



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



***Petkim Petrokimya Holding A.Ş.***

20 August 2013

Validity 24.08.2013-24.08.2014

## LIMITATIONS

This Corporate Governance Rating Report issued by Kobirate International Credit Rating and Corporate Governance Services Inc (herein after called "KOBIRATE") for Petkim Petrokimya Holding A.Ş. (herein after called "Company") is compiled in accordance with the Corporate Governance Principles Compliance Rating Methodology prepared by Kobirate and which are approved by the CMB with its letter of 24.04.2009, no. 5347, on the basis of the Corporate Governance Principles issued by the CMB in 2005 and modified with a communiqué on Dec.2011, Series:IV,No:56 and on Feb.2012, Series IV, No: 57.

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 is shared with the public through its Internet website ([www.kobirate.com.tr](http://www.kobirate.com.tr))

Although rating is an assessment based on numerous data, it is consequently the institutional opinion of Kobirate formed accordingly to the methodology disclosed.

The rating grade does not constitute a recommendation to purchase, to hold or to dispose any kind of borrowing instrument. KOBIRATE may not be held liable for any losses incurred or investments made to the company referring to this report.

© All rights in this report belong to Kobirate International Credit Rating and Corporate Governance Services Inc. This report cannot be printed in writing and electronically, reproduced and distributed without our permission.

## TABLE OF CONTENTS

---

1.	Revised Fourth Period Rating Result	3
2.	Company Profile and Changes in last year	5
3.	Rating Notes and Reasons on main headings basis	14
4.	Rating Methodology	16
5.	Corporate Governance Rating Grades and Descriptions	17



## PETKIM PETROKIMYA HOLDING A.S..

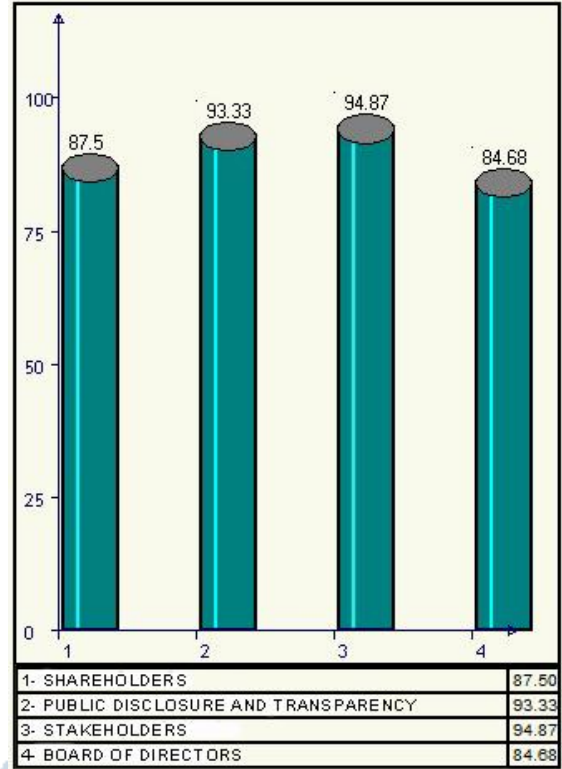
### CMB CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE GRADE

**8.91**

**Kobirate A.S. Contact name :**

Can Tekin (0216) 3305620 Pbx  
[cantekin@kobirate.com.tr](mailto:cantekin@kobirate.com.tr)

[www.kobirate.com.tr](http://www.kobirate.com.tr)



## 1. REVISED FOURTH PERIOD RATING SUMMARY

At the end of examinations of the Documents made at firm's site, discussions held with executives and other individuals concerned, and of other reviews, rating of compliance of **PETKIM** Petrokimya Holding A.S. with the Corporate Governance Principles is revised in accordance with the Corporate Governance Principles Compliance Rating Methodology developed by Kobirate Uluslararası Kredi Derecelendirme ve Yönetim Hizmetleri A.S. in accordance with the corporate Governance Principles of the R.T., Prime Ministry, Capital Market Board which is approved by the same regulator.

At the end of examination of 295 criteria under the headings of Shareholders, Public Disclosure and Transparency and the Board of Directors as specified in the CMB's Corporate Governance Principles and of assessment according to the Methodology of Kobirate A.S., the Corporate Governance Compliance

Rating of **PETKIM** Petrokimya A.S is determined as **8.91** .

