

CORPORATE GOVERNANCE
PRINCIPLES
COMPLIANCE REPORT
2007

1- STATEMENT OF COMPLIANCE TO CORPORATE GOVERNANCE PRINCIPLES

Petkim has made the required effort to comply with the Corporate Governance Principles, published by Capital Markets Board (CMB) of Turkey during 2007.

Within this scope, in 2007;

- Internal Audit Department has been reorganized,
- Petkim web page www.petkim.com.tr has been renewed and expanded to give more information to the investors, customers and public and to improve Investor Relations.

SECTION 1 – SHAREHOLDERS

2- Shareholders Relations Unit

Investor Relations are executed by Finance Department’s related unit. The communication information is given below;

Manager

Selahattin YÜZÜGÜLDÜ

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Assistant Manager

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Officer

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The main function of this department;

- To handle issues related with capital market activities (CMB-Capital Markets Board, ISE-Istanbul Stock Exchange, Takasbank-Settlement and Custody Bank, CRA-Central Registry Agency)
- to provide information to investors and analysts,
- to organize General Assembly meetings,
- to perform printed stock related issues,
- monitoring Corporate Governance issues,
- to disclose formal information to CMB,
- to ensure Investors Relations web page updated,

3- The Use of Shareholders’ Right to Obtain Information.

Requested information has been given by means of telephone calls (approx.1500), e-mails (169), and letters (10) during 2007.

Occurrences related with company which can effect exercising rights of shareholders were announced by means of Petkim web page and sent to CMB and Istanbul Stock Exchange(ISE) promptly to comply with Corporate Governance principles.

4- General Assembly Information

General Assembly meeting invitation was announces officially by means of Trade Registry and 2 most widely circulated Newspapers. (Hürriyet and Yeni Asır) and Petkim Web page. Meeting was hold on **30th. March 2007** in company headquartes. Representing shares quantity was **144.938.087 (70.78 %)**. 27 shareholders attend to meeting by proxy and one by personally.

Questions of shareholders have been answered by board members.

There wasn't any proposal or request.

Extraordinary General meeting was hold on 11th. May 2007 in company headquarters Aliğa/İZMİR to revize Articles of Association.

Representing shares quantity was **144.438.835 (70.54 %)**. 30 shareholders attend to meeting by proxy.

Offical invitation was announces by means of Trade Registry and 2 most popular Newspapers (Dünya and Yeni Asır) and Petkim Web page.

Questions of shareholders have been answered by board members.

There wasn't any proposal or request.

5- Voting Rights and Minority Rights

According to article 15 of Company's Articles of Association, C Group Share has got some privileges:

Article 15: Validity of below mentioned Board of Directors decisions are subject to C Group Member's authorization.

- a) Revisions of Company's Articles of Association that may effect the privileges assigned to group C.
- b) Recording of bearer shares to share ledger.
- c) Authorization assignment stated on the Article 31 of Company's Articles of Association.
- d) Any decision on capacity increase/decrease over % 10
- e) Decision of any acquisition, merging, joint-venture, foundation of new company, partnership, liquidation etc. related with company.

6- Profit Distribution Policies and Profit Distribution Time

Dividend distribution policy and dividend distribution time are stated in Articles of Association, article 37, 38 and 39.

Net profit is the amount remained from gross revenue less all of the legislative approved expenses. Reserve funds * and taxes are deducted from this Net Profit. A portion from the remaining which is settled by Capital Market Board (CMB) is distributed to shareholders, by the proportion of their shares, as first dividend.

From the remaining amount, some portion determined by General Assembly is distributed to board members as share of profit .This amount should not exceed %0.1 of the total distributable profit.

Unless otherwise specified by the General Assembly, the remaining profit is distributed as second dividend to shareholders as their portion of capital shares.

It is not allowed to transfer profit to next year, to allocate reserve fund except regulatory obligated, and to distribute of profit to Board members, officers, jobholders and workers

unless allocate obligatory reserve fund and the first dividend determined in Articles of Association .

General Assembly determines the time and type of profit disbursement by considering capital Market Board's announcements. General Assembly may transfer authority to Board of Directors to determine the time and type of profit payment.

