



## 2- CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT (\*)

### 2.1 The Declaration of Compliance with the Principles of Corporate Governance:

In 2011, all necessary attention was paid to each of the following matters, including those arrangements that are not required to be complied with given the listing under the heading 'Corporate Governance Principles' as published by the company in 2005, after revision, and explained in the details below. Moreover, the preliminary work towards harmonization was started at the same time, pursuant to the "Communiqué on the Determination and Implementation of the Principles of Corporate Management", Serial No. IV 56 published by SPK in the Official Gazette No. 28158 dated 30 December 2011. The work ensuring compliance with all necessary restrictions listed in the abovementioned Communiqué are still ongoing and will be completed within the periods mentioned in the relevant Communiqué and SPK notifications.

### SECTION I-SHAREHOLDERS

#### 2.2 The Department of Investor Relations:

Our company has a Corporate Investors Relations Department to manage relationships with shareholders. This department is coordinated by the Assistant General Manager (Financial Affairs) Nevra Özhatay, (n.ozhatay@cimsa.com.tr), IFRS and Consolidation Supervisor; Zeynep Özde Görkey (o.gorkey@cimsa.com.tr), Marketing Specialist; Ebru Arslan (e.arslan@cimsa.com.tr), IFRS and Consolidation Specialist; Borhan Tosun (b.tosun@cimsa.com.tr) are working for this department. The concerned persons can be reached through the phone number; 0 (216) 651 53 00 and fax number; 0 (216) 651 14 15. This department works for maintaining the company's relationship with its shareholders. Within the framework of these tasks, conferences and roadshows in 2012 in the country and abroad, 55 one to one and group interviews were conducted. Also, the shares of 11 shareholders who could not participate in the previous year's capital increase were appropriately and correctly adjusted.

#### 2.3 The Usage of Shareholders' Right to Obtain Information:

No additional privileges and priorities are recognized in the usage of our shareholders' right to obtain information. In order to expand all shareholders' right to obtain information and to maintain the proper usage of this right, all required information, documentation besides the financial statements are continuously updated and presented within the mandatory notification periods at our company's corporate web site ([www.cimsa.com.tr](http://www.cimsa.com.tr)) electronically, both in Turkish and English. In 2012, the information requests related to the capital increase, dividend distributions, exchange of shares, dematerialization and general assembly were handled via the telephone, e-mail, fax and in face to face interviews. 5 shareholders were answered via letters about the withholding taxes on the profit shares. Additionally, 5 annual reports were requested and sent by mail to these shareholders. Shareholders can follow the information about the company via the web page; [www.cimsa.com.tr](http://www.cimsa.com.tr), via the material disclosures made on Public Disclosure Platform (PDP) ([www.kap.gov.tr](http://www.kap.gov.tr)), and via announcements made on newspapers. There is no provision in the Articles of Association of the Company regarding the assignment of a private auditor. In 2012, no such requests were received from our shareholders.

#### 2.4 The General Assembly Meetings:

The annual ordinary general assembly meeting was held on 24.04.2012 with a present quorum attendance of %65,87. The stakeholders who wanted to and completed the necessary formalities, attended the General Assembly Meeting. Invitation to the General Assembly Meeting was made in accordance with the Turkish Commercial Code and the Articles of Association, and approved by the Commissioner of the Ministry of Customs and Commerce. The notice and the agenda of the General Assembly Meeting were announced to the shareholders before the General Assembly Meeting via PDP, Turkish Trade Registry Gazette and Dünya Gazette. The shareholders were granted to ask any questions in the meeting and the required disclosures were made through out the meeting. The annual activity report was prepared and distributed to the shareholders who participated to the General Assembly Meeting and the shareholders were informed about the activities of the previous year. The selection was made according to the recommendations given by the shareholders, for the vacant membership positions of the Board of Directors and Auditors due to the resignations during the year. The minutes of the General Assembly Meeting is available in the Company's headquarters and is presented to any shareholders upon request. The minutes of the General Assembly Meeting was published in the Turkish Trade Registry Gazette. In addition, the list of attendance and the minutes of the meeting were published on the companies web address; [www.cimsa.com.tr](http://www.cimsa.com.tr).

