



Corporate Governance and Credit Rating Services, Inc.

Corporate Governance Rating Report



5 August 2014

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Rating and Executive Summary

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.



Corporate Governance Rating:

9.22



MAIN SECTIONS: **Avg. 92.18**

Shareholders: **95.36**



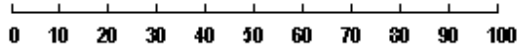
Public Disclosure & Transparency: **94.29**



Stakeholders: **96.44**



Board of Directors: **86.57**



EXECUTIVE SUMMARY

This report on rating of Aksa Akrilik Kimya Sanayii A.Ş.'s (AKSA) compliance with Corporate Governance Principles is prepared upon conclusions following detailed analysis of the company. Our rating methodology (page 5) is based on the Capital Markets Board's (CMB) "Corporate Governance Principles".

Aksa is rated with **9.22** as a result of the Corporate Governance study done by SAHA. The company's corporate governance rating is assigned as above in consideration with the importance given by Akse to corporate governance principles, its willingness to carry out the continuous and dynamic process and improvements which had been initiated in this direction.

Aksa is rated with **9.54** under the **Shareholders** heading. Exercise of shareholders' rights complies with the legislation, articles of association and other internal rules and regulations, and measures have been taken to ensure the exercise of these rights. Aksa carries out the investor relations obligations through Investor Relations Department. There are no voting privileges. All procedures prior to the general shareholders' meeting as well as the conduct of the meeting comply with the legislation, rules and regulations. There is a publicly disclosed dividend policy of the company. There are no restrictions on transfer of shares. On the other hand, there are areas for improvement like adoption as it is, of the rate of minority rights in the company's articles of association as prescribed for public joint stock companies (%5), and the absence of a provision in the articles of association on realization of the general shareholders' meetings open to public and media.

Aksa attained **9.43** under the **Public Disclosure and Transparency** chapter. The company has a comprehensive web site. Public announcements are made via all communications channels and are in accordance with the Capital Markets Board (CMB) and Borsa Istanbul (BIST) rules and regulations. Annual report complies with the legislation, is comprehensive and informative. The agreement and work conducted with the external auditor also complies with the legislation. Nevertheless, non-disclosure of the benefits provided to board members and senior management individually is an area in need of further refinement.

On the topic of **Stakeholders**, Aksa scored **9.64**. Aksa guarantees the rights of stakeholders in line with the legislation and mutual agreements, and in case of violation, enables an effective and speedy compensation. The company has a written and advanced human resources policy. Code of ethics is publicly available through the company's web site. During the rating period, the company was not held liable by any public authority for any sanctions. The company complies with environmental laws. Corporate Social Responsibility and Sustainability work is satisfactory. However, a written compensation policy is not established and disclosed to the public on the company's web site.

From the perspective of the principles regarding the **Board of Directors**, Aksa's tally is **8.66**. There is a well communicated company mission and vision. The board of directors fulfills all duties regarding company needs. The board of directors consists of 12 members and 4 of them are independent. A Corporate Governance Committee, an Audit Committee, and a Committee for the Early Detection of Risks are established within the board of directors. The working principles of the committees are disclosed to the public. Principles of remuneration of board members and senior executives are included on the corporate web site. There is 1 female member on the board of directors. However, there are areas for improvement; internal company regulations do not include the conduct of the board meetings in writing and absence of 25% female board member target and lack of policy towards this goal.

Rating Methodology

SAHA's methodology for rating the degree of compliance with the Principles of Corporate Governance is based upon the CMB's "Corporate Governance Principles" released on January 2014.

The CMB based these principles on the leading work of The World Bank, Organization of Economic Cooperation and Development (OECD) and the Global Corporate Governance Forum (GCGF), which has been established in cooperation with the representatives of these two organizations and private sector. Experts and representatives from the CMB, Istanbul Stock Exchange and the Turkish Corporate Governance Forum have participated in the committee that was established by the CMB for this purpose; additionally many qualified academicians, private sector representatives as well as various professional organizations and NGOs have stated their views and opinions, which were added to the Principles after the required evaluations. Accordingly, these Principles have been established as a product of contributions of all high-level bodies.

Within the Principles, "comply or explain" approach is valid. The implementation of these Principles is advisory and its application is optional. However, the explanation concerning the implementation status of the Principles, if not detailed reasoning thereof, conflicts arising from inadequate implementation of these Principles, and explanation on whether there is a plan for change in the company's governance practices in future should be mentioned in the

annual report and disclosed to the public.

The Principles consist of four main sections: shareholders, public disclosure and transparency, stakeholders, and board of directors.

Based on these Principles, SAHA Corporate Governance Rating methodology features around 330 sub-criteria. During the rating process, each criterion is evaluated on the basis of information provided by the company officials and disclosed publicly. Some of these criteria can be evaluated by a simple YES/NO answer; others require more detailed analysis and examination.

SAHA assigns ratings between 1 (weakest) and 10 (strongest). In order to obtain a rating of 10, a company should be in full and perfect compliance with the Principles (see Rating Definitions, p.25).

