

## **AKSA AKRİLİK KİMYA SANAYİİ A.Ş.**

### **SECTION I - CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT**

In this era of global competition and change, the goal of Aksa Akrilik Kimya Sanayii A.Ş. (“Aksa”, or “the Company”) is to achieve change in corporate management practices alongside financial achievements, thereby remaining a company based on fair business practice. With this awareness, Aksa considers the creation of sustainable value for its stakeholders to be among its primary objectives. Aksa maintains its position as a reputable, innovative, hardworking, creative and equitable company, and its corporate and reliable stance, primarily in the eyes of its shareholders and investors, and also in those of its customers, employees and society at large by adhering to its long adopted Principles of Corporate Governance.

The reason behind determining and applying these Principles is to strengthen the trust of all Company stakeholders. In this regard, Aksa Akrilik Kimya Sanayii A.Ş. declares that it has committed itself to the application of Corporate Governance Principles, and that it will adopt the practices required by these Principles within the framework of current practices

Justifications for the unimplemented advisory Corporate Governance Principles: The Company’s Corporate Governance Committee continues its efforts to improve corporate governance practices. Apart from the currently implemented ones, the unimplemented principles haven’t caused any conflict of interest among the stakeholders so far, and the committee conducts meticulous studies on adaptation.

- Referring to “Corporate Governance Principle” No. 1.3.11, although there are no provisions in this regard in the Articles of Association, General Assembly meetings are held open to the public, as stated in the Company’s Internal Guidelines of the General Assembly.

- Referring to “Corporate Governance Principle” No. 1.5.2, utmost care is given to the utilization of minority rights, but there is no representative of minority rights on the Board. In addition, minority rights are not recognized for persons possessing less than one-twentieth of the share capital.

- Referring to “Corporate Governance Principle” No. 4.2.5, although there are no provisions in this regard in the Articles of Association, the Company’s Chairman of the Board of Directors and Chief Executive Officer are different persons. No one in the company is entrusted with unlimited authority to decide on an individual basis.

- Referring to “Corporate Governance Principle” No. 4.2.8, any possible damages in the

Company caused by members of the Board of Directors due to their negligence during the fulfillment of their duties are not insured directly by the Company. However, the liability insurance for any possible damages in the Company caused by members of the Board of Directors due to their negligence during the fulfillment of their duties was underwritten by our main partner, Akkök Holding A.Ş., covering the executives of the company for an insured sum of USD 30 million.

- Referring to “Corporate Governance Principle” No. 4.3.9, there isn’t any written policy or target for the ratio of female members in the Board of Directors, which is not less than 25 %, and the issue of raising the number of female members will be reconsidered in the coming periods.

- Referring to “Corporate Governance Principle” No. 4.4.7, Members of the Board of Directors spend sufficient time on their responsibilities in the Company. In the event that a member of the Board of Directors serves as a manager or a member of the Board of Directors in another company, the aforementioned situation doesn’t lead to a conflict of interest and hinder the responsibility of the member in the Company. Therefore, serving of the Members of the Board of Directors in some other duty or duties outside the Company is not regulated and restricted by certain rules. Duties fulfilled by Members of the Board of Directors outside the Company are recorded in the “Company General Information Form” through the PDP, and the curriculum vitae of the Board members to be elected are shared through the “General Assembly information document” on PDP and the Company website prior to the general assembly for election. The necessity of serving for duties which may not create a conflict of interest with the purpose and scope of the Company, and the rules describing the inappropriate conditions for assignment, are stated in the “Working Procedures and Principles of the Board of Directors” of the Company.

- Referring to “Corporate Governance Principle” No. 4.6.5, wages paid and all other benefits provided to the Members of the Board of Directors and the senior executives are disclosed to the public through the annual report on the basis of expenses. However, statements are not made on an individual basis, and are provided with the distinction of Members of the Board of Directors and the senior executives. This issue will be revised in the coming periods.

## **SECTION II – SHAREHOLDERS**

### **2.1 Investor Relations Department**

2.1.1.The “Investor Relations Unit”, which was established alongside the Company’s departments pursuant to legislation, operates under the Director of Financial Affairs and

plays an effective role in protecting shareholder rights, primarily the right to information, and the facilitating of its usage. The questions addressed to the Unit within this scope, with the exception of confidential information and trade secrets, are answered either by phone, or else in writing after consulting the highest authority in relation to the topic.

### 2.1.2. Contacts for Investor Relations at the Company:

Name/Surname	Title	Phone	E-Mail
Eren Ziya DİK	Director of Financial Affairs	+90 (212) 251 45 00/46101	eren.dik@aksa.com
Erdoğan KAZAK(*)	Accounting and Reporting Manager	+90 (212) 251 45 00/4609	erdinc.kazak@aksa.com
Erdem TATBUL	Investor Relations and Reporting Manager	+90 (212) 251 45 00/46121	erdem.tatbul@aksa.com

(\*) He holds the Capital Market Activities Level 3 (License number: 205781) and Corporate Governance Rating Expertise (License number: 700753) licenses, and serves on a full-time basis as Investor Relations Department executive and member of the Corporate Governance Committee.

