



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

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## 1. Report of Compliance with Corporate Governance Principles:

During the period 1 January 2010 - 31 December 2010, the Company implemented some but not all of the principles issued by the Capital Markets Board (“CMB”). Detailed information is provided below under respective sections.

## SECTION I - SHAREHOLDERS

### 2. Investor Relations Division:

EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. (“the Company”) manages its shareholder relations through the Capital Market and Investor Relations Unit, which was established in 1993, under the Finance Department. During the year, the questions received from shareholders were responded immediately within the boundaries allowed by the CMB and Istanbul Stock Exchange (“ISE”). Shareholders requesting information by phone or through meetings with the Company were responded to in the same manner.

Investor Relations Contact Person and Details:

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The Investor Relations Unit communicates verbally and in written format with shareholders, the ISE, the CMB, the Settlement and Custody Bank and the Central Registry Agency (CRA).

The Department’s main activities during the period included:

- Ensuring that shareholders’ records are kept in a sound, secure and up-to-date manner.
- Providing written or verbal responses to all requests for information except those requesting information not made public, confidential information or trade secrets, and responding to all annual report requests in writing or verbally.
- Ensuring that the General Assembly complied with the current legislation, the Company's Articles of Association and other internal regulations.
- Preparing useful documentation for shareholders to refer to at the General Assembly.
- Keeping record of voting results. No shareholder requested to see these records.
- Responding to requests for minutes of the General Assembly.
- Monitoring and following up on all matters related to public disclosure, including legislations and the Company’s disclosure policy.

Performing the requirements of CRA concerning the dematerialization of shares. The Company is very careful to comply with all CMB regulations and related items in its Articles of Association regarding shareholders’ prerogative to exercise their rights. In 2009, the Company did not receive any written or verbal complaint from a shareholder, nor, to the best of our knowledge, was any administrative or legal proceeding initiated in this regard.

### **3. Exercise of Investors' Right to Information:**

All shareholders are treated equally when they exercise their right to request and evaluate information.

During the year, the Company responded on the same day to written and verbal inquiries about capital increase and dividend transactions; it also mailed annual reports to three people who requested them in writing or by telephone on the same day that it received the requests. Developments that may affect shareholders' rights are announced through ISE. The Company's Articles of Association do not contain any clause about appointing a special auditor, nor did it receive any demand for one during the period.

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

The Ordinary General Assembly Meeting was held on 4 May 2010. The invitation to the meeting was made in accordance with the Turkish Commercial Code, the related items of the Company's Articles of Association and CMB regulations. Well before the General Assembly meeting, the Company provided a sample power of attorney form on its website for shareholders who wanted to authorize someone else to represent them at the meeting. The attendance rate at the meeting was 71 percent. 20 shareholders from the publicly owned part of the Company were registered in the List of Attendants. Members of the press attended the meeting as well. Shareholders were invited to the meeting through announcements in the press and the ISE bulletin.

The Company made its annual report, consolidated financial statements, Articles of Association and dividend distribution recommendation available to shareholders at its headquarters at least two weeks before the meeting. Shareholders used their right to question at the General Assembly and received responses from the Board members or General Manager depending upon the issue raised.

There is no requirement in the Company's Articles of Association that decisions regarding the division of assets, significant asset acquisitions, sales and leases be taken up at the General Assembly. However, such important issues are put on the General Assembly agenda.

To facilitate attendance, the General Assembly is held in the city center and is announced in a popular newspaper, which is believed to be followed by the majority of shareholders. The minutes of the General Assembly are sent to the ISE and CMB. Additionally, shareholders may freely view the minutes of the meeting at the Company's headquarters.

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

There are no privileged voting rights: every share has one vote. The Company has no procedure that foresees voting rights being exercised within a determined period after the acquisition date. There is no item in the Company's Articles of Association that prevents a shareholder's proxy from voting on the shareholder's behalf. Eczacıbaşı Holding A.Ş., which has a reciprocal stake and controlling interest in the Company greater than 50 percent, exercises its vote at the General Assembly. The Company attended all associates' General Assemblies and exercised its vote. To date, no shareholder has claimed minority shareholder status. The Company does not employ the cumulative voting method.

