

REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Report of Compliance with Corporate Governance Principles:

The Report of Compliance with Corporate Governance Principles covering the activity period of 1 January - 31 December 2011 has been issued in accordance with Article 6 of the Communiqué Serial: IV, No: 54 on the Determination and Implementation of Corporate Governance Principles (as published in the Official Gazette dated October 11, 2011 and numbered 28081, 2.bis) as part of the principal decision No. 5/136 of 16 February 2012 as announced by the Capital Markets Board (“CMB”). Some of the principles attached to the same Communiqué have been implemented and our detailed explanations are contained in respective sections.

Activities have been launched in order to ensure compliance with the Communiqué Serial: IV, No: 56 on Principles Regarding the Determination and Application of Corporate Governance Principles as published in the Official Gazette dated December 30, 2011 and numbered 28158.

SECTION I - SHAREHOLDERS

1.1 Facilitating the Exercise of Shareholding Rights:

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.
- ❖ The record of voting results have been kept and the reports related to these results have been sent the same day to the requesting shareholders.
- ❖ 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 pays utmost care to comply with all CMB regulations, Articles of Association and other in-house regulations related to the satisfaction of the requests of our shareholders for the exercise of their rights and appropriate steps are taken in order to ensure that such rights are exercised properly. In 2011, the Company did not receive any written or verbal complaint, nor, to the best of our knowledge, was any administrative or legal proceeding initiated against our company in this respect.

Activities have been launched by the Board of Directors in an effort to create the Corporate Governance Committee as part of the compliance with Article 4.5.10 of the Communiqué Serial: IV, No: 56 on Principles Regarding the Determination and Application of Corporate Governance Principles.

1.2 Right to Access to and Evaluate Information:

All shareholders are treated equally when they exercise their right to request and evaluate information and any information required by them in order to duly exercise their shareholding rights have been shared with them, except for the trade secrets. The information are provided on a timely manner and carefully so as to fairly reflect the facts. 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 on the same day of their request.

Neither the Articles of Association contain any clause about appointing a special auditor, nor has any request been received from our shareholders in this respect during the period.

In an effort to increase the rights of the shareholders to obtain information, any and all the information that may have impact on the exercise of the rights are made available for use by the shareholders on an updated bases in electronic media. Information and developments that may affect shareholders' rights are announced through special disclosure and also published on our website.

1.3 Right to Participate in General Assembly:

The invitations to the General Assembly meetings are made by the Board of Directors in accordance with the provisions of the Turkish Commercial Code, the Capital Market Law and the Company's Articles of Association. The Board of Directors informs the public via a disclosure statement published on the Public Disclosure Platform ("PDP") containing also the items of the agenda on the date of resolution taken for convening the General Assembly meeting. The Board of Directors ensures that the Information Document on General Assembly Meeting related with the items on the agenda is prepared duly and discloses it to the public 3 weeks before the actual meeting date of the General Assembly. The announcements regarding the invitations to the General Assembly meetings are published on the Company's Internet website and also in Turkey editions of the newspapers believed to be highly followed up by the shareholders in order to ensure disclosure of the announcement to the highest number of shareholders possible not later than 3 weeks before the actual date of the General Assembly meeting in accordance with the required statutory legislation. The meetings are held in the city center in order to facilitate attendance to the General Assembly.

The financial statements and reports including the annual report, the profit distribution proposal, the information document prepared in relation to the items on the agenda of the general assembly and the other documents constituting the basis for such items of the agenda, the latest version of the articles of association, and the text of amendment and the related rationale for justification of, if any, the amendments to be made in the articles of association are made available for information and examination purposes at convenient places of the company's headquarters for ease of access by our shareholders including the electronic media starting from the date of announcement published in relation to the invitation for general assembly meeting.

The form of proxy is published for the shareholders that will be represented by their proxies and they are made available for the shareholders via our company's Internet site before the meeting of the

General Assembly. The Ordinary General Assembly meeting for 2010 was held on May 6, 2011 with a meeting quorum of 71 percent. Of the shareholders holding public shares, 6 real and 8 legal persons were registered in the List of Attendants. Our General Assembly meetings are held open to public. The meetings can be followed up by our stakeholders and media. Our General Assembly meetings are held under the surveillance of the Government Commissioner assigned by the Ministry of Trade and Industry.