To determine the total rating score for each main section parallel to the CMB's Corporate Governance Principles, SAHA allocates the following weights:

Shareholders: **25%**


Public Disclosure and Transparency: **25%**

Stakeholders: **15%**

Board of Directors: **35%**

To determine the final overall rating, SAHA utilizes its proprietary methodology which consists of sub-section weightings and weightings for the criteria there under. A separate rating is assigned to each one of the main sections as well.

Company Overview

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.	
	CHAIRMAN OF THE BOARD Mehmet Ali BERKMAN GENERAL MANAGER Cengiz TAŞ
Headquarters: Gümüşsuyu Miralay Şefikbey Sk. Akhan No:15 Beyoğlu / ISTANBUL www.aksa.com	Manager Responsible of Shareholder Relations Erdiñ KAZAK Tel: (0212) 251 4500 erdinc.kazak@aksa.com

Aksa was established in 1968 to meet Turkey's acrylic fiber requirements. The company is a member of Akkök Group of Companies.

Aksa is placed in the first 50 of the Top 500 Industrial Enterprises list published by Istanbul Chamber of Industry (ISO). The company is involved in manufacturing, import, export, domestic, foreign and international agency, marketing, and trade of chemicals used in textile and chemical industries as well as other industrial sectors, and of all kinds of raw materials, auxiliaries and intermediate materials, all kinds of artificial, synthetic, natural fibers, carbon fibers, filaments and polymers, and of such machinery, equipment and plants that are used for the manufacturing, processing and warehousing thereof, and of such components, spare parts and accessories, that are associated therewith. Aksa is also engaged in establishment, commissioning, and hiring electrical energy generating plants, producing electrical energy, and selling electrical energy and/or capacity so produced to customers.

Aksa merged with Ak-Tops Tekstil A.Ş., the company's wholly owned subsidiary, in 2013. As of end 2013 Aksa employed a total of 1,220 employees.

The company shares are traded under "AKSA" code at BIST and Aksa is a constituent of BIST Chemicals, Petrol, Plastics, BIST Industrials, BIST Dividend, BIST Dividend 25, BIST All Shares, BIST National, BIST 100, and BIST 100-30 indices.

The capital structure of Aksa is as follows:

Aksa Akrilik Kimya Sanayii A.Ş. Capital Structure		
Name	Share Amt.	Share %
Akkök Holding A.Ş.*	73,237,497.11	39.59
Emniyet Ticaret ve Sanayi A.Ş.*	34,638,843.28	18.72
Other (free float)	77,123,659.61	41.69
Total	300,000,000.00	100.00

* The ultimate controlling shareholders of 58.31% of shares that are non-public are disclosed to the public through the Public Disclosure Platform (KAP).

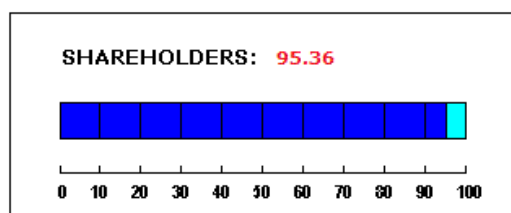
It was decided at the general shareholders' meeting held on 28 March 2014, that;

- A total cash dividend of TL 108,475,577.37 as 1st and 2nd dividend payments to be distributed among the shareholders (gross dividend amount TL 0.58635447 and gross dividend rate of 58.635447% for each TL 1.00 share).
- Realization of cash dividend payments until 1 April 2014 is resolved.

The Board of Directors of Akxa is as follows:

Akxa Akrilik Kimya Sanayii A.Ş. Board of Directors		
Name	Title	Executive/Independent
Mehmet Ali BERKMAN	Chairman	Non-executive
Raif Ali DİNÇKÖK	Vice-chairman	Non-executive
Ahmet Cemaî DÖRDÜNCÜ	Member	Non-executive
Nilüfer DİNÇKÖK ÇİFTÇİ	Member	Non-executive
Ali Raif DİNÇKÖK	Member	Non-executive
İzer LODRİK	Member	Non-executive
Cengiz TAŞ	Member / General Manager	Executive
Bülent BULGURLU	Member	Non-executive
Ant BOZKAYA	Member / Chairman of the Corporate Governance Committee / Chairman of the Committee for the Early Detection of Risks / Member of the Audit Committee	Independent Member
Timur ERK	Member / Chairman of the Audit Committee / Member of the Corporate Governance Committee	Independent Member
Mehmet Abdullah Merih ERGİN	Member / Member of the Committee for the Early Detection of Risks	Independent Member
Başar AY	Member / Member of the Corporate Governance Committee / Member of the Committee for the Early Detection of Risks / Member of the Audit Committee	Independent Member

SECTION 1: SHAREHOLDERS



SYNOPSIS

+	Equal treatment of shareholders
+	Active investor relations department
+	General shareholders' meetings are conducted in compliance with the legislation
+	Preparation and disclosure prior to general shareholders' meetings are satisfactory
+	No privileges on voting rights
+	Dividend policy exists and disclosed to the public
+	No restrictions on share transfers
+	A donation policy exists
=	Minority rights are not recognized for shareholders who possess an amount less than one-twentieth of the share capital
-	Absence of a provision in the articles of association on realization of the general shareholders' meetings to be open to public and media.

In order to facilitate the exercise of shareholders' rights an "Investor Relations Department" has been established and working actively.