## **6. Dividend Distribution Policy and Dividend Payment Timeline:**

At a meeting on 15 March 2006, the Board of Directors established the following “Corporate Governance Principles” with regard to the Company’s dividend distribution policy:

- The Articles of Association do not contain any clause about privileged shares, founder benefit shares and the distribution of profit to members of the Board of Directors and employees as well as the distribution of profit advance payments.
- The Company's Articles of Association accept the principle of distribution of the first dividend based on the ratio and amount determined by the CMB.
- In preparing its recommendations on profit distribution for the General Assembly, the Board of Directors takes into consideration the sensitive balance between the Company’s existing profitability, the expectations of shareholders and prescribed growth strategies.
- Dividend payments (cash and/or bonus shares) are made as soon as possible after the General Assembly and within the legal time limit set by legislations.

## **7. Transfer of Shares:**

There are no provisions in the Company’s Articles of Association that restricts transfer of shares.

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

### **8. Company’s Information Disclosure Policy:**

The information disclosure policy aims to share full, fair, sound and comprehensive information concerning the Company’s past performance, future expectations, strategies, objectives, vision and the knowledge base, excluding trade secrets; with the public, respective authorities, current and potential investors and shareholders equally, so that active and open communications preserved.

The Company shows utmost care to comply with legal requirements, the Capital Markets Legislation, CMB and ISE regulations, and the Corporate Governance Principles issued by the CMB in implementing its information disclosure policy.

The Board of Directors has the authority and the responsibility to establish, control, review and develop the Company’s information disclosure policy. Once approved by the Board of Directors, the Information Disclosure Policy is made available to public through the Company’s web site.

Capital Markets and Investor Relations Unit is responsible from the coordination of the Information Disclosure Policy. This unit cooperates closely with the Board of Directors and the Audit Committee in accomplishing its responsibility.

Those responsible also cooperate closely with the Investor Relations officers of the Eczacıbaşı Holding A.Ş..

The Information Disclosure Policy was updated in 2009 with regard to developing market conditions and new regulations. Approved by the Board of Directors, the Company’s Information Disclosure Policy is published in the Company’s web site.

## **9. Material Event Disclosures:**

During the year, the Company made 17 material event disclosures as required by CMB regulations. Neither the CMB nor ISE requested further information. The Company's stocks are not traded in international markets. Since the disclosures were timely, the CMB did not issue warnings.

## **10. Company Web Site and Content:**

The Company's web site ([www.eis.com.tr](http://www.eis.com.tr)) became active in April 2005, giving the public access to relevant information about policies, investor relations, and the Company's policies regarding the environment and quality. As a result of its reorganization in 2007, the Company has finalized updating its website in line with its new structure. Since 8 May 2009 the Investor Relations information for the Company accessible from the website address [www.eis.com.tr](http://www.eis.com.tr) has been directed to [www.eczacibasi.com.tr](http://www.eczacibasi.com.tr). The Investor Relations information available through this new link has a broader content. Local community relations have been strengthened by the "Human Resources" web pages, which include employee/internship recruitment policies and a "Contact Form" for visitors who want to communicate their thoughts or questions.

## **11. Disclosure of Real Person(s) as Ultimate Controlling Shareholder(s):**

The Company is a member of the Eczacıbaşı Group and no study has been done on this subject.

## **12. Disclosure of People with Access to Insider Information:**

Company executives having access to potential insider trading information are members of the Board of Directors and top management. The names of these executives are disclosed in the annual report.

# **SECTION III - STAKEHOLDERS**

## **13. Informing Stakeholders:**

Within the boundaries of CMB regulations, stakeholders are informed through the General Assembly and responses provided to individual inquiries. Employees are informed through strategic planning meetings, General Manager's informative meetings and departmental meetings (changes in targets, wages, employee rights, travel allowance, etc. are announced in these meetings.) The Company has a corporate portal for employees providing all kinds of information and documents of interest to them.

## **14. Participation of Stakeholders in Management:**

Stakeholders contribute to management through the General Assembly for shareholders and Strategic Planning meetings for employees.

