



## Corporate Governance Rating Report



**December 7, 2012**

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## Rating and Executive Summary

### Pınar Entegre Et ve Un Sanayi A.Ş.

 **SAHA**  
Corporate Governance Rating:

**8.77**

**WORLD  
CORPORATE  
GOVERNANCE  
INDEX**  **Group  
1**

**MAIN SECTIONS: Avg. 87.73**

**Shareholders: 81.43**



**Public Disclosure & Transparency: 89.95**



**Stakeholders: 92.28**



**Board of Directors: 88.20**



0 10 20 30 40 50 60 70 80 90 100

## EXECUTIVE SUMMARY

This report, on rating of Pınar Entegre Et ve Un Sanayi A.Ş.'s (Pınar Et) compliance with Corporate Governance Principles is prepared upon conclusions following detailed analysis of the company. SAHA's rating methodology (page 5) is based on the Capital Markets Board's (CMB) former "Corporate Governance Principles" published in July 2003, and then revised on February 2005. When the new "Corporate Governance Principles" published on December 30, 2011 come into force, all companies will be rated based on this new methodology.

Pınar Et is rated with **8.77** as a result of the Corporate Governance study done by SAHA. Details of this study are presented in the following chapters as main sections and sub-sections. We observe that Pınar Et took the necessary steps to determine and manage its governance risks. There is still room, on the other hand, for improvements in order to fully comply with the CMB's Corporate Governance Principles.

Additionally, in accordance with the World Corporate Governance Index (WCGI) updated by SAHA on June 26, 2012, Pınar Entegre Et ve Un Sanayi A.Ş. takes place in Group 1. Details of the World Corporate Governance Index (WCGI) published by SAHA can be accessed at [http://www.saharating.com/liste\\_goster.asp?bolum=24&id=514](http://www.saharating.com/liste_goster.asp?bolum=24&id=514).

Under the **Shareholders** heading, Pinar Et scored **8.14**, which is above country average. Company carries out the investor relations obligations through Investor Relations Department reporting to the Capital Markets Coordinator. Shareholders' right to receive information and analysis is provided at an adequate level. The process of preparation, realization, and making public of results of the general shareholders meetings is satisfactory. On the other hand, there are areas for improvement like inexistence of shareholders' right to appoint an independent auditor and 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).

Pinar Et attained **9.00** under the **Public Disclosure and Transparency** chapter. There is well organized, informative, and comprehensive website that includes all information listed in the "Corporate Governance Principles" pertinent to public disclosure. Public announcements are made via all communications channels and are in accordance with the CMB and İstanbul Stock Exchange (ISE) rules and regulations. Whereas, records of important board decisions which may affect the value of the company's shares are not posted on the company's web site, and the fact that the company's ultimate controlling individual shareholders are not mentioned on the financial statement footnotes, as identified after being released from indirect or cross shareholding relationships between co-owners, stands out as an area of further refinement.

On the topic of **Stakeholders**, Pinar Et scored a well-deserved **9.23**. Relations with stakeholders are at a satisfactory level. The human resources policy is fully comprehensive and duly applied. Requests and needs of clients for company products and services are met diligently. The nature of the company's relationship with NGOs is broad and pleasing. In addition to these, the lack of an arrangement for employees to be represented on of the board of directors is an area open for improvement.

From the perspective of the Principles regarding the **Board of Directors**, Pinar Et's tally is **8.82**. There is a well communicated company mission and vision; and the board fulfills all duties regarding company needs. The company has established an effective risk management and internal control mechanisms. Managers possess the necessary authority and qualifications to carry out their duties on a fair, transparent, and accountable way. An Audit Committee and a Corporate Governance Committee is established. There are two independent members on the board of directors. Additionally, the inexistence of a provision in the articles of association which might able the shareholders and stakeholders to call a board meeting is an area which needs further improvement.

## 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 July 2003, as revised on February 2005.

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, the Istanbul Securities 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 the Principles 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 the future should all be included in the annual report and disclosed to public.

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

On the foundation of these Principles, SAHA Corporate Governance Rating methodology features over 350 code 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.30).

In compliance with the CMB's directive and to reach an overall Corporate Governance Rating, SAHA allocates the following weights to the four main sections of the Principles:

Shareholders: **25%**  
Disclosure and Transparency: **35%**  
Stakeholders: **15%**  
Board of Directors: **25%**

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

Pınar Entegre Et ve Un Sanayi A.Ş	
	<b>CHAIRMAN</b> İdil Yiğitbaşı <b>GENERAL MANAGER</b> Tunç Tuncer
Şehit Fethi Bey Cd. No:120 35210 Alsancak/İzmir <a href="http://www.pinar.com.tr">www.pinar.com.tr</a>	<b>Investor Relations Department</b> Senem Demirkan Tel: (0232) 482 22 00 <a href="mailto:yatirimciiliskileri@pinaret.com.tr">yatirimciiliskileri@pinaret.com.tr</a>

Along with the production of cattle and sheep, poultry and fish, meat and by-products, Pınar Entegre Et ve Un Sanayi A.Ş. manufactures frozen dough products and ready meals. The company was established in 1985 under Yaşar Group and takes place in the market with "Pınar" brand products. Pınar Et produces over 30,000 tons of goods a year in plant facilities with about 46,000 m<sup>2</sup> of closed and 284,000 m<sup>2</sup> open areas. There are 621 employees as of end of 2011.

Pınar Et's shares are traded at the Istanbul Stock Exchange (ISE) under the code "PETUN" and is a constituent of ISE All Shares (XUTUM), ISE Dividend (XTMTU), ISE All Shares-100 (XTUMY), ISE Industrials (XUSIN), ISE National (XULUS), ISE Food, Beverage (XGIDA), and ISE İzmir (XSIZM).

Net distributable profit of the company was TL 30,231,877 in 2011 and a dividend payment of TL 26,867,700 was realized.

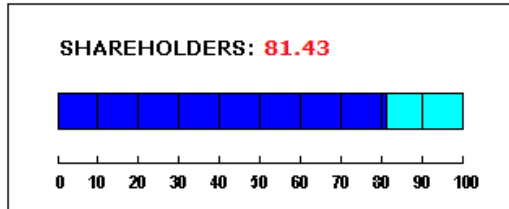
There are 43,335,000 company shares as of the date of this report. Company's share capital consist of 15,000 group A registered shares and 43,320,000 group B bearer shares with a face value of TL 1.- each. Group B shares are traded on the Istanbul Stock Exchange.

