

**CORPORATE GOVERNANCE
PRINCIPLES
COMPLIANCE REPORT
2008**

1- Statement of Compliance with Corporate Governance Principles

In PETKİM, due diligence has been spared for the compliance with and implementation of the fundamentals specified in the Corporate Governance Principles which was published by the Capital Markets Board (CMB) during the business period of 2008 as well as for making arrangements on the issues to be abided by in a manner contingent upon the developments. The issues that are non-applicable for various reasons are detailed in the relevant units thereof.

Our web page www.petkim.com.tr carries out its activities in English and Turkish languages both for the compliance with the CMB Principles and for the improvement of the **Investor Relations** at a higher level. During the period, information of “**Activity Calendar, Investor Presentations, Analyst Reports, Meeting and Conference Information and Rating Note**” has been added to our web page and thus the deficiencies have been completed.

SECTION 1 SHAREHOLDERS

2- Shareholder Relations Unit

In our Company, the relations with the shareholders are carried out by the “**Investor Relations Unit**” included under the structure of the **Finance Directorate**. The contact information of the unit is given herein below;

- **Chairman of Unit**

Füsun UGAN (Finance Manager)

Tel: 0 232 - 616 14 53

0 232 - 616 12 40 / 4575

e-mail: fugan@petkim.com.tr

- **Personnel of Unit**

Şengül TUNASOY (Transaction Officer)

Tel: 0232 - 616 61 27

0232 - 616 12 40 / 2256

E-mail: stunasoy@petkim.com.tr

Özlem FİDAN (Transaction Officer)

Tel : 0 232 - 616 61 27

0 232 - 616 12 40 / 4460

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İlkay ÇETİN (Specialist)

Tel : 0 232 - 616 61 27

0 232 - 616 12 40 / 4438

E-Mail : icetin@petkim.com.tr

Ahmet GÜRSESLİ (Specialist)

Tel : 0 232 - 616 61 27

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E-Mail : agursesli@petkim.com.tr

Within the context of relations with the shareholders, our Company carries out the following activities by taking the Capital Market Principles as the basis:

- to follow up the legislation regarding the CMB, Istanbul Stock Exchange (ISE) and Central Registry Agency (CRA) and to procure communication with such institutions
- to perform works regarding the Corporate Governance,
- to organize the announcements to be made to public within the framework of the Public Disclosure Policy of the Company,
- to procure the keeping of the records regarding the shareholders in a sound, secure and updated manner,
- to perform transactions regarding the share certificates,
- to respond to the requests of the shareholders, potential investors and analysts for written and oral information (except for the information bearing the nature of commercial secret),
- to update the Investor Relations information within the web page,
- to conduct all transactions regarding the Ordinary and Extraordinary General Assembly meetings,
- to take all and any kind of measures to procure the satisfaction of the customer.

During the year 2008, approximately 700 information requests were answered orally and 109 questions were answered in writing on the the electronic medium, which were received from the **shareholders** regarding the company's activities, investments, turnover, distribution of profits and share certificate changes. The management of Petkim regularly organized meetings with the analysts, investors and representatives of media, shared information open to public and answered the received questions. **In the year 2008, information were shared regarding the company and sector by means of holding 15 teleconferences with the investors and banks, 3 investor meetings with the corporate shareholders within the country and 20 1-on-1 investor meetings.**

Distribution of profits pertaining to the previous periods and the capital bonus continued and the shareholders have been informed regarding the company and its capital position.

3- Exercise of Shareholders' Right to Obtain Information.

There is no discrimination among the shareholders with respect to the exercise of the right to obtain information. Although the developments that may affect the exercise of the shareholders' rights are sent as an explanation to the CMB, ISE and Public Disclosure Project (PDP) system within the context of the PDP such information also disclosed on our **web page** as announcements in English and Turkish languages.

During the year 2008, approximately 700 information requests (except for the confidential information and commercial secrets) from the shareholders were answered orally and 109 questions of the shareholders were answered in writing on the electronic medium.

In our Company, there is no distinction amongst the shareholders as regards the exercise of the right to obtain and scrutinize information.

There has been no request for the appointment of a Special Auditor and no individual right has been regulated in this respect.