There is no any upper limit on the shareholders' right to vote and each share is entitled to one vote.

In terms of minority rights, company has adopted as it is the rate foreseen

in the legislation for public companies (5%).

We have come to the conclusion that the general shareholders' meetings are held in accordance with the legislation and conducted in a manner where shareholders' rights are not violated. Disclosures prior to the general shareholders' meetings are satisfactory.

Company has a clearly defined and consistent dividend policy. It is disclosed to the public in the annual report and on the corporate web site.

There are no restrictions on the transfer of company shares.

The company has a defined policy on donations and grants and submitted it to the approval of the shareholders.

However, absence of a provision in the articles of association on realization of the general shareholders' meetings to be open to public and media is an area open for improvement.

1.1. Facilitating the Exercise of Shareholders' Statutory Rights:

The company carries out the investor relations obligations through Investor Relations Department.

Employees of this department are active and willing on exercise of corporate governance principles at the company.

Along with the members of the partnership the Investor Relations Department plays an active role in protecting and facilitating shareholders' rights and in particular the right to obtain and review

information, and its duties are as follows;

- a) To ensure that the records relating to the written correspondence with the investors and other information are kept in a healthy, safe and updated manner.
- b) To respond to the queries of the shareholders requesting written information on the company.
- c) To ensure the general assembly meeting is held in compliance with the applicable legislation, articles of association and other company by-laws.
- d) To prepare the documents that might be used by shareholders in the general shareholders' meeting.
- e) To supervise the fulfillment of the obligations arising from capital markets legislation including all corporate governance and public disclosure matters.

Investor Relations Department submits a report to the board of directors at least once a year on its conducted activities.

Information and explanations that may affect use of shareholders' rights is available up to date on the corporate web site.

Company's Accounting and Reporting Manager Mr. Erdiñ Kazak is holder of Capital Market Activities Advanced Level License and Corporate Governance Rating Specialist License as stated in the Corporate Governance Principles Communiqué.

Free float rate of Aksa is 41.69%.

1.2. Shareholders' Right to Obtain and Evaluate Information:

We have not come across to any complicated processes of the company management on realization of a special audit.

All kinds of information about the company are provided in a complete, timely, honest, and diligent manner and there is no fine/warning received in this direction.

The company's disclosure policy is submitted to shareholders through the annual report and disclosed to the public via the corporate web site.

1.3 Minority Rights:

Maximum care is given to the usage of minority rights. However, minority rights are not recognized for shareholders who hold an amount less than one-twentieth of the share capital and the company has adopted as it is the rate foreseen in the legislation for publicly traded companies.

1.4. General Shareholders' Meeting:

SAHA could not participate as an observer to the general shareholders' meeting covering the 2013 operating period due to the signature date of the contract between the parties. The assessment of the general shareholders' meeting is based on relevant minutes of the meetings and company statements.

In addition to the methods of invitation in the legislation and in order to ensure attendance of maximum number of shareholders, the invitation to the general shareholders' meeting held on 28 March 2014 is performed through all means of communication available to the company on 28 February 2014 in accordance with the Corporate Governance Principles.

All announcements prior to the general shareholders' meeting included information such as the date and time of the meeting; without any ambiguity exact location of the meeting; agenda items of the meeting; the body inviting to the general shareholders' meeting; and the exact location where annual report, financial statements and other meeting documents can be examined.

Besides, the company has prepared a descriptive disclosure document on agenda items.

Commencing from the date of announcement of invitation for the general shareholders' meeting, following documents are made available to all shareholders for examination purposes in convenient locations including the headquarters or branches of the company, and the electronic media;

- a. the annual report
- b. financial statements and reports
- c. all other related documents pertaining to the agenda items
- d. dividend distribution proposal

Following issues were informed to the shareholders via the corporate web site;

- a. total number of shares and voting rights reflecting the company's shareholding structure as of the date of disclosure, number of shares and voting rights reflecting the privileged share group within the company capital, and the nature of the privileges,
- b. grounds for dismissal and replacement of board members, candidates' backgrounds and tasks carried out in the last decade, the nature and significance level of the relationship of the company and related parties, whether it has the quality of independence and information on similar issues.

- c. changes in management and activities of the company and its subsidiaries in the previous fiscal year, or planned for the upcoming fiscal period which can significantly affect the company operations.

Agenda items were put under a separate heading and expressed clearly in a manner not to result in any misinterpretations. Expressions like "other" and "various" were not used. Information submitted to the shareholders prior to the conduct of the general shareholders' meeting was related to the agenda items.

General shareholders' meetings took place in Istanbul.

As seen in the minutes of the meeting; items on the agenda were conveyed in detail and in a clear and understandable way by the chairman of the meeting and shareholders were given equal opportunity to voice their opinions and ask questions.

In addition, all questions raised during the general shareholders' meeting and responses there of are disclosed to the public on the company's website by the Investor Relations Department. Answers to all unanswered questions are also included on the corporate web site.

Agenda of the general shareholders' meeting included the proposal for the permission to be granted to shareholders who have control of the management, members of the board of directors, managers with administrative responsibility, their spouses and up to second degree blood relatives to execute transactions and compete with the company and/or its affiliates, to make a commercial business transaction for himself or on behalf of others or to join to another company dealing with the same type of commercial business as a partner with unlimited responsibility.