<b>Pınar Entegre Et ve Un Sanayi A.Ş. Capital Structure</b>		
<b>Name</b>	<b>Share Amt. (TL)</b>	<b>Share %</b>
Yaşar Holding A.Ş.	23,476,893.16	54.18%
Pınar Süt Mamülleri San. A.Ş.	5,451,752.25	12.58%
Public Shares	14,406,354.59	33.24%
<b>Total</b>	<b>43,335,000.00</b>	<b>100.00%</b>

The board of directors has shaped up as follows:

<b>Pınar Entegre Et ve Un Sanayi A.Ş. Board of Directors</b>	
<b>Name</b>	<b>Title</b>
İdil Yiğitbaşı	Chairman
Yılmaz Gökoğlu	Vice Chairman / Corporate Governance Committee Member
Mehmet Aktaş	Member
Ergun Akyol	Member
Levent Rıza Dağhan	Member
Turhan Talu	Independent Member / Audit Committee Chairman / Corporate Governance Committee Chairman
Ali Yiğit Tavas	Independent Member / Audit Committee Member

## SECTION 1: SHAREHOLDERS



### SYNOPSIS

+	There is an active investor relations unit
+	Dividend policy is defined
+	Equal treatment of shareholders
+	Preparation and disclosure prior to general shareholder meetings are satisfactory
+	Voting rights are facilitated
+	General shareholders' meetings are conducted in compliance with the legislation
=	Interim dividend payment policy exists, but not applied
-	Shareholders do not have the right to request appointment of special auditors at the general shareholders' meeting
-	Holders of group A shares have the privilege of nominating the majority of the board of directors
-	Assent of the board of directors is required for transfer of group A shares

The company carries out the investor relations obligations through Investor Relations Department reporting to the Capital Markets Coordinator. The duties of this department consist of keeping a healthy and up to date record of shareholders; responding to shareholders requests for information; performing all necessary preparations for the general shareholders' meeting in accordance with the legislation, company's articles of association, and

internal regulations; preparing all the documents available to shareholders at the general shareholders' meeting; keeping records of voting results; delivering minutes and results to shareholders; and, keeping up to date the investor relations information on company's web site.

All on time information required to exercise shareholders' rights in a sound manner is made available to all shareholders via the company's web site; [www.pinar.com.tr](http://www.pinar.com.tr).

Under company's obligation to inform shareholders, all legal or commercial relationships with other enterprises or individuals with whom there is a direct/indirect managerial, administrative, supervisory or ownership related relationship is also described. Whereas, there is no provision in the articles of association which allows each shareholder to have the right to request from the general shareholders' meeting that a special auditor to be appointed for an examination and clarification of a specific material situation.

In terms of minority rights, company has adopted the rate foreseen in the legislation for public companies (5%).

General shareholders' meetings take place in an utmost manner abiding shareholders' rights, respecting the mandatory provisions of the legislation and CMB's Corporate Governance Principles.

Annual reports, financial statements and reports, the information documents prepared in connection with general shareholders' meeting agenda, all other articles based on agenda items, the final version of the



articles of association, and its amended text along with the justifications are made available to the shareholders for their review within a comfortable reach.

The majority of the board members have participated to the latest general shareholders' meeting. Information submitted to the shareholders prior to the conduct of the general shareholders' meetings are easily associated with the agenda items and expressed clearly in a manner not to result in any misinterpretations. Agenda items do not contain any vague clauses like "other" and "various".

Proxy forms are posted promptly and appropriately for those who would appoint a proxy for the general shareholders' meeting. The board endeavors to consider shareholders' requests about items to be placed on the agenda.

The voting procedure, as in the content of the company's articles of association, is within easy reach through electronic media and the agenda informs the shareholders prior to the meeting. Likewise, the total number of votes that can be used in the general shareholders' meeting are classified on the basis of shareholders and presented to them at the beginning of the meeting.

Board members obtained the approval at the latest general shareholders' meeting to enter into transactions with the company or to be involved in competition with the company.

The use of voting rights is provided in an easy and appropriate manner. Yet, in the articles of association there is a provision of privilege on nominations to the board of directors. Under this provision, group A shares have the privilege to nominate the majority of the board. There are no obstacles on

the voting of institutional and legal representatives.

Company has a clearly defined and consistent dividend policy and it is disclosed to the public. This policy is presented to the shareholders at the general shareholders' meeting and has taken place at the annual report. There are no privileges exercised on dividend rights. Interim dividend payments, although allowed by the provisions of the articles of association, have never been applied.

The articles of association of the company do not contain provisions to impede the transfer of shares. However, the group A shares cannot be transferred without the approval of the board of directors.

All shareholders, including minority shareholders and foreign shareholders are treated equally, and there is no sign of any shareholder acting with the intention of harming other shareholders and the company unless aimed at protecting his/her own justified interest. In this sense there has been no fine imposed, or warning received from the CMB and/or ISE.

### **1.1. Facilitating the Exercise of Shareholders' Statutory Rights:**

The company carries out the investor relations obligations through Investor Relations Department reporting to the Capital Markets Coordinator. Mrs. Senem Demirkan (Capital Markets Coordinator) and Mr. Gökhan Kavur are the authorized personnel of this unit.

The department is adequately staffed in terms of number, structure and experience. The staff is observed to be dedicated and committed to proper application of corporate governance principles.

Shareholder records are kept up-to-date and properly; shareholders' written queries for information (excluding the information that is confidential and classified as trade secret) are replied to promptly; appropriate preparation is done to ensure that the general shareholders' meeting is conducted in accordance with the legislation, the corporate statute and other in-house regulations; documents to be used by the shareholder at the meeting are prepared; records of voting results are kept and all reports related to the resolutions of the general shareholders' meeting are sent to the shareholders; and necessary measures are taken to keep the information provided in the investor relations menu of the company's web site to be up-to-date and comprehensive.

### **1.2. Shareholders' Right to Obtain and Evaluate Information:**

With regard to facilitating shareholder rights, all necessary information and documentation are available for and easily accessible by the shareholders. Shareholders are provided with information such as the identity and responsibility of shareholder relations staff, timing and other details related to the general shareholders' meeting, voting and minority rights, and procedures to be followed for the transfer of shares. Company's web site ([www.pinar.com.tr](http://www.pinar.com.tr)) is actively used to provide all necessary information, and telephone and written response facilities are also utilized.

This information is submitted as complete, accurate and in a timely manner. Under company's obligation to inform shareholders legal or commercial relationships with other enterprises or individuals with whom there is a direct/indirect managerial, administrative, supervisory or ownership related relationship is disclosed. In this scope, information

about the nature of any relationship between the company and the company's board members, shareholders, and affiliated companies is provided in the periodic financial statements as well as the annual report.

An area for improvement under this chapter is that in the articles of association there is no provision which allows individual shareholders the right to request at the general shareholders' meeting the appointment of a special auditor for the examination and clarification of a specific material situation.