Investor Relations Department Contacts:

Phone: (212) 251 45 00

Fax: (212) 251 45 07

E-Mail: ir@aksa.com

In addition, in order to exhibit an effective approach in relations with shareholders, the Investor Relations Unit conveys the messages of the management, and the governance strategies concerning the Company to the shareholders through meetings held with mediating bodies in parallel to public and material disclosures. In this context, meetings with various mediating bodies are held at the Aksa Headquarters.

The Investor Relations Department operates to provide accurate, timely and consistent information to current and potential investors, analysts and 3rd parties on request, to enhance the Company's recognition and credibility, to reduce the Company's cost of capital through the implementation of Corporate Governance principles, and to ensure communications between the Board of Directors and the participants of the capital market.

In line with this objective, the Company attaches great importance to communication with shareholders and investors, and maintains an active investor relations program. The Investor Relations Department makes presentations to the Corporate Governance Committee about the activities they have carried out on a quarterly basis, and submits a

report about their activities on a yearly basis.

The Investor Relations Department conducted the following activities during 2014:

- 8 (Eight) press releases and twenty-eight (28) material disclosures on the Public Disclosure Platform,
- Participation in an investor roadshow in Warsaw (Poland),
- 1 (One) site visit in the Yalova plants,
- 8 (Eight) teleconferences with domestic and foreign investors,
- 53 (Fifty-three) face to face meetings upon application by domestic and foreign investors / analysts,
- Participation as a guest instructor in the “Business Simulation” course at Bogazici University, Faculty of Economics and Administrative Sciences,
- Participation in a live broadcast on a private media channel for an interview on the Company and sectoral evaluation.
- 1 (One) article published in a sectoral magazine.

## **2.2 The Use of Right to Information by Shareholders**

**2.2.1.** The management of the Company avoids any activity that would obstruct conducting a special audit. The right to request the appointment of a Special Auditor has not been regulated separately in the Articles of Association of the Company. There was no request for the appointment of a special auditor during the present period.

## **2.3 General Assembly Meetings**

**2.3.1.** The Company’s 2013 Ordinary General Assembly meeting is announced to investors on our corporate website, ([www.aksa.com](http://www.aksa.com)) and on the Public Disclosure Platform (PDP), along with the general assembly meeting announcement and the Turkish Trade Registry Gazette, at least three weeks prior to the general assembly meeting date, excluding the announcement and meeting days, as per Article 437 of the Turkish Commercial Code, along with the documents to be submitted to shareholders as well as the notifications and explanations required to be given as per the related legislation and the “General Assembly Informing Document”, which is prepared in such a way as to draw attention to the issues stated under Article 1.3.1 of corporate governance principles.

**2.3.2.** Each offer is given clearly under a separate title on the 2013 ordinary general assembly agenda, and there is no issue that the shareholders submitted to the Company’s Investor Relations Department in writing, and wished to be covered on the meeting agenda.

**2.3.3.** The Ordinary General Assembly meeting for 2013 was held in İstanbul on March 28 2014 in accordance with the related article in the Articles of Association, in order to increase the number of shareholders that attend the meeting in a manner which would not create any inequality among the shareholders, and which would facilitate the participation of the shareholders with minimum expense, and was realized with a 78.10% participation rate. The minutes and list of participants of the meeting have been announced to the public through the PDP and the Company's corporate website.

**2.3.4.** The chairman of the meeting makes preparations in advance for the execution of the general assembly in accordance with the Turkish Commercial Code, the Capital Markets Law, and other relevant legislations, and the necessary information is transmitted to the chairman by the Legal Affairs and Investor Relations departments.

**2.3.5.** During the General Assembly meeting held on March 28, 2014, the chairman of the assembly ensured all topics on the agenda were conveyed in an impartial, detailed, and understandable manner, while questions not considered as trade secrets from general assembly attendees were answered. Due to the fact that some of the questions posed were not related to the agenda, or were too extensive to be answered immediately, the questions by the relevant investors were replied to in written form by the Investor Relations Department on April 10, 2014. All questions posed during the General Assembly meeting, and the answers given to these questions, were announced to the public on April 24, 2014 by the Investor Relations Department on the Company's website, together with the Material Disclosure.

**2.3.6.** The shareholders who held management control in 2014, the members of the Board of Directors, the executive managers, and their first and second degree relatives by blood or by marriage, haven't carried out any significant transactions that may result in conflicts of interest, either with the Company or its subsidiaries. Furthermore, they haven't carried out any transactions in the same line of business as the Company or its subsidiaries, by themselves or on behalf of others, and haven't become partners without limits of liability in a company that is engaged in the same line of business.

**2.3.7.** No privileges were granted to any person or organization to receive information about the Company.

**2.3.8.** Members of the Board of Directors in charge of the agenda items, other related persons, executives who were responsible for preparing the financial statements and auditors were present at the 2013 Ordinary General Assembly meeting, in order to

provide the necessary information and to answer questions.