An Extraordinary General Assembly Meeting was held with a quorum of 71 percent on November 3, 2011 for amending the text of amendment related with the Company's Articles of Association, article 4 titled "Operational Purpose and Line of Business" as approved by the letters of approval no. 9019 dated September 26, 2011 and no. 1393 dated October 5, 2011 issued respectively by the Capital Market Board and the Republic of Turkey, Ministry of Customs and Trade. Of the shareholders holding public shares, 2 real and 10 legal persons were registered in the List of Attendants.

In the General Assembly meeting, the shareholders are allowed to discuss the annual report and the company's performance indicators. In the General Assembly meeting, our shareholders exercised their rights to ask questions. The questions were answered by the members of the Board of Directors or the General Manager depending on the subject matter.

The minutes of the General Assembly meetings are disclosed to the public via the PDP and they are also provided on the Company's Internet website. One copy of the minutes is sent to the CMB; and one copy is made available at the company's headquarters for inspection by our shareholders.

Our Articles of Association does not contain a specific provision stipulating that the decisions regarding split-off, sale, purchase or leasing of substantial assets, etc. should be taken by the General Assembly; however, such major decisions are put on the agenda of the General Assembly and notified to our shareholders in details.

1.4 Voting Right:

In our company, any practices complicating the use of voting rights are avoided; and all our shareholders are allowed to use their voting rights equally, easily and as required. Open voting method applied by raising hands is used for voting of the items on the agenda in our General Assembly meetings. Each item on the agenda is voted separately in the meeting.

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.

1.5 Minority Rights:

To date, no shareholder has claimed minority shareholder status. The Company does not employ the cumulative voting method.

1.6 Dividend Right:

At a meeting on March 15, 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.

The profit distribution policy and the annual profit distribution proposal of our Board of Directors are prepared together with the profit distribution statement designated by the CMB; and they are made available to our shareholders via the PDP environment for information purposes at the same time with the publication of our Board of Directors' decision. The said proposal is included in our annual report and presented to the shareholders in the General Assembly for information. In addition, they are also provided in our Company's Internet website together with the detailed information regarding the profit distribution statement, the profit distribution history and the increases of capital.

1.7 Transfer of Shares:

There are no provisions in the Company's Articles of Association restricting or complicating free transfer of shares.

1.8 Equal Treatment of the Shareholders Principle:

All our shareholders including the minority and foreign shareholders are treated equally.

SECTION II - PUBLIC DISCLOSURE AND TRANSPARENCY

2.1 Public Disclosure Principles and Instruments:

Company's Information Disclosure Policy

Objective

The Information Disclosure Policy aims to share complete, 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 are preserved.

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

Authority and Responsibility

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 website. The Capital Market and Investor Relations Unit is responsible for 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.

Public Disclosure Methods and Instruments

Our Company uses the following methods and instruments for determining its public disclosure and information policy in accordance with the CMB and ISE regulations and the provisions of the Turkish Commercial Code:

- ❖ Material event disclosures arranged in the Notifications Software (BİY) environment and announced to the public electronically via the Public Disclosure Platform (PDP) (The said disclosures are also published in our Company's Internet website both in Turkish and English languages);
- ❖ Periodical financial reports prepared in BİY environment and announced to the public electronically via the PDP (The said reports are also published in our Company's Internet website both in Turkish and English languages);
- ❖ Annual reports (The said reports are made available for the related persons and authorities both in Turkish and English languages in the form of printouts and electronically on our Company's Internet website.);
- ❖ The publications and announcements made through the Turkish Trade Registry Gazette and Daily Newspapers;
- ❖ The texts of prospectuses, circulars, announcements and the other documents required to be arranged as per the provisions of the Capital Market Law;
- ❖ The disclosures made to the data delivery institutions such as Reuters, Foreks, Bloomberg, etc.;
- ❖ Press disclosures made via the printed and visual media;
- ❖ The Company's Website, and the Website containing the Investor Relations information (www.eis.com.tr, www.eczacibasi.com.tr);
- ❖ The information meetings and discussions held with the capital market participants face-to-face or via telephone calls;
- ❖ The disclosures made by using the methods and means of communications such as telephone, electronic mail, telefax, etc.