During the General Assembly Meeting, the important decisions as specified in the Turkish Commerce Code (TCC), were submitted for the approval of the shareholders. When the legal compliance with the Corporate Governance Principles is met, all the important decisions that will be presented in the amended laws, will be presented for the approval of the shareholders at the General Assemblies.

The demands of the investors to participate to the General Assembly Meeting, are assessed by the Central Registry Agency (CRA) and the necessary documents are provided to the investors who will use their voting rights, by applying the CRA processes and procedures. In addition, the stakeholders who wish to participate as audiences are permitted to attend to the meetings.

In the 1527th article, dated 13.01.2011 and numbered 6102 of Turkish Commercial Code, to participate in the general assembly meeting of a joint-stock company, to make proposals, ideas and explanations and to vote electronically, lead all legal consequences of the physical participation and voting, in addition to that, the system for participating in the general assembly meetings and voting electronically has become mandatory for all listed companies.

In order to determine the principles of the application of the article 1527 of TCC, the "Regulation on Joint Stock Companies Electronic General Meeting System" (EGMS Regulations) by the Ministry of Customs and Trade was published on the Trade Registry Gazette, dated 28.08.2012 and numbered 28395, and the 'Communique' about the principles and procedures of the establishment, operation, technical and security issues of an electronic general assembly system; "Communique' about the Joint Stock Company Electronic General Meeting System" was published on the Trade Registry Gazette, dated 29.08.2012 and numbered 28396. The effective date of these regulations is determined as 01.10.2012.

According to the EGMS Regulation's 5th article and third paragraph, at the general meetings of the listed companies, to participate electronically, to appoint representatives, to make proposals, ideas, and voting will be held on the electronic general meeting system (EGMS) which will be provided by CRA.

The 415th and 417th articles of TCC also require important amendments about the participation to general meetings of the registered joint stock companies in accordance with the Capital Market Law; article 10/A, the list of the registered shareholders; "Shareholders List" who can participate to the general meeting will be provided electronically via EGMS by CRA according to the 1st paragraph of the 417th article. In order to participate in the meeting physically it will be sufficient to provide an Identity Card for real persons that are included in the list, and for legal entity representatives it will be sufficient to provide a proxy form.

TCC article 415, 4th paragraph, however, rules that to use the right to attend the general meeting and to vote, are not contingent to receiving or sharing a document to evidence the share ownership or depositing shares "in advance".

New TCC has ended the blockage system that was implemented in the previous periods in the capital market.

According to TCC article 415, 5th paragraph, "Limited to the day of the General Assembly" whether to prevent the transfer of shares will be determined by a 'communique' issued by Capital Market Board.

The system of notarized proxy that was practiced in the former TCC epoch is optionally protected. However, a legal innovation for the general meeting implementation of appointing a proxy electronically via EGMS is set out by the EGMS regulation. Electronically assigned proxy may participate in the general assembly meeting either electronically or physically with the title of representative.

There will be information about the proxies (such as the name of the proxies) on the shareholders list that the company will provide from CRA over the EGMS system. A physical presentation of a proxy form of an electronically assigned proxy via EGMS is not required.

## **2.5 The Voting and the Minority Rights:**

The Articles of Association does not contain any privileged voting rights. There is not a regulation in the Articles of Association about the use of cumulative voting. There is not such a regulation with the idea that the recognition of the cumulative voting may disrupt the harmonious management of the company with in the existing shareholder percentage and structure.

## **2.6 The Right for Dividend:**

The company's dividend distribution policy is specified in the 26th Article of the Articles of Association. Accordingly, the dividend is distributed from the company's net profit, after taxes are subtracted from the company's gross profit, in the proportion specified by the proposal of the Board of Directors and approval of the General Assembly according to the Company's Articles of Association, considering its legal reserve funds and CMB Legislation. The dividend distribution policy was covered in a separate section of the annual activity report and disclosed to the shareholders and public prior to the general assembly meeting. The Company's dividend distribution is carried out within the legal deadlines.