### **1.3 Minority Rights:**

Pinar Et recognizes minority rights in its articles of association as 5%, which is what the current legislation requires. However, it would be more appropriate if an enlargement of the scope of minority rights is attained through the regulations in the articles of association, as recommended by the CMB's Corporate Governance Principles.

Proxy forms are provided on the web site of the company for domestic and international shareholders who wishes to appoint a proxy for the meeting.

### **1.4. The Right to Participate in the General Shareholders' Meeting:**

Prior to the general shareholders' meeting, holders of registered shares are recorded in the company's share ledger in order to ensure the attendance of real shareholders at the general shareholders' meeting. The board prepared and disclosed to the public all necessary documents regarding the agenda items.

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 was performed through all means of communication available to the company and was published in two newspapers as well as on the company's web site. The invitation was made on April 20, 2012 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 together with all necessary informative documents; the old and new versions of the related provisions of the articles of association as approved by the relevant authorities; the body inviting the general shareholders' meeting; and the exact location where annual report, financial statements and other meeting documents can be examined.

Commencing from the date of announcement of invitation for the general shareholders' meeting, financial statements and reports including the annual report; informative documents prepared for the agenda items of the general shareholders' meeting, and all other related documents pertaining to the agenda items were made available to all shareholders for examination purposes in the most convenient locations including the headquarters or branches of the company and also in electronic media.

Pınar Et is prompt in disclosing information regarding all operational and management changes which were realized in the previous fiscal period to the Istanbul Stock Exchange (ISE) as well as the public, via the "disclosure of material events" and via its web site within the time period required by the current legislation.

Information submitted to the shareholders prior to the conduct of the general shareholders' meeting was easily associated with agenda items. Such information consisted of references and citations pertaining to the agenda items to be discussed. 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.

Proxy forms were posted on the web site promptly and appropriately for those who would appoint a proxy for the general shareholders' meeting.

During the last general shareholders' meeting, shareholders did not have any specific requests to be included in the agenda items.

The location of the latest general shareholders' meeting was easily accessible and appropriate for the attendance of all shareholders. In addition, the company made every effort to predict the possible number of attendees prior to the meeting. The conduct and the execution have been appropriate, fair, and efficient and the meeting did not lead to any discrimination among the shareholders. It was declared that four of the board members, auditors, those who were involved in the preparation of periodical financial statements, and persons who are in a position to inform shareholders about peculiar agenda items were present at the meeting.

Procedures of voting are posted on electronic media and within the articles of association of the company. Voting was conducted through open ballot and by raising hands during the general shareholders' meeting, and voting procedure was announced at the beginning of the meeting. Likewise, the total number of votes to be cast by the shareholders during the meeting is classified and subsequently

presented to the shareholders at the start of the meeting.

Board members obtained the approval at the latest general shareholders' meeting to enter into transactions with the company or to be involved in competition with the company.

The chairman conducted the meeting on fair grounds, and in an efficient manner that would enable shareholders to exercise their rights. He ensured that each question imposed by any of the shareholders was answered directly in the general shareholders' meeting. The meeting served as a forum of shareholders in which the annual report and company's performance indicators were discussed.

Each agenda item was voted separately, the votes were counted before the end of the meeting and then the voting results were announced. The minutes of the meeting are made available to the shareholders in writing and in electronic media at all times.

It was declared that 5 out of 7 members of the newly elected board of directors were present at the latest general shareholders' meeting and the disclosure document contained information on the candidates.

It has been also declared that the shareholders were informed about the candidates who fulfill a duty as a board member at other companies and whether in-house regulations in that respect are observed or not.

On the other hand, minimum requirements for disclosure of information about the candidates are not stated in the articles of association of the company.

The external audit firm informed the shareholders in its audit report on

whether or not the financial statements and other financial reports comply with the current principles and standards; the statements and reports truly and completely reflect the real status of the company; and whether or not there are any issues hindering the independence of the external auditor.

The articles of association of Pinar Et includes a provision that resolutions regarding the division and allocation of shares which might change the capital and management structure of the company (exceeding 10% of total assets) and the composition of Pinar Et's assets; the sale or purchase of tangible/intangible assets can only be decided on at the general shareholders' meetings.

#### **1.5. Voting Rights:**

At Pinar Et each shareholder is provided with the opportunity to exercise his/her voting right in the most appropriate and convenient way.

Although there are no ceilings applied on the number of votes that a shareholder may exercise during the general shareholders' meeting, holders of group A shares have 3 voting rights and the holders of group B shares have 1 voting right each. However, since the proportion of group A shares in the total number of shares is relatively small, this privilege does not have much effect. The capital structure of the company consists of 15,000 group A shares and 43,320,000 group B shares.

The articles of association of the company contain a provision that grant voting privileges to the board of directors on nominations. In accordance with this privilege, four out of seven members of the board of directors are selected among the candidates nominated by the holders of group A shares. Such a privilege in question is partially blocking the

representation of the holders of the public shares in the management of the company.

Right to vote is automatically granted once the share is acquired. There are no provisions in the articles of association of the company that prevent voting by use of a proxy who is not a shareholder.

The certificate of authority defines who is entitled to exercise the right to vote and legal representations are documented in writing. The institutional representation is based on open ballot.

There are no obstacles on the voting of institutional and legal representatives.

#### **1.6. Dividend Rights:**

The company's dividend policy is clearly defined and disclosed to the public. It is submitted to the shareholders at the general shareholders' meeting and is incorporated in the annual report.

The proposal of the board of directors on a dividend payment in line with the latest balance sheet is adopted at the general shareholders' meeting. Pinar Et's shares are constituent of ISE Dividend (XTMTU) index.

There are no privileges exercised on dividend rights. The company's dividend distribution policy is constituted to balance the interests of the shareholders as well as the company.

Pinar Et did not carry out any interim dividend payments, although provisions allowing such payments exist in the articles of association.

#### **1.7. Transfer of Shares:**

Neither the articles of association of the company nor any decisions

adopted at the general shareholders' meeting contain any provisions that impede the transfer of shares which are publicly traded. However, the group A shares cannot be transferred without the approval of the board of directors.

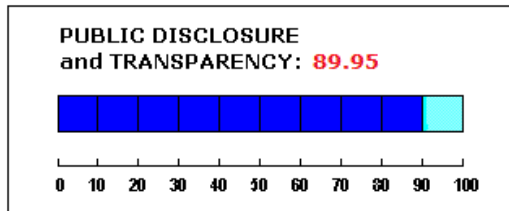
#### **1.8. Equal Treatment of Shareholders:**

As a result of our examinations of the conduct, execution and minutes of the general shareholders' meetings, the articles of association, and interviews with company officials, we have no reason to doubt the equitable treatment of shareholders.

