

# REPORT ON COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

## 1) Compliance with Corporate Governance Principles

The TÜPRAŞ Board of Directors is making ongoing efforts to ensure full compliance with Corporate Governance Principles.

### PART I: SHAREHOLDERS

#### 2) Shareholder Relations Unit

With the rate of publicly-owned TÜPRAŞ shares reaching 34.24% following the secondary global offering, a Shareholder Relations Directorate was established in June 2000 to meet the legal obligation of ensuring regular, timely and accurate flow of information concerning the Company. Shareholder relations are managed in coordination with the Capital Movements Coordination Unit that had previously been operating under the Finance Directorate. A team made up of four employees serves local and foreign institutional investors and shareholders with two of them employed at the Shareholder Relations Directorate and two at the Finance Directorate.

#### Main activities of the Investor Relations Directorate and the Capital Movements Coordination Unit:

Duties of the Capital Movements Coordination Unit:

- To manage capital markets activities (relations with the Turkish Capital Markets Board (CMB) and the Istanbul Stock Exchange, capital increases, dividend payments, etc.);
- To ensure that General Meetings are held in compliance with applicable legislation and the Articles of Association of the Company;
- To implement and monitor all activities related to public disclosures.

#### CONTACT INFORMATION

| Financial Affairs Department  | Title                               | Phone               | E-mail                  |
|-------------------------------|-------------------------------------|---------------------|-------------------------|
| H. Suphi Ergeç                | Finance Manager                     | (262) 527 06 36     | sergec@tupras.com.tr    |
| Sinan Aydemir                 | Tax Ins. & Capital Movements Coord. | (262)527 06 00/3238 | saydemir@tupras.com.tr  |
| Investor Relations Department |                                     |                     |                         |
| Tuncay Onbilgin               | Manager                             | (262) 527 80 20     | tonbilgin@tupras.com.tr |
| Harun Bulgan                  | Coordinator                         | (262)527 06 00/3178 | hbulgan@tupras.com.tr   |

The Investor Relations Directorate responds to all questions without discrimination, provided that the question does not involve commercial secrets. This ensures effective communication between shareholders and the management and shareholders obtain accurate and up-to-date information from the source. The Investor Relations Directorate reports directly to the CEO and also to the Board of Directors when necessary.

#### Duties of the Investor Relations Directorate:

- To take necessary actions and ensure coordination for the regular, timely and accurate flow of information, which is a legal obligation set forth by the Istanbul and London Stock Exchanges where TÜPRAŞ shares are traded;
- To prepare the documents necessary for the timely delivery, to local and foreign investors, of information concerning material changes in the financial, operational and administrative status of the Company, from a single source;

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- c) To assist in efforts for the privatization of TÜPRAŞ, in compliance with the targets and strategies defined by the Turkish Privatization Administration and to ensure coordination between the relevant units in relation to the entire range of technical activities undertaken in this context;
- d) To identify the financial benefits of new strategies and plans that would increase the market value of the Company and generate added value and to take necessary action to ensure that these benefits are positively perceived by the investor community;
- e) To improve the recognition and attractiveness of the Company in the international investor community, to highlight its strengths as compared to equivalent refining companies and to use various tools such as road shows, teleconferences, e-mail and fax messages, analyst presentations, direct promotion activities and public announcements to make TÜPRAŞ a Company of choice for organizations investing in emerging markets;
- f) To provide information to the foreign bank performing clearance services of shares traded on the London Stock Exchange, concerning procedures that are directly applicable to shares, such as capital increases, dividend distributions and general meetings and to ensure that these procedures are fully implemented;
- g) To prepare schematic calendars describing the financial, operational and administrative activities planned by the Company in a given year and to announce this calendar to the media and to investors using appropriate means;
- h) To provide financial and operational data for reports and models prepared by oil industry analysts and to ensure that such reports are controlled and, if necessary, corrected before publication;
- i) To prepare lists of TÜPRAŞ's existing shareholders and a database containing detailed information on investors, to revise this database regularly, to ensure that all available tools, including external resources, are used to identify potential investors, to monitor material changes in the distribution of the foreign/local owners of TÜPRAŞ shares traded on the Istanbul Stock Exchange, transaction volumes, etc. and to notify top management of such changes and make suggestions when necessary;
- j) To submit monthly summary reports to the Board of Directors featuring comparative data on the ratios and share values of major local and foreign enterprises in the oil industry,
- k) To obtain and evaluate the industry-specific analyses and reports of local and foreign research and investment firms that monitor existing conditions and future developments in the oil industry, to compare these data with information utilized by the Company, to identify strengths and weaknesses and to report results to top management;
- l) To perform or have performed the necessary economic and technical studies related to the line of activity of the Company, to monitor firms operating in the oil and refining industry in developing countries with a view to assisting in the preparation of the Company's strategies and plans, to study basic factors that could have an impact on the financial structures and operations of comparable companies and to submit reports and suggestions to top management concerning the development of relevant counter strategies;
- m) To prepare and update presentations to be used at road shows and public meetings concerning the Company, to draft documents to be used to respond to investors' questions at such meetings in coordination with the relevant units;
- n) To assist the independent auditing firm in preparing IFRS-compliant financial reports, to prepare summaries of these reports, to make such summaries available to local and foreign investors and to prepare documents that could be used to respond to questions regarding IFRS reports and their consequences.