This result means that **PETKIM PETROKIMYA HOLDING A.S.** has achieved a considerable compliance with the Corporate Governance Principles issued by the Capital Market Board and deserves to be included in the BIST Corporate Governance Index at high level.

Both Board of Directors' and top management's internalization of Corporate Governance Principles in including willingness and steady approach to produce solutions to areas that require compliance and improvement within the last year has been the biggest factor in achieving the revised note.

This result refers to a considerable compliance of **PETKIM PETROKIMYA HOLDING A.S.** with CMB's published Corporate Governance Principles. The risks that may occur within the company are significantly identified and can be controlled. Rights of shareholders are fairly regarded. Public Disclosure and Transparency activities are at high level. Rights of stakeholders are fairly regarded. The structure and working conditions of Board of Directors are in compliance with the Corporate Governance Principles; but although it doesn't pose great risks within the framework of Corporate Governance Principles, some improvements are needed.



## 2. COMPANY PROFILE AND CHANGES IN LAST YEAR

### A. COMPANY PROFILE



<b>Company Name</b>	: Petkim Petrokimya Holding Anonim Şirketi
<b>Company Address</b>	: PK. 12 35800 Aliağa İzmir
<b>Company Phone</b>	: (0232) 6163240 Pbx
<b>Company Facsimile</b>	: (0232) 6161248
<b>Company Website</b>	: <a href="http://www.petkim.com.tr">www.petkim.com.tr</a>
<b>Date of Incorporation</b>	: 3 April 1965
<b>Registered Number</b>	: No.314 with Commercial Registry of Aliağa
<b>Paid-Up Capital</b>	: TL 1.000.000.000.-
<b>Line of Bussiness</b>	: Production and trade of intermediary and finished petrochemicals.
<b>Sector in Which its Operates</b>	: Chemistry

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

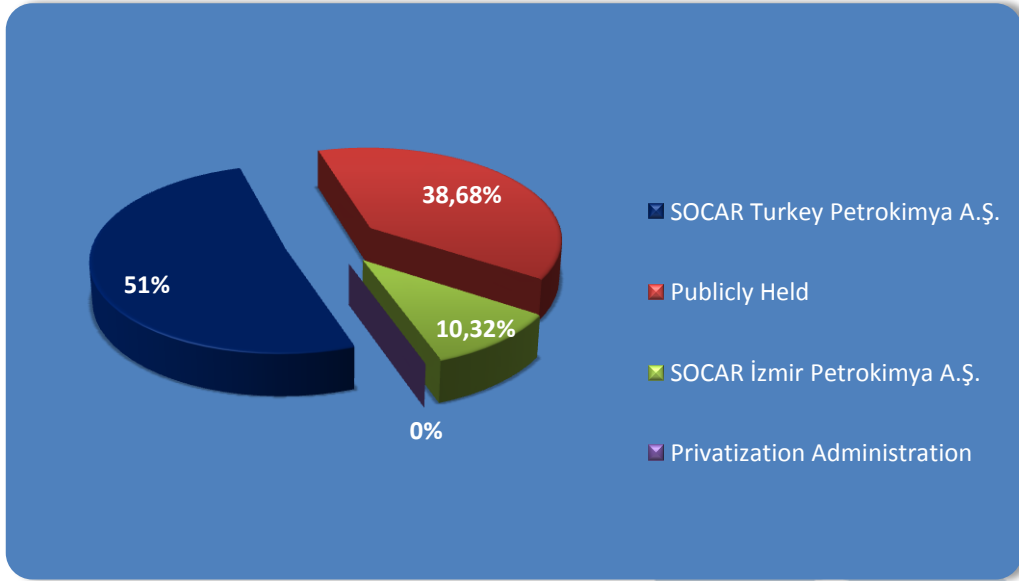
**Mustafa ÇAĞATAY**

**Internal Audit and Investor Relations Coordinator**

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

**0232 6161240 / 2501**

## SHAREHOLDING STRUCTURE OF THE COMPANY



### Shareholding Structure of SOCAR TURKEY Petrokimya A.Ş.

Shareholder	Share (%)
SOCAR Turkey Enerji A.Ş.	99,99999
Other	0,000010
<b>Total</b>	<b>100</b>

Source : [www.petkim.com.tr](http://www.petkim.com.tr)