Pinar Et officials, during the rating process, have also declared that board of directors, executives, shareholders who are controlling the management, or other persons who would have the privilege to retrieve various kinds of information, do not perform any activities on their own behalf which coincide with the activities of the company.

We did not come across to a sign of any shareholder acting with the intention of harming other shareholders and the company unless aimed at protecting his/her own justified interest.

## SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY



### SYNOPSIS

+	Comprehensive web site, actively used for public disclosure
+	Comprehensive disclosure policy
+	Periodic financial statements comply with the legislation
+	Relations and modus operandi with external auditors comply with rules and regulations
+	Disclosure on events and developments that may affect the value of the company complies with the legislation
+	Corporate web site contains all information on general shareholders' meetings
=	Declaration of compliance with corporate governance exists, but not signed
-	List of ultimate controlling individual shareholders after being released from indirect or cross shareholding relationships between co-owners are not disclosed to the public and not mentioned in the annual report
-	No disclosure on remuneration of the employees and their social rights in the annual report
-	Minutes of meeting on significant decisions of the board of directors does not take place on company's website
-	Declaration of the board of directors whether the periodic financial statements reflect the exact financial status of the

company and if the company fully complies with the legislation is not included in the annual report

The company has two authorized managers responsible for the use and operation of the Public Disclosure Platform (KAP). The company's disclosure policy duly performs the function of providing accurate, complete, comprehensive, and easily interpretable information to shareholders and stakeholders. Special events circulars are timely and regular.

Pinar Et's web site is considered satisfactory in terms of content, accessibility, and user friendliness.

Despite the existence of these positive points, and even though mentioned collectively on the notes of the financial statements, detailed information about payments to executives in cash such as salary, bonuses, and other regular and irregular payments on the basis of name/title is not disclosed in the annual report.

The company's ultimate controlling individual shareholder or shareholders, as identified after being released from indirect or cross shareholding relationships between co-owners, are not displayed in the annual report in a table format.

Pinar Et's periodical financial statements are prepared in accordance with the legislation as well as the international accounting principles. Annual reports contain plenty of information about the scope of activities of the company; the organization, capital structure, ownership and management structure



of the company, its financial status and operation results. However, the report does not have any entries regarding the external auditor's opinion about the internal control system of the company.

The external audit firm chosen by the company is independent and experienced, and the audit procedure fully complies with the current legislation.

### **2.1. Principles and Means for Public Disclosure:**

Investor Relations Department under the Capital Markets Coordinator is responsible for public disclosure tasks. Investors, financial analysts, press and other interested parties requesting information are directed to this unit. Managers authorized to use and operate the KAP (Public Disclosure Platform) are Mr. Mustafa Şahin DAL and Mr. Orkun NALDELEN.

In compliance with the transparency principle, the company accurately discloses its accounting policy and operational financial results to the public. Likewise, the company prepared collective principles to be used in the disclosure policy of the company and disclosed them to the public. Same disclosure policy is presented to the shareholders at the general shareholders' meeting.

The disclosure policy covers the type of information to be disclosed, form and methods of disclosure, the method to be adopted in order to answer the questions submitted to the company, the frequency of which the board of directors and the executives would confront the press, the frequency of the public disclosure meetings, the type of information to be discussed at the general shareholders' meeting, and the public disclosure of forward-looking information.

The preparation or revision of pro forma financial statements, the external auditor's compliance audit and the public disclosure of audit results (without prejudice to the provisions of applicable legislation), and the disclosure of the forward-looking information is carried out in accordance with international standards.

The general shareholders' meetings and the company's website ([www.pinar.com.tr](http://www.pinar.com.tr)) is actively used for disclosure purposes. Besides, in cases required by legislation, direct information is given to CMB and ISE. Any decisions and events that may affect the value of the company are disclosed to shareholders and public via "Disclosure of Material Events".

Information about whether or not the corporate governance principles are being properly applied is incorporated in the annual report. The unilateral declaration of the board of directors on the reasons for any non-application is included in the compliance report, but not signed.

The dividend policy of the company is defined in detail in the articles of association and disclosed to the public on the company's web site and in the annual report. Pinar Et's ethical rules within the scope of its public information policy are also disclosed to the public on the company's web site.

The company's website is actively used for disclosure purposes. It is all-inclusive and easily accessible. The English version of the web site is equally comprehensive. The letterhead of the company includes the address of the web site of the company. The site is configured and designed so as to include all the information that is disclosed to the public by the company.

Information published on the company's website includes trade register information, detailed information about the shareholder and the upper management structure, the final version of the company's articles of association together with date and numbers of the trade register gazettes in which amendments are published, publicly disclosed material information, the company's vision, mission and main strategies, annual reports, periodical financial statements, agendas of the general shareholders' meetings and list of participants and minutes of the general shareholders' meetings, form for proxy voting at the general shareholders' meetings, and frequently asked questions including requests for information, questions and denunciations, and responses thereof.

On the other hand, minutes of important board meetings which may affect the value of capital market instruments of the company are not listed on the company's web site.

Provisions for the disclosure of the nature of legal and commercial relationships between the company and third parties, and companies that Pinar Et is related to in terms of capital, management or audit, is included in the company's information policy.

## **2.2. Public Disclosure of Relations Between the Company and Its Shareholders, The Board of Directors and Executives:**

Although no changes of 5 % or more in the shareholder structure has been noted in recent history, the company's public disclosure policy is in accordance with the current CMB and ISE rules and regulations.

The company's ultimate controlling individual shareholder or shareholders are not disclosed to the public as

identified after being released from indirect or cross shareholding relationships between co-owners. Likewise, company's capital structure presented in a detailed table format that would include the names of the ultimate controlling individual shareholder/s, amount and proportion of their shares is not incorporated into the annual report and at the footnotes to the financial statements.

On the other hand, commercial and non-commercial transactions between Pinar Et and other companies, where board members, executives and shareholders, who either directly or indirectly having the control of the latter are disclosed to public as per the CMB and ISE legislation.

## **2.3. Periodical Financial Statement and Reports in Public Disclosure:**

The periodical financial statements and footnotes are prepared in accordance with the existing legislation and international accounting standards, and applied accounting policies are also included in the footnotes of the financial statements. The footnotes of the periodical financial statements include all off-balance sheet transactions including contingent claims, all liabilities and operational results that would affect future financial status, liquidity of the company, investment expenditures, investment sources, all factors that would affect the future relations of the company with other real persons and legal entities which are not within the scope of consolidation.

The annual report is signed by the chairman, the general manager, members of the audit committee and executives who are responsible for the preparation of the periodical financial statements. However, we could not counter their declaration in the same report; whether the periodical financial statements reflect the exact financial



position of the company, and if it is fully complying with the legislation.