4- Information pertaining to General Assembly

The **Ordinary General Assembly Meeting of the Company** was held on **28th of March 2008** at the Head Office of the Holding. The meeting quorum was **127.772.221 (62.40%)** shares and 16 benefit holders attended to the meeting by proxy and one benefit holder attended to the meeting personally. The press did not attend to the meeting. No term has been prescribed for the registry to the share register to procure the participation of the holders of the registered shares to the General Assembly meeting.

The invitation to the General Assembly Meeting was duly announced on **Turkish Trade Registry Journal and Yeni Asır and Hürriyet Newspapers** in a manner to cover all requisite information. The shareholders and their representatives applying to the company with blocking letters, Board Members, Auditors, General Manager and Assistant General Managers and personnel of Investor Relations Unit and the Finance Manager carrying out the preparations for the General Assembly of the Company attended to the General Assembly Meeting.

In the General Assembly, the shareholders exercised their rights to ask questions and the questions were answered by the Board of Directors and nobody took the floor in the section of the wishes and desires. The minutes were drawn up pursuant to the agenda items of the General Assembly. The Minutes of the General Assembly Meeting are registered and announced in the Turkish Trade Registry Journal.

There are no provisions in the articles of association that the decisions of material nature such as amalgamation, sales, purchase and lease of substantial part of assets, are rendered by the General Assembly.

5- Voting Rights and Minority Rights

It is set out in the Article 32 of the Articles of Association of the Company that shareholders or proxies thereof who attend General Assembly Meetings shall have one vote per share. According to Article 15 of the Company's Articles of Association, Group C Share has privilege on the voting right.

Article 15: The validity of the decisions to be taken by the Board of Directors regarding the following matters depends on the affirmative vote of the member of Board of Directors elected from the Group C:

- a) Modifications of the Articles of Association that will affect the privileges assigned to Group C share;
- b) Registration of the transfer of registered shares on the share register;
- c) Determination of the form of letter of authority indicated in Article 31 of the present Articles of Association;
- d) Decisions stipulating a decrease of at least 10% in the capacity of any plant owned by the company;
- e) The company's foundation of a new company or partnership, purchasing a company; being partner to and/or merging with already founded companies, separation, type modification, annulment and liquidation of the company.

The minority shares are represented in the General Assembly directly or through their proxies. There is no provision in the Articles of Association of our Company on the cumulative voting method.

6- Distribution of Profit Policy and Profit Distribution Time

Information pertaining to the Distribution of Profit Policy of our Company is published in the annual report and on the internet page of our company (www.petkim.com.tr) under the link of Investor Relations/Share Certificates.

Profit distribution policy is set out in articles 37, 38 and 39 of the Articles of Association of the Company. Net profit is the amount remaining after deducting all kinds of expenditures accepted within the scope of the effective laws from the gross revenue.

Legal reserve funds (*) and taxes are reserved from this net profit in accordance with Article 38. Out of the remaining amount, a sum in the rate and amount determined by the Capital Market Board is distributed to the shareholders pro rata to their shares as the first dividend. The portion remaining after deduction of such amounts, an amount which shall not exceed 0,1% of the total distributable profit and which will be determined by the General Assembly shall be distributed to the members of Board of Directors as a profit share.

Unless otherwise is decided by the General Assembly, the remaining profit shall be distributed to the shareholders pro rata to their paid-up capital shares as second dividend. Unless statutory reserves required to be earmarked according to the provisions of law and the first dividend designated for shareholders in the Articles of Association no resolution may be adopted for carryover of the profits to the following year and for the distribution of the profit to the Members of Board of Directors and to officials, servants and workers .

(*) The legal reserves earmarked by the company from its net profit for each year with a ratio of 5% shall continue to be earmarked until it reaches 20% of the issued capital of the company. (The provisions of Article 466 of Turkish Commercial Law are reserved). In case the legal reserves become less than 20% of the company's issued capital for any reasons whatsoever, legal reserves shall continue to be earmarked until the referred amount is reached.

The General Assembly determines the time and type of payments of profit in accordance with the Communiqués of the Capital Market Board.

7- Transfer of Shares

Restrictions have been brought on the transfer of shares in Articles 8 and 9 of the Articles of Association of the Company.

Article 8: In the event that the share of the Privatization Administration becomes less than 1 % of the total capital, the existence of the Group C share as a separate share shall be removed and the referred share shall be added to the A group shares and with the referred addition, all privileges granted to Group C shall cease to exist.