### Shareholding Structure of SOCAR TURKEY Enerji A.Ş.

Shareholder	Share (%)
SOCAR(State Oil Company of Azerbaijan Republic)	99,9999999
Other	0,0000001
<b>Total</b>	<b>100</b>

Source : [www.petkim.com.tr](http://www.petkim.com.tr)

### SOCAR İzmir Petrokimya A.Ş.

Shareholder	Share(%)
SOCAR Turkey Enerji A.Ş.	99,992
Other	0,008
<b>Total</b>	<b>100</b>

Source : [www.petkim.com.tr](http://www.petkim.com.tr)

## COMPANY'S BOARD OF DIRECTORS

Name / Surname	Title
Vagif ALIYEV	Chairman
David MAMMADOV	Vice Chairman
Muammer TÜRKER	Member
Farrukh GASIMOV	Member
Kenan YAVUZ	Member
Hulusi KILIÇ	Member
İlhami Özşahin	Member
Mehmet Hayati ÖZTÜRK	Member
Süleyman GASİMOV	Member

## COMMITTEES OF THE BOARD OF DIRECTORS

### Corporate Governance Committee

Name/Surname	Title	Function
Hulusi KILIÇ	Board Member	Chairman
Vagif ALIYEV	Board Member	Member
Farrukh GASSIMOV	Board Member	Member
Kenan YAVUZ	Board Member	Member

### Audit Committee

Name/Surname	Title	Function
İlhami ÖZŞAHİN	Board Member	Chairman
Muammer TÜRKER	Board Member	Member

### Early Detection of Risk Committee

Name/Surname	Title	Function
Muammer TÜRKER	Board Member	Chairman
David MAMMADOV	Vice Chairman	Member
Süleyman GASIMOV	Board Member	Member

## TOP MANAGEMENT

Name/Surname	Title
Sadettin KORKUT	CEO
Bülent AKSU	Vice President (Finance)
Ali Rıza ESMEN	Vice President (Human Resources)
Natig DAMIROV	Vice President (Procurement)
Nihat GÜRBÜZ	Vice President (Enterprises)
Ali Ekrem ASLAN	Vice President (Asset Management)
Mehmet Fatih KARAKAYA	Vice President (Sales-Marketing)



**Balance Sheet Comparison of Company's Certain Selected Items as of year end of the Last Two Years**

(000 TL)	2011/12	2012/12	Change %
Current Assets	1.333.922	1.442.049	8,11
Fixed Assets	1.337.205	1.357.307	1,50
Total Assets	2.671.127	2.799.356	4,80
Short Term Liabilities	841.241	1.019.244	21,16
Long Term Liabilities	127.198	115.795	-8,96
Equity	1.702.688	1.664.317	-2,25

Source : Petkim Petrokimya Holding A.S. 2012 Annual Report

**Income Statement Comparison of Certain Items as of year end of the Last Two Years**

(000 TL)	2011/12	2012/12	Change %
Sales Revenues	3.891.322	4.348.910	11,76
Gross Operation Profit/Loss	174.697	76.242	-56,36
Operating Profit/Loss	162.942	(10.314)	-103,33
Pre Tax Profit/Loss	215.512	98.517	-54,29
Profit/Loss of the Period	102.341	17.429	-82,97

Source : Petkim Petrokimya Holding A.S. 2012 Annual Report

**The Bottom and Peak Closing Values of the Company's Stock on the BIST of the last year**

Bottom	Peak
1.90 (16.08.2012)	3.31 (08.02.2013) (11.02.2013)

Source : Petkim Petrokimya Holding A.S.

## **B. CHANGES IN LAST YEAR**

### **a. Changes in Equity and Article of Association**

I. In accordance with the 22<sup>nd</sup> article of Law no 6103, the company's article of association to be compatible with Turkish Commercial Code No 6102 (New TCC) and within the scope of increasing registered capital, in the Board of Directors meeting held on 16.01.2013 no: 3/5, registered capital ceiling is increased from TL 300.000.000.- to TL 400.000.000.- to be valid for 5 years during 2013-2017 (AA 6/A)

II. In order to ensure compliance with the increase of registered capital ceiling and with new TCC, 3, 4, 6, 7, 8, 9, 11, 12, 14, 15, 16, 17, 18, 22, 23, 30, 31, 32, 33, 34, 37, 38. and 41th articles of AA has been amended as it is in the appendix

III. 29/A article is added after 29<sup>th</sup> article.

IV. 24, 25, 26, 35<sup>th</sup> articles and temporary 1<sup>st</sup> article have been revoked in the AA.

The mentioned changes have been approved in the general assembly held on 29.03.2013.