The company has adopted a policy of the "distribution of a minimum of 50 % of the distributable profit to its shareholders before the end of the May following the end of the accounting period". This policy can be reviewed by the Board of Directors according to the national and global economic conditions, current projects, and the situation of the funds. There is not any privilege in the profit distribution.

## **2.7 The Transfer of Shares:**

There is not any provisions in the Company's Articles of Association concerning the transfers of shares.

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

### **2.8 The Disclosure Policy:**

The Board of Directors is authorized and is responsible for monitoring, supervising and improving Çimsa Çimento Sanayi ve Ticaret A.Ş.'s disclosure and information policy.

The Disclosure Policy was created and approved by the Board of Directors in accordance with the CMB Corporate Governance Principles. It was announced to the public through a material disclosure on 30.04.2009, and it has been published on the Company's website; [www.cimsa.com.tr](http://www.cimsa.com.tr), starting from this date. The Disclosure Policy was submitted to the shareholders at the Company's Extraordinary General Meeting on 28.08.2009.

In accordance with this policy, the 6 and 12 months audited financial statements and the 3 and 9 months unaudited financial statements are disclosed periodically to the public.

The disclosures of the consolidated financial reports prepared in accordance with the International Financial Reporting Standards (IFRS) were made to the public within the deadlines specified by the CMB.

The public disclosures of the information related to the Company carried out within the year by press releases, electronic mail, over the phone and by the media organizations and interviews made with the news agencies.

In addition, the disclosures can be accessed through the website in the form advised by the CMB Corporate Governance Principles which was published in 2005 with the amendments and additions about the Company's Disclosure Policy.

The sub-titles under the "Investor" title on the website are as follows:

Shareholder Structure

Board of Directors

Board Committees

Articles of Association

Trade Registry Information

Disclosure Policy

Corporate Governance Compliance Report

Dividend Distribution

Information about General Assembly

Activity Report

All Financial Data

Resolutions of the Board of Directors

Material Disclosures

Investor Relations

Frequently Asked Questions (FAQs)

### **2.9 The Company's Website and its Content:**

The Company's website can be accessed at [www.cimsa.com.tr](http://www.cimsa.com.tr), and the corrections and additions made by the Communiqué Serial: IV, No: 56 which was published on 30.12.2011, are included on this website.

Our website also includes information about the Corporate, Sustainability, Cement, Ready-Mixed Concrete, Aggregate, Investor, Corporate Development, Media, and Communication.

### **2.10 The Activity Report:**

The company disclosed the information considered in the Corporate Governance Principles within the annual activity report.

## **SECTION III- STAKEHOLDERS**

### **2.11 The Notification of Stakeholders:**

As required by the relevant legislation, all stakeholders are informed through the periodic public reports and in the form of material disclosures via ISE.

The ordinary and extraordinary general assembly meetings, issues such as dividend distribution are announced by the newspaper advertisements according to the relevant legislation and the Company's Articles of Association. In addition to this, the Company employees are also informed through the quarterly published Company bulletin, the information sent through e-mails, through internal training sessions, Çimsa Intranet and annual information meetings.

For the clients, information is provided through the meetings and demonstrations besides the trainings and seminars.

The shareholders are informed concurrently in an accurate and understandable way, with the exception of the confidential and commercially secret information

### **2.12 The Participation Right of the Stakeholders to the Management:**

At least once in every year, the Company organizes meetings at include the activities of the previous year are evaluated, targets for the next year are shared with its employees and the feedback is collected.

Within the scope of the business excellence, learning organization works and the suggestion system, team work is encouraged; the project teams' participation to the issues related with the Company such as goal setting, process improvement, investment is enabled. The participation of the shareholders to the management is enabled by the Ordinary and Extraordinary General Assembly Meetings.

On the other hand, the participation of the clients to the Company management is enabled by the dealer meetings and by the customer loyalty surveys.