Article 9: Group C share certificate may be transferred to another Turkish Public Institution having, in principle, the authorities assigned to Prime Ministry Privatization Administration of the Republic of Turkey by the Law numbered 4046. The affirmative vote of the member of the Board of Directors elected to represent Group C share is requisite to be present in the decision of Board of Directors regarding the registration to share register.

SECTION 2 PUBLIC DISCLOSURE AND TRANSPARENCY

8- Information Policy of the Company

In our Company, four officers are responsible for the public disclosure announcements and such persons have signing authorities in this respect. They have been entrusted with a duty to consider and monitor all and any kind of issues regarding the the public disclosure.

Except for confidential information and commercial secrets, the written information requests of the shareholders or the relevant persons are answered by the “**Investor Relations Unit**”.

In our Company, the accounting policies applied in accordance with the transparency principle and the results of operations are announced to the public in due time and in understandable, accurate and interpretable form.

The annual and interim period financial statements of our Company are announced on our web page under the **Investor Relations** link.

Any developments probable to have an effect on the value of the Capital Market instruments of our Company are made public without any delay within the term as prescribed by the legislation.

The changes and the developments which occur at a later time as regards the announcements made by our Company to the public are constantly updated.

9- Special Circumstance Announcements

During the year 2008, 22 special circumstance announcements were made in accordance with the legislation of CMB. The shares of our Company are not listed in the foreign stock exchanges. No additional information was requested from the Capital Market Board and Istanbul Stock Exchange for the announcements made for special circumstance.

10- Company Website and Contents

The website of our Company has been renewed in accordance with the context of Corporate Governance Principles in Turkish and in English and the address is www.petkim.com.tr. Part of information included on our website is as follows:

1. Corporate Information
2. Commercial Information
3. Manufacturing Information
4. Investments
5. Human Resources Information
6. Media
7. **Investor Relations**
 - i) Corporate Governance
 - Capital and Shareholding Structure
 - Articles of Association, Trade Registry Information
 - Corporate Governance Compliance Report
 - Special Case Announcements
 - ii) General Assembly
 - iii) Articles of Association
 - iv) Financial Information
 - v) Annual Report
 - vi) Share Certificate
 - vii) Business Calendar
 - viii) Presentations
 - ix) Analyst Reports
 - x) Rating Notes
 - xi) Frequently Asked Questions
 - xii) Investor Relations Unit

Our Company has taken the security measures to prevent the external modification of the information appearing on the Internet website.

11- Announcement of Real Person Final Controlling Shareholder/Shareholders

There is no real person final controlling shareholder in our company. The information with regard to the distribution of company's capital as corporate is included on the web page under Investor Relations/Corporate Governance/Capital and Shareholding Structure link.

12- Announcement to Public of Person/Persons with Inside Information Capability

All and any kind of necessary precautions have been taken to prevent the use of inside information . The list of persons who have inside information capability has been announced to the public and the names are indicated herein below:

| | | |
|------------|------------|---|
| Rövnag | ABDULLAYEV | Chairman of the Board of Directors |
| Erdal | AKSOY | Vice-Chairman of the Board of Directors |
| Osman | İLTER | Board Member |
| S. Batu | AKSOY | Board Member |
| Vagif | ALIYEV | Board Member |
| David | MAMMADOV | Board Member |
| Talip | KÜNER | Board Member |
| Mustafa | ÖZEL | Member of Audit Committee |
| Nurettin | DEMİRCAN | Member of Audit Committee |
| C.Yusuf | ATA | Member of Audit Committee |
| Kenan | YAVUZ | General Manager |
| M. Hayati | ÖZTÜRK | Asst. General Manager |
| Ertuğrul | KURT | Asst. General Manager |
| Abdulkadir | TUNCER | Asst. General Manager |
| Ali | ÖZTÜRK | Asst. General Manager |
| Hatice | KAYGIN | Asst. General Manager |
| Özer | AKSOY | Accounting Manager |
| Füsün | UGAN | Finance Manager |

SECTION III BENEFIT HOLDERS

13- Advicement of Stake Holders

Announcement to public of information with regard to the issues relevant to the stake holders relating to our company, are made by the special circumstance disclosures to the ISE and made public on the web page of the company and via printed-visual media.

One-on-one or group meetings are held with the suppliers and the customers and thus information sharing is realized.

