplier relations at maximum level. In this context, communication with suppliers in the web environment was rendered interactive; thus, the suppliers may communicate their opinions, recommendations and requests about all subjects through this system.

It was decided that **PETKİM** continuously renews and develops its relations with stakeholders, based on its deep-rooted traditions and corporate culture, and that it has performed very well with respect to this sub-section.

c. Protection of Company Assets

Principles regarding the protection of company assets were established within the Codes of Conduct. Furthermore, care is taken to avoid any practice that would lead to reduction of the company assets, by means of regular financial consultant audits and Independent External Audits.

More care is taken to protect the company assets because of its partnership structure and because 38.7% of its shares are public. It is considered factors reducing the risk of reduction of assets of the company through decisions taken by the board of directors thereby causing the shareholders being suffered by damages that the transfer of registered shares is recorded in the stock register, decisions proposing a reduction of at least 10% in the capacity of any factory owned by the company, incorporation of a new company or establishment of a partnership or acquisition of any company or participation in, and/or amalgamation with, existing ones by, division, change in kind, termination and winding up of, the Company are made subject to positive vote of the member representing group "C" share owned by Turkish Privatization Administration according to the articles of incorporation of the company. It is assumed that the company's being subject to inspection by Energy Market Regulatory Authority and International Energy Agency because of its field of activity also may create positive effects on protecting the rights of stakeholders and preventing practices that may reduce the assets of the company.

As a result of reviews, it was seen that there is no aspect of the company that may be considered as negative under this heading.

d. Human Resources Policy of the Company

PETKİM has a human resources department organized to contemporary standards to perform the human resources policy as established by the board of directors. This department performs many tasks such as recruitment, promotion, appointment, waging, personal affairs, training, career development, social rights, personnel regulation and compliance with code of conduct and satisfaction of employees, etc.

The processes developed under the human resources policies of the company covers documented procedures based on objective criteria, highlighting efficiency principles aimed at protecting the rights of both the organization and employees in the course of training and career of the personnel recruited. The criteria for recruitment have been established in documented manner are observed in practice. PETKİM was short listed under the categories “Recruitment” and “Training and Development Management” for “PERYÖN Human Management Prizes 2009” of Personnel management Association and awarded the “Grand Prize” under the category “Recruitment”.

The fresh employees undergo an orientation training to get informed on corporate strategies and policies, organizational structure, production, working conditions, occupational safety and social rights, and to get oriented with work in a short time. On-the-job training is developed for fresh white-collar personnel for two months in production and maintenance groups and one month in other units. The blue-collar personnel are started working after minimum 3-month training under Employment Guaranteed Labor Training scheme.

PETKİM has been operating in accordance with EFQM Excellence Model since 2006, and convenes self-evaluation meetings according to this model to evaluate the performance of each department of the

company against strategic objectives. In this context, the performance of the personnel is also measured by means of systematically applied performance management system whereby the employees can evaluate their efficiency objectively. The achievement of objectives is monitored, operated and the degree of achievement of the indicators monitored using "Balanced Score Card". As a result of all these activities, application was lodged with “Successful Team of the Year Prize” organized by Kal-Der Izmir in two teams, and one of the teams was awarded the “Successful Team of the Year Prize” for its project and the other team was awarded a plaque as a result of evaluations in June 2009.

The employees consist of out-of-scope (white collar) and in-scope (blue collar) personnel, and the in-scope personnel are members of labor union. It was concluded that the labor union is in cooperation with the company management in many aspects ranging from waging to efficiency and presents a constructive attitude in solving the problems.

It was determined that efforts are made to provide the employees with a safe working environment and all employees are regularly provided with training to ensure occupational safety. It was stated by relevant persons that there is no complaints on grounds relating to discrimination between the employees by any reason.