Public Disclosure of Material Events and Authorized Persons

The material event disclosures are prepared and signed by the Chief Financial Officer and the Investor Relations Unit Contact Person and disclosed to the public via the PDP. In case of absence of the related persons, such disclosures are signed by the General Manager and the members of the Board of Directors. After such disclosure on the PDP, they are published on the Website containing the Company's Investor Relations information. Such material event disclosures are stored on the Internet site for five years.

Public Disclosure of Financial Statements

The Company's consolidated financial statements and the related footnotes are prepared in accordance with the International Financial Reporting Standards and within the framework of the provisions specified in the CMB laws and disclosed to the public once they are audited by an independent company according to the International Standards on Auditing.

Before public disclosure of financial statements and the related footnotes, the assent of the Audit Committee is received and they are submitted to the Board of Directors for approval purposes as per the Capital Market Laws. Once the related statement of responsibility is signed by the General Manager and the Chief Financial Officer, the financial statements, the related footnotes, and, if any, the independent audit report, and The Board of Directors' Annual Report are forwarded to the PDP in accordance with the Capital Market Law and the ISE regulations. The said reports can be found both in Turkish and English languages retrospectively on the Website containing the Company's Investor Relations information (www.eczacibasi.com.tr).

Public Disclosure of the Annual Report

The contents of the annual report are prepared in a manner to contain the minimum elements specified in the CMB's Corporate Governance Principles and in specific details to allow the public to obtain any kind of information about the Company's activities in accordance with the Capital Market laws. After arrangement of the annual report, it is approved by the Board of Directors and disclosed to the public together with the financial statements. The annual report are available in Turkish and English languages on the Website containing the Investor Relations information (www.eczacibasi.com.tr) and its printout copies can be provided from the Capital Market and Investor Relations Unit.

The Publications and Announcements made through the Turkish Trade Registry Gazette and Daily Newspapers

As per the Capital Market Law, Turkish Commercial Code and the Articles of Association, the announcements regarding the General Assembly, increase of capital and dividend payments are made through both the Turkish Trade Registry Gazette and daily newspapers.

Disclosures regarding the Exercise of Participating Rights

In accordance with the Capital Market regulations, the shareholders are informed via the prospectus and announcement texts about the transactions that are of concern for the shareholders such as General Assembly, increase of capital, dividend payments, merger and split-off, etc. The said documents are also provided on the Website containing the Company's Investor Relations information.

Press Disclosures made via the Printed and Visual Media

The communications with printed and visual media are conducted jointly with Eczacıbaşı Holding A.Ş. Corporate Communication and Sustainable Development Group Directorate.

Company Website

The Website containing the Investor Relations information on the Company's Internet address (www.eczacibasi.com.tr) is actively used for public disclosure purposes as recommended by the CMB Corporate Governance Principles. The Capital Market and Investor Relations Unit is responsible for arrangement of the information published on the Website.

All public disclosures made by our company are accessible via the Website (www.eczacibasi.com.tr). The Website is configured and divided into sections accordingly. Any kind of measures related with the security of the Website are taken duly. The Website is prepared in Turkish and English languages and in the form and substance as stipulated by the CMB Corporate Governance Principles and it is constantly updated and developed.

The main headings that can be viewed on our Company's Website are listed below:

- ❖ Detailed information on corporate identity
- ❖ Information regarding the members of the Board of Directors and the top management of the company
- ❖ Company organization and shareholding structure
- ❖ Company's Articles of Association
- ❖ Trade registry information
- ❖ Financial data and indicators
- ❖ Press disclosures
- ❖ Material event disclosures
- ❖ Information document on the meeting date, agenda and the items of the agenda of General Assembly

- ❖ The minutes of the General Assembly and the list of attendants
- ❖ Form of Proxy
- ❖ Presentations made in the General Assembly meeting
- ❖ Corporate governance practices and compliance report
- ❖ Dividend distribution policy, history and increases of capital
- ❖ Information disclosure policy
- ❖ Detailed information on corporate social responsibility

Meetings and Discussions with Investors and Analysts

The Capital Market and Investor Relations Unit has been established under the structure of the Financial Affairs Department for performing the activities aimed at regularly conducting the relations with both existing and potential shareholders, answering and resolving the investor issues in the most effective manner and increasing the company's value. This unit is responsible for notifying all meeting requests received from the shareholders to the top level managers and to organize such meetings.

Our company considers the analyst reports as the property of the company preparing such analyst reports and does not publish them on the Website (www.eis.com.tr or www.eczacibasi.com.tr); in addition, it does not review, verify, approve, undertake the responsibility of or distribute the analyst reports or the income models, either.