The annual report includes information about the scope of activities of the company; board of directors' evaluation and analysis of financial status and operation results; level of achievement of the planned operations; status of the company in the face of strategic objectives set; general information about the sector along with position of Pınar Et in the same sector, and an analysis of significant transactions carried out during the preceding year with the group companies and other related persons and institutions.

Similarly; information about changes in the organization, capital, ownership and management structure of the company; financial statistics and charts; business and commercial transactions between the group of companies; the dividend policy; function of the general shareholder's meetings; shareholder rights and the principles that refer to the exercise of these rights are included in the annual report.

Nonetheless, the external audit firm's view on the internal control system of the company; and the company's ultimate controlling individual shareholder or shareholders, as identified after being released from indirect or cross shareholding relationships between co-owners are not incorporated in the annual report.

It contains information about the internal control system, but the declaration of the board of directors on sound operation of the system is not included in this report.

The identity credentials and duties of the company's board members and executives are incorporated in the annual report. However, their curriculum vitae, payments made to

the employees presented as a detailed table showing the name/title, position of the executive and the total value of the payment affected, criteria that define such payments and information about employees' social rights are not disclosed.

#### **2.4. Functions of External Audit:**

The external audit firm chosen by Pınar Et (Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a PricewaterhouseCoopers member company) is an independent and international audit company.

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 agreements and modus operandi with the external audit firm comply with the legislation.

The external audit contract is devised in accordance with the CMB legislation and then sent to the CMB. Although there is no evidence of any contrary application, it is worth noting that external auditors have not been contractually provided with immunity against risks due to legal proceedings emanating from the company's operations.

There has been no legal conflict between the company and the external audit firm. Similarly, the company authorities declared that the audit firm, auditors and other related staff working for them are not permitted to provide consultancy services to the company within the same period of auditing services.

## **2.5. The Concept of Trade Secret and Insider Trading:**

Pınar Et has incorporated the definition of information that falls within the scope of trade secret in its internal book of rules and regulations. Necessary measures and precautions are defined in the company's "Yaşar Group Code of Business Ethics Guide and Human Resources Policies" document.

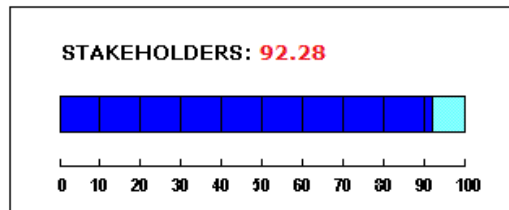
A list of the names of executives and other persons/institutions who provide services to the company, and who can potentially possess price-sensitive information is prepared and disclosed to the public in accordance with the information policy. In addition, Pınar Et declared that this list has been entered into the system of the central securities depository (MKK) and a written undertaking has been received from each person on the list.

## **2.6. Significant Events and Developments That Must Be Disclosed to the Public:**

As a result of our analysis and observation, we are convinced that the company fully complies with the CMB and ISE legislations on its disclosure process regarding important events and developments.

The company disclose immediately any significant changes in the capital structure of the company; changes in the scope of the core activities of the company; any lawsuits involving significant amounts filed by or against the company, and the relevant court decision, if any; and all important developments and events and their possible implications on the financial status and operational results of the company.

## SECTION 3: STAKEHOLDERS



### SYNOPSIS

+	Measures to safeguard stakeholders' rights are facilitated
+	Active trade union
+	Efficient and comprehensive human resources policy
+	Code of ethics defined and disclosed to the public
+	Provisions facilitating the participation of stakeholders in the management of the company in place
+	Enhanced sense of social responsibility and environmental awareness
-	No arrangements regarding representation of the employees on the board of directors

With regard to relations between the company and all related public and private parties (stakeholders) other than shareholders and the board of directors, over 40 sub-sections have been analyzed under the following headings:

- Company policy,
- Participation in the company management,
- Protection of company assets,
- Human resources policy,
- Relations with customers and suppliers,
- Social responsibility, and
- Code of ethics.

Our conclusions are particularly positive.

The dominant factor that influenced our conclusions is that the company recognizes its stakeholders' rights established by the law and in cases where the rights of the stakeholders are not regulated by the relevant legislation and preserves the interest of stakeholders under good faith principles and within the capabilities of the company.

The ethical codes of Pınar Et are defined and announced to the public on the corporate website.

The company is considerate of its social responsibilities. Activities of NGOs and initiatives concerning education, environment, sports, and arts and culture are supported.

We have detected no evidence of negligence or wrong doing either by the board or the top management that caused the company assets loose value and led to a deliberate loss for stakeholders.

### 3.1. Company Policy Regarding Stakeholders:

Pınar Et's ownership is dominated by one of the leading groups of Turkey; the Yaşar Group of Companies. Due to its prominent corporate identity, Pınar Et possesses consistent and advanced policies regarding the rights of its stakeholders as well as relations with the private sector.

During the rating process, we did not detect any significant or frequent incidences where stakeholders' rights which are regulated by the current legislation and contracts have been

violated. Pınar Et's corporate governance practices guarantee and preserve these rights.

Strict quality standards in company products and services are applied. Substandard products and services are replaced or compensated within the relevant legislative measures.

Pınar Et acts as a pioneer in overcoming and solving any possible conflicts and disputes that may arise between the company and its stakeholders. In case the rights of the stakeholders are not regulated by the relevant legislation, the company preserves the interest of stakeholders under good faith principles and within the capabilities of the company, without permitting any damage to the brand image.

All customer requests and grievances are filed, monitored and assessed. To this end, consumer satisfaction surveys are conducted and product improvements are realized according to the obtained results.

The web site of the company ([www.pinar.com.tr](http://www.pinar.com.tr)) is actively used to provide adequate information on policies and procedures towards the protection of stakeholders' rights. In addition, it has been declared that employees are notified via their mobile phones, bulletin boards and through e-mail.

The Company respects and protects the rights of its stakeholders as specified in applicable legislation, agreements, and by mutual understanding. 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.

### **3.2. Stakeholders' Participation in the Company Management:**

The mechanisms and models supporting the participation of stakeholders, and especially of employees, in the company's management have been developed without impeding the operations of the company. Stakeholders are encouraged to participate in management through various channels such as proposals or employee opinion surveys, which do not delay company operations. Pınar Et consults with and obtains the consent of the labor union with regard to the changes in working conditions, the working environment and the rights of workers. Dealers are encouraged to participate in the company's management through organized meetings. However, the participation of the stakeholders in the management of the company is not acknowledged.

