

**2009**

**Statement of Compliance With  
Corporate Governance Principles**

## STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

### Compliance with Corporate Governance Principles

The intensification of globalization entails tougher competition and investors attach importance to companies' corporate governance practices, as well as their financial performance. Insufficient corporate governance policies on behalf of public and private agencies are an important reason underlying the current financial crisis and bankruptcies; and this perception further increases the importance of corporate governance practices.

Corporate governance enables companies to sustain their corporate presence and countries to maintain sustainable development.

Tüpraş makes the utmost effort to comply with the Capital Markets Board's Corporate Governance Principles, issued in July 2003 and revised, expanded and republished in February 2005.

The Corporate Governance Rating Report assigned Tüpraş a Corporate Governance Rating of 7.91 on October 8, 2007, 8.20 on October 6, 2008 and 8.34 on October 6, 2009. With this rating, Tüpraş confirmed that it complies, to a large extent, with the Capital Markets Board's Corporate Governance Principles, that it applies most of the necessary policies and measures and that it attaches utmost importance with the public and its shareholders. The Corporate Governance Rating Reports are accessible via [www.tupras.com.tr](http://www.tupras.com.tr).

The Corporate Governance Rating Report for 2009 is presented below. The principles' components that can and cannot be applied have been indicated.

### Corporate Governance Principles as of yet Unapplied

The fact that Tüpraş has figured in the top ranks of the ISE Corporate Governance Index since its inception is an indicator of the importance that the Company attaches to Corporate Governance Principles. Although most of the principles are fully applied, some principles have not been totally embraced due to national conditions, the capital market, the present structure of the Company and difficulties of full adoption. Tüpraş monitors developments as regards these few unapplied principles, strives to complete the necessary administrative, legal and technical infrastructure and is gradually undertaking ameliorations for full compliance. Details about the principles that are yet to be adopted have been indicated separately under each heading.

### Activities in 2009 for Compliance with Corporate Governance Principles

In 2009, the Corporate Governance Committee carried on with its activities. In order to comply with Corporate Governance Principles, the Articles of Association was expanded with the addition of the following articles: Announcements of the General Meeting will be made three weeks in advance, the media and stakeholders will be invited to the General Meeting, Board Member, Auditor and the officer responsible for the preparation of the financial tables will be present at the meeting and a sufficient number of committees will be established to ensure that the Board of Directors carries out its duties and responsibilities in an efficient manner.

Tüpraş' website and annual report have been analyzed and the revisions for full compliance with the principles have been realized. Three weeks before the General Meeting, the agenda, the related documents and a sample letter of attorney were uploaded to the website and also kept at the Head Office. The media and stakeholders were invited to the meeting and provided with information accordingly.

In addition, there were important advances in parameters concerning environment and human health and the details of these activities are provided under the heading Environment and Human Health in this report. Despite the crisis, Tüpraş continued its investments to conclude numerous Environmental Responsibility Projects reported by ICC and, as of year-end 2009, approximately TRY 110 million has been spent on these projects.

In the period ahead, new changes and practices in legislation will be taken into account in order to comply with the Corporate Compliance Principles.

## CHAPTER II: SHAREHOLDERS

### 2.1. Shareholder Relations Unit

The Company abides by all legislation concerning the exercise of rights guaranteed by shareholding, the Articles of Association and other internal regulations and takes all precautions to ensure that these statutory rights are fully exercised.

At Tüpraş, the Investor Relations and Strategic Planning Department (IRSP) and the Capital Movements Unit under the Financial Affairs Department work in coordination to liaise with individual shareholders and corporate investors. These units function under the coordination of CFO İbrahim Yelmenoğlu.

The IRSP responds to all enquiries raised, except those involving commercial secrets, in line with the principle of equality. Corporate shareholders of Tüpraş or potential investors are regularly briefed and updated through presentations and teleconferences, as well as meetings held domestically or abroad. This serves to promote active communication between the shareholders and the executives and enables shareholders to access all types of information required directly from its source. Special attention is paid to ensure that Tüpraş' website provides full and updated information about the Company with the aim of informing the public and shareholders.