Company officials declared that the members of the board of directors related with the issues of a special nature on the agenda, other related personality, authorized persons who are responsible for preparing the financial statements and auditors were present to give necessary information and to answer questions at the general shareholders' meeting. The absolute majority of the Board was reached and this is found to be positive by us.

General shareholders' meeting is attended by the representative of the external auditor.

The company has established a policy on donations and grants and submitted to the approval of shareholders at the latest general shareholders' meeting.

In addition, shareholders are informed, with a separate agenda item, on all donations and grants effectuated within the period and the amount of benefits and beneficiaries at this meeting.

Even though the company officials declared that also the non-shareholders can practically attend the shareholders meetings, there is no provision in the articles of association on realization of the meetings open to public and media.

We have observed that Mr. Ömer Dinçkök, a company shareholder, filed a claim requesting the cancellation of certain agenda items of the general shareholders' meeting covering 2013 operations. The company properly disclosed the case in question on the Public Disclosure Platform (KAP).

1.5. Voting Rights:

At Aksa, all shareholders, including those who reside abroad, are given the opportunity to exercise their voting rights conveniently and appropriately

and the company avoids applications that make it difficult to exercise voting rights.

There are no voting privileges.

1.6. Dividend Rights:

The dividend policy of Aksa is clearly defined. It is submitted to the shareholders' approval at the general shareholders' meeting and disclosed to the public on the company's web site. The company's dividend distribution policy contains minimum information clear enough for investors to predict any future dividend distribution procedures and principles.

As mentioned on the dividend policy document conviction is reached that a balanced policy is followed between the interests of the shareholders and that of the company.

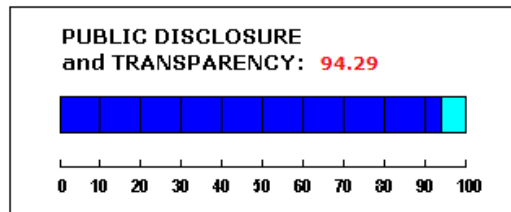
In addition, articles of association of the company contain a provision on advance dividend.

1.7. Transfer of Shares:

No difficulties on free transfer of shares are observed.

There are no provisions in the articles of association that impede transfer of shares.

SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY



SYNOPSIS

+	Comprehensive web site, actively used for public disclosure, English version exists
+	Annual report complies with the legislation, comprehensive and informative
+	Agreement and studies conducted with external auditors comply with the legislation
+	List of ultimate controlling individual shareholders are disclosed to the public
-	Benefits provided to board members and senior management is not mentioned on individual basis

Company's web site is comprehensive and user friendly. The site is also prepared in English for the benefit of international investors.

Public announcements are made in accordance with the CMB and BIST rules and regulations. The annual report prepared is comprehensive and complies with the legislation.

There has been no legal conflict between the company and the selected external audit firm. There has not been a situation where the external auditor avoided to express its opinion and not signed the audit report, nor has reported a qualified opinion during the latest audit period.

Whereas non-disclosure of benefits provided to board members and senior management individually stands out as an issue to be developed.

2.1. Corporate Web Site:

Company's website (www.aksa.com) is actively used for disclosure purposes and the information contained herein is continuously updated.

Along with the information required to be disclosed pursuant to the legislation, the company's website includes; trade register information, information about latest shareholder and management structure, the date and the number of the trade registry gazette on which the changes are published along with the final version of the company's articles of association, publicly disclosed material information, annual reports, periodical financial statements, and other public disclosure documents, agendas of the general shareholders' meetings and list of participants and minutes of the general shareholders' meeting, form for proxy voting at the general shareholders' meeting, disclosure policy, dividend distribution policy, ethical rules of the company, frequently asked questions including requests for information, questions and notices, and responses thereof.

In this context, information on at least the last five years can be reached on the website.

With the exception of material disclosures and footnotes, in accordance with the Capital Markets legislation, the company also discloses financial statements on KAP (Public Disclosure Platform) and simultaneously in English.

The information contained on the website exists also in English (almost identical to its Turkish content) for the benefit of international investors.

In addition, the ultimate controlling shareholders of 58.31% of shares that are non-public are disclosed to the public through the Public Disclosure Platform (KAP).

The company's web site also includes; investor presentations, working principles of the committees, important board decisions under the heading of Material Disclosures, the vision/ mission of the company established by the board, information on capital increases and dividend payments, disclosure area, general shareholders' meeting internal guidelines, KSS (corporate social responsibility) reports, information on senior management, financial data, main ratio analysis and the human resources policy.