Silent Period

Our company abstains from discussing the financial results and the other issues with the capital market participants during specific periods of the calendar year in order to prevent asymmetrical distribution of information and unauthorized disclosures about operating results. This period is called as "silent period". For our company, the silent period starts from the 15th day of the month following the month when the quarterly or annual fiscal period ends and it ends by one business day after the date of disclosure of financial reports.

During such silent period;

- ❖ Our company's financial situation will not be discussed in the one-to-one or group meetings to be held with the capital market participants excluding publicly disclosed information;
- ❖ Unless required otherwise and without prejudice to the provisions of the Capital Market Laws, any opinions about the activities and financial status will not be disclosed;
- ❖ Excluding publicly disclosed information about the financial results; any questions directed personally or in small groups will not be answered; no statements will be given to such types of groups. In such cases, the statements shall be published on the Website (www.eczacibasi.com.tr).

Unfounded News Spread in the Market

In principle, our company does not disclose any opinion about the news and speculations in the market. In case of any unfounded news rumoured or gossiped in the market, the persons authorized to make public disclosures may publish a press release indicating that it is a part of our company's Information Disclosure Policy not to make any comments and not to disclose any opinions about the news that are rumoured or gossiped in the market. However, if required conditions arise, the "confirmation obligation" is fulfilled as regulated by the Capital Market Laws and statements are made about the rumours and gossips spread in the market.

Disclosures related with Future Expectations

Our company does not provide any statements about expectations regarding interim period and yearly operating results. Instead, it prefers to disclose to the capital market participants the important items

allowing a better understanding about the critical issues affecting the operating results, its strategic approaches, the related sector and the environment that the company operates in.

In non-public interviews held with the capital market participants, any important / private (internal) information that is not yet public disclosed is not disclosed at all. However, our company may, from time to time, make prospective statements about the situations that are of great significance. In such cases, it should be taken into account that the prospective statements provided in the written documents of our company are made according to some specific assumptions; and serious variations may occur between the actual results achieved and the results expected from prospective statements due to the risks, uncertainties and other factors. Unless specified otherwise in the information disclosure policy, only the persons authorized to make public disclosures may make communications with the capital market participants on behalf of our company.

2.2 Company Website:

The Company has been actively using its corporate Internet website, www.eis.com.tr since April 2005 as stipulated by the CMB Principles in order to ensure faster and more effective relations with its stakeholders and to maintain continuous communications with its shareholders. Thus, the information about our company, the human resources, our affiliates, and the investor relations is made available to public. As a result of its reorganization in 2007, the Company has finalized updating its website in line with its new structure. Since May 8, 2009, the Investor Relations information for the Company accessible from the website address www.eis.com.tr has been directed to www.eczacibasi.com.tr. The Investor Relations information available through this new link has a broader content provided both in Turkish and in English languages.

The Company website contains the compulsory information required to be disclosed as per the laws; and the trade registry information, the shareholding and management structure according to the current status, the latest version of the Company's articles of association, material event disclosures, financial reports, annual reports, agendas of the general assembly meetings, the lists of attendants and the minutes of the meetings, form of proxy for voting, dividend distribution policy, information disclosure policy and the press releases and presentations made by the Company. In this context, the information for at least the last 5 years is provided on the Internet website. The Internet website address is also specified on the Company's letterhead.

2.3 Public Disclosure of the Relations between the Company and its Shareholders, Members of the Board of Directors and the Managers

The relations of our Company with its shareholders, Members of the Board of Directors and the managers are publicly disclosed as soon as the company becomes aware of them in accordance with the CMB legislation and the provisions specified in the Corporate Governance Principles.

As it is known, our company is an affiliate of Eczacıbaşı Group and it is publicly known that the members of Eczacıbaşı Family are real-person ultimate controlling shareholders. Our company has a 37.28% of shareholding in Eczacıbaşı Holding A.Ş. since it is a founder partner.

2.4 Trade Secret Concept and Insider Trading:

The trade-secret information refer to any information with current or potential commercial value, that are not known and normally not accessible by third persons, and targeted to be kept confidential by the information owner.

The Company takes any measures required for prevention of the use of any insider information. The list of the Company's managers and the other persons and/or institutions providing services for the Company that may acquire any information likely to affect the value of the capital market instruments is prepared and publicly disclosed in accordance with the principles specified in the information disclosure policy.