The main activities of the IRSP and Capital Movements Coordination Unit are:

- Running transactions concerning capital markets (Liaising with the CMB and ISE, issuing of capital, paying of dividends, etc.),
- Ensuring that the General Meeting is held in accordance with current legislation, Articles of Association, and other Company regulations,
- Filing documents to be submitted to the shareholders at the meetings of the General Meeting and presenting these documents to the investors three weeks prior to the General Meeting via the Company website and electronic communication,
- Ensuring that minutes of the meetings are kept in order to make sure that voting results are recorded and that these results are reported to shareholders,
- Ensuring that the records about shareholders are kept in an efficient, reliable and up-to-date manner, with reference to Central Registry Agency (MKK) records,
- Carrying out all duties of public disclosure required by legislation, such as financial reporting or announcement of special situations, as well as carrying out, monitoring and ensuring other public disclosure functions related to the Company's information policy,
- Preparing information sheets and press releases and organizing teleconferences after the disclosure of financial reports,
- Answering queries and demands coming from shareholders and domestic or foreign corporate investors,
- Enhancing the Company's recognition and desirability within the international investment community; promoting its advantages in comparison with other refining companies on the same footing, utilizing or commissioning the use of necessary promotion instruments such as road show, teleconferencing, e-mailing, faxing, analyst presentations and statements/announcements providing direct information to make Tüpraş more preferable in the eyes of corporations investing in emerging markets,
- Reporting to the foreign correspondent bank undertaking clearance of shares traded on the London Stock Exchange concerning any procedures directly affecting the shares such as issue of capital, dividend payments and assembly of General Meeting, and undertaking necessary action to follow up and ensure full and accurate completion of these transactions,
- Promoting the Company vis-à-vis investment companies and financial intermediaries, supplying the analysts working in these companies with the information that they demand and controlling their reports,
- Surveying the breakdown of Tüpraş' existing shareholders, preparing a data base of investors' details, and employing all types of available tools, including external means, for identifying potential investors, and informing and advising the line managers when necessary. This is to be done by monitoring foreign/domestic components of investors holding Tüpraş shares at ISE and any significant changes of the trading volume there,
- Preparing and updating the required presentations for the domestic or foreign meetings for promoting the Company,
- The Investor Relations and Strategic Planning Department endeavors to employ electronic communication means and the corporate website of the Company in all their transactions. Maximum diligence is exercised for compliance with relevant legislation and Articles of Association in responding to the demands of the shareholders. To the extent of our knowledge, there were no written/oral complaints submitted to the

Company, nor any administrative/legal action taken against the Company concerning the exercise of shareholders' rights in 2009.

In 2009, the Investor Relations and Strategic Planning Department held a total of 263 one-to-one meetings with 347 fund managers and analysts; of those, 29 meetings were held with 19 domestic investment companies and 234 meetings with 191 international investment companies. During these meetings, relevant individuals and organizations were informed about Tüpraş and updated about changes made.

## 2.2 Shareholders' Right to Information

No distinction is made between shareholders when processing demands for evoking their right to obtain and evaluate information. All information, except those involving commercial secrets are shared with shareholders.

Apart from meetings held respecting the principle of "Right to Information" of the shareholders, a great many questions or requests for information, mainly concerning the value of dividends, payment venue and time and issue of capital, were received and responded to in 2009. Documents and guidelines were prepared to answer frequently asked questions and these have been uploaded in the Investor Affairs section of the Tüpraş website. Furthermore, in response to the requests of dividend coupon transactions, new dividend coupons, share exchanges and dematerialization transactions received from shareholders in 2009, 359 dividend coupon transactions, 48 new dividend coupon issues, 31 share exchanges and 46 dematerialization transactions were made, bringing the total number of transactions to 484. The rights of the shareholders have been fully delivered.