**2.3.9.** The related party and significant transactions are carried out in the framework of Corporate Governance Principles, and no negative votes were raised for any transaction in this regard. There was no case included in the General Assembly agenda for this reason.

**2.3.10.** Donations and aids made by the Company were briefed to the shareholders as a separate agenda item during the 2013 Ordinary General Assembly meeting, and information regarding the donations and aids made during the year was included in the annual report. The Company submitted its policy on donations and aids for the approval of the shareholders during the General Assembly, and determined the upper limit of donations to be made.

**2.3.11.** Although there are no provisions related to this matter in the Articles of Association, General Assembly meetings are held open to the public, as stated in the Company's internal guidelines of the general assembly.

## **2.4 Right to Vote and Minority Rights**

**2.4.1.** The Company avoids any activity that would obstruct using the right to vote and provides each shareholder the opportunity to vote in the easiest and the most appropriate way possible, including cross border voting.

**2.4.2.** There is one (1) voting right for each share in the Company, and there is no privilege in the Company's Articles of Association for voting rights. The minority rights haven't been determined to be less than one-twentieth of the share capital.

**2.4.3.** There are no mutual affiliate companies of the Company.

**2.4.4.** Maximum attention is given to making minority rights available. However, there is no representative of the minority rights on the Board.

**2.4.5.** The minority rights in the Company are subject to the Turkish Commercial Code, the Capital Markets Law and relevant legislations, and utmost care is devoted to this issue.

## **2.5 Dividend Rights**

**2.5.1.** The dividend distribution policy adopted by the General Assembly of the Company has been announced to the public, and published on the corporate website.

**2.5.2.** The dividend distribution policy of the company includes minimum information that would enable investors to foresee the methods and principles of the Company in distributing profit for the coming periods.

**2.5.3.** During the Ordinary General Assembly meeting for 2014 which held in 2013, a dividend distribution was decided upon, with the amount of TL 111,045,000 being distributed in cash to shareholders at April.

**2.5.4.** A policy maintaining the balance between the benefits of shareholders and the benefit of the Company is being followed in dividend distribution, as detailed in the dividend distribution policy.

## **2.6 Transfer of Shares**

**2.6.1.** There are no restrictive provisions with regard to the free transfer of shares in the Articles of Association.

## **SECTION III - PUBLIC DISCLOSURE AND TRANSPARENCY**

### **3.1 Corporate Website and Its Contents**

**3.1.1.** The corporate website of the Company, ([www.aksa.com](http://www.aksa.com)) is actively used in the public disclosure process. The address of the website is included in the letterhead of the Company. The content of the Company website is prepared in line with Article 2.1.1 of the Communiqué Regarding the Determination and Application of Corporate Governance Principles issued by the Capital Market Board as well as the Turkish Commercial Code. In addition, stakeholders may reach the authorities for further information through the electronic mail address [ir@aksa.com](mailto:ir@aksa.com).

**3.1.2.** The partnership structure of the Company is presented on the Company website, including the names of shareholders, and the amount and percentage of their shares and is updated when necessary.

**3.1.3.** Except for special cases and footnotes, the material events and financial statements, which should be disclosed to the public in accordance with capital market regulations, are submitted for the information of the investors on the website in English as well as in Turkish. Explanations in English are prepared in an accurate, complete, point blank, comprehensible, and adequate manner, and are consistent with the Turkish

original of the explanation, to help people who will benefit from the disclosure to make decisions.

**3.1.4.** The basic information on the website is also made available in English for the use of international investors.

## **3.2 Annual Report**

**3.2.1.** The Board of Directors of the Company prepares the Annual Report based on the relevant regulations in such a way that the public will have access to complete and accurate information regarding the operations of the Company.

**3.2.2.** In addition to the topics mentioned in the legislation and other sections of the Corporate Governance Principles,

- a)** Information on the duties undertaken by the members and the executives of the Board of Directors outside of the Company, and statements of independence of the Board members,
- b)** Operating principles of the committees formed within the Board of Directors, including committee members, meeting frequency, and the activities they carry out, as well as the Board of Directors' assessment on the effectiveness of the committees,
- c)** The number of meetings of the Board of Directors, and the attendance performance of the members of the Board of Directors at the aforementioned meetings,
- d)** Amendments to legislation which might materially affect the Company's operations,
- e)** Material lawsuits brought against the Company, and the possible results,
- f)** Information on conflicts of interest between the Company and institutions which provide services concerning subjects such as investment consultancy and rating, and the measures taken by the Company to prevent such conflicts,
- g)** Information on reciprocal shareholdings with a direct capital participation rate exceeding 5 %,
- h)** Information on corporate social responsibility activities regarding the activities of the Company which have social and environmental results, such as social rights and vocational training for employees.