### **2.13The Human Resources Policy:**

The Company's corporate development and human resources vision is to create a culture of high performance; its mission is to ensure organizational change and development. In this context, an effective and regular structural performance management is carried out with the individual business and competency objectives that are parallel to the Company strategy and Company targets. The policies related to the organizational change and development are planned and implemented in order to increase the Company's competitiveness and to respond to the changing needs

All issues relating to union member (in-scope) employees are managed under the scope of the applicable Collective Labor Agreement. In addition to this; there are departments to manage relationships with all employees including Corporate Development and Human Resources, Corporate Communications, the Code of Ethics Consultancy, and the Labor Health and Security. There are also detailed written guidelines and procedures that embody all of the relevant regulations and practices related to business life.

The Company has not received any complaints on the discrimination issues so far from its employees.

### **2.14 The Ethical Rules and Social Responsibility:**

The rules of business ethics has been established and implemented in our Company. The business ethic rules has been published on the corporate website and disclosed to the public. The employees are informed about these rules by the Company's intranet, by distributing printed information booklets and through the information training sessions. In addition to this, at the end of each year, the employees update their knowledge about the rules of business ethics by an e-learning program and renew their commitments to the business ethics rules by filling out the form of "Business Ethics Compliance Statement".

Çimsa, continuously increases its contribution to the society by enriching the projects carried out in the field of social responsibility by the support of Çimsa volunteers

## **Sabancı Space House**

Sabancı Space House, was built in the Eskişehir Science Park of 2.751 m<sup>2</sup> area. It is equipped with the latest technology as being the largest space house in Turkey. In the space house, which has the equivalent properties of others in the world, the scientific observations are made within the 360 degree full-dome based on the data and models and it gives the opportunity to the audiences to experience a vibrant travel in the universe.

## **Sabancı Spring**

Sabancı Spring event was also held in 2012 in conjunction with Sabancı Holding. As being the only university festival which was designed by the proposals of the youth suggestions, it was carried out with the participation of the university students in 5 different cities.

## **Volunteer Studies**

The core teams were formed at the plants in the last months of 2011 to lead the volunteer studies, due to a spontaneous request of upgrading the voluntary studies carried out by Çimsa's employees in different areas to an institutional level. The primary target audience, which is described in the study as the families of the employees and the local community in the regions where the plants are located, the areas requiring voluntary works, are defined due to the feedbacks of the employees. Within the study which began after the volunteer trainings provided by the Private Sector Volunteers Association, that works in order to make volunteering to become a part of employees' lives, 5 volunteer teams in 5 plants have identified the needs for social and cultural development of the employees' families and the local community. Then 5 volunteer teams have undertaken significant projects working with the non-governmental organizations such as Turkey Educational Volunteers Foundation, the Foundation for the Support of Women's Work. By these studies, more than two hundred Çimsa volunteer has reached to more than one thousand and five hundred people.

Niğde Plant volunteer team; "Team Star", donated 4 battery and 1 manual wheelchair to the Niğde Association of Disabled People that they bought with the income they received from the sales of the demonstrations of the marbles produced by the wives of the employees who attended the marble courses, by the support of Niğde Province. In the blood donation campaign realized with the participation of the employees, employees' families and even business partners, 62 volunteers donated blood, while 33 volunteers donated organs. Another work of the team is sending the leftovers from the plant refectory to the animal shelter daily. Trainings, at summer camps were provided by the expert trainers to the employees' kids and specially designed for the age groups, and plant employees also took part in the activities as volunteers.

In cooperation with Educational Volunteers Foundation, the team "Çiğ" consisting of Mersin plant volunteers initiated the 16-week program "Journey to Yourself" for 8-11-age children of Çimsa employees. The purpose of the program is to enable the children to discover their areas of interests, different and powerful characteristics and thereby to become aware of themselves, as well as to develop their body language, communication and friendship building skills. In addition to this activity, the volunteers organized seminars for the families on healthy living habits and career days for college and high school students for the purpose of informing them on career selection.

The team "Gönülçelen" consisting of Kayseri plant volunteers focused on family communication and provided seminars for both employees' wives and Ağırnas and Bünyan residents living close to the plant enriched with the skills by the employees.