As a result of in-situ studies, it was determined that the company implements a contemporary human resources policy and actions are taken in accordance with these policies, documented procedures have been developed for recruitment, promotion, waging, training and other personal rights of the personnel, and the company complies with the principles at a superior level by virtue of regulations and practices relating to this subsection.

e. Relations with Customers and Suppliers

PETKİM established a “Customer Information System” for the purpose of transforming its corporate customer relations into a information based system, and the customers are able to access all information ranging from debt / receivable relations to quality report of the product purchased, personal information, order and shipment information using this system. Besides “Customer Satisfaction Questionnaire” aimed at measuring the perception of customers about PETKİM every year via the system in question, an online questionnaire was also launched in 2009 whereby the results of customer complaints are evaluated. It was determined as a result of the interview with the authorized persons of the company that the customer feedback obtained from questionnaires, customer visits, sectoral, regional and product and service promotion meetings are evaluated such that they are reflected to working processes. In addition, it was determined that the customer performance is also monitored by “Customer Performance Monitoring System”.

The company also established procurement policies and these policies are intended to create a mutual value by working with sufficient number of suppliers and continuously monitoring their performance. Meetings are held with suppliers regularly every month where working processes are evaluated, “Performance target Cards” reviewed in order to identify whether the targets have been achieved or not.

Improvement actions are taken in accordance with complaints, recommendations and requests received by evaluating the results of “Supplier Satisfaction Questionnaire” in order to evaluate the quality and effectiveness of procurement practices. Upon making the

communication interactive on web platform, the suppliers can access the contact and tender information, their performance grades, update their contact details, and send their comments, recommendations and requests in all matters via this system.

It was determined as a result of the studies at the company that the relations with customers and suppliers are managed under contracts drafted in view of protecting the rights mutually and in good faith, necessary measures have been taken to ensure confidentiality of information relating to customers and suppliers under commercial secret. Furthermore, it is observed that quality standards are observed in goods and services, care taken to maintain the standard, necessary systems and models to ensure maximum satisfaction established. It is concluded that PETKİM well complies the principles under this subsection as well.

f. Code of Conduct

The company has prepared a code of conduct which all employees are required to comply with, and published it on the web site after approval of the board of directors. The code of conduct in question submitted to general assembly in 2010 for information of shareholders. Upon reviewing the code of conduct, it was observed that it has contents comprehensive and consistent with principles. The procedure to apply when the employees are found to have an attitude contrary to the code of conduct is included in the employment contracts and personnel regulation.

g. Social Responsibility

PETKİM constructed its social responsibility policies on the views of ensuring occupational safety, protecting environment and highlighting its responsibilities towards the community

under its mission of being a human and environment friendly petrochemical complex. In this context, PETKİM realized 2 (two) elementary schools serving within PETKİM Complex and 3 (three) in the region of operation. The activities of Haydar Alıvev Technical and Industrial Vocational High School project to serve 720 students in 24 classrooms planned to be put into service in the education year 2011-2012 are in the final stage. The company provides the universities, scientific organizations, vocational high schools with material, utilities and technical equipment support under “University – Industry Cooperation” scheme. The vocational high school and university students are enabled to do internship at factories and administrative departments. 350 students in average benefit these facilities every year. The second “PETKİM Employment guaranteed Labor Training” program launched in cooperation with Turkish Employment Agency and Ege University was implemented in 2009, and 198 trainee who were found successful as a result of the course started working at the company in technician position on 01.02.2010. PETKİM was awarded the grand prize as the company which paid the highest Social Security Premium.

The company was assessed by assessors of Kal-Der (Quality Association) on document basis and through field visits during the process of Quality Prize, and was awarded the Certificate of Competence in Excellence as a result of this assessment according to the Excellence Model EFQM.

The first saplings were planted in “Haydar Alıvev Friendship and Memorial Forest” formed with 11 thousand saplings on an area of 75 acres in order to re-forest the area affected by the forest fire suffered in Yeni Foça in June 2009. Furthermore, the company continues its forestation activities within Aliğa Complex and lodging region

Aliğa PETKİMspor Basketball Team provides full support to ensure that the children like sports and achieve success in social activities by enabling them to watch leading clubs in Beko 1st Basketball League in Turkey. The sport areas in the lodging region were made available to public. The company transferred the right of use of a 7-storey and 12-unit building owned by the company located in Gaziosmanpaşa, Ankara to Foundation for Children with Leukemia (LÖSEV) free of charge for a period of 20 years to contribute protection of physical and mental health of children with leukemia.