### **b. Profit Distribution**

At the Board of Directors meeting held on 06.03.2013, it's decided to set aside TL 102.144,35 as 1<sup>st</sup> legal reserves and the rest TL 17.326.473,85 as extraordinary reserves from the total TL 17.428.618 profit earned for 2012 and was approved by the shareholders at the general assembly held on 29.03.2013

### **c. Policies**

The company's Disclosure Policy has been revised during the rating period and was submitted to the shareholders at the general assembly held on 29.03.2013

At the **PETKİM** Board of Directors meeting held on 16.01.2013 no: 3/6, to be in accordance with the provisions of the regulation TCC 419<sup>th</sup> article-Principles and Procedures of General Assembly in Joint Stock Companies and Representatives of Ministry of Customs and Trade to be presented in these meetings- an internal directive to determine the working principles and procedures of the General assembly and has been approved, submitted to the shareholders in the general assembly held on 29.03.2013 and registered and published after the approval.

Grants and aids policy of the company has been developed and shared with the shareholders on the general assembly held on 29.03.2013

The indemnity policy towards the company employees has been developed and shared via corporate website.

### **d. Management and Organization**

the Board of Directors meeting held on 17.12.2012, after the resignation of Alaaddin AYKAÇ, serving as an independent member, because of workload, upon the recommendation of Corporate Governance Committee Hulusi KILIÇ has been decided to serve as an independent member until the first ordinary general assembly to be submitted to the approval of general assembly in accordance with the TCC 363<sup>rd</sup> article, Company AA's 11<sup>th</sup> article and CMB's communiqué Serial IV No 56 on " Establishment and Implementation of Corporate Governance Principles". At the general assembly held on 29.03.2013 he was re-elected and serving as a Board Member as of the reporting date.

At the Board of Directors meeting held on 18.12.2012, after the resignation of Turhan-Cemal BERİKER, serving as a Board member, because of workload, Mehmet Hayati ÖZTÜRK has been decided to serve as a Board member until the first ordinary general assembly to be submitted to the approval of general assembly in accordance with the TCC 363<sup>rd</sup> article, Company AA's 11<sup>th</sup> article. At the general assembly held on 29.03.2013 he was re-elected and serving as a Board Member as of the reporting date.

At the Board of Directors meeting held on 29.03.2013, according to the provisions of CMB's communiqué Serial IV No 56 on "Establishment and Implementation of Corporate Governance Principles", independent Board Members İlhami ÖZŞAHİN (Chairman) and Muammer TÜRKER (Member) are elected as Audit Committee members.

Independent Board Member Hulusi KILIÇ (Chairman), Vagıf Aliyev (Member), Farrukh GASSIMOV (Member) and Kenan YAVUZ (Member) are elected as Corporate Governance Committee members,

Independent Board Member Muammer TÜRKER (Chairman), David MAMMADOV (Member) and Süleymen GASSIMOV (Member) are elected as Early Detection of Risk Committee. The Audit Committee was decided to be authorized from the execution of tasks specified in the provisions of CMB Communiqué Serial X No 22. The names mentioned are continuing their tasks as of the reporting date.

As Mehmet Hayati ÖZTÜRK former General Manager of Petkim Petrokimya Holding A.Ş. has been appointed as a member of PETKİM Board of Directors, at the Board of Directors meeting held on 20.12.2012 Sadettin KORKUT was decided to be appointed as the company General Manager.

At the PETKİM Board of Directors meeting held on 11.01.2012 no: 2/2;

In order to make Board of Directors Meeting organizations, to carry our processes and coordinate general assembly it has been decided to form a Board of Directors Coordination within the company organizational structure and appoint Fusun UGAN who was serving as Corporate Governance and Investor Relations Coordinator for the task.

At the PETKİM Board of Directors meeting held on 11.01.2012 no: 2/3-4, in accordance with the provisions of 7<sup>th</sup> and 8<sup>th</sup> article of CMB's Communiqué Serial IV No 41, "The principles that joint stock companies that are subject to Capital Market Law have to obey", Mustafa ÇAĞATAY who owns Corporate Governance Rating Specialist License (License no: 700269) and Capital Market Activities Advanced Level License (License no: 203652) was appointed as Corporate Governance and Investor Relations Coordinator besides his ongoing Risk Management and Internal Control Coordinator tasks.