## SECTION IV - STAKEHOLDERS

### 4.1 Disclosure to the Stakeholders

**4.1.1.** The Company's code of ethics guarantees the rights of the stakeholders regulated by legislation and mutual agreements. The stakeholders are informed within the framework of the policy created by the Company in accordance with current legislation and ethical rules. In addition, it is aimed to inform all stakeholders through press releases, annual reports, the corporate website and applications within the scope of the disclosure policy based on transparency. Intranet, which is an in-house information sharing medium, and printed documents are used actively, as the magazine "Aksa Haber" is published on a quarterly basis, and the bulletin "Akkök Haberler" is published on a monthly basis. While performing their duties, the Company's employees are expected to fulfill their responsibilities by valuing the interests of the Company above the interests of themselves, their families and relatives. Employees shall refrain from any interference that may be construed as benefiting themselves or their relatives. Foreseeable potential conflict of interest situations, and situations defined by the Company management, are shared with the employees, and the Company management takes the necessary measures.

**4.1.2.** When the rights of the stakeholders, which are protected by legislation and mutual agreements, are violated, an opportunity for effective and swift compensation is provided. The Company makes every effort towards the ease of use of mechanisms such as compensation provided to stakeholders in line with legislation. There is a special "compensation policy", which has been established by considering the legislation for the employees of the Company, and this policy is published on the Company's corporate website.

**4.1.3.** Company policy with regard to the protection of the rights of stakeholders is published on the Company's website.

**4.1.4.** The Company may communicate transactions conducted by stakeholders, which are contrary to the legislation or ethically inappropriate, to the Corporate Governance Committee, or to the Ethics Committee via the Ethics Line or e-mail.

**4.1.5.** In such cases where there are conflicts of interests among stakeholders, or when a stakeholder is involved in two interest groups, the Company pays attention to following as balanced a policy as possible to preserve rights, and aims at preserving these rights independently from one another. In this context,

- The Company place importance on customer satisfaction in the sales and marketing

of goods and services, and therefore takes measures within this scope.

- The Company takes the necessary measures, and reviews and renews its processes in order to maintain relationships that are in accordance with the law and with the provisions of the establishment contract with its customers and suppliers to whom it provides products and services, and to follow international and industrial standards in providing goods and services.
- Information regarding customers and suppliers constitutes trade secrets, and strict attention is shown to the confidentiality of such information.
- The demands of customers with regard to purchased goods and services are met swiftly, with customers notified of any delays ahead of deadlines.
- The Company applies the supplier performance system on an annual basis, which enables it to determine and develop the primary areas of competence, to support mutual development and to evaluate the annual performance of suppliers. The outcomes of the performance system, as well as the fields that require improvement are shared with the suppliers together with regular updates on the system. In addition, Company policy, specifications and contracts are also among the information shared with suppliers.
- Aksa also provides customers with product specs on which the product specifications are stated. The analyses requested by customers and the outcomes of complaints made to the Company are also shared with customers following technical investigations. Furthermore, Aksa sends customers the “Product Responsibility and Product Manual Safety Guide”, which informs them both in Turkish and in English that Aksa’s products are environmentally friendly.

## **4.2 Stakeholder Participation in Management**

**4.2.1.** Supportive mechanisms and models for the participation of stakeholders, primarily the Company’s employees, in the management of the Company are developed in a manner that would not hinder the Company’s operations. In this context, there has been a Representative Council (“RC”) in Aksa that consists of 23 people, selected by Aksa employees by secret ballot, open counting since 1996. Meeting on a monthly basis, the RC is responsible for determining the problems that employees face, suggesting and working towards solutions, and notifying senior management about the expectations of employees.

The participation of employees is ensured through annual performance evaluation meetings, suggestion systems and annual meetings held at the Company.

Also, the presence of independent members in the Board of Directors enables the representation of all stakeholders, as well as the Company and the shareholders.

**4.2.2.** The Company also takes opinions and suggestions conveyed by other stakeholders into consideration if necessary.

### **4.3 Human Resources Policy**

**4.3.1.** The policy of providing equal opportunity for people with equal qualifications is adhered to when creating the recruitment policies and making career plans. In cases where it is foreseen that changeovers in executive positions would cause disruptions in the Company's management, a succession planning is prepared on the determination of the managers to be appointed. The objective of Aksa's human resources policy is to recruit candidates who are suitable for the corporate culture and values, who have the knowledge, skills, experience and abilities the position requires, and who will move the Company forward, and therefore serve the strategies and goals of the Company. In adopting the "right person for the right job" principle, modern evaluation systems are being used to support the most objective decision in the recruitment and appointment processes.

**4.3.2.** The criteria regarding the Company's recruitment are determined in writing.

The Company intends to utilize human resources applications that use internationally-accepted models and internally integrated systems. It aims at using modern, integrated and results-oriented systems in all human resources processes, from recruitment to performance management, from development to remuneration and severance.

**4.3.3.** Employees are treated fairly with regard to all rights granted to them. Training programs are carried out, and educational policies are established in order to raise the employees' level of knowledge, skills and experience.

In line with the Company's continuous learning, development and results-orientation approach, while it is aimed for developmental programs to be organized for employees in relation to Company goals, knowledge, skills, fields of expertise and competencies, the Company also makes an effort to direct resources to programs that support social and cultural development. Development planning offers training and development solutions that are suitable for the current needs of both the Company and its employees.