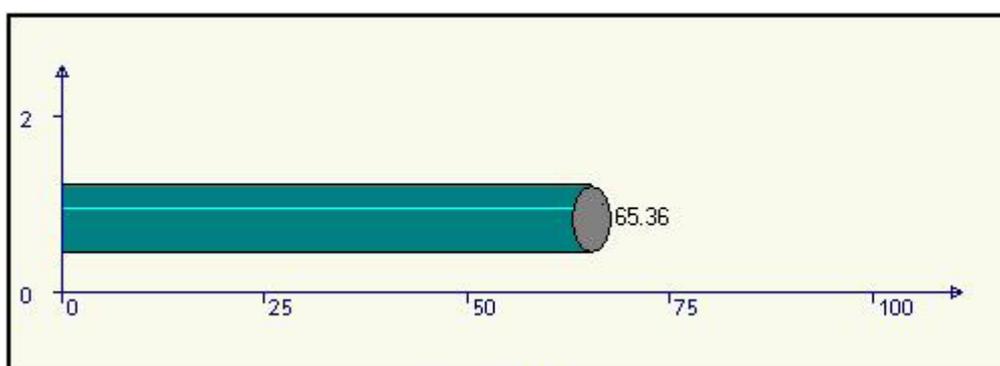
The company stated the priority of protection of human and environment in its mission, principles and assets, included it among its strategies and undertook it in its Integrated Management System Policy. The environmental activities of PETKİM are implemented under the coordination of Environmental Risk Management in accordance with the regulations and communications published under the Law on Environment no. 2872. The company, having planned its activities with environmental aspects, studies its projects according to Environmental Impact Assessment (EIA) process in the planning phase and applies for necessary permissions. Out of the applications lodged with in 2009, permissions have been obtained for “47,5 MW Wind Power Plant” project and “Hazardous Waste Regular Storage Plant” project. The EIA process is in progress for “Increase in Capacity of PA Factory” and “Equipment Renewal and Modernization of Aromatics Factory” projects. The company serves many industrial facilities regarding waste disposal with its Waste Incineration Plant, the first licensed waste incineration plant in Turkey under corporate organization, established under an environmental investment amounting to 25 million USD. A significant reduction on CO₂ emissions has been achieved through energy saving

efforts emerging as a reflection of increasing environmental awareness of employees.

It was stated by the managers and legal advisory department interviewed that the company does not suffer any unfavorable condition that might require any major

sanction by public authorities or any problem with relevant public administrations regarding financial matters. Furthermore, it was determined that there is no action taken against PETKİM due to damages caused to environment during the term.

D. BOARD OF DIRECTORS



BOARD OF DIRECTORS

Summary Overview of the Section

- ✓ The mission and vision of the company were established and disclosed to public by the Board of Directors.
- ✓ The members of board of directors and directors are elected among those persons who are competent and whose experience and professional skills are suitable for the nature of the position.
- ✓ The chairman of board of directors and general managers are different persons.
- ✓ The board of directors consists of members who are all non-executive members.
- ✓ The decision minutes of the board of directors are regularly prepared and kept.
- ✓ There is no debt / credit relation between the members of board of directors and the company.
- ✓ Audit Committee, Corporate Management Committee and Risk management Committee have been established, their operating principles established, and they report to the board of directors.
- ✗ There is no independent member in the board of directors.
- ✗ The salaries of the members of board of directors are not fixed based on their success. Accumulated vote system is not applied.

✗ There is no joint responsibility statement signed by the members of board of directors.

✓/✗ The articles of incorporation does not contain any provision to enable the stakeholders to convene a meeting of board of directors, however, the corporate regulations provide that a meeting of board of directors may be convened upon request by share holders qualified institutional investor or minority shareholders as well as stakeholders defined in the articles of incorporation.

✓/✗ Some major decisions of Board of Directors are made subject to positive vote of the member representing group “C” shareholder.

✓/✗ The internal audit system was restructured under the growth policies of the company but the working processes are still under preparation.