*** Reserve Fund:** Allocation of 5% of the annual net profit continues until total reserve fund reaches to 20% of firm's paid in capital (Turkish Commercial Code, provisions of Articles of 466 are reserved.). If the total reserve fund falls below the %20 of paid capital for any reason whatsoever, reserve fund allocation continues until reaching to that amount.

7- Transfer of Shares

Article 8: In case of Privatization Administration share less than 1 %, C Group share existence and all privileges will automatically drop and deemed an A share

Article 9: C Group shares authority can be transferred to another Turkish Public Institution, by 4046 numbered Republic of Turkey Prime Ministry Privatization Administration Law. In that case, the C Group shares board member's vote is necessary.

SECTION 2 – INFORMING THE PUBLIC AND TRANSPARENCY

8- Information Policy of the Company

Four officers are responsible and have the authority to make public announcements.

In accordance with the transparency principles, applied accounting policies and operation results are announced to public.

Annual and quarterly financial statements are disclosed in Petkim web page under Investor Relations link.

According to the Stock Exchange Regulations, "any progress which could effect Petkim's stock values should be announced to public as soon as possible".

9- Material Events

17 material events have been disclosed in accordance with the Stock Exchange Regulations, during 2007. No additional information was requested from Capital Market Board (SPK) and Istanbul Stock Exchange (IMKB).

10- Company Internet Site and its Content

Petkim web page has been renewed in 2007 in accordance with Corporate Governance conception .It's address is www.petkim.com.tr and information is submitted both in Turkish and English.

Information mentioned in CMB Corporate Governance Principles Section II article 1.11.5 are provided in Petkim web site.

11- Disclosure of Company's Ultimate Controlling Individual Shareholder/ Shareholders (Beneficial Ownership)

There is no beneficial ownership for the company.

12- Disclosure of Insiders

All necessary precautions are taken to prevent insider trading. Below listed officers are announced to public as insider.

Kenan	YAVUZ	- General Manager
M. Hayati	ÖZTÜRK	- Asst. General Manager
Ertuğrul	KURT	- Asst. General Manager
Abdülkadir	TUNCER	- Asst. General Manager
Ali	ÖZTÜRK	- Asst. General Manager
Hatice	KAYGIN	- Asst. General Manager
Selahattin	YÜZÜGÜLDÜ	- Finance Manager
Şeref	HEKİMOĞLU	- Accounting Manager
Macit	KARABORAN	- Asst. Finance Manager

SECTION 3 – STAKEHOLDERS

13- Informing the Stakeholders

Company stakeholders have been informed as soon as possible by public announcements, web page and printed media about issues interesting themselves.

14- Stakeholders Taking Part in the Management

The participation of stakeholders in management representing publicly offered 38,68% share can be realised by temporary 2nd article, 11th and 22nd article of Articles of Association.

15- The Policy of Human Resources

The policy of Human Resources of our company is to keep on its leadership in the Turkish industry by making human resources work effectively, increasing its capacity, meeting expectations of its sharers, highlighting the employees, being open to change, and as being a leader and a global company in its region, using its resources effectively, having sensibility to environment, work health and security, being compatible with quality standards, improving its technology permanently, believing in creativity of its employees, and focusing on customers.

The goals of our Human Resources Policy are to provide human resources applications such as human resources planning, recruitment, personnel development, training needs planning, performance management, career management, job determination and analysis, competence management to achieve the activities of the company efficiently in according to scientific methods.

The main principles of our human resource policy consist of the following:

- Defining and improving the system which provides appropriate human resources by determining the qualities, search and selection and recruitment.
- Determining and applying the training programs that would provide necessary knowledge, skills, talent and behavior to the employees and assessing the results on behalf of both the employee and the Company.
- Developing the performance management system to provide personnel promotions and increasing the productivity of the personnel and providing fair and equal chances in applications of the system.
- Forming and practicing a career management system that determines the career paths and shows essential opportunities in the organization to the personnel.

- Analyzing the jobs and combining data for the scope of the jobs, human resources requirements and working conditions to prepare job definitions.
- Developing systems that encourage success and creativity and maximizing job satisfaction by providing appropriate work conditions.
- Providing training opportunities in domestic and abroad to develop personnel's professional knowledge and skills.
- Working on and improving human resources applications by asking to employees about their opinions with using questionnaires or kind of ways.
- Forming Company Culture and Conception to encourage the personnel about their jobs and organization loyalty and providing social and cultural needs of personnel by aiming to increase the productivity of the Company.