Shareholders were informed about the content of the assembly of the General Meeting through notices placed in national newspapers with high circulations, as well as letters of invitation issued by the Company and via the website. In addition, in accordance with the communiqué of the Capital Markets Board (CMB), the Disclosures of Material Events (DME) made to the Istanbul Stock Exchange (ISE) and the London Stock Exchange (LSE) was also published in the Public Disclosure Platform (PDP), ensuring that the shareholders were informed about the Company. The Company has prepared the necessary infrastructure to make sure that all announcements are made solely via PDP, starting from January 1, 2010. All these transactions are available for public scrutiny at the Company website.

Requests for the appointment of special auditors are not yet included as an individual right within the Articles of Association and no such request was received from shareholders in 2009. Apart from internal audits, the Company activities are periodically controlled by independent external auditor and auditors. The Company chosen for this job in the last General Meeting was the independent external audit Company Başaran Bağimsız Denetim and Serbest Muhasebeci Mali Müşavirlik A.Ş., a member of PricewaterhouseCoopers.

## 2.3 Information on the General Meeting

The Company held its 49th Ordinary General Meeting on March 27, 2009. Shareholders representing 59.64% of all shares attended the meeting. During the General Meeting, the shareholders used their right to pose questions. Apart from the items on the agenda, no issue was brought up.

The Ordinary General Meeting is held after the end of every fiscal period, as soon as possible, and with a maximum delay of three months. According to the Articles of Association, General Meeting sessions are also open to stakeholders and the media; however, they do not have the right to speak.

The invitations to the General Meeting are issued by the Board of Directors, according to the Turkish Commercial Code, Capital Markets Law and Company Articles of Association. As soon as the Board of Directors makes the decision to hold the General Meeting, the public is notified via disclosures of material events made to the ISE and the CMB.

The notice from the General Meeting assembly is made within the period required by legislations and also with a minimum advance notice of three weeks via the website [www.tupras.com.tr](http://www.tupras.com.tr) in order to reach the largest number of shareholders; in addition, the notice is published in the Turkish Trade Registry Gazette and in an all-Turkey edition of a newspaper with high circulation.

Before the General Meeting, an information sheet is prepared about the items in the agenda and issued to the public; all disclosures comply with legal processes and legislation. In line with the agenda items of the General Meeting, financial tables and reports including the annual activities report with the audited figures of 2009, corporate governance compliance report, profit distribution proposal, independent external auditing reports and auditor's report, information sheet on General Meeting agenda items and other documents providing the

basis for the agenda, the final version of Articles of Association, and in case of a revision in Articles of Association the text of the revision and its justification are displayed to the Head Office and on the website, in the most accessible manner for shareholders, after the publication of the notice for the general Meeting.

The voting procedure of the meeting is announced to the shareholders via the website and newspaper notices. In General Meeting sessions, items on the agenda are voted on in an open manner, by raising hands.

For all those who want to be represented by attorneys, sample letters of attorney are announced and made available to the shareholders via the website, before the General Meeting assembly.

All Tüpraş shares are registered shares. For those shareholders whose shares are kept in the Central Registry Agency in investors' accounts controlled by financial intermediaries and who want to attend the General Meeting assembly, the records in the General Meeting Blockage List are taken into consideration, in line with Central Registry Agency's decisions on the "General Meeting Blockage" transactions. According to law, those shareholders who have not registered themselves on the Blockage List via Central Registry Agency cannot attend the meeting. The Central Registry Agency General Meeting Blockage List is prepared the evening before the meeting.

In the General Meeting assembly, the items of the agenda are presented in an unbiased and detailed way, in a clear and comprehensible form and shareholders are provided equal opportunities to voice their opinions and ask questions, creating a forum for healthy discussion.

In the General Meeting, at least one Board Member, one Auditor, one of the officers responsible for the preparation of the financial tables, as well as one officer informed about the agenda items and ready to make explanations are present. In case of the absence of any one of these people, their excuse for absence is presented by the president of the meeting to the General Meeting.

After the General Meeting, the minutes of the assembly are translated to English and kept in the Company's minute book. On the Tüpraş website, minutes and a list of participants of the General Meeting, agenda items and notices are simultaneously made available for the scrutiny of all domestic and foreign investors.

