

## **REPORT ON COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES**

### **1. Declaration of Compliance With Corporate Governance Principles**

During the period of January 1, 2010 – December 31, 2010, we implemented some but not all of the principles of Corporate Governance Policies issued by the Capital Markets Board.

The reason for not completely implementing the above mentioned principles is that; our company is solely a holding and it is not engaged in production of goods or services, does not employ any workers during the period and executes its transactions via purchasing of services.

However, the unimplemented principles are not detrimental to the shareholders or stakeholders and have not led to any conflict of interest for the interest holders to date.

## **SECTION I SHAREHOLDERS**

### **2. Relations with Shareholders Unit:**

The company has a shareholder relations unit since the year 1990. We employ one authorized personnel working in this unit, directly under the supervision of the general manager.

Contact information for shareholder relations specialist is below:

Name, Surname	Sevinc Funda
Telephone:	212-319 58 81
Facsimile:	212-319 59 90
E-mail address:	<a href="mailto:sevinc.funda@eczacibasi.com.tr">sevinc.funda@eczacibasi.com.tr</a>

Shareholder relations unit provides written and oral communication with shareholders, Istanbul Stock Exchange, Capital Markets Board, Central Registry Agency and Takasbank.

Main activities executed during the period:

- Inquiries received via various means of communication have been responded to.
- All aspects of public disclosure have been pursued and monitored in accordance with the relevant legislation.
- The general assembly meeting dated May 4, 2010 has been held in accordance with the relevant legislation, articles of association and other inter-corporate regulations.
- Documents have been prepared for the benefit of shareholders attending the general assembly.
- Results of the voting were recorded.

### **3. Exercise of Shareholders' Right to Obtain Information:**

Shareholders who have applied to request information on the date of the general assembly, the date of distribution of profit, and whether the capital will be increased or not have been informed accordingly.

Developments having possible effects on the usage of shareholders' rights are announced via Public Disclosure Platform and press, in accordance with the relevant regulation. Our articles of association does not contain any clause regarding appointing a special auditor. And we did not receive any demand for one during this period.

### **4. Information on the General Assembly:**

The ordinary meeting of the general assembly has been held. The meeting has been held with quorum, with the attendance of founder members and holders of public shares. No media members attended the meeting. Invitations to attend the meeting have been announced by bulletins of the Public Disclosure Platform and press announcements.

The company made its annual report, financial statements, articles of association and statement of profit distribution available to be viewed by shareholders, at its head office. Shareholders exercised their right to ask

questions at the General Assembly meeting. The questions have been answered by members of the Board of Directors, or by general manager, according to their subjects.

The articles of association does not contain a provision on authorizing the general assembly to make decisions regarding the sales, purchase and leasing of a large amount of assets. However, such important matters may be placed on the agenda of the general assembly, under all circumstances.

With the aim of facilitating attending the general assembly, the meetings are held in the city center, announcements of invitation to attend the meeting are published in newspapers believed to be widely circulated among shareholders. The minutes of the general assembly are registered in the system of Public Disclosure Platform and they are made available for viewing at the company's head office.

**5. Voting Rights and Minority Rights:**

There are no privileges regarding voting. Eczacıbaşı Holding A.S., which owns 59,26% of our company's capital, and with which we are mutually affiliated, votes in the general assembly. No shareholder has claimed to have minority shares, to date. Cumulative voting procedure is not applied.

**6. Profit Distribution Policy and Distribution Date of Dividend:**

Our Board of Directors have adopted a profit distribution policy based on the following approach and within the Corporate Governance Policies

- Our articles of association does not contain a special provision about preferred shares, founder redeemed shares and distribution of profit to members of the Board of Directors and employees, and advanced dividends, regarding distribution of profit.
- The company's articles of association adopts the principle of distribution of the first dividend from the distributable profit, based on the ratio and amount determined by the Capital Markets Board.
- Profit distribution proposals submitted by the Board of Directors to the approval of the general assembly, shall be prepared taking into account the delicate balance between the existing profitability of our company, probable expectations of our shareholders and foreseen growth strategies of our company.
- Care shall be given to make dividend payments (cash and/or bonus shares) as soon as possible, within the legal time limits and at latest, by the deadlines foreseen in the relevant regulations.

**7. Transfer of Shares:**

Our articles of association does not contain any provisions restricting the transfer of shares.

**SECTION II. PUBLIC DISCLOSURE AND TRANSPARENCY**

**8. Company Information Disclosure Policy:**

Upon demand for information from the press, shareholders or potential investors, the company officials provide necessary information in written or oral form.

**9. Disclosure of Special Events:**

Within the time period, twenty one disclosures have been made regarding special events. Neither Istanbul Stock Exchange nor Capital Markets Board have requested further explanations regarding these disclosures. The disclosures of special events have been made in a timely manner.