#### ***e. Relations with employees and Collective Bargaining Agreement***

According to PDP description on 16.05.2013 and union declarations, collective bargaining agreement between PETKİM and Petrol-İş Union has been resulted in agreement on 15.05.2013 covering the period of 01.01.2013-31.12.2014, according to the agreement the wage increments are decided to be % 6 for the first 6 months and according to the actual inflation rate (consumer price index) for the next second, third and forth 6 months.

#### ***f. Manufacturing, Investment and Operational Activities***

- According to the approved zoning plan and implementation project of totally 444.709,25 m2 filling area in Izmir, Aliağa, Nemrut gulf region belonging to the Treasury, a use agreement between PETKİM and Izmir Department of National Real Estate has been signed on 29.11.2012 for the construction of port, pier and filling area. With the signed agreement a using permission on favour of the company until 10.11.2047 with TL

6.395.239,50 user fee for the first year has been given. The user fee is going to be increased every year according to the Producer Price Index published by Turkish Statistics Authorities.

On the other hand;

As mentioned on "Changes in Subsidiaries and Associates and Effects on PETKİM" section and announced as a special situation description by the company on 22.02.2013, a business agreement has been signed between APMT BV, APM Terminalleri, PETKİM and PETLİM Limancılık A.Ş. (PETLİM) (% 99.99 shares owned by PETKİM) in order to operate a container port to be constructed within PETKİM facilities by APM Terminalleri Liman İşletmeciliği A.Ş.

Within the context of container port project mentioned, PETKİM's Board of Directors meeting held on 24.07.2013, to be used in PETLİM's port operations;

- Make the necessary arrangements for the transfer of right to use of 157.077m2 filling area in Izmir, Aliğa, Nemrut Gulf district that the company owns until 2047 to PETLİM for USD 10.121.591.-

- Make the necessary arrangements for the transfer of definite permission right of 232.085 m2 area in İzmir, Aliğa, Çakmaklı district that the company owns until 2047 from RT Ministry of Forestry and Water Affairs, General Directorate of Forestry to PETLİM for USD 21.549.442.-

- According to the coastal operations license to sustain port operations on PETKİM port, cargo handling right of the company has been consent to PETLİM for USD 30.770.000.-

- Make the necessary arrangements for the transfer of easement of 28.211 m2 area in Izmir, Aliğa, Paşacıftlığı district that the company owns until 2047 to PETLİM

- To lease 15.150 m2 property in Izmir, Aliğa, Paşacıftlığı district owned by the company to PETLİM for USD 123.273.- annually

were decided.

• It has been announced that, in context of increasing capacity of Ethylene Plant from 520.000 tons/year to 588.000 tons/year, a loan agreement amounting to 101.5 million USD has been signed between PETKİM and Türkiye İş Bankası A.Ş. to finance the investment on 07.03.2013. A part of the 10 year loan is going to be funded in context of the General Loan Agreement between Türkiye İş Bankası A.Ş. and Japan Bank for International Corporation (JBIC) and annual cost will be approximately Libor + 3,5 .

#### **g. Changes in Subsidiaries and Associates and Effects on PETKİM**

• At the Board of Directors meeting held on 28.04.2010 no: 64/132, it was decided to establish a port company with all shares belonging to PETKİM with PETKİM port's assets such as real estates, filling areas, ports, facilities and other components that PETKİM owns and/or has the usage right by spin off and was announced with no: 16 a material disclosure on 28.04.2010,

At the Board of Directors meeting held on 28.10.2010 no: 71/142, it was decided to be the shareholder of the company going to be established with TL 100.000.- cash capital with TL 99.996.- in return for 99.996 shares, with this decision "Petlim Limancılık Ticaret Anonim Şirketi" titled port company was established on 22.11.2010 and was registered with 3264 registry number. All these developments were shared with public via PDP.