All blue collar workers are members of labor union which has an office in company with representative members selected from workers. Relationship with employees is managed through Human Resources management and Union management.

16- Information on the Relations with Customers and Suppliers

Information on the Relations with Customers :

Petkim continues to the developments that were introduced in recent years with new scopes aiming to maximize and maintain the sustainability of satisfaction of customers that are accepted as partners of Petkim.

In order to evaluate all complaints and demands coming from our customers via different communication channels such as fax, telephone, e-mail, visits, surveys and industry fairs, a system called QDMS has been established. By evaluating the data gathered in this system, focus has been put on corrective and preventive activities for short, mid and long term solutions with the coordination of related units.

Customer Information System that is set to monitor the company's information, orders, allocation, delivery and financial operations via internet has been improved and widespread use has been maintained. While the rate of use of the system among the active customers was 30 per cent in 2006, this rate increased to 40 per cent in 2007.

Studies of surveys for the purpose of evaluating customer perception have been carried out since 2000 within or company. The results of the survey in 2007 show that the customer satisfaction increased compared to last year and expectations in subjects as corporate image, presentation of goods and services, after sales assistance are met significantly.

Significant improvements have been achieved on face to face negotiations that are one of the most effective way of meeting customer requirements and expectations. Customer meetings have been organized in İstanbul, Ankara, İzmir, Bursa and Gaziantep where most of our customers are located. Intensive activities have been realized in order to evaluate complaints and perceptions of Petkim's partners by regular customer visits and fair participations.

Information on the Relations with Suppliers:

There are 8516 foreign firms and 1629 representative firms registered in Import Department's repertory. Within these firms 1447 of them are dealing with chemical materials; 6826 of them with spare parts and 243 of them are interested in both. 6395 firms are manufacturer firms while 775 of them are trader and 1346 of them are both manufacturer and trader.

There occurred 242 new firm registrations to Import Department's repertory within 2007.

The total purchase order numbers of these registered firms are 596 and these firms gave 2058

offers. Moreover forms were sent to the firms for registry refreshment and the information of 375 firms has been updated.

According to the Performance Measurement that is applied to the chemical and raw material supplier firms, 242 firms have been given Performance scores at the end of 2007; and 238 firms have been raised to A Class supplier degree.

Within 2007, 73 suppliers were visited and the information of the firms updated according to the communications that were done with the suppliers that visited us.

Questionnaire forms for measuring the supplier satisfaction were prepared and they were sent to 240 firms within 2007. 51 of these firms replied this questionnaire and the reply ratio is 21,25 %.

In order to provide satisfactory answers to the information requests coming from the suppliers within the purchasing process we are preparing a Supplier Information System in our website. The suppliers can reach and update their registry information; and they can also follow the tender information from this system.

GPRS Tracking System has been requested from our nominated overland transporter company. By this system we can follow our delivered orders on the way. The application of this system will begin within 2008.

17- Social Responsibility

Our company is sensible for environment consumer and public health. Petkim always obeys ethical rules.

Petkim has constructed 4 elementary school and handed over them to The Ministry of National Education.

Within the same context our company allocated buildings for a high school in order to support educational operations.

Petkim supports a professional sport club. Wide sport activity opportunities for employees and their children are exist as a part of this club. In addition Petkim also provides for public to benefit from social activities.

PETKİM ENVIRONMENTAL FACILITIES

Petkim has been carrying out its production facilities by environmental concerns since establishment and it achieved institutionalizing of environmental consciousness and sensitivity. Our company prefers cleaner production and best available technology in new investments under the principle, “pollution prevention at source”. It fulfills its environmental legal responsibilities by its own treatment system include a wastewater treatment plant, a waste incinerator, pretreatment systems in some plants, etc. Petkim Waste Incineration Plant which is the second plant of Turkey in waste incineration, started to operation after taking the environmental license dated December 2006 and wastes from third parties has been accepted also since March 2007; with this facility Petkim support the Turkish industry in this issue also.