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## 3) Shareholders' Right to Obtain Information

Efforts to ensure flow of information, which is a legal obligation of the Company:

Efforts made in 2004 to ensure regular, timely and accurate flow of information, which is a legal obligation set forth by both the ISE and London Stock Exchange where TÜPRAŞ shares are traded:

- a) Announcements concerning the annual financial and operational results obtained in 2003 and budget targets for 2004;
- b) Detailed agenda of the Ordinary General Meeting held on April 9, 2004; decisions concerning the procedure applicable to the distribution of the 2004 profit;
- c) Balance sheets and profit-and-loss statements prepared annually in 2003 and quarterly in 2004, as submitted to the Capital Markets Board, IFRS-compliant financial statements and notes for the year 2003 and the first half of 2004 were announced to investors using various communication channels.

Promotional presentations and dissemination activities in Turkey and abroad:

Another fundamental duty of the Investor Relations Directorate is to develop and update presentations to be used in promotional meetings and dissemination activities in Turkey and abroad and to ensure that the Company is ready to respond to investors' questions at such meetings. In this context, the Investor Relations Directorate organized the following promotional meetings inside and outside Turkey:

- a) The Overview of Turkish Capital Markets and the Turkish Economy conference organized by Citibank in London on March 29-30, 2004;
- b) The Economic Coordination Council Meeting held in Ankara on June 11, 2004, discussing the impact of rising oil prices on Turkey;
- c) The TV program Ekogün, broadcast on TRT2 on July 29, 2004, discussing TÜPRAŞ's current position in the oil industry and its future plans;
- d) Responses to the Ekonomist magazine's questions on the impact of the rise in world crude oil prices on the Turkish economy;
- e) Promotional presentation about TÜPRAŞ at the Seventh Eurasian Economies Summit in Istanbul;
- f) Presentation dealing with TÜPRAŞ's activities and targets at the Overall Investment and Financing Program meeting held at the Treasury Undersecretariat in Ankara on September 15, 2004;
- g) One-on-one meetings held at the annual conference by Deutsche Bank and Beder Menkul Kıymetler in Göcek on September 30 and October 1, 2004, attended by representatives of large fund management companies investing in emerging markets and representatives of large Turkish companies active in capital markets;
- h) The Problems and Solutions in Turkish Capital Markets: Toward the European Union meeting, held in Istanbul on September 14-15, 2004 under the auspices of the Turkish Brokerage Houses Association;
- i) One-on-one meetings with representatives of foreign fund management firms during the Investor Conference held by international investment firm CA IB in Istanbul on October 14-15, 2004;
- j) Presentation to all sector representatives at the Supervision of Fuel Products in Turkey and the Quality of Fuel Products Offered to Consumers meeting, organized by Middle East Technical University's Petroleum Research Center in Ankara on December 17, 2004 to share the results of fuel product supervision activities and to discuss problems of the industry.