2.2. Annual Report:

Annual report is prepared in detail by the board of directors to provide public access to complete and accurate information on the company and it covers information such as;

- a. period covered by the report, the title of the company, trade register number, contact information,
- b. the names and surnames of the chairman, members and executive members involved in the management and supervisory boards during the covered period, their limits of authority, tenure of office (with start and end dates),
- c. the sector in which the entity operates and information on its position in the sector,
- d. qualifications of the production units, capacity utilization rates, general explanations related to

- sales volume and price, sales conditions and yearly developments, productivity rates and causes of significant changes compared to previous years,
- e. progress on investments, the eligibility status on incentives, and to what extent,
- f. Corporate Governance Principles Compliance Report,
- g. information on related party transactions,
- h. other issues not included in the financial statements, but are beneficial for users,
- i. the company's organization, capital and ownership structure and any changes in the related accounting period,
- j. all benefits provided to staff and workers, information on number of personnel,
- k. information on board members' transactions with the company on their behalf or someone else within the framework of permission granted by general shareholders' meeting along with their activities within the scope of restraint of trade,
- l. research and development activities,
- m. dividend distribution policy,
- n. basic ratios on the financial position, profitability and solvency,
- o. the company's financing resources and risk management policies,
- p. information on major events occurred between the closing of the accounting period and the date of the general shareholders' meeting where financial statements are evaluated.

In addition to the matters specified in the legislation following issues also took place in the annual report;

- a. external duties of board members and executives, their declarations of independence,
- b. members of the committees within the board, assessment of their working principles,
- c. the number of board meetings held during the year and status of participation of the members,
- d. major court cases against the company and possible consequences,
- e. benefits and vocational training of employees, and other company activities that give rise to social and environmental results.

However, assessment of the board of directors on the committees established (with the exception of the Committee for the Early Detection of Risks) is not included in the annual report.

Additionally, all benefits provided to board members and senior executives are mentioned collectively, but in terms of Corporate Governance Principles it is essential that this information be given on an individual basis.

2.3. External Audit:

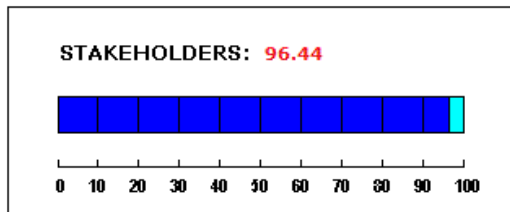
The external audit of the company on 2014 fiscal year is conducted by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a member of PricewaterhouseCoopers group with a worldwide experience.

There has not been a situation where the external auditor avoided to express its opinion and not signed the audit report, nor has reported a qualified opinion. It has been declared by the company officials that there has

been no legal conflict between the company and the external audit firm.

Independent audit firm and their audit staff did not provide consulting services for a price or free of charge during the audit period. Neither a consulting company in which the external audit firm is in a dominant position either directly or indirectly in management or capital provided any consulting services during the same period.

SECTION 3: STAKEHOLDERS



SYNOPSIS

+	Stakeholders are compensated in case of a violation of their rights which are protected by the legislation and mutual agreements
+	Efficient human resources policy
+	Models have been developed to support employee participation in management
+	Strict quality standards for goods and services
+	Code of ethics disclosed to the public
+	The company complies with environmental laws, Corporate Social Responsibility and Sustainability efforts are at high levels
+	In cases which management reshuffle could cause disruptions, succession planning for determination of new manager appointments is in place.
-	An employee compensation policy is not established

The company has high level corporate governance applications and recognizes the rights of stakeholders established by law or through any other mutual agreement.

Aksa has developed models for stakeholders, particularly employees to participate in management without impeding the operations of the company.

The company has a documented and advanced human resources policy.

Ethical rules are disclosed to the public through the company's web site.

The company did not encounter any enforcement by the public authorities during the course of last 1 year.

However, absence of an employee compensation policy remains to be an area to be improved.

3.1. Company Policy Regarding Stakeholders:

We have not come across a significant or repetitive situation in which the rights of stakeholders established by any law or agreement are not recognized. The company's corporate governance practices are in top level and Aksa recognizes the rights of stakeholders established by law or through any other mutual agreement.

The web site of the company (www.aksa.com) is actively used to provide adequate information on policies and procedures towards the protection of stakeholders' rights.

According to the Declaration of Compliance with the Principles of Corporate Governance for the year 2013; 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. 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.

The corporate governance structure of the company ensures that its stakeholders, including its employees and representatives, report their concerns to the management concerning any illegal or unethical transactions.

The ethical rules involved in the process have been explained and notifications are received through the application of a hotline and a specific e-mail address.

The company officials declared that purchasing policies are performed through tender procedures.

However, absence of an employee compensation policy remains to be an area to be improved.

3.2. Stakeholders' Participation in the Company Management:

Aksa has developed models for stakeholders, particularly employees to participate in management without impeding the operations of the company.

In this context, there has been a representative council in Aksa since 1996 which consists of 23 people, selected by Aksa employees via secret

ballot - open counting. The council is made up of representatives from each shift, 22 members from the Yalova Factory and one member from the Istanbul headquarters. Meeting monthly, the representative council is responsible for determining the problems that employees face, suggesting and working towards solutions, and notifying the senior management about the expectations of employees.

In addition, employees' participation in management is achieved by annual performance appraisal meetings, suggestion systems and annual meetings held in the company.

Basis of operating procedures of the representative council is documented and Representative Council Handbook, the Representative Council Candidate Application Form, and the Representative Council Election documents have been submitted to us.

3.3. Company Policy on Human Resources:

Aksa has a detailed human resources policy.

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.

In line with the company's continuous learning, development and result oriented 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.

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.