The disclosure of information inside the Company is realized by the corporate portal and electronic communication-documentation system and by making communication meetings during the year.

14- Stake Holders' Participation to the Management

The participation of stake holders to the Management by representing publicly offered fraction of 38.68% of our Company is possible by temporary article 2, and articles 11 and 22 of the Articles of Association.

Additionally, corrective and preventive activities are carried out as a consequence of the evaluation of the Client communication system, questionnaires and periodical meetings. The Performance Management System has been established. The studies for the redevelopment of the processes are going on. The Individual Suggestion system is conducted in the electronic medium.

15- Human Resources Policy

The HR policy of our Company consists of; continuing its leading position in Turkish industry with further capacity expansions, satisfying its shareholders' expectations, appreciating the value of its employees, being open to changes, being a regional leader, using its resources efficiently as a global company, paying attention to the environment, safety and health of labor, complying with the quality standards, developing its technology constantly, strengthening from the creativity of its employees, and using its human resources in an efficient manner in its way to become a customer oriented company.

The main goal of our Human Resources policy is to achieve human resources activities such as human resources planning, recruitment and personnel affairs, job analysis, salary and wage administration, training and development, performance and career management in accordance with the scientific methods which is necessary for carrying on our Company's activities in an efficient and active manner.

The main principles of our human resources policy consists of the following:

- Define and apply the system for analyzing human resources' skills and recruiting appropriate personnel that will enable our Company to carry on its activities in an efficient and active manner.
- Determine and apply the training programs providing necessary knowledge, skills, talent and behavior to the employees, and assess the results on behalf of the Company.
- Develop the performance management system, which enables personnel to see the results - in a way his/her output- of his/her work and to assess the results of his/her success, and provide fair and equal chances in application of this system.
- Form and materialize a career management system; that would provide constant progress for the personnel in the company and prepare them for the responsibilities above their current positions and evaluate employees who are eager for taking responsibility at all levels in the most efficient way.
- Gather data for the scope, the human resources needs and working conditions within the company's job descriptions, and by evaluating that data to conduct job analysis, to prepare job definitions in accordance with the changing conditions.
- Provide working conditions that are appropriate with the carried on services, develop systems that would encourage success and creativity and hold duty satisfaction at utmost level.
- Provide training opportunities to personnel at home and in abroad in order to develop their professional knowledge and skills.
- Direct the applications that will be done by taking opinions of employees with questionnaire and etc.

- By taking employees' opinions with questionnaire and other methods shape the future future practices of the Company.
- Form "Company Culture and Conception" to encourage the personnel about their jobs and organization loyalty and provide social and cultural needs of personnel by aiming to increase the productivity of the Company.

16. Information on Relations with Customers and Suppliers

RELATIONS WITH CUSTOMERS:

In the year 2008, our Company continues its work -with improvement- on the increase and maintenance of customer satisfaction within the frame of its market and customer oriented approach.

For the purposes of procuring that our customers realize the sales transactions more rapidly and efficiently in the electronic form, it is ensured that they have on-line access to their matters pertaining to personnel, order, delivery and financial information as well as product analysis reports, equipment safety report and many information such as the price of related products. This system has been improved as a result of the requests coming from the customers and has been a source of convenience with its more rapid and simple search interface as well as increasing our job efficiency. The rate of customers using this system among the active customers has increased from 40% to 62% in the year 2008.

The QDMS system, with which the complaints and requests received in writing, via means such as telephone, e-mail, personal visit, questionnaire and fairs, has been converted into institutional structure. The feedbacks that we receive from our customers via the foregoing channels, has been reflected to the work processes and efficiency has been increased with rectifying and preventing activities.

The questionnaires have been effected as from the year 2000 to evaluate the customer perception. It is determined that the rate of satisfaction- evaluated under the titles General Image, Product and Services, Support after Product Service and Presentation and Customer Loyalty within the Frame of EFQM Excellency Model- has increased in 2008 compared to 2007. Redevelopment is made in an ongoing manner on the matters of adequacy of the order system, rapidness and efficiency in the settlement of the complaints, to which the customers attribute importance but are not satisfied with as per the customer perception results.

Vis a vis meetings which is one of the most efficient methods for meeting the needs and expectations of the customers continue to increase via planned customer visits, territorial meetings and fair organizations. The personnel of Sales and Marketing, Quality Control and Technical Services, After Sales Services and Directorate of Shipment have paid visits to our 261 business partners residing in 22 cities to inform the same on sales and technical issues, to obtain the complaints and requests.