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| MONTH        | MEETINGS  |           |           | ANALYSTS AND FUND MANAGERS CONTACTED |           |            |
|--------------|-----------|-----------|-----------|--------------------------------------|-----------|------------|
|              | Local     | Foreign   | Total     | Local                                | Foreign   | Total      |
| JANUARY      |           |           |           |                                      |           |            |
| FEBRUARY     |           | 3         | 3         | 2                                    | 4         | 6          |
| MARCH        |           | 12        | 12        | 2                                    | 14        | 16         |
| APRIL        | 2         |           | 2         | 2                                    |           | 2          |
| MAY          | 2         | 4         | 6         | 7                                    | 3         | 10         |
| JUNE         | 3         | 1         | 4         | 3                                    | 1         | 4          |
| JULY         | 2         | 3         | 5         | 2                                    | 3         |            |
| AUGUST       | 2         | 3         | 5         | 4                                    | 5         | 9          |
| SEPTEMBER    | 3         | 13        | 16        |                                      | 11        | 16         |
| OCTOBER      | 6         | 24        | 30        | 11                                   | 28        | 39         |
| NOVEMBER     | 3         | 2         | c         | 3                                    | 2         | 5          |
| DECEMBER     | 3         | 2         | c         | 8                                    | 3         | 11         |
| <b>TOTAL</b> | <b>26</b> | <b>67</b> | <b>93</b> | <b>49</b>                            | <b>74</b> | <b>123</b> |

In addition to the events mentioned activities, one-on-one meetings with 123 analysts and fund managers from 93 firms were held in 2004. As can be seen in the table below, 49 analysts and fund managers from 26 local investment firms and 74 analysts and fund managers from 67 foreign investment firms visited the Investor Relations Directorate or were contacted at meetings abroad. At these meetings, relevant firms and their representatives were given information on the current status and prospects of TÜPRAŞ, thus ensuring continuing investments in TÜPRAŞ shares. The number of local investment firms with whom joint or one-on-one meetings were held increased 225% in 2004 as compared to 2003; the increase in the number of foreign investment firms contacted was 179%. The number of fund managers and analysts attending the meetings increased 276% for local firms and 164% for foreign firms.

In addition to these efforts aimed to ensure that shareholders freely exercise their right to obtain information, responses were provided to several requests for information via e-mail and phone. These requests mainly concerned the amount of dividends, payment date and time and capital increase. Written answers were prepared for frequently-asked questions and were made available on the Investor Relations pages of TÜPRAŞ's website. A total of 1,016 shareholder requests concerning dividend coupons (712 requests), free issue coupons (193 requests) and share certificate renewals (111 requests) were processed in 2004.

Shareholders were notified of the General Meeting through announcements in the visual media and letters sent by the Company. Shareholders were also provided information on the Company through material disclosures submitted to the London Stock Exchange and the Istanbul Stock Exchange, as defined in the Capital Markets Board's relevant communiqué. Information on all disclosures is publicly available on the Company's website.

The Articles of Association will be amended to recognize the right to appoint special auditors as an individual right.

No requests were made in 2004 to appoint special auditors.

#### 4) General Meeting

Shareholders representing 69.41% of the Company's capital attended the 2004 Ordinary General Meeting thereby achieving the quorum. A material disclosure was made to the Istanbul

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Stock Exchange to announce the meeting to shareholders and institutional investors. Following this disclosure, invitations to the General Meeting were published in the Turkish Commercial Registration Gazette and two high-circulation newspapers. Booklets featuring the Company's annual performance and financial tables were distributed and shareholders exercised their right to ask questions, which were noted by the Company.

The Company's Articles of Association stipulate that material decisions such as spin-offs, material asset sales, purchases or leases require the approval of the holders of Class C (preferred) shares. Within this context, at the General Meeting, the Privatization Administration representing Class C shares should approve decisions concerning actions that would restrict and/or prevent the procurement of fuels to the Turkish Armed Forces, the closing or sale of any of the refineries, the setting up of any encumbrances on the refineries, the reduction of their capacity by more than 10% and the spinning off, merger and/or liquidation of the Company. Decisions in matters other than those mentioned above require the consent of the General Meeting following discussions by the Board of Directors.

General Meetings of the Company are open to media members. It is planned to include a provision in the Articles of Association to permit the public, including media members, to attend General Meetings, without the right to vote and take the floor.