In cases which management reshuffle could cause disruptions, succession planning for determination of new manager appointments is in place.

The process of determining employee remuneration and other benefits is focused on productivity. The company uses a Job Evaluation and Salary

Model. 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.

We have come to the conclusion that measures are taken against race, religion, language and gender discrimination among employees and protection against any physical, spiritual and emotional ill-treatment within the company, and a finding in the opposite direction is not encountered.

There is no active trade union at the company.

3.4. Relations with Customers and Suppliers:

We have come to conclusion that the company has taken measure to ensure customer satisfaction on sales and marketing of its goods and services.

Care is taken on the confidentiality of all trade secret data and information on customers and suppliers.

We have witnessed no evidence on non-market pricing of goods and services that the company offers.

3.5. Ethical Rules & Social Responsibility:

The company has prepared a set of code of ethics and disclosed it to the public on its web site.

The company has not been subject to any significant sanctions during the course of last year by the public administrations.

The company keeps good relations with non-governmental organizations and public social institutions.

In this context, along with the projects which has been maintained for a long time, Aksa fulfills its responsibilities through collaboration by membership with several Non-Governmental Organizations.

Open Door Visits

Aksa's "Open Door Visits" organized within the scope of transparency principle enables non-profit organizations, local community, schools, employees' families, customers, benchmarking teams, local and foreign visitors to visit Aksa production site and obtain on-site information. University students visited the company facilities at regular intervals throughout the year in 2013. Students from the University of Yalova, University of Uludag and the Sabanci University visited the Aksa production site this year and had the opportunity to get information on their issues of interest. Visits continue until the year-end. Each visitor is asked to complete an evaluation questionnaire and the results are used for the improvement strategies of Aksa.

Blood Donations

Aksa organizes a "Blood Donation Campaign" twice a year in collaboration with the Kizilay branch in Yalova. Aksa employees voluntarily participated in the Blood Donation Campaigns held in 2013.

Thousands of Trees, from Aksa to Nature

In addition to efforts to reduce greenhouse gas emissions from production related activities, Aksa has planted tens of thousands of trees throughout the company's history, spanning some 45 years. To date, plants and tree seedlings grown in Aksa greenhouses have been used for recovering destroyed forests and fighting soil erosion. The company is

well aware that forests play an important role in eliminating greenhouse gases. In order to spread this awareness, Aksa distributes free plants and tree seedlings grown in company greenhouses to participants during Community School and Open Door events. As part of the Power Plant Project, Aksa employees planted 5,000 seedlings in the Çınarcık Hasanbaba district in October 2013.

Other

With the belief that the main condition for the economic and cultural development of the society is education with trained, equipped, cultured, which can take the initiative, environmentally and socially responsible generations. In 1992 Aksa Technical and Vocational High School was opened with the aim to raise individuals that shall shape the future of Turkey. As of 2013, the school continued teaching with 30 teachers and 350 students cultivating qualified technicians who can work in industrial areas. The "Process" section of vocational and technical education institutions across the country in the surrounding business requirements to meet technical staff requirements is only found at Aksa Anatolian Technical High School and Industrial Vocational High School.

In addition, engineers of Aksa who specialize in their area met with youngsters of Yalova through "I Learn with Aksa Sharing Seminar" which began as an all-volunteer project. These young people had the opportunity to benefit from the experience and knowledge of Aksa engineers through activities carried out with the participation of Yalova Anatolian High School volunteer engineers.

In another project this year, 900 kilos of sample yarn in various types and colors produced by Aksa Acrylic was

used at knitting by Istanbul Technical and Industrial Vocational High School students during training. Students learned twisting control and knitting with the yarn produced by Aksa Acrylic. The "AKSA" printed scarf prepared with this yarn was presented to Aksa Acrylic officials as a gift.

This year Aksa Acrylic celebrated the April 23 National Sovereignty and Children's Day of children of Yalova with the Rio 2 movie. On April 23, children of Yalova between 5 – 13 years had the opportunity to watch the 3D "Rio 2" movie free of charge.

The company's studies carried out in line with environmental laws and environmental awareness in general is at an upper echelon.

Since its establishment, AKSA has been monitoring resource consumption and environmental output to continuously improve its environmental performance and taking measures to reduce them. The company is cooperating with all stakeholders to increase employee awareness. Aksa received the ISO 14001 Environmental Management System certificate for the first time in 1997 and ensures continuity with yearly external inspections.

3.6. Sustainability:

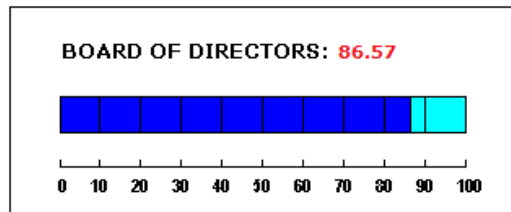
The company has a policy, internal regulations, objectives, initiatives and campaigns on environment, nature, energy saving, recycling and education issues.

The company has prepared a sustainability report for the year 2012 and disclosed to the public through the corporate website.

The company holds national/international quality/health standard certificates and also a member of domestic/international organizations which carry studies in this area.

In addition, Aksa measures carbon emissions, publicly announces the results and takes action to reduce carbon emissions within the targets set.