In oprder to accelerate the commercial activities that have slowed down due to the most severe global economic crisis, we have focused on customer visits other than the planned ones within the framework of the active marketing approach.

Petkim has taken a series of measures during the crisis where the commercial activities have decelerated and unfair competition has increased. Among are abating the publishing of the product prices which had been weakening Petkim in competition and application of price differentiation policy for special customers. Encouraging measures have been taken to accelerate the shipments that have declined during the crisis. Close and efficient monitoring of the markets has been commenced. Cooperation with the financial institutions has been increased by taking into consideration the cash shortages and credit contraction. Within this framework, the Direct Order and Collection System have been made prevalent. Many sales transactions have been transmitted to the electronic platform, to offer rapid and efficient service to our business partners. This year, CIP sales have been performed to some of our customers for the first time. Studies for the extension of this system is conducted. Important improvements have been made on the packaging issue, to which our customers attribute the most importance. Further to the foregoing, battle against unfair competition in imported products is which increases during the crisis.

RELATIONS WITH SUPPLIERS:

Systematizing the communication with the suppliers by basing on Exchange of information and mutual development as well as correspondence has been our fundamental strategy in the year 2008. As per this strategy, we have benefited from information technologies to keep the supplier relations at the utmost level.

Communication with the suppliers has become interactive on the web environment via the External Supplier Information System (ESIS) applied as from 2008. With this system, our suppliers have monitored the communication and tender information from the web and have updated their contact information and forwarded their opinion, proposals and requests on every issue via this system.

Furthermore, customer satisfaction questionnaire has been performed for the first time in the year 2008 and the ESIS system has been utilized in the questionnaire to reach to our suppliers. Our questionnaire has been forwarded to 1073 suppliers - which have provided the feedback- among the 2500 suppliers that have been reached via this system. The results of the questionnaire has been evaluated and considered while forming our strategy for the year 2009.

17. Social Responsibility

Our Company, with the mission of being a petrochemical company “Respectful to Environment and Human”, has set working safety and environment protection as its priorities. Our Company, which prioritizes its responsibility to the society, has accomplished many social responsibility projects. In this respect, three schools buildings, which were built in its boundaries, were handed over to public to be used as public schools; further two schools were built in Karşıyaka and Aliğa. Our company has been meeting the needs that were demanded from various schools in our country as well.

The infrastructure is available for all social activities in Petkim's facilities and not only employees and their families but also the community is benefiting from the social activities within this respect, and internship programs are provided to vocational high schools and university students.

In addition to these, planting works have been made inside and outside of Petkim due to its sensitivity to the environment.

Our Company offers sporting opportunities for people at all age groups living nearby via the sports club within Petkim. Our Company has become the sponsor for Aliğa Basketball Team, which currently plays in Beko Basketball League. The sponsorship deal, which started beginning from the third quarter of 2008, added power to Aliğa-Petkim Basketball Team and proved its worth with successful results and attracted more interest of the Aliğa community to the sporting activities. Our Company cares for the struggle of Turkish community against leukemia as well. Petkim's 7-storey building with 12 flats located in Ankara, Gaziosmanpasa is rented on May 8th 1999 with a renting protocol valid for a 20 year period and at a symbolic amount to the Foundation for Children with Leukemia (LOSEV) which is founded for great purposes such as providing every kind of health and social needs and save the body and soul health of children with leukemia.

OUR ENVIRONMENTAL ACTIVITIES

Our environmental activities are being carried in compliance with the Regulations issued in connection with the Environmental Law numbered 2872 and the by-laws subject to this regulation by the coordination of Environmental Risk Management. In addition to this, activities have been prepared within the scope of social responsibilities and an environmental contest is being made and environmental trainings are being given.

Waste water in our facility has been cleaned in our waste treatment plant for waste waters and the waste water parameters has been monitored according to the Regulation on the Control of Water Pollution. We have a valid discharge permit until 2010.