Minutes of General Meetings, lists of participants, agendas and announcements are made available to all investors on TÜPRAŞ's website.

## 5) Voting Rights and Minority Shareholder Rights

Following the 30.66% public offering of the Company's shares in April 2000, minority shares were represented by two members on the Board of Directors. This practice was introduced at the 2001 General Meeting.

Class C shares (Golden Shares) defined in the Articles of Association, which are represented by the Privatization Administration, do not enjoy voting privileges other than in matters described under the heading General Meeting Information and decisions concerning liquidation of the Company.

## 6) Dividend Policy and Timing of Distributions

No privileges are granted in relation to the sharing of the Company's profit. A dividend policy was defined in accordance with Corporate Governance Principles and all possible communication channels, including those of the Istanbul Stock Exchange, were used to convey this policy to shareholders. Dividends equal to the amount of distributable profit in 2004 as defined by the General Meeting in accordance with the rules set forth by the Capital Markets Board are distributed within the time frame specified by law. TÜPRAŞ has defined a clear general policy concerning dividend payments to local and foreign shareholders. Performance, financial position, cash position and relevant capital markets regulations were taken into account in determining the dividend strategy.

## 7) Transfer of Shares

The transfer of bearer shares is not subject to any restrictions. Class C registered shares may be transferred to another state-owned Turkish enterprise having the same authorities granted to the Turkish Privatization Administration under Law No. 4046. In such a case, the transfer shall be immediately entered into the stock ledger without necessitating a Board of Directors decision.

## PART II: PUBLIC DISCLOSURES AND TRANSPARENCY

### 8) The Disclosure Policy of the Company

Under special circumstances, the Company makes public announcements subject to the rules set forth in the Capital Markets Board's Communiqué Series VIII, No. 39 on the Principles

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Governing Material Disclosures. However, announcements are not limited to the matters listed below and all kinds of information that could affect investment decisions and the value of securities are publicly announced:

- a) Changes pertaining to capital structure and control;
- b) The purchase, sale, leasing, renting out and use as capital in kind of tangible fixed assets;
- c) Changes pertaining to the activities, investments, financial structure, financial fixed assets and administrative matters of the enterprise;
- d) Changes in the independent auditing firm of the enterprise;
- e) Matters to be decided by the Board of Directors upon the decision of the General Meeting, such as dividends, capital increases or amendments to the Articles of Association;
- f) Results of the rating study conducted by the international rating agency approved by the Board;
- g) Changes in the legislation applicable to the refining industry that would materially affect the activities and/or the financial position of the enterprise;
- h) Time and place of share certificate distributions where shareholders are entitled to free issue rights;
- i) Other changes that could affect share price.

In addition to material disclosures and other activities of the Investor Relations Directorate under the heading of Shareholders' Right to Obtain Information, an effort is made to publish analyses and announcements concerning quarterly activities and financial results. These reports are sent to all members in the Company's investor database, including those signing up through the investor membership page on the Company's website. Gross Refining Margins and Mediterranean Region Margins which are the most important indicators of the Company's profitability are published on the website every month, along with relevant comparative data.

## 9) Material Disclosures

21 material disclosures under the Capital Markets Board's Communiqué Series VIII, No. 39 were made in 2004. The Capital Markets Board and the Istanbul Stock Exchange did not request additional disclosures regarding these disclosures.

The Company's material disclosure obligations pertaining to GDR shares, that have been traded on the London Stock Exchange since April 2000, are managed in coordination with the Istanbul Stock Exchange. All disclosures submitted to the London Stock Exchange have also been made in Turkey. An effort is made to submit material disclosures simultaneously to both Stock Exchanges, within the limits of the Company's obligations in this regard.

In 2004, the Capital Markets Board did not impose any sanctions on the Company due to delays in material disclosures.

## 10) The Company's Website and Its Content

Most of the information mentioned in the Capital Markets Board's Corporate Governance Principles is available on the Company's website ([www.tskm.com.tr](#)). Since its inception in 2002, the website has featured information and documents specified in the Capital Markets Board's regulations, albeit under different headings.