The potential insider traders are the members of the Board of Directors and the persons in the top management and the names of these persons are specified below:

Board of Directors

F. Bülent Eczacıbaşı	Chairman of the Board of Directors
R. Faruk Eczacıbaşı	Vice Chairman of the Board of Directors
Dr. O. Erdal Karamercan	Member of the Board of Directors
M. Sacit Basmacı	Member of the Board of Directors
Levent A. Ersalman	Member of the Board of Directors
Sedat Birol	Member of the Board of Directors

Legal Auditors

Selahattin Okan	Auditor
Tayfun İçten	Auditor

Independent Auditors

O. Tuğrul Özsüt	Certified Financial Advisor
Burç Seven	Responsible Partner Chief Auditor
Ali Bekçe	Responsible Partner Chief Auditor
Hüseyin Güler	Responsible Partner Chief Auditor (Substitute)
Yaman Peyvent Polat	Responsible Partner Chief Auditor (Substitute)
Alp Güres	Senior Auditor
Osman Arslan	Senior Auditor (Substitute)
Eda Gündoğdu	Auditor
Fatma Aslan	Auditor
Arman Tarhan Niğdelioğlu	Auditor
Başak Gönül Atıcı	Auditor
Ozan Akar	Auditor (Substitute)
Seda Gürsoy	Assistant Auditor

Top Management

Dr. O. Erdal Karamercan	Eczacıbaşı Holding A.Ş. / CEO
M. Sacit Basmacı	Eczacıbaşı Holding A.Ş. / Financial Affairs Group President
Levent A. Ersalman	Eczacıbaşı Holding A.Ş. / Strategic Planning and Financing Group President
Sedat Birol	General Manager / Health Group President
Okşan Atilla Sanon	Eczacıbaşı Holding A.Ş. / Corporate Communications and Sustainable Development Coordinator
A. Yeşim Roth	Eczacıbaşı Holding A.Ş. / Strategic Planning Director
E. İlkay Akalın	Eczacıbaşı Holding A.Ş. / Corporate Communications Director

Managers and Officers

Bülent Avcı	Financial Affairs Manager
Özgür Yalçın	Information Technologies Manager
Rosi Avigidor	Eczacıbaşı Holding A.Ş. / Finance Manager
Cem Tanrıkilici	Eczacıbaşı Holding A.Ş. / Press Agent
Gölnur Gönbey Kartal	Internal Audit Manager
Hülya Özer	Commercial Accounting Responsible Specialist
Ceyla Özgen	Financial Reporting Specialist

2.5 Important Events and Developments required to be disclosed to public:

The information to be disclosed to public is made available to the public via the “Public Disclosure Platform” (www.kap.gov.tr) and the company website in a timely, accurate, complete, straightforward, comprehensible, interpretable, cost-effective and easily-accessible manner in order to allow the persons and entities that will benefit from such disclosures to take any decisions in relation thereof. In this context, 37 material event disclosures were made in a timely fashion throughout the year according to the CMB regulations. Neither the CMB nor ISE requested any further explanations about such disclosures. Since material event disclosures were made on time, the CMB did not impose any sanctions in relation thereof. Our stocks are not traded in international markets.

SECTION III - STAKEHOLDERS

3.1 Company’s Policy regarding 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.

3.2 Supporting the Stakeholders to Participate in the Company Management:

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

3.3 Protection of the Company’s Assets:

The members of the Board of Directors and the managers cannot make any dispositions resulting in a reduction in the company’s assets in order to damage the stakeholders.

3.4 Company’s 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 behaviour, 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,

- ❖ Ensure that the female candidate is preferred between male and female candidates of equal qualifications.

Our Company's Human Resources management is conducted by the Financial Affairs Management; and since it is a member of Eczacıbaşı Group, the shared policy, and the fundamental rules and principles determined by the Human Resources Group Directorate under the structure of Eczacıbaşı Holding A.Ş. and established for all companies within the group are implemented duly. Such fundamental rules and principles are shared with the employees of Eczacıbaşı Group over the Company Portal.

Our Company does not have any personnel that are members to a trade union.

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

3.5 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.