The team "Nar Tanesi" consisting of Eskişehir volunteers organized trainings for employees' families on such issues as first aid and disaster consciousness, and as a result of the work with Kızılay, 21 employees obtained first aid certificates and became Kızılay volunteers. The team not only encouraged plant employees to volunteering, but also donated the revenue generated from the play staged by a volunteer team consisting of employees' children to an organization conducting works to support children.

The team "Hanımeli" of Ankara Plant volunteers working for employees' wives to gain handicraft skills, provided support to the employees' wives that attended to the courses to market their products.

The plant volunteers acted as guides for participation of the children, whose mothers attended to the trainings, in cultural and scientific activities. In addition to the handicraft courses for the employees' wives, a training program about entrepreneurship was organized in collaboration with Foundation for the Support of Women's Work.

The aim of Çimsa volunteer teams is to extend the works to the next year, to include more employees in volunteering and extending to the surroundings, as well as the employees' families.

## **SECTION IV BOARD OF DIRECTORS**

### **2.15 Structure and Formation of the Board of Directors**

#### **The Board of Directors**

Mehmet GÖÇMEN - Chairman

Mustafa Nedim BOZFAKIOĞLU – Deputy Chairman

Serra SABANCI - Member

Levent DEMİRAG – Member (Until April 24, 2012)

Seyfettin Ata-KÖSEOĞLU - Member

Hasan Cihat ERBAŞOL – Independent Member

Mehmet KAHYA – Independent Member

Mehmet GÖÇMEN, the Chairman and Mustafa Nedim BOZFAKIOĞLU, the Deputy Chairman, act as executive members in the Board of Directors.

The Board of Directors consists of six members to be elected among the shareholders according to the Articles of Association. There are two independent members among the members elected in the General Assembly.

In the Ordinary General Assembly held on April 24, 2012, the members of the Board of Directors re-elected, and their tenure was determined as three years to expire on the date of Ordinary General Assembly to be held in 2015, where the results of activities are to be discussed.

In the General Assembly Meeting held on April 24, 2012, Mehmet GÖÇMEN was elected as the Chairman and Mustafa Nedim BOZFAKIOĞLU as the Deputy Chairman.

In the Board of Directors meetings held on 21.09.2012 and 24.09.2012, as per the article 25 of Law on Enforcement and Application Method of Turkish Commercial Code, for the membership positions vacant as a result of the resignation of the real persons elected for the Board of Directors to represent Hacı Ömer Sabancı Holding A.Ş., a re-election was made, and although the same persons were elected as the members, the issue was resolved to be submitted to the approval of the first General Assembly as per the article 363 of Turkish Commercial Code.

#### **2.16 The Terms of Activities of Board of Directors:**

As stated in the company's Articles of Association, Çimsa Board of Directors consists of 6 members to be elected among the shareholders by the General Assembly. There are two independent members among the members elected in the General Assembly. As stated in the company's Articles of Association, Çimsa Board of Directors members are elected for at most three years and the members whose tenure expire may be re-elected. Board of Directors members elect a Deputy Chairman to act as the attorney to the Chairman, when he/she is not present, as stated in the company's Articles of Association. The Board of Directors convene at least once in three months (as per the Articles of Association) to discuss the results of the activities.

The agenda of the Company's Board of Directors meetings is determined and proposed by the Company's General Manager. Assistant General Manager of Financial Affairs acts as the secretary and informs and enables communication among Board of Directors members.

Company's Board of Directors convened 24 times in 2012 and made 68 resolutions.

In the meetings held in 2012, no different opinions were expressed against the resolutions that were revealed by the Board of Directors members. While resolving on the issues stated in the article 2.17.4, Section IV of Capital Market Board Corporate Governance Principles published in 2005 with additions and corrections, Members without an excuse attended to the Board of Directors meetings in person. As there were not any questions of Board of Directors,, nothing was recorded in minutes. No right to weighted vote and/or veto right was granted to Board of Directors Members on the concerned resolutions.