In this section, the company was assessed to 153 different criteria under the headings of basic functions of board of directors, principles of operation, tasks and responsibilities of board of directors, formation and election of board of directors, financial rights conferred upon board of directors, number, structure and independence of committees established under the board of directors and directors, as specified in the Corporate Management Principles of Capital Markets Board, and

the company achieved **65,36** points under this section.

a. Basic Functions of Board of Directors

The board of directors consists of 7 persons as one chairman and 6 members. The members of board of directors and their tasks are as follows:

Name / Surname	Position	Executive / Non-executive
Vagif ALIYEV	Chairman of Board of Directors	Non-executive
Erdal AKSOY	Member of Board of Directors	Non-executive
Osman İLTER	Member of Board of Directors	Non-executive
S. Batu AKSOY	Member of Board of Directors	Non-executive
David MAMMADOV	Member of Board of Directors	Non-executive
Farrukh GASSIMOV	Member of Board of Directors	Non-executive
Kenan YAVUZ	Member of Board of Directors	Non-executive

The board of directors is authorized to take decisions, determine strategies and represent at the top level. In this context, the board of directors of PETKİM sets out the mission, vision and strategic objectives identified in the report of compliance with corporate management principles disclosed to public. The board of directors checks and supervises the corporate activities for compliance with applicable regulations, articles of incorporation and corporate regulations, and also continuously and effectively reviews degree of achievement

of objectives, activities and past performance of the company, and approves the strategic objectives established by the managers.

On the other hand, the board of directors takes care to ensure that the managers match their respective positions and comprise necessary qualifications, and takes necessary measures to ensure qualified personnel to serve the company for a long time.

The board of directors established a risk management and internal control mechanism to minimize the effects of the risks that the company may incur that may affect the stakeholder, particularly the shareholders of the company. Studies are in progress to identify the risk areas, establish corporate regulations and ensure integration with advanced information systems that will be implemented within the company soon in order to ensure sound operation of the mechanisms in question.

The operating principles of the audit committee included in the organization of the board of directors have been established and the committee made operative. The corporate management committee and risk management committee have been established at the beginning of 2010. It was determined that the operating principles of these committees were also established and the committees started operating.

It was observed that the board of directors makes ultimate efforts to comply with Corporate Management Principles of SPK, and it was concluded that the company is at high level regarding this subsection.

b. Principles of Operation, Tasks and Responsibilities of Board of Directors

The authorities and responsibilities of the board of directors are outlined in the articles of incorporation of the company

but the authorities, tasks and responsibilities of the members on the basis of functions are not included, and such details listed in the principles are defined in the regulation governing the operating principles of the board of directors. The obligations of the members of board of directors to take care and responsibility in performing their tasks non-competition requirements and their obligation to reserve sufficient time to corporate business are documented in that regulation.

The board of directors approves the annual budget and work plans, reviews and approves periodic financial tables, prepares and discloses to public the activity reports of the company. It ensures the general assemblies to be convened in accordance with applicable regulations and articles of incorporation of the company, and approves career planning and awarding schemes for the managers. It was determined that the board of directors met 22 times in 2009, and the meetings of board of directors are convened in number and frequency enough to ensure sound performance of corporate business. The corporate regulations prepared in accordance with the principles set out how to establish the agenda of the meetings of board of directors, how the members can access the meeting agenda, how to manage the process and conduct of the meetings, and actions are taken in accordance with such regulations in practice as well. It was observed that the board of directors has no separate secretariat, and the secretarial services are rendered by the technical advisor to the general manager, and both reporting and information can be carried out properly. All decisions in the minutes book bear the signatures of all members, no decision dissented and there is no action taken against the decisions resolutions of the board of directors so far.

It was identified as a result of the review carried out that the minutes book of the board of directors is kept regularly,

decisions taken in accordance with the principles, and the decisions subject to public disclosure are timely disclosed. Both the code of conduct and “Principles of Operation of Board of Directors” contain provisions on obligations of the members of board of directors to protect commercial secrets and avoid insider trading.