Relationships with employees regarding in-house relations and participation to the management are conducted with the Tobacco, Alcoholic Beverages and Food Subsidiary Workers Union of Turkey. (Tekgıda-İş)

We did not come across to any incidence of any incentives and privileges granted to the stakeholders regarding the review of the management and operations of the company and/or any information which is classified as trade secret being used so as to violate the equal opportunity among different groups of stakeholders.

### **3.3. Protection of Company Assets:**

The company pays due attention to the protection of company assets as its an ISE (Istanbul Stock Exchange) listing and shareholder structure dictate stringent care and adherence to these rules and regulations.

Neither the board nor any of the executives of Pinar Et have been involved in any actions that caused the company assets lose value and led to deliberate loss for stakeholders.

### **3.4. Company Policy on Human Resources:**

With respect to the specific country standards, the company has a well-established human resources policy which ensures equal opportunity, social rights, and sound career planning. On the job training and personnel promotion schemes as well as relations with the trade union, are of high standards.

Pinar Et employs a comprehensive and efficient human resources policy of which the fundamentals are:

a) Staffing at the company is determined according to the criteria of business economics. All employees agree that honorable employment is only possible through productive work.

b) The company conducts intramural and extramural training programs within the framework of plans that are devised for each level in order to ensure the progression of its employees.

c) The company is mindful of equality of opportunity in all promotions and appointments throughout its organization. As a matter of principle, appointments are made from among the company's own personnel.

d) By means of a career planning system in which progression plans are implemented, employees who have potential are provided with the broadest possible opportunities for advancement.

e) Employees' performance is evaluated on the basis of their

fulfillment of targets and their competencies.

f) Job descriptions and performance standards are documented for positions at every level from the highest to the lowest and these serve as the basis for employee evaluations.

g) Employee opinion surveys are conducted regularly every year, at which time employees are asked for their views about such issues as working conditions, management, social activities, compensation, training, performance evaluation, career planning, participatory management, and company satisfaction. Improvements are made in line with the feedback that is received in this way.

h) A safe workplace and safe working conditions are a matter to which the company gives importance. Under the company's occupational health and safety regulations, all legally mandated measures are taken to prevent occupational risks, ensure health and safety, and eliminate risk and accident factors. An ongoing effort to make improvements is carried out through regularly conducted safety meetings.

i) The company's style of management is "to maintain its existence as a company which behaves in compliance with laws and with the rules of ethics and which adheres to a total quality philosophy and to a participatory form of management.

j) An essential principle at the company is that all employees will be treated equally and without making any distinctions among them with respect to language, race, color, sex, political beliefs, philosophy, religion, sect, or similar reasons. Due measures have been taken to protect these basic employee rights.

There are two workplace representatives at Pinar Et and it has been declared that the duties of these representatives are to:

- a) Hear workers' wishes and resolve their complaints exclusively with respect to matters at the workplace;
- b) Ensure continued labor peace through worker-employer cooperation and labor fairness;
- c) Be mindful of workers' rights and interests; assist in the implementation of the working conditions which are provided for in labor laws and in collective bargaining agreements.

Pinar Et has a detailed and comprehensive recruitment policy which defines appropriate criteria. In the recruitment and selection process, equal opportunities are provided for all candidates who have the appropriate training, knowledge, skills, competence and experience required by the job. All candidates are assessed using defined recruitment procedures.

The company treats all employees fairly in terms of training and career planning and strives to install training policies to improve their knowledge, skills and competencies. On this context, in 2011 Pinar Et provided its employees with training on a wide range of issues including general health, first aid, occupational health and safety, pest control, general and personal hygiene, fire-fighting, and the hazards of smoking and tobacco products. Total training time amounted to 9,535 hours. In addition, the specialized occupational training program which Pinar Et conducts for workers who are employed in the performance of heavy and dangerous jobs was completed as of end-March 2011. The company declares that as a result of this program, 375 Pinar Et employees were awarded

Development and Compliance Course certification.

Performance and remuneration criteria are defined in writing and communicated to the employees.

The company authorities declared that, to date, neither the company's management nor the human resources department received any complaint of discrimination.

### **3.5. Relations with Customers and Suppliers:**

We observe that the company has taken all necessary precautions to attain customer satisfaction in the sales and marketing of company products and services. Accordingly, Pinar Et was granted various certifications by the Turkish Standards Institute (TSE) such as TSE ISO-EN 9000, TSE İSG-OHSAS TS 18001, TSEFSSC22000, and the laboratory certification of TSE ISO-EN 14000.

A variety of surveys and polls aimed at achieving customer satisfaction are conducted by Pinar Et and by independent concerns. An ongoing effort is made to improve product and service quality based on research findings and customer wishes.

Customers may submit requests and complaints via company's free information hotline of 444 76 27.

Company authorities declare that; a continuous flow of information is maintained with suppliers whereby they are kept informed about news and possible developments in the sector, cooperation is achieved by organizing quality and innovation circles, and priority is given to making use of new ideas that are advanced.

The company places great emphasis on meeting and guaranteeing certain quality standards for products and



services. Products and services that fail to meet these standards are compensated for, in line with the relevant consumer protection laws.

### **3.6. Ethical Rules:**

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

Processes to be applied in case of unethical personnel behavior and acts against operational rules and regulations are explained in detail in the internal personnel and discipline codes.

### **3.7. Social Responsibility:**

As an enforcement which the company is held responsible by the public authorities in recent years, the Competition Authority decided to impose administrative fines of TL 511,770.94 severally to Pınar Et and Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş., a group of company, for engaging in acts that are restrictive upon competition aimed at customers in the mass consumption channel in meat and meat products market. A disclosure of material events was issued that upon official service of the Competition Authority's detailed ruling to the company, any legal rights against the said ruling available shall be exercised within the legal period of time.

Litigations and the possible consequences that are significant took place in the annual report.

Yaşar Holding Hukuk Müşavirliği, the legal counsel, provides legal services to Pınar Et.

The company pays careful attention to meeting social needs and fully complies with all applicable laws and code of ethics and observes human rights in all its operations. Pınar Et has

set up its own in-house apprentice training center whose objectives are firstly to provide a systematic program of theoretical and practical professional training for young people in the 15-18 age group who have completed their basic education, who entered the working environment, and who are interested in learning a profession; and secondly to transform them into the skilled workers which the nation is in need of.

Two in-house publications; Pınar Gazetesi (newspaper) and Yaşam Pınarım (magazine) seek to encourage company employees to engage in social activities in the areas of culture, art, sports, and education.

The company supports education by collaborating with organizations such as Yaşar University and Yaşar Education Foundation.

Pınar Et has also been an advertising sponsor of Pınar Karşıyaka, a basketball team that has been contending in the Turkish Premier Basketball League since 1998.