The important decisions indicated in the Turkish Commercial Code are presented for the approval of the shareholders in the General Meeting. When the legal compliance of the Corporate Governance Principles is concluded, all important decisions indicated in changing laws will also be presented for approval of the shareholders in the General Meeting.

The 50th Ordinary General Meeting of the Company for 2009 will be held on April 5, 2010 at the Tüpraş Head Office.

#### **2.4. Voting Rights and Minority Rights**

As stipulated in the Articles of Association, material decisions concerning spin-offs or sales, acquisitions or lease of assets with significant value can only be taken with the affirmative vote of Group C (preferential) shares, represented by the Privatization Administration. In this context, approval of Group C shares represented by the Privatization Administration is sought at the General Meeting for deciding on issues that might restrict or hinder the supply of petroleum to the Turkish Armed Forces, such as closure or sale of one of the refineries, limitation of activities through establishment of restraint or any reduction corresponding to more than 10% of the capacity, or spin-off or merger and/or liquidation of the Company. In matters other than those mentioned above, decisions are made by bringing issues debated by the Board of Directors to the General Meeting for discussion and resolution.

Class C shares do not hold any other privileges concerning voting rights, apart from those indicated above.

No upper limit is set on the voting rights of any shareholder and, to encourage participation of shareholders based abroad, samples of letters of attorney have been uploaded on the website.

In the present Board of Directors, it is felt that the limited number of professionals who can contribute to the Company - apart from those with a background in the sector and in the Koç Group - complicates the need for and the selection of independent members.

Independent members, who are not widespread in our country and who can lead to many managerial problems in practice, can only represent a very limited part of the minority, as revealed by the experience of various companies. It is deemed that if Articles of Association provide for cumulative voting in order to allow minority shareholders to send a representative to the Board of Directors, the harmony of the Company management will be harmed; thus, no such regulation has been made.

## **2.5. Dividends Policy and Deadlines**

The dividends policy of the Company is determined within the framework of the Capital Markets Legislation and our Articles of Association. In accordance with the Corporate Governance Principles, a balanced and consistent policy towards shareholders and Company interests is pursued for the distribution of dividends.

As long as the relevant legislation, investment requirements and financial means permit, it is the Company's policy to have the Board of Directors distribute the entire distributable profit of the Company, subject to the approval of General Meeting following the proposal of the Board of Directors.

The distribution of profit is carried out within the legal timelines in accordance with the Turkish Commercial Code (TCC) and the CMB. There are no privileges assigned in the Articles of Association concerning participation in profit.

Dividends are paid out within the time limits set forth in the legislation, as soon as possible following the General Meeting.

## **2.6. Transfer of Shares**

The restriction on the transfer of 51% of Class A registered shares belonging to Enerji Yatırımları A.Ş. ended on January 26, 2009. As of this date, the transfer of the Class A shares is not subject to the approval of the Privatization Administration.

In accordance with the mandate vested in the Turkish Prime Ministry Privatization Authority with Law 4046, Class C registered shares can be transferred to another Turkish Public Enterprise enjoying essentially the same level of powers and this transfer is not subject to the approval of the Board of Directors.

# **CHAPTER III: PUBLIC DISCLOSURES AND TRANSPARENCY**

## **3.1. Disclosures Policy of the Company**

The "Disclosures Policy" of the Company is executed with reference to legal regulations, capital markets legislation and rules set out by the directives issued. The Company has drawn up a written document regarding public disclosures and information and has announced this to its shareholders and the public on its website following the approval of the Board of Directors and the General Meeting.

The Board of Directors is responsible for the monitoring, revision and amelioration of the disclosures policy. The aim of the disclosures policy is to share information concerning the Company's past performance, prospects, strategies and aims with the public, relevant authorities, existing and potential investors and shareholders in an equitable manner - with the exception of information constituting commercial secrets -, thereby providing a permanent, effective and transparent communication platform by the Investor Relations and Strategic Planning Department and Corporate Communication Units within the framework of provisions of the Capital Markets Board.