## **15. Human Resources Policy:**

The Company's financial affairs department is in charge of human resources management. The Company does not have any unionized personnel.

## Human Resources Policy

Recognizing that people underpin the Eczacıbaşı Group's values and represent the main source of its competitive edge, the Company's human resources policies aim to:

- Establish an organizational structure that is flexible and open to change and in line with Company's Strategic Business Plan and Targets,
- Ensure that human resources are used effectively and efficiently to achieve the Company's strategic goals,
- Continually review and improve the Company's human resources processes and systems,
- Encourage employees to learn so that they might improve their knowledge, competencies and behavior, thus enhancing their individual performance as well as the performances of their teams and the Company,
- Create opportunities for personal and career development that respond to the needs of the Company and reflect performance evaluation results,
- Continuously raise the level of employee satisfaction by making improvements in areas noted by employee satisfaction surveys and other related performance indicators,
- Attract employees who have the right competencies for their jobs: who are creative, innovative, participative, open to change, entrepreneurial, energetic, transparent, and strong communicators; who want to develop personally and professionally and who are able to train others; who share our values.

To date, there have been no complaints of discrimination from Company employees.

### **16. Information about Relations with Customers and Suppliers:**

The tenants of Kanyon are the most important clients of the Company, and their problems are attended by direct meetings as well as the solutions provided by Kanyon Yönetim İşletim Pazarlama Ltd. Şti., which provides management services to the Kanyon complex.

### **17. Social Responsibility:**

The Company supports many social, cultural and sports activities, in accordance with the principles of the Eczacıbaşı Group. There are no legal claims on the Company related to environmental pollution. With the understanding that protecting the environment is its most important social responsibility, the Company has written down its environmental policy and communicated it to all of its employees.

#### Relations with Society and Other Companies

The Company, as a corporation embracing its social responsibility:

- Ensures, before all else, compliance with legal and ethical rules in its relations with society and other companies, just as it has in all relationships it has established with its stakeholders,
- Cooperates with the local community and wider parts of the society to take advantage of opportunities that provide mutual benefit,
- Takes advantage of cooperation opportunities with other establishments within the framework of continuous and mutual development principles.

## Environment Policy

The Company, in line with its goal of business excellence, seeks to preserve the environment and contribute systematically to increased understanding of environmental protection through the following objectives and principles:

- To inform employees, business partners and the local community about environmental issues in order to generate and continually develop environmental awareness,
- To reduce all forms of pollution, recycle waste and eliminate non-recyclable waste using appropriate techniques, so as to minimize the impact of our activities on the environment,
- To take special care to protect the natural environment,
- To support the environmental initiatives of government and public organizations,
- To monitor continually and strengthen measures aimed at ensuring employee health and safety in the workplace.

In line with these goals and principles, we pledge, in the name of our employees, to fulfill our social responsibilities; improve our performance continuously; improve all those activities that may have a negative impact on the environment; comply with all legislation, regulations and standards aimed at ensuring a sustainable future and protecting natural resources; and set an example with our efforts in these areas.

## Participation in Educational and Training Activities

The Company assists and provides resources to university students who request help with their school projects and research. It also provides some ingredients, intermediates and equipment to university and academic hospitals for their scientific research. The Company makes donations of computers and hardware to various educational and training institutions; and it provides internship opportunities to students of technical high schools and universities.

## Support of Health and Welfare Initiatives

The Company started the tradition of supporting scientific research in the fields of medicine and pharmacology and rewarding scientists in 1959, one of the first examples of university-industry cooperation in Turkey. Eczacıbaşı Medical Awards and Scientific Research Support Fund, throughout its history of half a century, provided grants to 172 scientific research projects and distributed 31 Medical Science Awards and 36 Medical Incentive Awards, with the approval of the Eczacıbaşı Scientific Evaluation Committees comprising university faculty. In addition, seven students from medical faculties have been found eligible for the Eczacıbaşı Scientific Research Award for Medical Students, a program which started in 2002.