At the extraordinary general assembly of PETLİM Limancılık Tic. A.Ş. held on 13.11.2012, it was decided to increase the capital from TL 100.000.- to TL 8.000.000.- in cash. At the PETKİM Board of Directors meeting held on 13.11.2012, it was decided to join the cash capital increase from TL 99.996.- capital share to TL 7.999.680.-

- Star Refinery Project planned to be constructed within PETKİM Petrokimya Holding A.Ş. Aliğa Complex with 6.6 Billion TL investment value and capacity of 10 million tons/year, Star Rafineri AŞ.'s which was majorly owned by SOCAR Turkey Enerji A.Ş (PETKİM's indirect major shareholder.) application made on 27.09.2012 is approved by RT The Ministry of Economy General Directorate of Promotion Application and Foreign Investment. With the completion of the mentioned investment 10 million tones refining product is going to be produced and 3 million tones is going to be used by PETKİM, which will result a minimum 100 billion USD cost saving rising from transport, storage and quality. On the other hand, we have been informed that with investments on petrochemicals, ports and energy on PETKİM peninsula, the company performance will 4 times be improved.

- At the Board of Directors meeting held on 27.12.2012, it's decided to lease 79.555 m2 section of the land owned by PETKİM Petrokimya Holding A.Ş. to SocarPower A.Ş. according to the rating report of 2 separate rating companies licensed by CMB in order to establish coal based steam boilers and ancillary facilities that will be required for the purpose to meet PETKİM's needs for TL 1.145.592.- + VAT per year, the lease term to be 1 year, to be once paid USD 6.000.000.- + VAT independent from rent price by SocarPower A.Ş., to sell the leased area to SocarPower A.Ş. for USD 11.000.000.- within or at the end of lease period.

- 10 Million tones/year capacitated STAR Refinery Project's (planned to be build within Aliğa Complex of PETKİM Petrokimya Holding A.Ş. by STAR Rafineri A.Ş which is majorly owned by SOCAR Turkey Enerji A.Ş.) detailed engineering, procurement and construction contracts have been signed on 20.05.2013 with Saipem (Italy)-GS Engineering (South Korea) and Itochu (Japan) Consortium under the leadership of Tecnicas Reunidas (Spain). Refinery investment is planned to be finalized within 49 months after the contract. The mentioned refinery is considered as an important vision step for integration of refinery-petrochemicals-energy-logistics within the same peninsula. After the refinery operates, providing almost all the raw materials including naphtha from the peninsula will result significant supplement with reduction of transport and storage, ensuring quality raw materials and joint usage of some cost components (maintenance, security, waste disposal etc.) With the completion of STAR Refinery the joint synergy to be created will result a significant amount of savings in PETKİM financial statements in transport, storage and quality costs.

- An operating agreement has been signed with APMT BV and APM Terminalleri on 22.02.2013 for the operating of container port going to be establishment with in PETKİM facilities by APM Terminalleri A.Ş. According to the agreement, container port investment's first step has to be completed and start to work on 2015 and second step is targeted to be completed in 2016. Infrastructure and construction investments will be handled by PETLİM while machinery and equipment investments will be carried out by APM Terminalleri, PETLİM's investment cost is estimated to be around 300 million USD. Container port will be operated by APMT for 28 years. The capacity of the port will be 1,5 million TEU and it has been announced to public that the capacity has the potential to be increased to 4 million USD by the authorities. Under the agreement, APM Terminalleri is going to pay 65 million USD to PETLİM to be used in investment financing within 3 years of investment period. For the rest of 235 Million USD, outsourcing is planned as project finance method. In the 28 years of operating period after the completion of the investment, revenue sharing method will be used and it is indicated that payback period is expected to be between 8 to 12 years. In this context, the first tranche payment of 29,5 Million USD from the total amount of 65 Million USD that APT Terminalleri has to pay to PETLİM Limancılık Tic. A.Ş., has been made and was announced as material disclosure on 29.07.2013

- STAR Refinery Project's ( planned to be build within Aliğa Complex of PETKİM Petrokimya Holding A.Ş. by STAR Rafineri A.Ş.(STAR) which is majorly owned by SOCAR Turkey Enerji A.Ş.(STEAŞ) which is also indirect major shareholder of PETKİM ) engineering, procurement and construction contracts have been signed; STAR's 81,5 % shares belong to SOCAR Turkey Yatırım A.Ş.(STYAŞ), STYAŞ's 100 % shares belong to STEAŞ; it is announced to public on 26.07.2013 that major shareholders STEAŞ's 40 % STYAŞ shares have been transferred to Republic of Azerbaijan Ministry of Economic Development. As of 26.07.2013, 60 % of STYAŞ shares belong to major shareholder STEAŞ, 40 % shares belong to Republic of Azerbaijan Ministry of Economic Development and it has been announced via PDP to public that, for this shareholding, National Oil Fund of Azerbaijan (SOFAZ) sources are going to be used for a part of Star Refinery financing.