Information required to be made available on the website is shown in the following site map:

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| TÜPRAS Website   | Information on Corporate Governance Principles  |
|--|---|
| <b>TÜPRAS - General Introduction</b>                   |   |
| Executives   | Management Structure  |
| Vision, Mission and Strategies                         |   |
| Line of Activity                                       |   |
| History  |   |
| Annual Report 2000                                     | Annual reports  |
| Annual Report 2001                                     | Annual reports  |
| Annual Report 2002                                     | Annual reports  |
| Annual Report 2003                                     | Annual reports  |
| <b>Investor Relations</b>                              |   |
| Investor Relations                                     | Articles of Association: preferred stocks   |
| Capital Structure                                      | Shareholding Structure  |
| Financial Reports                                      |   |
| Capital Markets Board and UMS Tables                   | Periodic financial tables and reports   |
| Business Schedule                                      |   |
| Announcements to Investors                             |   |
| Disclosures to the Istanbul and London Stock Exchanges | Material disclosures  |
| Introductory Documents                                 | Commercial Registration Gazettes : General Meeting agendas, lists of participants and meeting minutes, form for voting by proxy, statutory in formation forms prepared for share purchase announcements and proxy |
| Contact Us   |   |
| Investor Membership Page                               | Requests for Information  |
| <b>Media Relations</b>                                 |   |
| TÜPRAS in the Press                                    |   |
| Media Kit  |   |
| Press Releases   |   |
| Biographies of Executives                              |   |
| TÜPRAS Logo  |   |
| Photo Gallery  |   |
| Executive Presentations                                |   |

Prospectuses and public offering circulars are not available on the Company's website. The basic reason for this is that shares offered to the public or sold in packages are not owned by the Company but held by the Privatization Administration (OİB). The publication of prospectuses and circulars is at the discretion of the OİB.

Although there is no Frequently Asked Questions section on the website, the documents available in the Introductory Documents section provide answers to such questions. Efforts are ongoing to publish on the website the minutes of Board meetings that could affect the value of securities.

## 11) Disclosure of Ultimate Controlling Individual Shareholder(s)

No individual owns more than 5% of the capital of the Company or its subsidiaries. In addition, distribution of the Company's shares among corporations is indicated on the website under the Capital Structure heading.

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## 12) Disclosure of Potential Insiders

It is forbidden for the Chairman and Members of TÜPRAŞ's Board of Directors, Auditors, employees of the Investor Relations and Finance Directorates and other individuals who are in a position to obtain sensitive information during their employment to use such information for their own benefit or for the benefit of third parties. The list of individuals who are in a position to obtain insider information has not been disclosed to the public.

## PART III: STAKEHOLDERS

### 13) Disclosures to Stakeholders

Stakeholders of the Company are notified of General Meetings through invitation letters, newspaper announcements and disclosures to the Istanbul Stock Exchange. An attempt is made to include on the website detailed information on conferences, media announcements and presentations, with a view to providing information to stakeholders.

### 14) Participation of Stakeholders in Management

No model is available for stakeholder participation in management.

### 15) Human Resources Policy

The human resources policy of the Company is built along the following principles:

- a) Job descriptions, the delegation of authorities and performance criteria have been defined by the management of the Company and disclosed to employees.
- b) Hiring criteria are defined in writing and employment decisions are made in accordance with these criteria.
- c) An attempt is made to use objective criteria in making decisions pertaining to training, secondment and promotion and to take into account the Company's interests in this context.
- d) It is a top priority to provide training aimed at improving the professional and individual skills of employees.
- e) Employees are provided a safe work environment and efforts are made to continuously improve it.
- f) Decisions and changes concerning employees are shared with them.
- g) Employees who have completed five years and multiples of five years in service are awarded; well-trained, qualified and experienced employees are encouraged to continue their employment.
- h) There is no discrimination among employees in any form. TÜPRAŞ employees have not filed complaints with the top management regarding discriminatory practices.
- i) There are no representatives assigned to manage employee relations.

### 16) Relations with Customers and Suppliers

#### Customer Relations:

TÜPRAŞ's vision is to become the leading enterprise in the Turkish energy industry and a world-class refining Company. TÜPRAŞ's Quality, Environment, Occupational Health and Safety Management Systems are dedicated to maximizing customer satisfaction.