#### **2.17 The Number, Structure and Independence of the Committees Formed in Board of Directors:**

Among the independent members of Board of Directors who were not assigned within the execution, Audit Committee and Corporate Governance Committee were formed to operate under the Board of Directors.

The members of these committees were elected for the purpose of benefiting from the independent members, their global experiences and their knowledge.

In the Board of Directors, Mehmet GÖÇMEN, the Chairman and Mustafa Nedim BOZFAKIOĞLU, the Deputy Chairman are present as the executive members.

No conflict of interest occurred in 2012 due to the current membership structure of the committees.

## **2.18 The Risk Management and Internal Control Mechanism:**

The main function of the Internal Audit Department is to provide Çimsa Çimento San. ve Tic. A.Ş. by using International Internal Audit Standards, independent, objective assurance and consultancy services, Internal Audit Department operating under the Audit Committee consisting of the Board of Directors Members conducts audits, interrogations and examinations to protect the Company's rights and interests and to develop recommendations for the internal and external risks of the company. For this purpose, it fulfills duties below to contribute to the Company's growth, development and institutionalization.

- a) Examining sufficiency, effectiveness and conformity with the corporate management principles and ethical values of all units of the company within its central and country organization, as well as terminals, storehouses and businesses thereof abroad, and its risk management applications, preparing audit plans and programs and implementing them according to the previously prepared schedule;
- b) Following up the implementations concerning audit reports and ensuring that the works and operations are conducted in the framework of the agreement reached and General Directorate's instructions;
- c) Making researches and surveys on the special duties assigned by the Board of Directors Chairman, Audit Committee and General Manager, and submitting the results to the concerned authority in a report;
- d) Checking implementation of the company regulations, procedures, circulars and division-specific instructions, ensuring that they remain in force, and making proposals on the issues requiring corrections;
- e) Following-up if all divisions' activities and operations are conducted in the framework of the Board of Directors resolutions, plan and budget objectives, legal legislation, regulations, procedures, circulars, instructions etc.;
- f) Developing proposals to provide saving and efficiency increase by conducting financial and economic analyses of the works and operations performed;
- g) Constantly informing Audit Committee on the auditing activities and sufficiency of the internal control system, and implementing wishes and recommendations on the issue;
- h) Conducting studies for the value adding purposes such as company's reaching its objectives, raising the value of its shares, developing corporate processes and activities, increasing service quality and customer satisfaction etc. for the Board of Directors and top management and providing consultancy and support service thereto.

A Board of Directors resolution was made for the Internal Control Manager to report to the Committee in charge of Audit.

## **2.19 The Company's Strategic Objectives:**

Main strategic objectives:

Ensuring operational excellence: Setting objectives in all functions within management, manufacturing, sales and distribution, in short within the value chain processes, following up these objectives with key performance indicators, making constant improvements in the performance process, creating a corporate database, taking required measures by closely following cash flows on scenario basis, and ensuring operational excellence by managing all these efforts with the discipline of "system approach".

Becoming a sustainable construction materials company: Creating long term values for both the stakeholders and the Company by effectively managing communication with all stakeholders, starting from those, who are affected mostly by the social and environmental impacts.

Being customer-and market-oriented: Listening to and understanding the needs and requests of the customers by having the market and the customers as the focus, and therefore, becoming the preferred business partner of the customers by creating added value for all customers.

Profitable growth: Making new investments in the new and attractive markets to create synergy with Çimsa's current operations, in a manner to create added value for the Company's other prioritized objectives, and growing sustainably.

## **2.20 The Financial Rights:**

Any kind of rights, interests and benefits provided to the Board of Directors members according to the Articles of Associations are determined by the General Assembly. In 2012, total 148,200 TL was paid to the Board of Directors members.

In 2012, the Company lent no amount to any Board of Directors members and executives, did not provide loan facilities thereto, did not provide loan facilities under the title of personal loan through a third person or did not provide any guarantees such as indemnities in favor.

In the current period, total wages and like benefits granted to the upper level executives such as the general manager, general coordinator and assistant general managers is 5,030,583 TL.

(\* ) 2012 Annual Activity Report pages 43-52