Although each member of board of directors has one vote, the decisions to be taken on matters such as “reducing the capacity of the factories owned by the company by 10%, incorporation of a new company or partnership, acquisition of a company, participation in existing ones and/or amalgamation therewith by, division, change in kind, termination and winding up of, the company are made subject to positive vote by the member representing group C share owned by Turkish Privatization Administration. However, this privilege should also be considered as beneficial to public interest and therefore in a broader sense to the interest of all stakeholders.

Although the articles of incorporation contains no provision to enable the shareholders and stakeholders to convene a meeting of board of directors, the regulations provide that a meeting of board of directors may be convened upon request by share holders qualified institutional investor or minority shareholders as well as stakeholders defined in the articles of incorporation.

However, lack of a written statement to be submitted by the members of before their appointment that they will comply with the articles of incorporation, corporate regulations and policies established, otherwise they will be successively responsible for indemnifying the damages to be suffered by the company, stakeholders and shareholders is identified as an improvement area under this subsection.

c. Formation and Election of Board of Directors

The board of directors consists of 7 members all of which are non-executive. The number of members was determined so as to allow efficient, fast and rational operation of the board of directors. The chairman of board of directors and General Manager are different persons in accordance with the principles. There is no person among the directors who has been sentenced under the Capital Markets Law and Turkish Penal Code, and it was concluded that all of the members match the criteria set out in the principles, comprise ethical values as well as the qualifications as required by the position as regards education level, professional knowledge and experience. It was determined that post appointment introduction of members of board of directors to managers and visits to production facilities of the company are paid, information on curricula vitae and performance evaluation of managers, corporate strategic objectives, current state of play and problems, market share and financial performance indicators of the company are provided.

However, it was considered improvement areas under this subsection that the board of directors does not include any independent member matching the criteria of SPK for independence member, the “Accumulated Vote System” is not applied to enable minority shareholders to nominate representative to the board of directors and the qualifications required for election to board of directors are not provided for in the articles of incorporation.

d. Financial Rights conferred upon Board of Directors

It was stated by the authorized persons of the company that there is no commercial,

financial, credit or security relation between the company and the members of Board of Directors. The members of board of directors are not paid attendance fee, they are paid salary and bonus twice a year as fixed by the general assembly. It is considered that the salary paid to the members are reasonable and enough. However, it is considered an improvement area that there is no success-bound award mechanism.

e. Number, Structure and Independence of Committees established under the Board of Directors

The Board of Directors includes an audit committee established during past periods, and Corporate Management Committee and Risk Management Committee have been established recently. The chairmen of the committees also do not bear the status of independent member since there is no independent member in the Board of Directors, however, the committees are formed by non-executive members. The committees and their members are listed below:

Audit Committee	
Vagif ALIYEV	Chairman of Board of Directors – Member of Audit Committee
S. Batu AKSOY	Member of Board of Directors – Chairman of Audit Committee

Corporate Management Committee	
Erdal AKSOY	Member of Board of Directors – Chairman of CMC
Farrukh GASSIMOV	Member of Board of Directors – Member of CMC

Risk Management Committee	
David MAMMADOV	Member of Board of Directors – Member of

	RMC
Kenan YAVUZ	Member of Board of Directors – Chairman of RMC
C. Şafak AYIŞIĞI	Petkim A.Ş. Dty. Gen. Dir. – Member of RMC

It is concluded upon review of records of the company that the audit committee of PETKİM performs the functions as defined by SPK, is convened at regular intervals and reports to board of directors after the meeting. It was determined that the audit committee was convened twice and informed the board of directors of the outputs of the meetings until the date on which we started rating activity. Selection of the company for independence audit for 2010-2011 and the services to be received were preliminarily approved by the audit committee and submitted to board of directors with a report that there is no consideration that might damage independence.

The corporate management committee and risk management committee were established and their operating principles established at the beginning of 2010. It was verified that the corporate management committee performs the tasks specified in the principles, convened twice since its establishment and reported to the board of directors the outputs of the meetings.