**4.3.4.** Meetings are held to inform employees and exchange views about issues such as the financial conditions of the Company, wages, careers, education and health.

The Company adopts a management system that values people and encourages creativity, communication and employee participation. The Company acknowledges that

creating an open, close and continuous communication environment is vital in maintaining the motivation and productivity of its employees.

**4.3.5.** Decisions taken about employees, or developments concerning employees, are notified to the employees or their representatives. The views of the representatives' council are obtained before taking decisions of this nature.

**4.3.6.** As well as the job descriptions and distribution of the Company's employees, performance and reward criteria are also announced to the staff. Attention is paid to efficiency in the determination of wages and other benefits paid to the employees.

The Company uses a job evaluation and salary model with worldwide validity and established reliability. This is a salary and vested benefits model which is objective and transparent, which reflects the core principles of both the domestic and international business environment, which is based on the principle of equality and fairness, and which ensures fair salaries for all employees.

The Performance Management System is a structure that aims at individuals' adoption of the corporate goals, and which reinforces common corporate culture. Employees are able to see their own contribution transparently, as well as the influence of this contribution at the corporate level within the system. The output of the Performance Management System is used in the development planning, talent management, career planning, remuneration and awarding processes of Human Resources, thereby introducing an integrated system where all processes support each other. The Company supports employees towards a common goal through incentives that serve to strengthen the high performance culture. The leadership and functional competencies of the Company are measured with a 360 degrees approach, and the ways that employees achieve results are evaluated. In this manner, the same system also ensures the reinforcement and implementation of those competencies that will take the Company into the future and serve its corporate reputation and sustainability.

**4.3.7.** Measures are taken to prevent racial, religious, language and gender discrimination among employees, and to protect them against physical, mental and emotional maltreatment.

The Company has not received any complaints about discrimination.

Employees are informed about these issues through personal development and communication training. Also, an Ethics Line has been established for employees who may encounter such cases. Managed by an independent Company, the Ethics Line has been founded for the communication of anonymous complaints and policy violations to

the company.

**4.3.8.** The Company doesn't create any obstacles to effective use of the freedom of association and the right of collective labor agreement, and even supports these when necessary. In the current situation, the Company has no collective labor agreement.

**4.3.9.** The Company strives for continuous improvement and development in order to ensure a safe working environment and conditions for employees.

### **Relations with Customers and Suppliers**

**4.3.10.** The Company takes all kinds of measures to ensure customer satisfaction in the sales and marketing of goods and services.

**4.3.11.** Customer demands for goods and services purchased are attempted to be met rapidly, and customers are informed about delays without waiting for deadlines.

**4.3.12.** Quality standards are complied with for goods and services, and utmost care is given to the maintenance of the standard. For this purpose, a certain guarantee of quality is also provided.

**4.3.13.** Utmost care is given to the confidentiality of information within the scope of trade secrets related to customers and suppliers.

### **4.4 Ethical Rules and Social Responsibility**

**4.4.1.** The operations of the Company are carried out within the framework of the ethical rules that are disclosed to the public through the website.

**4.4.2.** The Company strives to have, develop, adopt and implement innovative and environmentally friendly technologies within the scope of both its environmental and quality policy. The Environmental Impact Assessment is taken into consideration in all kinds of innovative projects that are implemented by Aksa. Developed with an environmental and quality awareness, Company projects that decrease waste and enable the efficient use of energy and resources have been awarded various prizes.

Within the scope of sustainability activities that have been continued since 2006, the Company has raised its level to "Gray B", and the relevant reports are published on the corporate members' website.

Aksa became a signatory of the United Nations Global Compact in 2006 and was one of

the 44 companies worldwide featured in the Global Compact Yearbook 2011, which includes best practices examples that illustrate how to implement the Global Compact's Ten Principles. The Global Compact Yearbook aims to set an example for, and encourage, other companies.

One of Aksa's projects aimed at raising public awareness is the Aksa Community School, on which it places great importance. Within the scope of the project, every year, a team of Aksa managers, volunteers and specialists visits a different village in close proximity to the production facilities. The team includes experts in their respective fields, who provide training to the village community in topics such as nutrition, protection against harmful pests, prevention of domestic accidents, mother and child healthcare, environmental protection, social rights, and best practices in agriculture in order to support rural development.

The Company takes measures against all kinds of corruption, including bribery and extortion. The necessary awareness raising and control activities are coordinated by the Human Resources Department.