#### **h. Changes in Regulations and other**

According to the Customs General Communiqué Serial 4, published in the official gazette on 20.12.2012 dated, 28503 numbered;

- At the Council of Ministers held on 28.07.2011 no: 2011/2033, "NAPHTHA" product, which is the most important raw material in terms of cost item of the company, has been added to the allowed transit of goods not in free circulation with an amendment on Customs General Declaration (TRANSIT OPERATIONS) (Serial No: 3). With this amendment a supply path of "naphtha" from Iraq has been opened for the company.

- At the end of tax audit held by tax assessment staff of the RT Ministry of Finance on 26.11.2012, TL 1.324.196,92 tax base and TL 1.324.196,92 tax loss for 2010 period has been notified in terms of institutional withholding tax and VAT. Also, because of not including stamp duty to VAT base on imports under the contract during 2009 according to Customs Regulation 53/c article TL 160.930,12 VAT of Stamp Duty and under Article 234 of Customs Law also 3 times fine of VAT, TL 482.760,14 has been notified by Aliğa Directorate of Customs on 26.11.2012. We have been informed that, practices on the mentioned notifications comply with the laws and company is evaluating alternatives to reconciliation and seek a judicial review against thesis mentioned in the reports and thought to be raised from question of interpretation with assessment staff. No payment has been made on the subject until the date of the report.

- At the end of onsite studies, not including stamp duty to VAT base on imports under the contract during 2010 depending on 12 separate import declaration forms according to Customs Regulation 53/c article TL 274.625,83 VAT of Stamp Duty and under Article 234 of Customs Law also 3 times fine of VAT, TL 823.877,00 has been notified by Aliğa Directorate of Customs on 18.12.2012. It has been announced that, practices on the mentioned notifications comply with the laws and company is evaluating alternatives to reconciliation, disclaimer and seek a judicial review against thesis mentioned in the reports and thought to be raised from question of interpretation with assessment staff. No payment has been made on the subject yet.

### 3. RATING NOTES AND REASONS ON MAIN HEADINGS

It's seen that **PETKİM** Petrokimya Holding A.Ş. has reached **87.50** points from **Shareholders** section.

Just like in the previous period, Shareholders Relations Dept. has fulfilled its tasks effectively, preparation and announcements relating to general assembly are timely and accurate and results are shared with public and there is no restriction on proxy voting.

Minority shares concept has been redefined in the articles according to CMB criteria and regulations have been made to widen the right of these shares.

General assembly was held on 29.03.2013 with calls 3 weeks prior. With studies on documents, it is understood that the assembly is held according to legislation. General assembly invitation, assembly minutes, list of attendants, voting method and proxy examples are published on the website of the company. Some changes have been made on articles on last general assembly, the article's pervious and last form has been announced in the annex of the invitation, in disclosure document and on the website of the company to the examination of shareholders.

As 1527<sup>th</sup> article of Turkish Commercial Code No: 6102 has decreed electronic participation to general assembly, to make suggestions, comment and vote has the same conclusion of law with the physical participation and voting in joint stock companies, and also decreed that electronic participation to general assembly and voting is mandatory for BIST listed companies, General Assembly of the company was also held by electronic means. In electronic means 27 investors representative of 13.311.426 shares have been attended to the general assembly.

The 2012 profit of TL 17.428.618.- is decided to be distributed as TL

102.144,35 primary legal reserves and the rest TL 17.326.473,85 as extraordinary reserves and in general assembly shareholders have been informed on the reasons of not distributing profit and where it's going to be used.

#### **The most important developments to increase the note in this section are;**

- The general assembly held on 29.03.2013 has been made both on de facto and electronic means according to the participation practices to discuss 2012 activities.
- Grants and Aids Policy of the company has been developed
- This policy has been submitted to the approval of shareholders at the general assembly held on 29.03.2013.

The company reached to **93.33** points from **Public Disclosure and Transparency** Section.