**10. Company's Website and Content:**

Corporate Governance Principles of our company may be found at the following website: [www.eczacibasitirim.com.tr](http://www.eczacibasitirim.com.tr)

**11. Declaration of Real Person Ultimate Controlling Shareholder/Shareholders:**

As is known, our company is a subsidiary of the Eczacıbaşı Group and does not have a study on this subject.

**12. Public Disclosure of Potential Insiders:**

Potential insiders are; members of the Board of Directors and senior management executives of the company, and their names are indicated in the annual report.

**SECTION III - STAKEHOLDERS**

**13. Informing Stakeholders:**

Stakeholders are informed in written or oral form, upon their requirement, regarding matters which are of interest to them. Besides shareholders, real persons or representatives of legal persons (brokerage house employees, potential investors, etc.) who wish to do so, may attend the general assembly meetings as listeners.

**14. Contribution of Stakeholders in Management:**

There are no studies made on the contribution of stakeholders in management.

**15. Human Resources Policy:**

The human resources policy of Eczacıbaşı Group is applied. No complaints have been received from the employees regarding discrimination, to date.

**16. Information on Relations with Customers and Suppliers:**

Due to the fact that our company is not engaged in production of goods or services, it does not have any customers and suppliers, therefore there are no studies on this subject.

**17. Social Responsibility:**

Our company does not have any direct public activities of social responsibility. However, our company supports various social, cultural and sports activities within the activities of Eczacıbaşı Group. Since our company is not engaged in production of any kind, it is not possible to harm the environment in any way.

**SECTION IV BOARD OF DIRECTORS**

**18. Structure and Composition of Board of Directors and Independent Members:**

The Board of Directors consists of 7 members, one of which is the executive (General Manager)

F. Bülent Eczacıbaşı	(Chairman)	Non-executive
R. Faruk Eczacıbaşı	(Vice Chairman)	Non-executive
Sezgin Bayraktar	(Member)	Non-executive
Öztin Akgüç	(Member)	Non-executive
Z. Fehmi Özalp	(Member)	Non-executive
Levent A.Ersalman	(Member and General Manager)	Executive
M. Sacit Basmacı	(Member)	Non-executive

The Board of Directors does not have any independent members. It is evaluated that there is no demand and/or need for such, since views of shareholders are monitored closely and consulting services are outsourced if a perspective from outside of the company is required.

Members of the Board of Directors may undertake duties in companies affiliated with Eczacıbaşı Group, but, in principle, may not undertake duties outside of the group.

**19. Qualifications of Members of Board of Directors:**

Minimum qualifications required in election of members of Board of Directors are in accordance with the qualifications stated in Articles 3.1.1, 3.1.2 and 3.1.5 of Section IV of the Corporate Governance Principles of Capital Markets Board. Our articles of association contains the clause “Majority of the members of Board of

Directors must bear the qualifications stated in the Turkish Commercial Code and the legislation of Capital Markets Board".

**20. Mission, Vision and Strategic Targets of the Company:**

The provisions of articles of association regarding purpose and scope of the company are quite comprehensive and the company executes its operations within this context.

**21. Risk Management and Internal Control Mechanism:**

Regarding this issue, the company receives support from the audit committee which comprises of two members of the Board of Directors, Financial Affairs Group Presidency of the holding and sworn financial consultancy company, which a full approval contract is signed with.

**22. Authorization and Duties of Board Members and Directors:**

Authorization and duties of members of Board of Directors and directors are clearly stated in the articles of association.

**23. Operating Principles of the Board of Directors:**

The agenda of the meetings of Board of Directors is determined by the general manager, whom the chairman assigns with such duty. Over the term, our Board of Directors held seventeen meetings. The decisions were taken with 100% participations of the members. Invitations were made via phone and/or e-mail. Informing of and communicating with the members of Board of Directors are executed by the shareholder relations specialist.

Decisions of the meetings of the Board of Directors held in the period were taken without counter-statements. Members of Board of Directors have attended meetings on the subjects stated in Article 2.17.4 of Section IV of the Corporate Governance Principles of the Capital Markets Board, in person.

Members of the Board of Directors do not have weighted voting rights or veto rights.

**24. Prohibition on Transactions with the Company and Competition:**

While members of our Board of Directors are authorized by the general assembly to make transactions with the company in accordance with the relevant laws, in line with the general principles of the Eczacıbaşı Group, Board members do not make transactions with the company.

**25. Ethical Rules:**

The ethical rules established by the Eczacıbaşı Group are applied. Employees of the company are notified in writing about these rules, however, these rules are not disclosed to the public.

**26. Number, Structure and Independence of Committees Established by the Board of Directors:**

Our company does not have corporate governance committee or any committee other than the auditing committee. Corporate Governance Committee has not been established because the consulting and services required for the smooth functioning of Board of Directors are outsourced when needed.

**27. Financial Benefits Provided to the Board of Directors:**

In accordance with the decisions of the General Assembly, Board Members are not paid any wages. No member of Board of Directors have made any transactions regarding the company. There is no performance-based award system. In the year 2010, no Board Members or directors received any guarantees, loans or credits from the company.