## **SECTION V - THE BOARD OF DIRECTORS**

### **5.1 The Structure and Formation of the Board of Directors**

There are a total of 12 (twelve) members in the Board of Directors, consisting of 4 (four) independent, 1 (one) executive, and 7 (seven) non-executive members:

#### **Board of Directors**

<b>Name Surname</b>	<b>Title</b>	<b>Starting Date</b>	<b>Period</b>
Mehmet Ali BERKMAN	Chairman (Non-Executive)	28.03.2014	3 Years
Raif Ali DİNÇKÖK	Deputy Chairman (Non-Executive)	28.03.2014	3 Years
Ali Raif DİNÇKÖK	Member (Non-Executive)	28.03.2014	3 Years
Nilüfer DİNÇKÖK ÇİFTÇİ	Member (Non-Executive)	28.03.2014	3 Years
Ahmet Cemal DÖRDÜNCÜ	Member (Non-Executive)	28.03.2014	3 Years
İzer LODRİK	Member (Non-Executive)	28.03.2014	3 Years
Cengiz TAŞ	Member - General Manager	28.03.2014	3 Years
Bülent BULGURLU	Member (Non-Executive)	28.03.2014	3 Years
Mehmet Abdullah Merih ERGİN	Independent Member	28.03.2014	3 Years
Başar AY	Independent Member	28.03.2014	3 Years
Timur ERK	Independent Member	28.03.2014	3 Years
Ant BOZKAYA	Independent Member	28.03.2014	3 Years

### Audit Committee

Name Surname	Title	Starting Date
Timur ERK	Chairman of the Committee (Independent)	08.04.2014
Başar AY	Committee Member (Independent)	08.04.2014
Ant BOZKAYA	Committee Member (Independent)	08.04.2014

### Corporate Governance Committee

Name Surname	Title	Starting Date
Ant BOZKAYA	Chairman of the Committee (Independent)	08.04.2014
Başar AY	Committee Member (Independent)	08.04.2014
Erdoğan KAZAK	Committee Member (Licenced Personel)	08.04.2014

### Early Detection of Risk Committee

Name Surname	Title	Starting Date
Ant BOZKAYA	Chairman of the Committee (Independent)	08.04.2014
Mehmet Abdullah Merih ERGİN	Committee Member (Independent)	08.04.2014
Başar AY	Committee Member (Independent)	08.04.2014

The Board of Directors includes both executive and nonexecutive members. A non-executive member of the Board of Directors is a person who has no administrative duty in the Company apart from being a member of the Board of Directors, and who does not interfere in the daily business and regular activities of the Company. The majority of the members of the Board of Directors are non-executive. There is no restriction on the members of the Board of Directors regarding other duties in or outside the Group. Information about the duties fulfilled by members of the Board of Directors outside the Company are submitted for the information of investors in the PDP Company General Information Form, on the Company's corporate website, and in the Corporate Governance section of the annual report. The related independent members were nominated at the General Assembly, pursuant to the report of the Nominating Committee dated 25 March 2014.

Among the non-executive members of the Board of Directors are independent members qualified to accomplish their duties without prejudice.

The term of office for independent members of the Board of Directors is up to three

years, although it is possible for them to be nominated and reelected.

There were no incidents that removed the impartiality of the independent members in 2014. Furthermore, declarations of independence received from each member at the beginning of the year are submitted for the information of our investors, both on the Company's website and in the annual report.

There is one female member on the Company's Board of Directors. The Company doesn't have any written policy or target for raising the number of female members.

## **5.2 Principles of the Activities of the Board of Directors**

**5.2.1.** The Board of Directors carries out its activities in a transparent, accountable, just and responsible manner.

**5.2.2.** The roles were distributed among the members of the Board of Directors by assigning a Chairman and a Deputy Chairman.

**5.2.3.** The Board of Directors establishes internal control systems, including risk management and information systems, and processes that aim at minimizing the effects of risks that would affect the stakeholders of the Company, particularly the shareholders, by taking the suggestions of the related committees of the Board of Directors.

**5.2.4.** The Board of Directors reviews the efficiency of the risk management and internal control systems at least once a year. Information regarding the functioning and efficiency of the internal audit system is provided in the annual report.

**5.2.5.** Although not included in the Articles of Association, the authorities of the Chairman of the Board of Directors and the Chief Executive Officer/General Manager are clearly defined and separated. The General Manager and the Chairman of the Board of Directors are different persons, and neither of them has unlimited authority.

**5.2.6.** The General Manager of the Company and the Chairman of the Board of Directors are different persons.

**5.2.7.** The Board of Directors plays a part in preservation of effective communication between shareholders and the company, and in settling and resolving any disputes that may arise among them. In this respect, the Board of Directors is in constant contact with the Corporate Governance Committee and the Investor Relations Unit.



**5.2.8.** Any possible damages in the Company caused by members of the Board of Directors due to their negligence during the fulfillment of their duties are insured at an amount below the limit stated in Article No. 4.2.8 of the Corporate Governance Principles. No material disclosures have been made in this regard.

**5.2.9.** The Board of Directors convenes as often as they can to fulfill their duties effectively in accordance with the working principles of the Board of Directors. The Board of Directors convened 4 (four) times in 2014, with an average attendance rate of 88 %. The Chairman of the Board of Directors determines the agenda of the meetings in consultation with the other members of the Board of Directors and the CEO / General Manager, and communicates this to the members prior to the meeting. A total of 44 resolutions were taken by the Board of Directors in 2014. The matters discussed at the meetings of the Board of Directors are subsequently resolved in accordance with the provisions of Article 390/4 of the Turkish Commercial Code. The members pay attention to attend each meeting by examining and preparing information and documents pertaining to the matters listed on the agenda, and to express their opinions. The Board meetings can be held through remote access opportunities such as video conferencing, teleconferencing and internet.