**PETKİM** Petrokimya Holding A.Ş. realizes Public Disclosure operations via its Disclosure Policy prepared by the Board of Directors which is approved in the general assembly and disclosed to public. Company website is used as an effective platform on this subject and contains updated information. Annual reports prepared by the Board of Directors have complete and accurate details on company activities and shared with public.

#### **The most important developments to increase the note in this section are;**

- The Disclosure Policy is revised according to the principles and submitted to the approval of general assembly.
- Necessary forms prepared for collecting shares by tender or

attorney and other forms are given in the website.

The company reached **94.87** points on **Stakeholders** section. **PETKİM** Petrokimya Holding A.Ş. not only has institutional traditions with human resources, suppliers and buyers, revises the regulations and procedures often according to the needs of the day. In the boards and committees formed under the leadership of top executives, senior managers and specialists, with the suggestion system developed employees can participate in management. Ethical principles have been formed and Board of Directors rigorously pursues the staff to comply with these principles. The company gains attention especially on corporate social responsibility projects and sensitivity public health studies.

**The most important developments to increase the note in this section are;**

- The indemnity policy towards the employees has been developed.
- The mentioned policy has been shared with public via company's website.

**PETKİM** Petrokimya Holding A.Ş. reached **84.68** points on **Board of Directors** section.

By the strategic decisions taken, the Board manages and represents the company keeping the most appropriate level of the risk, growth and return balance with paying attention to company's long term interest in particular under a reasonable and prudent risk management perception.

Board of Directors have formed Corporate Governance Committee, Audit Committee and Early Detection of Risk Committee to carry out the duties and responsibilities more healthily. There exists a detailed regulation that systemize Board of Directors working principles. The responsibilities to fulfill their duties, prohibitions on competitive and trading with the company, adequate time allocation on company activities of the Board of Directors have been ruled in written. Board consists of 9 members

and all of them are non-executives as of the day. The 3 non-executive members are non independent members. During 2012/8-2013/6 period it is determined that the Board of Directors had 11, Corporate Governance Committee had 5, Audit Committee had 8 and Early Detection of Risk Committee had 6 meetings.

**The most important developments to increase the note in this section are;**

- As the nomination committee tasks are carried out by corporate governance committee, the bids for independent membership and assessment of the criteria whether or not the candidates carry to be independent are reported .
- All the committees' effectiveness are increased and studies are written.
- The committees report the information on their studies and results of their meetings to the Board.



#### 4. THE RATING METHODOLOGY

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

In 1999, the Economic Cooperation and Development Organization (OECD) approved at the Meeting of Ministers and published the Corporate Governance Principles, 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 accommodated to the present situation.

As for Turkey, the Capital Market Board (CMB) has undertaken the duties for the Corporate Governance. The CMB established the Corporate Governance Principles first in 2003, later in 2005, it revised and published the principles. The last revisal is done on Dec. 2011 and Feb. 2012 with Communiqué Serial: IV, No: 56 and Serial: IV No: 57 respectively by the Board. 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 BRSA introduced the rules required to be complied with by Banks.

Kobirate International Credit Rating and Corporate Governance Services Inc (Kobirate Inc) achieves the Corporate Governance Compliance Rating by a system identically based on the Corporate Governance Principles of the Capital Market Board (CGPCMB).Through this system, the firms are analyzed

under four main headings of the Public Disclosure and Transparency, Shareholders, Stakeholders and the Board of Directors in accordance with the CGPCMB).

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

In this analysis, 295 different criteria are considered to measure the compliance of third group firms whose shares are traded on BIST with the corporate governance principles. Such criteria are translated into the Kobirate A.S.'s unique Corporate Governance Rating Questionnaire and the firms' and banks' responses to which are received electronically. The responses are analyzed and reexamined by the rating experts and analysts, reexamined and turned into a 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 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 the Corporate Governance Principles of the Capital Market Board on 01.02.2013 date and 4/105 numbered meeting are applied;

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

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

<b>NOT</b>	<b>TANIMLARI</b>
<b>9-10</b>	<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 BIST corporate governance index.</p>
<b>7-8,9</b>	<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 BIST Corporate Governance Index.</p>
<b>6-6,9</b>	<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 not eligible for inclusion in the BIST Corporate Governance Index.</p>

<b>NOT</b>	<b>TANIMLARI</b>
<b>4-5,9</b>	<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 BIST Corporate Governance Index.</p>
<b>&lt; 4</b>	<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>