SECTION 4: BOARD OF DIRECTORS



SYNOPSIS

+	The board is staffed with effective and highly qualified members
+	Board of directors meeting and decision quorum is defined in the articles of association
+	Each board member is entitled to a single vote
+	4 independent members on the board
+	Audit Committee, Corporate Governance Committee and Committee for the Early Detection of Risks established
+	Principles of remuneration of board members and senior executives are established and disclosed to the public
=	1 female member on the board
-	Conduct of board meetings not determined in writing in internal regulations
-	No target or policy established for 25% female board membership rate

The board of directors has defined the vision and mission of the company and is overseeing that company activities are managed in compliance with the legislation, articles of association, internal procedures and established policies.

The company's board of directors is composed of 12 members and 4 of them are independent members. All committee members, with the exception of one, are non-executive. Capital Markets Board (CMB) criteria are complied with in determining independent candidates. Independent candidates for the board of directors have signed a declaration of independence within the framework of the legislation, articles of association, and the CMB criteria.

There is 1 female member on the board of directors.

A Corporate Governance Committee, an Audit Committee, and a Committee for the Early Detection of Risks are established from within the board of directors. The working procedures of the committees are disclosed to the public.

We have come to a conclusion that all three committees are working effectively.

All members of the Audit Committee and the chairmen of other committees are elected among the independent board members.

The chief executive officer / general manager is not on the committees. There are no executive members on the committees.

Principles of remuneration of board members and senior executives are included on the corporate web site.

Nevertheless, conduct of board meetings is not determined in writing in internal regulations and neither a target nor a policy is established for 25% female board membership rate.

4.1. Functions of the Board of Directors:

Strategic decisions of the board of directors aims to manage the company's risk, growth, and return balance at an appropriate level, and with a view to the long-term interests of the company, conduct a rational and cautious risk management approach. It is thought that the board administers and represents the company within these parameters.

The board of directors has defined the company's strategic goals and identified the needs in human and financial resources, and controls management's performance.

4.2. Principles of Activity of the Board of Directors:

We have come to a conviction that the board of directors performs its activities in a transparent, accountable, fair and responsible manner.

Distribution of tasks between the members of the board of directors is explained in the annual report.

The board of directors established various internal control systems which are inclusive of risk management, information systems, and processes by also taking into consideration the views of the committees.

It is stated in the annual report that the board reviews the effectiveness of risk management and internal control systems at least once a year.

The presence, functioning, and effectiveness of internal controls and internal audit, is explained in the annual report.

Duties of chairman of the board and chief executive officer/general manager are shouldered by different

individuals. In this context executive powers are clearly separated. However, this separation is not mentioned in the articles of association of the company.

Defects and damages caused by the board members during their duties have been insured. However, the cost of this insurance does not exceed 25% of the capital of the company and no explanation is given to KAP in this regard.

Analyzing the company's organization, it is seen that there is no person in the company who has unlimited authority to make decisions alone and this is considered as positive by us.

4.3. Structure of the Board of Directors:

The company's board of directors is composed of 12 members and all but 1 is non-executive. Among the non-executive board members there are 4 independent members who have the ability to execute their duties without being influenced under any circumstances.

The Corporate Governance Committee have prepared a report on the candidates including the ones made by the board and shareholders, by taking into consideration of whether or not the candidate meets the independency criteria and submitted this assessment as a report to the board for its approval. CMB criteria are complied with in determining independent candidates. Independent candidates for the board of directors have signed a declaration of independence within the framework of the legislation, articles of association, and the CMB criteria.

There is 1 female member on the board. However, there are no planning envisions for a policy or a timetable to reach the Corporate Governance

Principles' advisory target of 25% of the number of board members.

4.4. Conduct of the Meetings of the Board of Directors:

The meetings of the board of directors are conducted in accordance with the company's articles of association, Turkish Commercial Code and CMB regulations. 19 resolutions were reached in the operating period of 2014. It is declared that the majority of the board members attended the meetings.

Chairman of the board of directors sets the agenda for board meetings in consultation with the chief executive officer / general manager.

Information on the agenda items of the board of directors is made available to the members in sufficient time prior to the meeting date by a coordinated flow of information. Each member of the board has a right to one vote.

The meeting and decision quorums have been included in the articles of association of the company. In addition, board meetings can also be held in a remote access system.

There are no limitations introduced for the members taking on additional duties outside the company. However, only the independent members carry on external duties.

The external duties and grounds of the board members are presented to the general shareholders' meeting where their nomination is discussed, with a distinction between intra-group and out-group activities.

The conduct of board meetings is not determined in writing in internal regulations.

4.5. Committees Established Within the Board of Directors:

A Corporate Governance Committee, an Audit Committee, and a Committee for the Early Detection of Risks are established from within the board of directors in order to fulfill its duties and responsibilities.

Functions of the committees, their working principles, and its members are designated by the board of directors and disclosed to the public on the company' web site.

All members of the Audit Committee and the chairman of the Corporate Governance and early Detection of Risks Committees are elected among the independent board members. The chief executive officer / general manager and the chairman of the board of directors are not on the committees. Care has been taken that a non-independent board member cannot be on more than one committee.