In addition to these activities, nearly a thousand children benefit from the facilities of the Çiğli Selçuk Yaşar Sports Center every year.

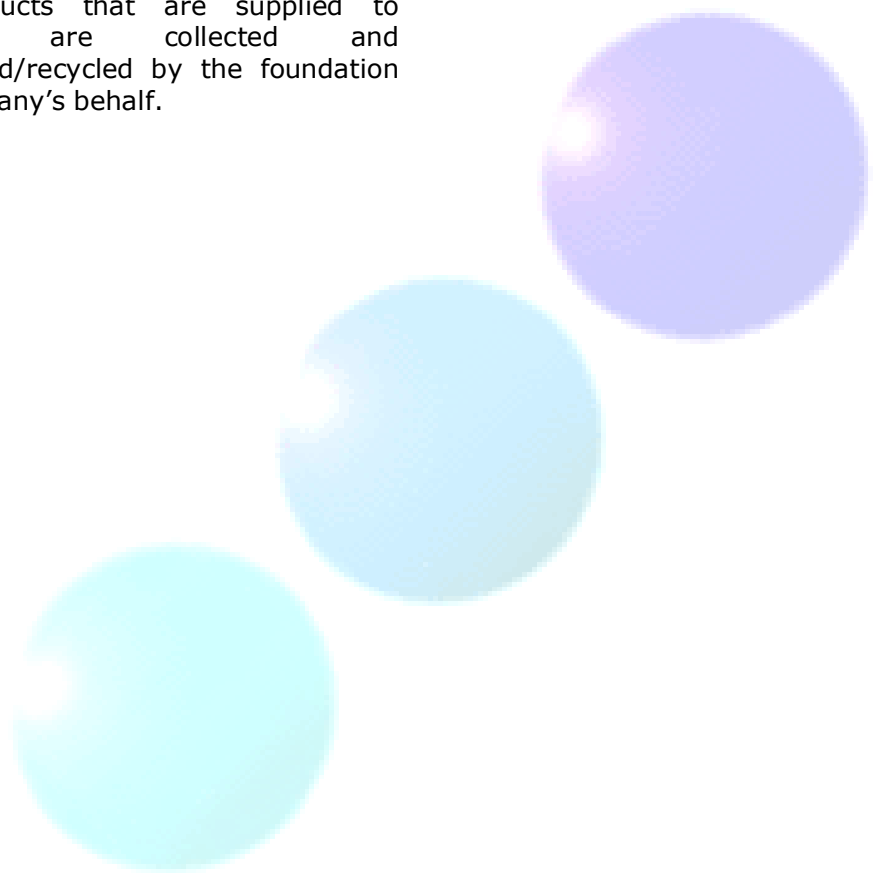
The Pınar Art Competition, which has been held for 30 years, and the Pınar Children's Theater aim to increase children's interest in the fine arts in general.

The company has issued an Environmental Impact Assessment Report and it holds ISO 14001 Environmental Management System certification.

Pınar Et's annual environment management programs concentrate on improving energy efficiency, monitoring and reducing water consumption, recycling and managing

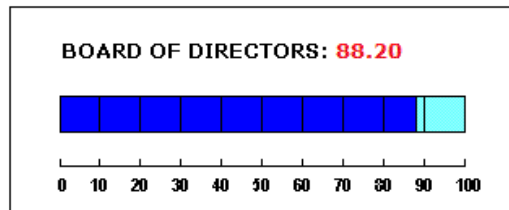
waste, and protecting the well-being of living spaces.

In addition, Pınar Et has signed an agreement with the ÇEVKO Foundation, an organization which is authorized and licensed by the Ministry of Environment and Urbanism to engage in waste management. Amounts of packaging waste corresponding to legally mandated percentages of the packaging of Pınar Et products that are supplied to market are collected and recovered/recycled by the foundation on company's behalf.





## SECTION 4: BOARD OF DIRECTORS



### SYNOPSIS

+	The company's vision, mission and strategic goals are defined
+	The board is staffed with efficient and qualified members
+	No executive members on the board
+	The chairman of the board and the chief executive officer is not the same person
+	There are two independent board members
=	Audit and corporate governance committees been established, their efficiency will be monitored
-	No provisions in the articles of association defining procedures for shareholders and stakeholders to invite the board
-	No regulations on code of ethics binding the board of directors

Pinar Et has defined the vision and mission of the company and disclosed it to the public on its web site. Board of directors approves the strategic goals constituted by the executives.

Members of the board are jointly liable should they intentionally or unintentionally fail to properly perform their duties assigned to them by legislation, the articles of association and the general shareholders' meeting but they do not have a written declaration in this context.

The board established the internal control and risk management mechanisms that are appropriate for the company to minimize adverse effects of the risks that the company may face, which would also negatively affect the shareholders and stakeholders. The board also takes all necessary measures for sound functioning of such mechanisms to be implemented.

The board approves the annual budget and business plans of the company; ensures that the general shareholders' meeting is conducted in accordance with the legislation and the company's articles of association; and approves the career plans and remuneration of its executives. The board has also determined the information policy and ethical rules of the company and disclosed the same to the public.

An area for improvement is the absence of provisions in the articles of association defining procedures for shareholders or stakeholders to invite the board to convene.

There are no executive members on the board of directors of the company.

Company officials confirm that none of the board members is indulged in any transaction and/or form of competition with the company.

An Audit Committee and a Corporate Governance Committee is established from within the board of directors. Charters of the committees are defined in written and disclosed to the public on the company's web site.

#### **4.1. Fundamental Functions of the Board of Directors:**

The board of directors designated the company's mission as "to provide its consumers with products that are the source of health, pleasure, and dynamism, growing along with its producers and suppliers, being a global brand with which its customers identify, and increasing profitability and productivity in collaboration with its employees."

The board is overseeing that company activities are managed in compliance with the legislation, articles of association of the company, internal procedures and established policies and monitoring the degree of accuracy of the company related financial information. It effectively revises the company's level of success in achieving its goals, operations and past performance and fulfills its task to develop new strategies.

The board assesses whether the executives are well qualified to suit the demands of their positions and seeks measures that would encourage qualified employees to work for the company over a long period of time. As the board deems appropriate, it terminates the contracts of its executives and appoints new executives to replace the former without delay.

The board of directors has established an internal control and risk management mechanism that is appropriate for the company to minimize adverse effects of the risks that the company may face, which would also negatively affect the shareholders and stakeholders.

The board of directors essentially supervises risk management and internal control activities through the committee that is responsible for audit. In its fulfillment of these

functions, the committee makes use of the findings of the bodies performing certification under the Group Audit and Risk Management Coordinator, external audit and certified accountancy.