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As a criterion for measuring the performance of the Company's management systems, the General Directorate of TÜPRAŞ monitors customers' perceptions on matters pertaining to customer satisfaction. The General Directorate has defined a methodology to obtain this information and to use it to achieve targets. In this context, customer surveys are conducted, assessed and targets determined accordingly.

## **Supplier Relations:**

The General Directorate of TÜPRAŞ makes an effort to ensure that the goods and services it purchases comply with predetermined purchasing criteria. It also aims to ensure that the type and detail of the controls imposed on suppliers and goods purchased are regulated by taking into consideration their impact on consecutive production processes and the final product.

The General Directorate of TÜPRAŞ evaluates and selects suppliers on the basis of their ability to provide products complying with TÜPRAŞ's requirements. Criteria have been defined for selection, evaluation and re-evaluation. TÜPRAŞ keeps records of evaluation results and actions to be taken in response.

## **17) Social Responsibility**

TÜPRAŞ aims to maintain its leadership position in the oil industry by meeting its social and environmental responsibilities.

It is an undeniable fact that education plays a crucial role in the progress of a nation. With this in mind, TÜPRAŞ has built schools and has provided educational materials in the provinces where it operates, under the Support to Education Project. TÜPRAŞ has built 92 classrooms in four provinces with approximately 2,000 students enrolled at these facilities.

TÜPRAŞ has also set up a library in Rize and a public education center in izmir. Surplus computers and printers are donated to schools in provinces where TÜPRAŞ operates.

In addition to donating vehicles and equipment to university hospitals and state hospitals, TÜPRAŞ has also provided support for the establishment of intensive care units and makes its equipment and personnel available in case of a major fire in its region. Thus, TÜPRAŞ is making maximum efforts to meet its social and environmental responsibilities.

## **PART IV: THE BOARD OF DIRECTORS**

### **18) Structure and Organization of the Board of Directors; Independent Members**

The Board of Directors consists of seven members appointed by the General Meeting. Six board members are elected from among Class A shareholders who have received the highest number of votes at the General Meeting and one member from among the candidates nominated by the Class C shareholder.

In the event a Board seat is vacated due to death, resignation or dismissal of a member, this position is filled through an election held by the Board of Directors in accordance with Article 315 of the Turkish Commercial Code. In the event of a vacancy representing Class A shares, the Board of Directors fills the vacant position by holding an election from among candidates nominated by Class A shareholders on the Board. In the event that a position representing Class C shares becomes vacant as a result of the above-mentioned events, the Board of Directors fills the vacant position by holding an election from among candidates nominated by Class C shareholders on the Board.

### **Board of Directors**

Kahraman EMMİOĞLU Chairman Hasan KÖKTAŞ, Deputy Chairman Hüsamettin DANIŞ, Member Arzu H. ATİK, Member Aclan ACAR, Member Yalcın ÜNAL, Member Naci AGBAL, Member Şükrü DİLAVER, Auditor Murat İbrahim CELEBİ, Auditor Ahmet YAMAN, Auditor

One of the Independent Board Members, elected on the Board to represent minority shareholders on March 29, 2002, resigned in 2004. The other Independent Board Member Aclan ACAR is currently serving on the Board as of the end of 2004.

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## 19) Status of Board Members

The minimum criteria required by the Company for Board Membership are compatible with the criteria specified in Articles 3.1.2 and 3.1.5 of Part IV of the Capital Markets Board's Corporate Governance Principles.

According to Article 11 of the Articles of Association, candidates for Board Membership should not have been legally incapacitated, they themselves or the Company they are managing should not have been declared bankrupt or insolvent, they should own an interest in the Company and they should not have been convicted of infamous crimes. In cases where persons who are not shareholders of the Company are elected members, they may only become a member after becoming a shareholder. The General Meeting may provide consent in the cases described in Articles 334 and 335 of the Turkish Commercial Code.

The minimum conditions required by the Company for eligibility to the Board of Directors are not set forth in the Articles of Association in accordance with Article 3.1.1, Part IV of the Capital Markets Board's Corporate Governance Principles.

## 20) Mission, Vision and Strategic Targets

The Board of Directors has defined and publicly announced the mission and vision of TÜPRAŞ.

### Vision:

TÜPRAŞ's vision is to become the leading enterprise in the Turkish energy industry and a world-class refining Company.