In line with the new corporate governance principles published on 3 January 2014, Investor Relations Department manager must be a member of the Corporate Governance Committee. Investor Relations Manager Mr. Erdiñ Kazak is appointed as a member of the Corporate Governance Committee in terms of compliance with the principle in question. Absence of executive members on the committees (with the exception of Mr. Kazak) is found to be positive by us.

All necessary resource and support needed to fulfill the tasks of the committees are provided by the board of directors.

Committee meeting frequency has been found sufficient by us. In 2013 operating period; Corporate Governance Committee held 3, The

Audit Committee held 4, and the Committee for the Early Detection of Risks held 6 meetings each.

The Corporate Governance Committee is established in order to determine whether or not corporate governance principles are being fully implemented by the company, if implementation of some of the principles are not possible, the reason thereof, and assess any conflict of interests arising as a result of imperfect implementation of these principles, and present remedial advices to the board of directors. In addition, it oversees the work of the investor relations unit.

Audit Committee supervises the operation and efficiency of the company's accounting system, public disclosure, external audit and internal audit systems, reviews complaints that are received by the company regarding company accounting, internal and external independent audit systems, within the framework of the principle of confidentiality and finalizes them, immediately notifies the board in writing on findings related to their duties and responsibilities and the related assessment and recommendations, following taking the opinion of responsible managers of the company and the external auditor notifies the board in writing on whether the annual and interim statements disclosed to the public is in accordance with the company's accounting principles, true and accurate.

In addition, audit committee members possess the qualifications mentioned in the communiqué.

The annual report contains information on working principles of the audit committee and number of written notices given to the board of directors in the fiscal year. However, meeting

resolutions are not included in the annual report.

The external audit of the company on 2014 fiscal year is conducted by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a member of PricewaterhouseCoopers group with a worldwide experience. The nomination and election process of the external audit firm, taking into account its competence and independence, starts with a proposal from the audit committee to the board and ends with the board's choice being presented and approved at the general shareholders' meeting.

The Committee for the Early Detection of Risks carries out its tasks towards early detection of risks which may jeopardize the company's assets, its development and progression, and measures taken to mitigate and manage those risks. It reviews risk management systems at least once a year.

The tasks of Nomination and Remuneration Committees are performed by the Corporate Governance Committee. As included in the minutes of the meetings submitted to us, the corporate governance committee works on determination of independent candidates and the remuneration policy in this context, but still their functionality will continue to be monitored by us.

4.6. Remuneration of the Board of Directors and Senior Management:

The principles of remuneration of board members and senior executives has been documented in writing and submitted to the shareholders as a separate item in the general shareholders' meeting.

A remuneration policy prepared for this purpose can be found on

company's web site. Stock options or performance based payments cannot be included in the remuneration package of the independent board members.

The Corporate Governance Compliance Report of Aksa declares that the company does not lend any funds or extend any credits to a member of the board or to senior executives, or grant any personal loans through a third party, or extend any guarantees.

We have come to conclusion that the executives have the required professional qualifications in order to perform the assigned duties and they comply with the legislation, articles of association, and in-house regulations and policies in fulfilling their duties.

There has been no cases where the executives used confidential and non-public company information in favor of themselves or others. There are no executives who accepted a gift or favor directly or indirectly related to

the company's affairs, and provided unfair advantage.

Company officials declared that there is an insurance policy on compensation for losses incurred by the company, and third parties, as a result of not performing the executives' duties duly.

Orientation process for newly appointed managers is determined in writing in the company's staff regulations.

Rating Definitions

Rating	Definition
9 - 10	The company performs very good in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified and actively managed all significant corporate governance risks through comprehensive internal controls and management systems. The company's performance is considered to represent best practice, and it had almost no deficiencies in any of the areas rated. Deserved to be included in the BIST Corporate Governance Index on the highest level.
7 - 8	The company performs good in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified all its material corporate governance risks and is actively managing the majority of them through internal controls and management systems. During the rating process, minor deficiencies were found in one or two of the areas rated. Deserved to be included in the BIST Corporate Governance Index.
6	The company performs fair in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified the majority of its material corporate governance risks and is beginning to actively manage them. Deserved to be included in the BIST Corporate Governance Index and management accountability is considered in accordance with national standards but may be lagging behind international best practice. During the ratings process, minor deficiencies were identified in more than two of the areas rated.
4 - 5	The company performs weakly as a result of poor corporate governance policies and practices. The company has, to varying degrees, identified its minimum obligations but does not demonstrate an effective, integrated system of controls for managing related risks. Assurance mechanisms are weak. The rating has identified significant deficiencies in a number (but not the majority) of areas rated.
<4	The company performs very weakly and its corporate governance policies and practices are overall very poor. The company shows limited awareness of corporate governance risks, and internal controls are almost non-existent. Significant deficiencies are apparent in the majority of areas rated and have led to significant material loss and investor concern.

DISCLAIMER

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This report, conducted by SAHA A.Ş. analysts and based on their best intentions, knowledge base and experience, is the product of an in depth study of the available information which is believed to be correct as of this date. It is a final opinion about the degree of sensitivity of a company to its shareholders' and stakeholders' rights, its commitment to public disclosure and transparency, and conduct and credibility of its board of directors.

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