Queries coming from outside the Company are answered by the General Manager, Corporate Communications Department and Investor Relations and Strategic Planning Department. The Corporate Communications Department provides the written and visual media with a controlled news flow throughout the year as various events arise and thus, informs the public in a detailed manner.

In accordance with the Disclosures Policy, presentations are made concerning activities and financial outcomes of every quarter for investors, financial analysts, members of press and relevant circles and these

presentations are then issued on the Company website. The said reports are also dispatched to all registered members on the investor data base of the Company, which includes those who have signed up through the member registry page. Additionally, the Company has an active and updated website. Information flow to the public and investors is provided through the Company's corporate website, [www.tupras.com.tr](http://www.tupras.com.tr), designed with maximum care to include all provisions required for the corporate page. This website also includes comprehensive information on issues for which information can be requested from the Company.

Tüpraş updates its disclosure policy according to the changing market conditions and new regulations.

### 3.2. Disclosures of Material Events

In 2009, 17 disclosures of material events were made in relation to the Communiqué of CMB Series: VIII, No. 54. No additional information was requested by the CMB or ISE regarding these disclosures of material events.

The Company executes its liabilities for disclosure of material events pertaining to the GDR-Tüpraş shares traded on the London Stock Exchange since April 2000 in parallel with those on the ISE. There are no disclosures made to the London Stock Exchange that are withheld from the domestic market. Special attention is paid to providing disclosures of material events to both exchanges and ensuring their announcement simultaneously within the framework of the Company liabilities.

The Company was not subject to any sanctions from the CMB brought in the event of failing to disclose material events in a timely fashion.

### 3.3. Company's Website and Content

The Company website can be accessed at [www.tupras.com.tr](http://www.tupras.com.tr). Both past and current information concerning the following are available in Turkish and English.

- Detailed information about the corporate identity
- Vision and main strategies
- Information about the Members of the Board of Directors and the senior management of the Company
- Organization of the Company and partnership structure
- Articles of Association of the Company
- Commercial register information
- Periodical financial tables, financial data, benchmarks and analysis reports
- Press Releases
- Annual activity reports
- Disclosures of Material Events to PDP
- Data and charts about the share performance, rating grades
- Presentation to Investors
- Information on the analysts evaluating the Company and their reports
- Date for convention of the General Meeting, items of agenda, explanations about issues on the agenda
- The minutes and list of participants of the General Meeting
- A sample letter of attorney
- Corporate Governance Practices and Compliance Report
- Corporate Social Responsibility Report
- Dividends policy and profit yields per share
- Disclosure policy
- Information on social responsibility projects

### 3.4. Disclosure of Individual Shareholder(s) with Controlling Shares

No individual owns equal to or more than 5% of the Company's or its affiliates' shares. Other corporate information concerning the breakdown of Company's capital is available on our website, in the "Corporate Governance" section under the heading of the Investor Relations.

### 3.5. Disclosure of Insiders to the Public

All necessary precautions are taken to ensure that all Company personnel heed the rules concerning the use of insider information in order to achieve balance between transparency and protection of Company interests.

Information acquired in the course of employment that belongs to the Company and is viewed by the Company as information on a need to know basis that might be construed as commercial secrets, is deemed "Proprietary Information." All employees safeguard proprietary information and shall not disclose this information out of its scope directly or indirectly while employed or thereafter.

The list of insiders, consisting of Members of the Board of Directors, auditors and senior management staff, who have access to insider information as of the date of this report, is presented below. Insiders are also declared each year as part of the Annual Activity Reports and on our website.