The members of the Board of Directors are not entitled to preferential voting and / or veto rights.

**5.2.10.** In order to provide equal information flow, all information and documentation regarding the items on the agenda of the Board of Directors meeting are submitted to the review of the members of the Board of Directors sufficiently prior to the meeting.

**5.2.11.** Before the meeting, Board of Directors members may request for a change in the agenda from the chairman of the Board of Directors. Opinions of members who could not attend the meeting but submitted to the Board of Directors in writing are shared with other members.

**5.2.12.** Each member of the Board of Directors is entitled to one vote.

**5.2.13.** There are some special intercompany arrangements regulating how to organize the meetings of the Board of Directors.

**5.2.14.** The items on the agenda of the Board of Directors are discussed openly in all their aspects. The Chairman of the Board of Directors makes his best effort to ensure the effective participation of non-executive members in the meetings of the Board of Directors. None of the members of the Board of Directors cast a counter vote regarding

any decision during the meetings held in 2014.

**5.2.15.** The members of the Board of Directors allocate sufficient time for the execution of Company affairs. In the event that a member of the Board of Directors serves as a manager or a member of the Board of Directors in another company, this situation doesn't lead to a conflict of interest and hinder the responsibility of the member in the Company. Therefore, serving of the Members of the Board of Directors on some other duty or duties outside the Company is not regulated or restricted by certain rules. Duties fulfilled by the Members of the Board of Directors outside the Company are recorded in the "Company General Information Form" through the PDP, and the curriculum vitae of the Board members to be elected are shared through the "General Assembly information document" on PDP and the Company website, prior to the general assembly for election.

### **5.3 The Number, Structure and the Independence of the Committees Formed within the Board of Directors**

5.3.1. The Company's Board of Directors has reviewed the structures and activities of the existing committees in the framework of the provisions of the Corporate Governance Communiqué of the Capital Markets Board, and has established the Audit Committee, Early Detection of Risk Committee and Corporate Governance Committee. The duties and responsibilities of the Nomination Committee and Remuneration Committee are carried out by the Corporate Governance Committee. Information on members of the committees is detailed in section No. 5.1.

**5.3.2.** The scope of duties, working principles and members of committees have been determined by the Board of Directors, and this information has been disclosed to the public through the Public Disclosure Platform and the Company website.

**5.3.3.** All of the board members of the committees within the Board of Directors have been elected from among the independent board members. Only Erdinç Kazak, the Investor Relations department manager, has been included in the Corporate Governance Committee since he holds the licenses required by legislation.

**5.3.4.** The General Manager does not hold any duties in any of the committees.

**5.3.5.** Care is taken not to assign a board member to more than one committee. However, some of the committee members may be involved in other committees according to the knowledge and experience of the independent members.

**5.3.6.** The Board of Directors provides all kinds of resources and support in order for the committees to perform their duties. The committees may invite executives to their

meetings when they consider it necessary, and seek their opinions.

**5.3.7.** When required, the Committees also make use of the opinions of independent experts in relation to their operations. The cost of consulting services the committees may require is paid by the Company.

**5.3.8.** The committees record all their work in writing. The committees meet at intervals that are required for the efficiency of their work, which are explained in the principles of working. They present reports that include information on the work they carry out and the outcomes of their meetings to the Board of Directors.

**5.3.9.** Among the members of the Audit Committee within the Company, there are members who have experience in the fields of accounting / auditing and finance. The committee oversees the company's accounting system, public disclosure of financial information, and independent audit, as well as the functioning and effectiveness of the internal control and internal audit systems of the company. The selection of an independent auditing firm, preparation of independent audit contracts, and initiation of the independent audit process, and the works of the independent auditing firm at every stage, are all carried out under the supervision of the audit committee.

The independent auditing firm that will provide service to the Company, and the services to be obtained from this firm, are determined by the audit committee, and then submitted to the Board of Directors for approval.

The methods and criteria to be applied in the issues of investigation and resolution of complaints received by the Company about the accounting and internal control system and independent auditing of the Company, and evaluation of the notifications of employees on accounting and independent auditing of the Company within the context of the confidentiality principle, are also determined by the audit committee.

The audit committee reports its evaluations concerning the truthfulness and accuracy of the annual and interim financial statements to be disclosed to the public, according to the accounting principles followed by the Company, together with the evaluations of the Company's respective executives and independent auditors, to the Board of Directors in written form.

The audit committee convened 5 (five) times in 2014, and the decisions taken were submitted to the Board of Directors as the results of the meetings were written in the minutes. The audit committee immediately notifies its findings regarding the field of its duties and responsibilities, as well as its evaluations and recommendations on the issue, in writing to the Board of Directors.