Studies are being made for the protection of the existent air quality and continuous follow-up of the matter both in the outer field and in the work surroundings and the results of the measurements are being assessed as per the regulations. The controls of the air pollution and the quality of the air are being performed in two methods;

- Measurement of the Chimney Gas
- Measurement of the Surrounding Air Quality

For protection from sea pollution as well as the control of the sea pollution, risk assessment has been made within the frame of the Law Related to the Principles Concerning the Indemnification of Damages and Intervention in Emergency Cases of Pollution of Sea Environment with Petroleum and Other Dangerous Materials with the number 5312 and presented to the Ministry of Environment and Forestry. In addition to this, barriers of 1000 meters and two oil skimmers have been purchased

to avoid dispersion in case of the leakage of substances such as any oil and hydrocarbon.

Further to this, License for Waste Acceptation Plant has been taken out within the frame of Regulation for Taking Wastes from the Vessels and Control of Wastes.

Wastes occurred in Petkim plant have been decomposed on-site as hazardous, saleable and recyclable wastes and also it is procured that recycling and disposing of wastes have been performed in accordance with the regulations. Furthermore, waste management plan of three years are being made and annual waste statements have been filed.

National Waste Transportation Forms have been composed by Environmental Risk Management during road transportation of all hazardous wastes transferred out of Petkim plant and sent to the İzmir Directorate of Environment and Forestry in each month.

In context of Regulation of Environmental Impact Assessment;

- The decision that “Environmental Impact Assessment is not Required” has been taken for Petkim Waste Incineration Unit on March 12th, 2003.
- The decision that “Environmental Impact is Negligible” has been taken for 2 Spherical Product Tanks -of 1500 mt. each- of VCM Plant on December 27th, 1999.
- Procedures for Environmental Impact Assessment are being continued for PA Plant Capacity Expansion Project and Hazardous Waste Storage Area Project.
 - *Trio Program for Responsibility Implementation*
 - *IPPC (Directive on the Prevention and Control of the Integrated Pollution)*
 - *PRTR (Pollutant Release and Transfer Registration) Project*
 - *MED-POL Project*

SECTION IV BOARD OF DIRECTORS

18- The Structure and Composition of Board of Directors and Independent Members

All members of the Board of Directors of the Company are non-executive Board Members.

Comprehensive information regarding the Board Members of our Company is available in the initial pages of the Annual Report and our web page.

The Board of Directors consists of 7 members elected by the General Assembly. The General Assembly, while constituting the Board of Directors, is obliged to elect 3 candidates who get the highest votes in the election performed amongst A group shareholders, 3 candidates who get the highest votes in the election performed amongst B group shareholders and 1 candidate to be nominated by Group C shareholder.

The following principles are applied for the A group shareholders in determining candidates for the Board of Directors:

- a) In the event that the free float rate of the A group shares is 20% (20% or more) of the total capital, the right to determine one of the 3 Board of Directors member candidates granted to A group belongs to A group, and the right to determine 2 member candidates belongs to B group shareholders.
- b) In the event that the free float rate of the A group shares is 40% (40% or more) of the total capital, the right to determine two of the 3 Board of Directors member candidates granted to A group belongs to A group, and the right to determine 1 member candidate belongs to B group shareholders.
- c) In the event that the public offering ratio of the A group shares is 55% and more of the total capital, all of 3 members shall be elected amongst the candidates to be elected and nominated by A group according to the abovementioned procedure.
- d) The nomination by the shareholders holding A group shares of candidates for the Board of Directors depends on their representation in the General Assembly meeting, at which members of Board of Directors are to be elected, with a ratio of at least 1% of the A Group shares in the total capital. The shareholders holding A group shares shall determine the candidates for the membership of Board of Directors in the meeting they will hold amongst themselves. In the event that the shareholders holding A group shares are not represented in the General Assembly meeting with the ratio of 1%, such shareholders' right to determine member for the Board of Directors shall be exercised by B group shareholders. The Board of Directors shall be elected by the General Assembly among the candidates nominated.
- e) In the event that one of the membership of Board of Directors becomes vacant for reasons such as death, resignation or cessation of membership, the vacant membership shall be filled with an election to be performed by Board of Directors in accordance with the Article 315 of the Turkish Commercial Law. In case a membership elected to represent A group shares becomes vacant, then the Board of Directors shall fill the vacancy with an election amongst the candidates to be nominated by the members of the Board of Directors representing A group shares. In case a membership elected to represent B group shares becomes vacant, then the Board of Directors shall fill the vacancy with an election amongst the candidates to be nominated by the members of the Board of Directors representing B group shares. However, if the A group is represented by 1 member in the Board of Directors and this membership becomes vacant, then an election shall be made amongst the candidates to be nominated by Group C. In the event that the membership elected by Group C becomes vacant due to the abovementioned reasons, then the vacant membership shall be filled with an election by Board of Directors amongst the candidate or candidates nominated by Group C shareholder.