### Mission:

TÜPRAŞ's mission is to meet Turkey's civilian and military demand for petroleum products in its entirety, to continuously improve its energy and petrochemicals activities, to deliver increased value to shareholders, customers and the society at large and to promote activities for environmental protection.

## 21) Risk Management and Internal Control Mechanisms

TÜPRAŞ's Risk Management and Total Quality Directorates have joined forces and are developing the procedures and defining the authorities pertaining to the Company's internal control mechanisms. All internal controls have been revised in accordance to international standards. An Internal Control Directorate has not been established yet; when established, this directorate will operate under the coordination of the Board of Directors' Audit Committee.

## 22) Duties and Authorities of Directors and Managers

The Board of Directors is the representation and governing body of the Company. It assumes all duties other than those assigned to the General Meeting under the laws and the Articles of Association and is equipped with all of the authority required to perform these tasks.

According to Article 319 of the Turkish Commercial Code, the Board of Directors may delegate all or part of its governing and representational authority to one or more Board Members, to a Board Member and a general manager or manager(s) who are not Board Members and may set up executive committees made up of members or non-members to perform its duties or exercise its authority.

## 23) Activities of the Board of Directors

At Board Meetings, all opinions voiced in relation to agenda items are indicated in the text of decisions prepared as meeting minutes.

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In matters pertaining to Article 2.MA, Part IV of the Capital Markets Board's Corporate Governance Principles, it requires that Board Members attend the meeting in person. In other matters, the quorum for Board Meetings is five members; decisions require the vote of five members. A member who does not attend four consecutive Board meetings without a valid excuse is deemed to have resigned.

The Board of Directors convenes at least once a month and whenever the business of the Company requires. The place of meetings is at Company Headquarters. Meetings may be held in another place as decided by the Board of Directors. Matters to be discussed at Board Meetings must be indicated in an agenda which is presented to Board Members before the date of the meeting. Invitations to Board Meetings must be made at least three days before the actual date.

Unless a Board Member calls for a meeting, Board decisions may also be made by all members who approve, in writing, of a proposal made by one of the members. Decisions by the Board of Directors are only valid if made in writing and signed. The absence of a quorum for a decision results in the rejection of that decision.

There exists a secretariat and a General Management Head Clerk, for the determination of Board Meeting agendas, the number of Board Meetings to be held in a given period of time, rules pertaining to participation in and invitation to meetings and the methods to be used to notify Board Members and ensure communication among them.

## **24) Dealing with the Company; Non-Competition**

The General Meeting may provide consent for cases specified in Articles 334 and 335 of the Turkish Commercial Code.

## **25) Rules of Ethics**

The following rules of business ethics are observed at the Company:

- a) We act honestly in all relations inside and outside the Company.
- b) The Company adheres to the Constitution and to laws and regulations.
- c) We actively participate in improvement efforts in the industry and in the countries or unions of countries where TÜPRAŞ operates.
- d) We act in compliance with TÜPRAŞ's corporate identity in our dealings with suppliers, contractors and customers.
- e) We keep track of the latest developments and act proactively.
- f) We strive toward the profitability targets of our Company.
- g) We build intellectual capital using information obtained from customers and suppliers.
- h) In making decisions concerning ongoing processes, we choose the best alternative in terms of timing, competence and environmental conditions, using our experience.
- i) We maximize customer satisfaction by taking customers' complaints and expectations seriously and finding quick and lasting solutions.
- j) We refrain from acts that would result in our Company's violating the values of the communities where we operate.
- k) We refrain from refusing services that would benefit the Company and from delaying or avoiding decisions that would further the Company's well-being, for reasons of personal expectations and preferences.
- l) We do not allow discrimination based on race, religion, language and gender to infiltrate our decision-making mechanisms.

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m) We support activities to improve TÜPRAŞ's image among stakeholders.

## **26) Number, Organization and Independence of the Board's Committees**

With a view to ensuring that the Board of Directors performs its duties and exercises its authorities in a sound manner, the audit committee has not been supplemented by a corporate governance committee or other committees.

## **27) Remuneration of Board Members**

All rights, benefits and remuneration that Board Members are entitled to are determined at the General Meeting.

No loans have been extended to Board Members or managers in any form.