“Recycling” is our other main objects indicated in “Petkim Environmental Policy” beside fulfillment of legal responsibilities like pollution prevention and waste treatment. In this scope, waste oils, waste solvents, waste accumulators and batteries, waste packages etc. are collected separately and recycled in accordance with regulations. The Environmental Department of Petkim carries out the monitoring and auditing activities to control waste

management. In the year 2007, several new environmental regulations have been published and Petkim undertook new responsibilities. In the scope of the environmental law no: 5312; Petkim, as a on shore plant, has started to have Emergency Response Plan and Risk Analysis prepared for accidental risk prevention in its harbor (eg. oil spillage from purveyor/costumer ships). Two oil skimmer and one floating tank was procured also for this response.

One of the main investments has been also completed in 2007, eg. “Modification of Existing Boilers for Utilization of Natural Gas in Addition to Fuel-Oil, 50 MW Gas Turbine Generator and Heat Recovery” . This investment cost 88 million \$ will provide great environmental advantage such as expected decrease in CO₂ and SO₂ emissions amount by 32% and by 99% respectively in energy and steam production. In this year, emission measurements was also started to get done by Dokuz Eylül University to obtain air emission permit for Petkim.

One of our voluntarily environmental initiatives called “Pollution Release and Transfer Registration Project” was continuing in 2007 also. Petkim took part as a pilot plant in this project, which is carried by cooperation of UN/UNEP and Ministry of Environment and Forest of Turkey and 10 chemicals used as raw/auxiliary substance in our process has been monitored monthly.

One of the main principles of Responsible Care Program, which has been implemented by Petkim voluntarily since 2000, is “Public Communication” and we explain our environmental activities in detailed in our website.

Petkim also monitor its environmental performance according in EFQM Model applications.

A suggestion competition on “saving the water” among our staff, was arranged in this year to take attention on Global Warming effects and to develop environmental consciousness. The best suggestion for water saving owner took their platelets in the ceremony for World Environment Day “The competition on the most environmentalist plant of Petkim” was repeated in this year also and the plants having environmental initiatives at their site were also awarded at the same ceremony. Attendance and interest of our staff to this competitiveness indicate the achievement of our internal environmental training courses gave regularly to all Petkim staff for last 6 years to set the institutional environmental consciousness.

18- The Structure and Composition of Board of Directors

Following rules are applied to nominate A group board members.

- a) Over 20 % free floating of A group shares, 1 member is nominated by “A” group and 2 members are nominated by “ B ” group shareholders.
- b) Over 40 % free floating of “A” Group shares, 2 members are nominated by “A” Group, and 1 member is nominated by “B” group shareholders.

c) Over 55 % free floating of “A” Group shares, 3 members are nominated by “A” group shareholders.

d) At least 1 % of “A” group shareholders can nominate a candidate. In case of less than 1 % of “A” group shareholders represent in board meeting, 3 “A” group candidates are nominated by “B” group shareholders.

e) In case of death, resignation and etc. of a member, election is made according to article 315 of Turkish Commercial Law. In case of “A” group member’s resignation, new member is elected among candidates nominated by “A” group shareholders. In case of “B” group member’s resignation, new member is elected among candidates nominated by “B” group shareholders. In case of resignation, when “A” group shares are represented by only one member, this “A” group member is elected among candidates nominated by “C” group shareholders. In case of resignation of member elected by “C” group, member is assigned by the Board among candidates nominated by “C” group shareholders.

f) Board member who is representing a public administration is deemed resigned in case of resignation from his position held in that Public Administration.

g) Board members are elected for 2 (two) years term. General Assembly may dismiss the members before the term expires. Members whose term expires may be re-elected.

19- The Qualification of Board Members

Have to be legally competent, to have company’s share and not to expose to any dishonorable crime. Candidates’ membership is valid after having Company’s share.(Except Turkish Commercial Law, article 334 and 335)

The qualifications of all Petkim Board Members comply with the principles defined in articles 3.1.1, 3.1.2 and 3.1.5 of Section 4 of the CMB (Corporate Governance Principles)

Comprehensive information about members is available on our web site.