#### **4.2. Principles of Activity and Duties and Responsibilities of the Board of Directors:**

Beyond basic functions of the board of directors and in accordance with opinions and suggestions of the committees, the board of directors approves the annual budget and business plans of the company; prepares the annual report and finalizes the same for presentation at the general shareholders' meeting; ensures that the general shareholders' meeting is conducted in accordance with the legislation and the company's articles of association; fulfills the general shareholders' meeting resolutions; controls the company's material expenditures exceeding 10% of the total assets value in the most recent balance sheet; approves the career plans and remuneration of its executives; determines policies for shareholders, stakeholders and public relations; determines the disclosure policy and the ethical rules of the company; determines the working principles of the committees; and ensures them to work effectively and efficiently.

First meeting of the board of directors was held within 15 days following the general shareholders' meeting. In principle, each member of the board attends all meetings. The board of directors convenes on regular basis at least once a month, as planned in advance, and if necessary more often without any delay. In this context, the company officials declared that 34 meetings were carried out in the year 2012. Each member on the board has one voting right.

In accordance with the legislation, board members are jointly liable should they intentionally or unintentionally fail to properly perform their duties assigned to them by legislation, the articles of association and the general shareholders' meeting resolutions.

Nevertheless, before commencing duty, members of the board did not declare in writing that they will comply with the legislation, articles of association, in-house regulations and policies, and in case of incompliance, that they would be jointly liable to compensate the loss accrued to the shareholders and stakeholders

Even though the board's duties and responsibilities are defined in the articles of association of the company, it is not possible to distinguish them from the authorities and responsibilities of individual board members, executives and general shareholders' meeting. Job descriptions among the board members are defined.

Apart from the cases prohibited by the Turkish Commercial Code, members of the board are subject to the permission granted at the general shareholders' meeting to engage in transactions listed by the 334<sup>th</sup> and 335<sup>th</sup> articles of the same Code.

The ethical rules of the company do not dictate that the members of the board cannot indulge in pressures that would serve against the interests of the shareholders and accept any material gains. Yet, measures have been taken to ensure the application of such rules by all Pinar Et employees.

The employees can under no circumstances disclose company information that is confidential and/or trade secret, and this matter of confidentiality is incorporated in the ethical rules of the company. However

we came across to no regulations on code of ethics binding the board of directors. We found no evidence of any members of the board exploiting confidential and publicly unavailable information in favor of him/her or others.

Any behavior by the company employees that would obstruct flow of information to the board are subject to sanctions including warnings and termination of their employment contracts. The principles in this respect are clearly defined in the internal regulations and can be found in written format in company's human resources policies.

Documents and information about the agenda items of the board meetings are submitted to the members of the board for inspection at least seven days in advance. In case such timing cannot be complied with, utmost attention is given in to providing equal information flow to each of the board members. The means for delivering the documents for the board meeting are incorporated in the company's internal regulations. A secretariat is established under the responsibility of the board in order to serve the board and to keep documents related to the board meetings in order.

The board of directors' budget for travel / meeting expenses, expenses that may occur on demand of specific studies concerning their duty, and similar costs is included in the remuneration policy.

On the other hand, there are no provisions in the articles of association defining procedures for shareholders or stakeholders to invite the board to convene.

#### **4.3. Formation and Election of the Board of Directors:**

None of the board members have been convicted or sentenced of non-conformity with the capital markets legislation or the Turkish penal code. All members are qualified and experienced individuals maintaining high moral standards and fully capable of endorsing the required tasks to direct the company. The general rules in this respect are incorporated in the articles of association of the company.

There are no executive members among the seven members of the board of directors.

The board includes two independent members who have the ability to execute their duties without being influenced under any circumstances and they have signed a statement of independency. Since Pınar Et is included in the 3<sup>rd</sup> group as defined in the CMB communique, existence of 2 independent board members is considered sufficient.

Both members of the Audit Committee and the chairman of the Corporate Governance Committee are elected among the independent board members.

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

Pınar Et officials confirm that the company did not lend any funds or extend any credits to a member of the board or to the directors and/or executives of the company.

According to the articles of association of the company, board members' rights are decided at the general shareholders' meeting; and other than the amount allocated to them from the net profit, they are also paid for each meeting day or on a monthly basis.

The decision of providing board members with a monthly fee was adopted at the latest general shareholders' meeting.

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

An audit committee in charge of supervision of the financial and operational activities of the company is established from within the board. Committee members are elected among the independent members of the board. The audit committee took all necessary measures in order to ensure that internal and external auditing are carried out adequately and transparently. The audit committee also supervises the execution and efficiency of the accounting system of the company.

The audit committee supervises whether or not periodic financial statements and its footnotes are prepared in accordance with the current legislation and international accounting standards and declares its opinion to the board in writing upon reception of the opinion of the external audit firm.

Appointment of the external audit firm and the services to be provided thereby are submitted to the board upon the preliminary approval by the audit committee. Prior to appointment of the external audit firm, the audit committee prepared a report whether or not there are any issues that may jeopardize independence of the audit company.

A corporate governance committee is established to coordinate the work of investor relations department, to monitor Pınar Et's compliance with the corporate governance principles, to search for ways of improvement and to present suggestions to the board.

The chairman of the committee is elected among the independent members of the board. There are no executive members on the committee.

All committee records are kept in writing. Likewise, all two committees' working principles are also defined in writing and disclosed to the public on the corporate web site.

Functionality and efficiency of the committees and these activities will be observed by SAHA during the rating process.

#### **4.6. Executives:**

The executives ensure that the company conducts its business within the framework of its mission, vision, goals, strategies and policies and act in accordance with the financial and operational plans of the company as approved by the board each year.

The executives are authorized to perform their duties and have the required professional qualifications in order to perform the assigned duties. There is no incidence of any executives exploiting company related confidential and publicly unavailable information in favor of themselves or others. Company officials confirm that there no executives who have been convicted of non-conformity with the capital markets legislation and/or the Turkish Penal Code.

Company officials also confirm that the Pınar Et executives obey the legislation, articles of association, in-house regulations and policies while performing their duties; and they submit a report regarding the conformity of the performed duties to the board periodically.

In addition, compensation for losses incurred by the company and third parties as a result of non-performance

of the executives' duties duly is covered by liability insurance.

Also, there are no provisions in the contracts of employment which state and clarify that the executives who leave the company cannot work for a certain period of time at another company which is in direct competition with Pınar Et, and the sanctions for failure to comply.

## Rating Definitions

Rating	Definition
9 - 10	The company performs <b>very good</b> 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.
7 - 8	The company performs <b>good</b> 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.
6	The company performs <b>fair</b> 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. 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 <b>weakly</b> 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 <b>very weakly</b> 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.

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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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