3.6 Codes of Conduct and Social Responsibility:

Codes of Conduct

The Company's activities are conducted in accordance with the codes of conduct established by Eczacıbaşı Group. Such codes were notified to the company's employees in writing, but not disclosed to the public. The codes of conduct will be disclosed in our Corporate Management Principles Compliance Report and also published in the Company website after the year 2012 under the scope of compliance with the new Corporate Governance Principles published by the CMB.

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 fulfil 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 174 scientific research projects and distributed 31 Medical Science Awards and 38 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

4.1 Function of the Board of Directors:

The Board of Directors manages and represents the company by taking strategic decisions, keeping the company's risk, growth and returns balance in the optimum level, and preserving the long-term benefits and interests of the company based on its prudent risk management approach.

The Board of Directors defines the strategic objectives of the company, determines the human and financial resources that will be required by the company and checks the performance of management.

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 and Policies are determined and reviewed every year. Our Board of Directors and management continually monitor the Company's activities and results to ensure that they are in line with its strategic targets. During the Board of Directors' meetings held periodically, the company's targets and the operating results are followed up closely covering the previous periods' performances as

well. The current status of the Company is reviewed, and new targets and strategies are developed under the current conditions if and when required.

The Board of Directors oversees the compliance of the Company's activities with applicable laws, articles of association, internal regulations and the policies established.

4.2 Operating Principles of the Board of Directors:

The Board of Directors conducts its activities in a transparent, accountable, fair and responsible manner.

The Chairman and Vice Chairman are elected among the members of the Board of Directors. In addition, General Manager is also incorporated into the Board of Directors as an executive member.

The Board of Directors establishes the internal control systems covering also the risk management and information systems and processes that may minimize the impacts of the risks likely to affect the company's stakeholders, including particularly its shareholders, upon taking into account the opinions of the related Board of Directors' committees.

With respect to internal audit and risk management issues, the Board receives support from the Audit Committee, comprising two members of the Board of Directors, the Internal Audit Unit connected to the General Manager, but also reporting to the Audit Committee, the Financial Affairs Management and the Strategic Planning and Business Development Management under the structure of Eczacıbaşı Holding and the YMM (certified public accountancy) company with which full certification agreement was signed. Risk analysis (external) regarding fixed assets, and the security, emergency and risky assets position assessments are made in the Board of Directors' meetings.

The statutory records of the affiliates, group companies and subsidiaries included in the consolidation are checked by the Certified Public Accountancy Company on a quarterly basis in respect of the Turkish Commercial Law, the Uniform Accounting Plan and the tax issues. The activities of the companies consolidated by the Audit Board under the structure of Eczacıbaşı Holding A.Ş. are audited in respect of the required processes and/or issues. In addition, the financial statements dated June 30 and December 31 prepared for consolidation by the companies included in such consolidation are audited by the independent audit company in respect of compliance with the CMB legislation and the International Financial Reporting Standards. The financial statements arranged by such companies for the interim periods ending by March 31 and September 30 are checked by the Internal Audit Unit under the structure of Eczacıbaşı Pharmaceutical, Industrial and Financial Investments in accordance with the auditing principles applied by the independent audit company.

The chairman of the Board of Directors and the General Manager is not the same person in our Company. The authorities and responsibilities of the Members of the Board of Directors and executives are clearly defined in the Articles of Association. The authorities are further described in our Company's list of authorized signatures.

The Board of Directors plays a leading role in maintaining effective communications between the Company and the shareholders, and eliminating and resolving any disputes which may arise between them and to this effect, it acts in close cooperation with the Investor Relations Unit.

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

4.3 Structure of the Board of Directors:

As per the Articles of Association, the company's affairs are conducted and managed by a Board of Directors comprising at least three members to be elected among the shareholders by a decision of the General Assembly in accordance with the provisions of the Turkish Commercial Code. The

General Manager of the Company may be elected as a Member of the Board of Directors. The Company's Board of Directors comprises six members for 2011.

The Company's Board of Directors does not have any independent members in 2011. In the Ordinary General Assembly to be convened in 2012, an amendment will be made in the Articles of Incorporation and the required changes will be made for participation of independent members in the Board in accordance with the Corporate Governance Principles of the Capital Market Board.

There are executive and non-executive members in the Board of Directors. Non-executive Board members does not assume any other administrative duty in the Company except for their Board membership and they do not intervene in the Company's daily work flow and ordinary activities. The majority of the Board members is comprised of non-executive members. Mr. Sedat Birol is the only executive member of the Board of Directors.