20- The Mission, Vision and The Strategic Targets of the Company

VISION 2015

To be a World-Class company in the petrochemical sector

STRATEGIC OBJECTIVE

% 40 Market Share in 2015

MISSION

Our mission is to be a petrochemical producer who

- Respectful towards people and environment
- Open to change
- Always able to keep its technology updated
- Aiming at exceeding the expectations of its stakeholders.
- Able to provide proper platforms to motivate and empower its Employees for participation and creative thinking
- Believes in management approach based upon sustainable excellence

VALUES AND PRINCIPLES

Our values and principles are *

C u s t o m e r s a t i s f a c t i o n i s a b o v e e v e r y t h i n g

Our most important driving force is the development of our people and teams

To ensure safety and to protect the environment is our prior focus

Our partners / suppliers are our natural team members

Our alignment based upon our integrity

Our task is to provide quality

Role model in leadership

Always accountable

Dependability

Transparency

** Our management understanding is an upside down, low pyramid*

CORPORATE STRATEGY

F.1 To increase profitability

F.2 To decrease costs

M.1 To increase customer satisfaction and loyalty

M.2 To follow competitive price policy

S.1 To improve productivity

S.2 To make growth plan

S.3 To struggle unfair competition

Ö/G.1 To make stronger corporate structure

Ö/G.2 To improve environment and job security

21- Risk Management and Internal Control Mechanism

Internal Audit Department acts in compliance with corporate governance principles and reports to the General Manager directly.

Main activities of this department as follows;

- To form and develop an active and efficient internal control system in the company
- To audit process
- Following, auditing, giving opinions and reporting of company's actions whether they are conform with procedures, regulations and legislations of government, company or public arrangements (CMB, Treasury, Foreign Trade, Tax Legislations etc.)
- To make investigations and giving proposals to utilize company resources effectively, efficient and economically,
- Auditing, evaluating, giving opinions and proposals for company expenses, financial operations and savings to fit company's goal, strategy and performance programs,
- To audit and give proposals for finance administration and control process.
- To audit expenses for legal conformity
- Determine commercial, financial, fiscal and legal risks which the company could subject to. , giving proposals to eliminate these risks.
- To audit company actions whether they are fit with the existing organizational structure, process and procedures and give opinions and proposals,
- To investigate and take actions for the personnel whose action causes economic loss of company or derive benefit for their owns or third parties, give proposal and opinions to prevents these actions,
- Notify the General Manager and make detailed investigation if a statement occurs.

22- Authority and Responsibilities of the Members of the Board of Directors and the Administrators

As identified in the article 16 on the Company's Article of Association, Board of Directors is the representative and managerial organ of the Company and acts according to laws and rules. According to Turkish Commercial law, article 319, Board of Director may pass its managerial and representative authorities to General Manager/Managers or constitute a working group to perform these task and duties.

23- The Activity Principles of the Board of Directors

Board of Directors should arrange a meeting at least one time in a month. Meeting point is Company Center or it may change according to Board Management decision. At least five of them should attend to the meeting. Decisions are taken by means of five members positive voting. Board member is deemed resigned, when he/she doesn't attend at least four meetings. Only written and signed Board decisions are valid. Proposals are deemed rejected which are not reaching the majority's acceptance.

Management and representation of company is in the hand of Board. Board of Directors may pass all or some part of its authority to others.

Contracts and documents are only valid if they are signed by authorized personnel on behalf of Company.

24- Prohibition of Carrying Out Transactions with The Company and Prohibition of Competing with the Company

Turkish Trade Act Article 334 and 335 does not allow to company board members to carry out transaction with company and to compete with the company.

25- Ethic Rules

The procedures of "Act of Ethical Rules for the Public Workers" has been implying in Company.

In conformity with this Act, Ethical committee with 3 members, monitors the working actions and reports to the Government regularly.

Beyond this, Members of Board, Administrative person and officer should give a "declaration of property" when entering to company as a worker and leaving the company. This declaration should be updated each 5 years.

26- The Number, Structure and Independence of the Committees Constituted in the Board of Directors

A committee of three board members has been formed for auditing. Committee audits accounting, approves financial figures before publicly disclosed, and surveys the services provided by the Independent Auditing Company.

Committee observes selecting process of Independent Auditing Company and approves, follows their performance and provides a written assessment to the Board of Directors about activities they performed.

Committee is assembled at least four times annually.

27- Financial Rights Provided To the Board of Directors

State Planning Association determines the fees and extra payments to be paid for Board Members. No compensation is paid other than ordinary fees. Travel allowances are paid according to the Governmental Organization regulations for public officers. No credit, indemnity or guarantee is given to any Board Member.