## Support of Sports and Recreational Activities

With the contributions of the Company, the Eczacıbaşı Sports Club has won numerous championships in Turkey and abroad and contributed to the development and promotion of sports in Turkey. Since 1999, financial assistance has been provided to local sports clubs. A volleyball school for girls was established to help them appreciate sports and the culture and ethics of sports under the direction of the Eczacıbaşı Sports Club. The Company also has sponsorship agreements with various sports clubs that involve contributions in kind.

## **SECTION IV - BOARD OF DIRECTORS**

### **18. Composition of the Board of Directors and Independent Members:**

F. Bülent Eczacıbaşı	Non-executive
R. Faruk Eczacıbaşı	Non-executive
Dr. O. Erdal Karamercan	Non-executive
M. Sacit Basmacı	Non-executive
Levent A. Ersalman	Non-executive
Sedat Birol	General Manager

The Board does not have any independent members, because there has been no demand or need for independent members, as the Board carefully observes the views of shareholders and outsources consultancy services when an external view is required. Members of the Board of Directors have been granted the authority by the General Assembly to undertake transactions stipulated in Articles 334 and 335 of the Turkish Commercial Code.

In principle, Board members may have positions in Eczacıbaşı Group companies but not in companies outside the Group.

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

The minimum requirements sought for the Members of the Board of Directors are identical with those stipulated in Articles 3.1.1, 3.1.2 and 3.1.5 of Part IV of CMB's Corporate Governance Principles. There are no articles related to this in the Company's Articles of Association.

### **20. Mission, Vision and Strategic Goals:**

The Company has established the scope and subject of its Articles of Association in detail and conducts its activities accordingly. The Company's vision is defined and its strategic objectives, policies, and strategies are determined and reviewed every year. The Company's Board of Directors and management continually monitor the Company's activities and results to ensure that they are in line with its strategic targets.

### **21. Risk Management and Internal Control Mechanisms:**

In this area, the Board receives the support of the Audit Committee, which comprises two members of the Board of Directors, the Financial Coordination Unit of Eczacıbaşı Holding, the Strategic Planning and Business Development Unit, and the Certified Public Accountant, with which a full ratification contract has been signed. Independent risk analysts evaluate the Company's fixed assets, and the Company's security, extraordinary events and risky asset position are analyzed at the Board of Directors' meetings.

### **22. Duties and Responsibilities of the Members of the Board of Directors and Executives:**

The duties and responsibilities of the Members of the Board of Directors and executives are clearly defined in the Company's Articles of Association.



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

The Chairman of the Board assigns the General Manager the duty of preparing the agenda of the Board of Directors meetings. During the period, the Board held 14 meetings that were attended by all the members. Invitations were made by phone and/or e-mail. The General Manager is responsible for informing and communicating with the members of the Board of Directors.

The Board's decisions at these meetings were made unanimously; no member opposed any decision. All Board Members have attended meetings on the subjects listed in Part IV, Article 2.17.4 of the CMB's Corporate Governance Principles. None of the Members have special voting or veto rights.

### **24. Prohibition from Doing Business with the Company and Non-Compete Clause:**

While Board Members are authorized by the General Assembly to undertake transactions with the Company within the boundaries of the law, in line with the general principles of the Eczacıbaşı Group no member of the Board of Directors makes a transaction with the Company.

### **25. Rules of Ethics:**

The Company abides by the ethical rules of the Eczacıbaşı Group. These are distributed to all employees in written format but are not disclosed to the public.

### **26. The Number, Structure and Independence of the Committees Established under the Board of Directors:**

The Company has an Audit Committee and has begun to establish its Corporate Governance Committee in line with the requirements of Article 8 of the CMB's Communiqué No. 41, Series IV, on "Communiqué on Principles Corresponding to the Corporations Subject to Capital Market Law" that was published in the Official Gazette No. 26821 on 19 March 2008.

### **27. Remuneration of the Board of Directors:**

In accordance with the decisions of the General Assembly, members of the Board of Directors do not receive wages. Board members do not receive any performance premiums. In 2010, none of the members of the Board of Directors or executives received guarantees, credit or loans from the Company.