#### People with access to insider information

Ömer M. Koç,	Chairman of the Board
Dr. Bülent Bulgurlu,	Vice Chairman of the Board
Rahmi M. Koç,	Board Member
Semahat S. Arsel,	Board Member
Mustafa V. Koç,	Board Member
Ali Y. Koç,	Board Member
Temel K. Atay,	Board Member
Erol Memioğlu,	Board Member
Yavuz Erkuş,	Board Member and General Manager
Ahmet Aksu,	Privatization Administration Class C Representative
İbrahim Murat Çağlar,	Auditor
Kemal Uzun,	Auditor
Goncagül Ayşe Özgüt,	Auditor
Gürol Acar,	Assistant General Manager (Production)
Yılmaz Bayraktar,	Assistant General Manager (Human Resources)
Hasan Tan,	Assistant General Manager (Trade)
İbrahim Yelmenoğlu,	Assistant General Manager (Finance)
Cengiz Demirtürk,	Finance Director
Deniz Köseoğlu,	Financial Reporting Manager
Tuncay Önbilgin,	Investor Relations and Strategic Planning Manager

## CHAPTER IV: STAKEHOLDERS

### 4.1. Informing Stakeholders

Stakeholders of the Company are notified about General Meetings by the meeting invitations sent out, notices in newspapers and statements sent to the ISE. Information offered on the Company website is as comprehensive as possible, including conference statements and interviews given to the press and media and presentations, bearing in mind that stakeholders will thus be informed. Arranging meetings at the highest possible levels, the Company endeavors to respond to the requests for meetings by the shareholders.

Company personnel are given access to circulars and announcements via the intra-net portal and important announcements are communicated to all employees via electronic mail. "Rafine" is the Company journal issued with the aim of reinforcing corporate communication between employees at different geographical locations. Employees and senior management executives of Tüpraş come together once a year to evaluate the goals and progress achieved in the course of the year and to exchange ideas.

Despite the lack of any binding provisions in the Articles of Association of the Company endorsing participation of stakeholders in the management of the Company, the "Tüpraş Recognition, Appreciation and Award" scheme has been devised to reward the personnel's acts and efforts in support of the values and goals of the organization, while the "Refined Suggestions" initiative was launched to promote and encourage individual and original suggestions concerning process improvement, energy saving, resource efficiency, productivity, protection of environment and work safety.

#### 4.2. Human Resources Policy

As is the case with other Companies of the Koç Group, the essence of the human resources policy at Türkiye Petrol Rafinerileri A.Ş. is embodied in the maxim "the most precious asset are our human resources."

The principles of the human resources policy adopted by the Company are as follows:

- Job descriptions, their delegation and performance criteria applied are defined and communicated to the employees by the Company.
- Recruitment criteria are laid out and communicated in writing and these criteria are applied for recruitment.
- Decisions for training, appointments and promotions are taken diligently by consulting objective data and considering corporate interests.
- There is great emphasis on providing training to develop both the professional knowledge and capabilities and personal talents of our staff.
- A safe work environment and work conditions are provided for our staff and efforts are constantly made to improve them.
- Events relating to or decisions concerning our employees are communicated to our employees.
- Rewards are presented to employees upon completion of five years, and multiples thereof, in service thus encouraging qualified, trained and experienced staff for continued service.
- There is no discrimination between the employees of our Company. There have been no complaints brought by Tüpraş employees to Senior Management concerning discrimination.
- There is no practice of assigning representatives for liaising with our employees.

#### 4.3. Information on Customer and Supplier Relations

##### Customer Relations

As a token of its responsiveness for quality, environment, public and occupational health in all its activities, Tüpraş obtained ISO 9001:2008 Quality, ISO 14001:2004 Environment and OHSAS 18001:2007 Occupational Health and Safety Management System certificates. The Company commits itself to maintaining the highest levels of customer satisfaction in its policies concerning quality, environment, occupational health and safety management systems.

The Tüpraş Headquarters monitors information concerning customer perceptions as to what extent it can meet customer expectations and needs. This is one of the main measurement criteria for governance systems and methods have been drawn up to elicit this information and use it for future targets. Therefore, customer surveys are conducted and evaluated, and targets are set in accordance with their outcome.

Within the framework of the modern management philosophy of Total Quality Management, the Company signed a Goodwill Statement with KalDer (Turkish Society for Quality) on April 4, 2006 as the first step of admission to the National Quality Movement and Journey to Excellence Program and it has introduced EFQM Excellence Model, a continuous development tool in Total Quality Management to its practices.