It was concluded that the company took significant steps regarding committees and their operation, and achieved an appreciable progress in view of compliance with principles under this sub-section.

f. Directors

The directors perform their tasks fairly, transparently, accountably and responsibly, act in accordance with corporate

regulations, legal regulations and articles of incorporation, and ensure the corporate business to be conducted under the mission, vision, objectives, strategies and policies. It is observed that the directors are granted necessary authorities to perform their tasks. Upon reviewing the curricula vitae of general manager and deputy general managers as well as managers, it is concluded that they comprise necessary professional qualifications, knowledge, skills and technical equipment to perform the tasks they are charged with. It is observed that the salaries and awards for the directors are interrelated with their performance and respective principles are documented.

During the review process, it was stated by the authorized persons of the company that there is no person among the directors who has been sentenced under the Capital Markets Law and Turkish Penal Code. On the other hand, Codes of conduct and out-of-scope personnel regulation are in place to avoid use of confidential or non-public information on the company by directors in favor of themselves or others and to get unfair advantages. However, such regulations do not include provisions on how the damages suffered by the company and third persons due to failure of directors to perform their tasks properly will be indemnified, and the directors are not required to submit a written statement that they agree to cover damages resulting from failures and negligence attributable to directors, and applicable provisions of the Law is relied upon for any sanctions based on corporate regulations mentioned above. Furthermore, no statement is involved that the directors are prevented from being employed by competing companies for a certain period after they resign.

5. KOBİRATE ULUSLARARASI KREDİ DERECELENDİRME VE KURUMSAL YÖNETİM HİZMETLERİ A.Ş. GRADES OF RATING OF COMPLIANCE WITH CORPORATE MANAGEMENT PRINCIPLES AND THEIR DEFINITIONS

GRADE	DEFINITION
9 – 10	The company substantially complies with Corporate Management Principles published by Turkish Prime Ministry Capital Markets Board. The internal control systems were established and work. The risks that the company might incur were significantly identified and actively controlled. The rights of the shareholders are fairly observed. The public disclosure activities and transparency are at a superior level. The rights of the stakeholders are fairly observed. The structure and operating conditions of the board of directors are fully in compliance with corporate management principles. The company is entitled to participate in corporate management index of IMKB at top level.
7 – 8,9	The company significantly complies with Corporate Management Principles published by Turkish Prime Ministry Capital Markets Board. Their internal control systems have been established and work even they need a few improvements. The risks that the company might incur were significantly identified and can be controlled. The rights of the shareholders are fairly observed. The public disclosure activities and transparency are at a superior level. The rights of the stakeholders are fairly observed. The structure and operating conditions of the board of directors are in compliance with corporate management principles. The corporate management principles need some improvement under even such nonconformities do not present major risks. The company is entitled to participate in corporate management index of IMKB at top level.
6 – 6,9	The company fairly complies with Corporate Management Principles published by Turkish Prime Ministry Capital Markets Board. Their internal control systems have been fairly established and work but need improvements. The risks that the company might incur were significantly identified and can be controlled. The rights of the shareholders are observed but needs improvements. The public disclosure activities and transparency are observed but need improvements. The rights of the stakeholders are observed but need improvements. The structure and operating conditions of the board of directors need some improvements. The company is entitled to participate in corporate management index of IMKB at top level under these conditions.
4 – 5,9	The company complies with Corporate Management Principles published by Turkish Prime Ministry Capital Markets Board at a minimum level. Their internal control systems have been established at a minimum level and not full and effective. The risks that the company might incur could not be identified and can not be controlled yet. The rights of the shareholders, public disclosure activities and transparency, rights of the stakeholders, structure and operating conditions of the board of directors need significant improvements. The company is not entitled to participate in corporate management index of IMKB at top level under these conditions.
< 4	The company failed to comply with Corporate Management Principles published by Turkish Prime Ministry Capital Markets Board at a minimum level. It failed to establish the internal control systems. The risks that the company might incur could not be identified and can not be managed yet. The company is not sensitive to corporate management principles at all levels. The rights of the shareholders, public disclosure activities and transparency, rights of the stakeholders, structure and operating conditions of the board of directors involve significant weaknesses which might cause material losses on the part of investors.