The members of our board of directors that will take office until the Ordinary General Assembly Meeting for 2011:

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 Members of the Board of Directors have been granted the authority by the General Assembly to undertake transactions as stipulated in Articles 334 and 335 of the Turkish Commercial Code.

The Board Members may take offices in the companies under the structure of Eczacıbaşı Group; but in principle, they cannot take any office outside the Group.

4.4 Form of Meetings of the Board of Directors:

As specified in our Company's Articles of Association, the Board of Directors convenes as required by the affairs of the Company. The agenda of the Board meetings are determined by the General Manner upon the assignment by the Chairman of the Board of Directors. Our Board of Directors made 16 meetings in total in the year 2011. The meetings were held by participation of all members. The information of the Board Members and the communications are made by the General Manager. The invitation to the meetings is made via telephone and / or e-mail. The meetings of the Board of Directors are held in the Company's headquarters. Important Board decisions are publicly disclosed via the PDP and published on the Internet website in Turkish and English languages.

Each member of the Board of Directors has one voting right. The members of the Board of Directors does not have a privileged voting or a veto right. The decisions taken in the Board meetings were taken by the unanimity of the attendants and there were no Board Members dissenting to the decisions taken. Since there were no dissentive votes or statements of different opinions in the Board meetings held in 2011, no public disclosures were made. In respect of the issues specified in the article 2.17.4, Section IV of the CMB Corporate Governance Principles, the members of the Board of Directors actually participated in the meetings.

In the Board meetings, the items on the agenda are clearly discussed in all aspects. The Chairman of the Board of Directors endeavours utmost efforts in order to ensure active participation of non-executive members in the meetings of the Board of Directors.

4.5 Committees established under the structure of the Board of Directors:

In our Company, an "Audit Committee" was established in order to ensure that the duties and responsibilities of the Board of Directors are fulfilled in a healthy manner. M. Sacit Basmacı and

Levent A. Ersalman were elected by the Board of Directors as the members of the Audit Committee in 2011; and thus, the Audit Committee comprised of two non-executive Board Members. The Audit Committee conducts its activities regularly as stipulated in the Capital Market Laws and the CMB Corporate Governance Principles. The members in the said committee are not independent members.

In our company, a personnel was assigned for ensuring coordination for fulfilment of the company's obligations arising from the capital market legislation and for corporate governance practices in accordance with the criteria specified in the article 8 of the CMB's Communiqué Serial: IV, No: 41 titled as the "Communiqué on Principles Corresponding to the Corporations Subject to Capital Market Law" that was enforced upon its publication in the Official Gazette no. 26821 dated March 19, 2008.

Our Board of Directors has initiated its activities for establishment of a Corporate Governance Committee in order to ensure compliance with the article 4.5.10 of the CMB's Communiqué Serial: IV, No: 56 titled as the "Communiqué on Determination and Application of Corporate Governance Principles".

The compulsory principles specified in the CMB's Communiqué Serial: IV, No: 56 titled as the "Communiqué on Determination and Application of Corporate Governance Principles" shall be applied in selection of the members of the committees that will be established after the Ordinary General Assembly to be convened in the first half of 2012.

4.6 Financial Rights and Benefits granted to the Board Members and the Top-Level Managers:

The Board of Directors is responsible for achievement of the operational and financial performance objectives determined by the Company and disclosed to the public.

As per the Articles of Association of our Company, the rights to be granted to the Members of the Board of Directors are determined at the General Assembly meeting. In accordance with the decisions of the General Assembly, the members of the Board of Directors do not receive any remuneration for their membership in the Board. There is not any performance-based reward system. Only the executive members receive performance-based remuneration. In 2011, none of the members of the Board of Directors or executives received guarantees, credits or loans from the Company.

The principles for remuneration of the Board members and the top-level executives will be arranged in writing before the Ordinary General Assembly meeting to be held in the first half of 2012 and submitted for information to the shareholders as a separate item in such general assembly meeting; and thus, the shareholders will be allowed to express their opinions in relation thereof. The remuneration policy to be prepared accordingly will also be published on the Company's Internet website.

The Company explains the total of benefits provided for the top-level executives in the footnote regarding related parties within the consolidated financial statements.

The Company's performance-based remuneration plan will not be used for remuneration of the Board members.