##### Supplier Relations

In accordance with the type and content of controls applied to products or service and product suppliers, Tüpraş Headquarters checks the compliance of goods and services procured against the procurement stipulations. The Company also examines the impact of purchased products and services on the next product developed and their dependence on the finished product.

Tüpraş Headquarters evaluates and selects suppliers on the basis of their capability to deliver products meeting the requirements of Tüpraş. Criteria have been drawn up for selection, evaluation and re-evaluation. Tüpraş retains the outcomes of these evaluations and records of action to be taken in accordance with these outcomes.

#### 4.4. Social Responsibility

With its accumulated knowledge in the refining sector, Tüpraş is oriented towards social rather than individual interests. Thanks to its institutionalized structure and socially responsible employees, Tüpraş initiates and supports various projects in cities where its refineries are located so as to contribute to the cultural and social development of our nation.

Tüpraş regards the Global Compact, signed by Koç Holding's Chairman of the Board of Directors Mr. Mustafa V. Koç and Secretary General of the United Nations Mr. Kofi Annan in New York on March 30, 2006, as the point of reference in fulfilling its requirements of Corporate Social Responsibility.

Tüpraş has further enhanced its corporate and ethical management philosophy and standards by issuing its first Corporate Social Responsibility Report in 2008. In its first Corporate Social Responsibility Report, Tüpraş adopted the Global Reporting Initiative's (GRI) G3 Reporting Principles. In the international arena, the "Ethical Accountability Capacities" of states, NGO's and companies regarding corporate social responsibility are evaluated under the control of the "AccountAbility" organization. In Turkey, the second of these evaluations was conducted by the Institute for Corporate Social Responsibility, the accredited Company of the "AccountAbility" organization in our country. In the "Ethical Accountability" evaluation, based on a survey covering 50 companies with the highest turnover, Tüpraş was ranked second.

As the largest industrial enterprise in Turkey, Tüpraş places human health, workplace safety, environmental protection and public interest at the forefront of its activities in pursuit of its goals. Apart from continuously developing products and services that protect people and the environment, Tüpraş complies with environmental standards concerning the fuel used in all its refineries for production purposes, regardless of regional differences. Operating on world standards concerning environmental protection, Tüpraş recognizes the importance of improving the natural habitat as well as preserving it and works towards the creation of new natural conservation areas.

In 2009, Tüpraş realized numerous events as part of its Corporate Social Responsibility activities, in areas such as education, culture and arts, health, sports, environmentally friendly actions and employee rights; the details of which are presented under the heading Corporate Social Responsibility.

## **CHAPTER V: BOARD OF DIRECTORS**

### **5.1. Structure, Formation, Independence**

The Board of Directors consists of at least five members, elected by the General Meeting. In the selection of the Board of Directors, one member has to be appointed by the Class C shareholders. The Class A shareholders, in order to determine their representatives, vote among themselves in the General Meeting, with those receiving the highest votes becoming members of the Board.

In the event of a Board seat falling vacant due to death, resignation or disqualification of a member, an election is held by the Board of Directors to fulfill this position, in accordance with Article 315 of the Turkish Commercial Code. If the vacancy is among members representing Class A shares, the Board of Directors fills the vacant position by electing one among the candidates nominated by the Class A shareholders on the Board. In case the seat appointed by Class C shares becomes vacant due to the abovementioned reasons, the Board of Directors fills the vacant position by making a choice among the candidates nominated by Class C shareholders. The Board of Directors can share the duties of management and representation among its members, or it can partially or fully relinquish these functions to delegate members who are members of the Board or to directors who do not have to be shareholders.

Only the Board of Directors is authorized to assign its management and representation duties in the aforementioned manner.

Board of Directors determines the duties of the delegate members and directors, and all responsibilities assigned to the Board of Directors, -except in cases in which the Class C member has the right for speech and approval, as indicated in Article 14 of the Articles of Association- can be transferred to related parties under the limits, rules and restrictions determined by the Board of Directors and if deemed necessary, all or some of these responsibilities can be revised or revoked.