- f) In case a member of the Board of Directors representing a particular judicial person notifies that he/she has no relations with the said judicial person any more or in case a particular judicial person transfers its shares to a third person, then the referred member is deemed to have resigned from the Board of Directors membership and the provisions indicated on paragraph d of this article shall apply in order to fill the subject matter vacant membership.

The term of office for members of Board of Directors is 2 (two) years. The General Assembly may dismiss the members of Board of Directors before their term of office expires. Members of the Board of Directors whose term of office expires may be re-elected.

The Board of Directors shall elect its chairman and vice-chairman at the first meeting. The authority to call the Board of Directors for a meeting belongs to the chairman and in the absence of the chairman, to the vice-chairman.

The chairman or -in his absence- the vice-chairman shall be obliged to call the Board of Directors for a meeting upon the demand of 2 members.

19- The Qualifications of Board Members

The minimum qualities sought for the election of the members of the Board of Directors of the Company are in compliance with Articles 3.1.1, 3.1.2 and 3.1.5 of Section IV of the Corporate Governance Principles of CMB.

As per Article 12 of the Articles of Association of the Company, a person should have the following qualifications in order to be elected to the Board of Directors: not to have been placed under restraint; to be a shareholder in the company; and not to have been convicted due to infamous crimes. In case non-shareholder persons are elected as members, they may start working after they receive the title of shareholder. The General Assembly may give permission for the situations stipulated in Articles 334 and 335 of Turkish Commercial Law.

20- Mission, Vision and Strategic Targets of the Company

The vision, mission and corporate strategies of our Company have been revised and updated in the *Strategic Management Revision (SMR)* meeting held at the beginning of each year with the participation of the Senior Management of Petkim and the shareholders since the year 2005. The fundamental input of the referred meeting is the environmental study document comprising of information such as the needs and expectations of the shareholders, developments regarding the sector and market and portfolio analysis. The fundamental output of the meeting is the revised vision, mission, corporate values and corporate strategies. The corporate strategies included in the performance scorecard of our General Manager are announced within the Company through intranet.

The *Critical Success Factors* indicating the way how the corporate strategies shall be materialized and the *performance indicators* procuring the measurement of the efficiency are also determined in the SMR meetings with a view to procure the

measurement and assessment of the corporate strategies. The targets of the performance indicators included in the performance scorecard are determined by making use of the program budget and considering the incidents of the past years.

In our Company, the implementation of the corporate strategies is realized as per the Corporate Performance Management procedure within the context of Corporate Performance Management System. The method of *Balanced Scorecard* is utilized for the dispersion of and measurement of the success of the corporate strategies.

During the year, the follow-up of the corporate performance is carried out through the monthly budget meetings, Guidance Committee meetings and Board of Directors meetings. The performance of the performance scorecards is evaluated with the participation of the Senior Management quarterly in the Guidance Committee meetings and at the end of the year in the general evaluation meeting. In such meetings, the explications pertaining to the performance indicators staying under the targets are examined in detail and the issues, which will constitute input for the SMR meetings -where the strategies of the following year are established-, are determined by the Management.

In the year 2009, in the SMR meeting held on 24-25 January 2009, the vision, mission and corporate strategies were revised and the strategies of the year 2009 were determined and the Balance Scorecard which is the performance scorecard of our General Manager was prepared.

The vision and mission of our Company is included in Petkim's web page <http://www.petkim.com.tr> , in the Company's portal and the Annual Business Report which is issued annually.

The vision, mission and corporate values of our Company are specified herein below:

Vision: To be a regional power in the petrochemical sector

Fundamental Objective: Market Share of 40% in 2018 with sustainable development

Mission: Our mission is to be a petrochemical establishment which is

- Respectful towards people and environment
- Open to change
- Always able to keep its technology updated
- Aiming at exceeding the expectations of its shareholders
- Gaining power from the contribution and creativeness of its employees
- Having an understanding based upon sustainable excellence

Our values and principles

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 employees & team spirit

Ensuring safety at work and protecting the environment is our focus of priority

All our suppliers are our natural team members

Our alignment is based upon our integrity

Our task is to provide quality

Role model in leadership

Always accountable

Dependability

Transparency

21- Risk Management and Internal Control Mechanism

Financial Control Mechanism;

The Board of Directors observes the activities pertaining to financial control and audit primarily by means of the Committee in Charge of Audit.

