



**Corporate Governance Rating**

Rating Revision



**November 20, 2013**

## CONTENTS

Rating Revision . . . . .	3
Rating Methodology . . . . .	5
Rating Definitions . . . . .	6
Disclaimer . . . . .	7

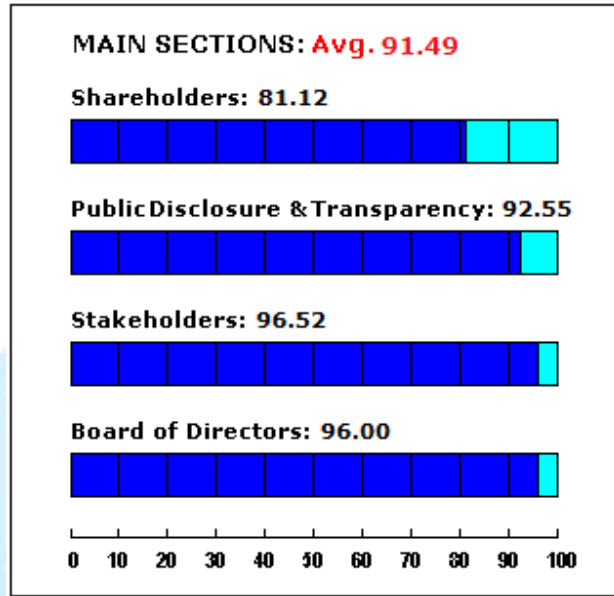
## Corporate Governance Rating

Rating Revision

### Pınar Süt Mamulleri Sanayii A.Ş. (PNSUT)

 **SAHA**  
Corporate Governance Rating:

**9.15**



## RATING REVISION

The Corporate Governance Rating (8.87) that has been assigned to Pınar Süt Mamulleri Sanayii A.Ş. on 23.11.2012 is hereby revised up to **9.15** SAHA's methodology for rating the degree of compliance with the Principles of Corporate Governance is based upon the CMB's Corporate Governance Principles (page 5). In this rating study, SAHA allocated new weights to the four main sections which is designated by Capital Markets Board in April 2013. The new methodology with the new Principles of Corporate Governance will be applied soon and all companies will be rated as per the new Principles and therefore the new methodology.

Furthermore, Pınar Süt's degree of compliance with the Corporate Governance Principles is rated within the top Group 1 countries as categorized by the World Corporate Governance Index (WCGI), which is updated by SAHA on 30.01.2013. The details of the World Corporate Governance Index (WCGI) can be reached at [www.saharating.com](http://www.saharating.com)

In consideration of Pınar Süt Mamulleri Sanayii A.Ş.'s determination to apply corporate governance principles, its willingness to manage this process dynamically and continuously, and finally the improvements affected during the twelve months lapsed since the publication of the original report, the corporate governance rating of the company is updated and confirmed as above.

Main improvements that affected the above revision are:

- Early Identification of Risks Committee is established from within the board and chaired by an independent member.
- The Corporate Governance Committee have prepared a report on the candidates including the ones made by the board and shareholders, by taking into consideration of whether or not the candidate meets the independency criteria and submitted this assessment as a report to the board for its approval.
- There is one female member on the Board.

The sub-section ratings are confirmed as follows:

<b><i>Sub Sections</i></b>	<b><i>Weight</i></b>	<b><i>Rating</i></b>
<b>Shareholders</b>	<b>25%</b>	<b>81.12</b>
<b>Public Disclosure and Transparency</b>	<b>25%</b>	<b>92.55</b>
<b>Stakeholders</b>	<b>15%</b>	<b>96.52</b>
<b>Board of Directors</b>	<b>35%</b>	<b>96.00</b>
<b>Total</b>		<b>91.49</b>

## 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 30.12.2011

The CMB based these principles on the leading work of the Global Corporate Governance Forum (GCGF), which has been established in cooperation with the World Bank and the Organization of Economic Cooperation and Development (OECD). After having incorporated the views and opinions of experts and representatives from the CMB, the Istanbul Stock Exchange, the Turkish Corporate Governance Forum, academicians, private sector representatives as well as various professional organizations and NGOs, the Principles were adopted to reflect the national characteristics and conditions.

Within the Principles, "comply or explain" approach is valid. Some of these Principles are mere recommendations and their implementation thereof 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 400+ 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 the maximum rating of 10, a company should be in full and perfect compliance with the Principles (see Rating Definitions).

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: **25%**  
Stakeholders: **15%**  
Board of Directors: **35%**

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.

## 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 and has qualified to be included in the ISE's (Istanbul Stock Exchange) Corporate Governance Index. 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.

#### DISCLAIMER

This Corporate Governance Rating Revision has been prepared by Saha Kurumsal Yönetim ve Kredi Derecelendirme A.Ş. (SAHA Corporate Governance and Credit Rating Services, Inc.) based on information made available by Pınar Süt Mamulleri Sanayii A.Ş. and according to the Corporate Governance Principles by the Turkish Capital Markets Board as amended on 2011.

This revision, 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.

The contents of this revision and the final corporate governance rating should be interpreted neither as an offer, solicitation or advice to buy, sell or hold securities of any companies referred to in this report nor as a judgment about the suitability of that security to the conditions and preferences of investors. SAHA A.Ş. makes no warranty, regarding the accuracy, completeness, or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment or other purposes.

SAHA A.Ş. has embraced and published on its web site ([www.saharating.com](http://www.saharating.com)) the IOSCO (International Organization of Securities Commissions) Code of Conduct for Credit Rating Agencies and operates on the basis of independence, objectivity, transparency, and analytic accuracy.

© 2013, Saha Kurumsal Yönetim ve Kredi Derecelendirme A.Ş. All rights reserved. This publication or parts thereof may not be republished, broadcast, or redistributed without the prior written consent of Saha Kurumsal Yönetim ve Kredi Derecelendirme A.Ş. and Pınar Süt Mamulleri Sanayii A.Ş.

#### Contact:

S. Suhan Seçkin

[suhan@saharating.com](mailto:suhan@saharating.com)

Ali Perşembe

[apersembe@saharating.com](mailto:apersembe@saharating.com)

Oğuzhan Güner

[oguner@saharating.com](mailto:oguner@saharating.com)