**5.3.10.** The Company's Corporate Governance Committee observes whether or not corporate governance principles are applied in the company and, if not, identifies the reasons and the conflicts of interests arising due to not fully complying with these principles. The committee offers recommendations on optimizing corporate governance practices, and monitors the works of the investor relations unit.

**5.3.11.** Apart from its duties set forth in legislation, the Corporate Governance Committee also carries out the duties and responsibilities of the Nomination Committee, Early Risk Identification Committee and Compensation Committee.

## **5.4 Risk Management and Internal Control Mechanism**

**5.4.1.** The Early Detection of Risk Committee, which is responsible for early detection of risks that jeopardize the existence, development and continuity of the Company, applying the necessary measures and remedies in this regard, and managing the related risks, has three members, each of whom are non-executive independent board members. The Committee reviews the risk management systems once a year.

A Risk Management Committee was established pursuant to Article 378 of Turkish Commercial Code No. 6102 to ensure the effective functioning of the committees within the Board of Directors for the purposes of early detection of risks that jeopardize the existence, development and continuity of the company, applying the necessary measures and remedies in this regard, and managing the related risks. The members of the Early Detection of Risk Committee were determined by decision of the Board of Directors dated April 2013, after the distribution of duties among the Board of Directors.

The Committee holds meetings every 2 (two) months and offers advice and recommendations to the Board of Directors on early detection of any kind of strategic, financial, operational, etc. risks that may affect the Company, assessment of these risks, evaluation of their impact and probability, management and reporting of these risks in accordance with the Company's corporate risk-taking profile, implementation of necessary measures in relation to the risks identified, consideration of these risks in decision-making mechanisms, and establishment and integration of effective internal control systems in this regard.

The Company's risk inventory is one of the most important follow-up tools used in Aksa's risk management activities. The risk inventory includes the company's operational, financial, reputational and strategic risks. Risks with high or very high level risk scores are monitored at the level of the Board of Directors. Detailed action plans are

created for such risks, and a risk owner is assigned for each of these risks. The risk owner is responsible for managing the related risk within the framework of the agreed action plan. Thus, the risk management philosophy has become a permanent item on the agenda of routine business of Aksa executives. Updated in line with sectoral and institutional developments, this philosophy has become an integral part of the Company's applications.

The current internal control system, particularly increasing the efficiency and productivity of Company operations, maintaining reliability in financial reporting and compliance with applicable law and legislation, is being audited by the Audit Group established within the main partnership of the Company, Akkök Holding A.Ş., in accordance with the annual internal audit plan; and the outcome of the audit is reported to the Audit Committee. Those risks that prove to be critical within the framework of corporate risk management in the aforementioned annual internal audit plan are prioritized. The efficiency of internal audit operations has been reviewed by the Audit Committee at one (1) meetings held throughout the year. Opinions of the internal auditor, external auditor, or other Company executives have also been received as required at these meetings.

The Internal Audit team gets in touch with the independent auditors when necessary within the scope of audit activities, and occasionally performs common process controls with independent auditors.

## **5.5 The Strategic Goals of the Company**

**5.5.1.** The Board of Directors keeps the balance between risk, growth and return at an ideal level through the strategic decisions it makes, and manages and represents the Company by primarily looking after its long term interests through rational and cautious risk management.

**5.5.2.** The Board of Directors defines the strategic goals of the Company, determines the human and financial resources it shall need, and inspects management performance.

The Company's short and long-term performances and strategic objectives are evaluated, and the necessary action plans are carried out according to the results obtained in the Finance Board meetings held on a monthly basis, and the Industrial Evaluation meetings held on a quarterly basis, and headed by the executive board member/ general manager.

## **5.6 Financial Rights**

**5.6.1.** The Board of Directors is responsible for achieving the Company's set targets. Evaluation on whether the Company has achieved its publicly disclosed operational and financial performance targets and justifications in the event of failure is described in the annual report. The Board of Directors conducts a performance evaluation and auto-critique on the basis of the Board, members and managers with administrative responsibility. The Board of Directors rewards or dismisses the Board members and managers with administrative responsibility considering these evaluations.

**5.6.2.** Principles for financial compensation for the Board of Directors have been put in writing, and were presented to the shareholders as a separate item in the 2011 agenda, allowing them to input their opinions. In this respect, the compensation policy is also published on the Company's website.

**5.6.3.** Stock options or payment schedules based on Company performance are not utilized in the financial compensation of independent members of the Board of Directors. Efforts are made to set the compensation for independent members of the Board of Directors at such a level as to ensure that they remain independent; compensation is determined during the General Assembly meeting.

**5.6.4.** The Company does not provide loans, credits or warranties such as sureties for the benefit of any of the members of the Board of Directors, or its executives.

**5.6.5.** The fees and all other benefits provided to the members of the Board of Directors are collectively disclosed to the public through the annual report and the footnotes in the financial statements. Our statements are not made on an individual basis, and cover the Board of Directors and the senior executives.