Committee in Charge of Audit is taking care of the accounting system of our Company, disclosure of the financial information to the public and the operation and efficiency of the independent audit.

22- Authorities and Responsibilities of the Members of the Board of Directors and Directors

The authorities and responsibilities of the Board members and directors of the Company are expressly specified in article 16 of the Company's Articles of Association. The Board of Directors is the management and representation body of the company. The Board of Directors is responsible for all the duties other than the ones assigned to General Assembly with the Law and Articles of Association, and has all authorities that such duties require.

The Board of Directors may transfer a part or all of its management and representation authorities to one or more members and to General Manager, Manager or Managers who are not Board members, and may also form executive committees from or outside the Board in order to use the referred duties and authorities in accordance with the provisions of Article 319 of Turkish Commercial Law. However, no authority transfer can be made by the Board of Directors regarding the matters on which Group C privilege exists.

23- The Activities and Fundamentals of the Board of Directors

The Board of Directors shall convene as the works of the company require and shall in any way convene at least once a month. In the year 2008, the Board of Directors convened for 31 times. The place of meeting is the company's headquarters. Another place may be used for meeting with the Decision of Board of Directors.

The Board of Directors is held with the participation of at least four members. The Board of Directors takes its decisions with the affirmative votes of at least four members. A member who has not participated in four consecutive meetings without permission of Board of Directors or without a reasonable ground shall be deemed to have resigned. The decisions of Board of Directors may be taken also by the receipt of written affirmative opinions of all members on a suggestion regarding a certain subject matter submitted by one of the members, unless one of the members demand to hold a meeting. The validity of the decisions of Board of Directors depends on the fact that they are in writing and signed. In case a decision quorum cannot be provided on a certain subject matter, then the referred subject matter is deemed as rejected.

The management and representation of the company before third persons belongs to the Board of Directors. The Board of Directors may delegate these representation authorities to others partially or completely. The validity of the documentation to be given and the agreements to be concluded by the company depends on the fact that they are signed by the authorized signatories of the company under the official seal of the company.

The different opinions and opposing vote grounds explained in the Board meetings are recorded in the decision minutes. However, recently, there has been no public announcement due to the non-existence of any opposing opinions or different opinions.

24- Prohibition of Carrying out Transactions with the Company and Competition Restraint

The members of the Board of Directors do not carry out transactions and compete with the Company.

25- Ethical Rules

In our Company, there is an ethical committee, which has three members, present for the application of ethical rules to the employees and it reviews the ethical rules that are currently in place.

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

The committee in charge of audit does not directly assume an executive function and is consisting of 2 board members not having the title of the executive director.

The Committee in Charge of Audit is taking care of the accounting system of our Company, announcement of the financial information to the public and the operation and efficiency of the independent audit.

The election of the independent audit firm, preparation of the audit agreement and initiation of the independent audit process as well as the operations of the independent audit institution are realized under the supervision of the committee in charge of audit.

The Committee in Charge of Audit notifies the Board of Directors in writing of the accuracy and consistency of the annual and interim financial statements –to be disclosed to public- with the financing principles together with their own evaluations in this respect by also taking the position of the responsible directors and independent auditors of our Company.

The Committee in Charge of Audit convenes at least four times a year and enters the outcome of the meeting into a record and submits the referred report to the Board of Directors. The Committee in Charge of Audit immediately submits its determinations and suggestions regarding its own field of duties and responsibilities to the Board of Directors.

It is contemplated to constitute a Corporate Governance Committee in the forthcoming period in line with the regulations to be issued by the relevant legislation and CMB.

27- Financial Rights Provided to the Board of Directors

The remunerations and bonus payments to the Board members are effected within the framework of the fundamentals and amounts determined by the Supreme Planning Council. Furthermore, reward to reflect the performance of the Company is not applied. The Company does not lend money or loan and give indemnities and similar securities to any of its Board Members and Directors of the Company.