In the areas that it deems necessary, the Board of Directors can form advisory committees, coordination committees, or sub-committees from among or outside its members.

The rules concerning the way in which presidents and members of the committee will gather, work and report is determined, regulated and revised by the Board of Directors.

In line with the Turkish Commercial Code, the Board of Directors can be paid attendance fees. Apart from the attendance fee, the members of the Board of Directors and the committees can also be paid wages, bonuses or premiums for the services that they deliver. The form and amount of the payments made to the Board of

Directors are determined by the General Meeting and the form and amount of the payments made to committee members for their committee membership service are determined by the Board of Directors, as stipulated in legislations.

## 5.2. Requirements for Board Membership

Minimum eligibility requirements sought by the Company for electing members to the Board correspond to the qualities stated in the articles 3.1.1., 3.1.2, 3.1.3, 3.1.4 and 3.1.5. in Part IV of the CMB Corporate Governance Principles.

As indicated in Article 11 of the Articles of Association, eligibility for membership to the Board of Directors requires that the person is not legally incapacitated, not declared bankrupt or insolvent personally or through a Company previously managed, owns a share in the Company and has no previous convictions for serious crimes. In case persons not holding Company shares are elected as members, they shall take the position after acquiring capacity as a shareholder. For the cases described in Articles 334 and 335 of the Turkish Commercial Code, the General Meeting may give consent.

The minimum eligibility requirements sought by the Company for members of the Board of Directors are specified in the Articles of Association of the Company in accordance with Article 3.1, Part IV of the CMB's Corporate Governance Principles.

## 5.3. Vision, Mission and Values of the Company

### Vision

Our vision is to be an effective and reliable player, admired for its human resources and performance in the global petroleum industry.

### Mission

Our mission is to create value for our shareholders, business partners and society by playing an active and leading role in development of the industry, while meeting the domestic petroleum demand.

### Values

- Honest, transparent and ethical,
- Respectful to people,
- Sensitive to the environment,
- Creative and innovative,
- Customer oriented,
- Encouraging development of employees,
- Promoting teamwork.

## 5.4. Risk Management and Internal Control

The Board of Directors oversees activities relating to financial control and auditing under the auspices of the Auditing Committee. In fulfilling this function, the Audit Committee examines and assesses in detail the reports compiled by the Financial Audit Department established to review, audit, and report the financial efficiency of our processes. The Committee then provides the Company management with necessary instructions and submits these instructions to the attention and approval of the Board of Directors, where appropriate. The Board of Directors operates within the scope of and in coordination of the Audit Committee.

The Financial Audit Department reviews the efficiency of all business processes of the Company from a financial perspective, tests the appropriateness, effectiveness and implementation levels of the auditing mechanisms relating to those processes, determines measures to be taken to rectify any shortcomings in cooperation with operational units and then reports the results of its work to the Audit Committee.

## 5.5. The Powers and Responsibilities of the Directors of the Board and Managers

The Board of Directors is the representative and executive body of the Company. It is responsible for undertaking all duties other than those assigned to the General Meeting under the laws and the Articles of Association and is vested with all powers required to perform these tasks.

In accordance with Article 319 of the Turkish Commercial Code, the Board of Directors may delegate all or part of its executive and representative powers to one or more of the Board Members, jointly to a Board Member and a non-member General Manager or manager(s), or otherwise may set up executive committees comprised of its members or non-members to perform its duties or exercise its powers.

### **5.6. Principles of Activity for the Board**

All opinions voiced at meetings of the Board of Directors are recorded in the official reports in the form of meeting minutes.

Attendance of Board Members in person is ensured where matters set out in Article 2.17.4, Part IV of the CMB's Corporate Governance Principles are discussed. However, in urgent matters pertaining to legal obligations, this principle is waived. With the exception of such matters, the quorum for Board Meetings is five members and decisions are taken with the affirmative vote of five members. A member who does not attend four consecutive Board meetings without a valid excuse or a justified cause is deemed to have resigned.

The Board of Directors convenes whenever the business of the Company so requires. However, it is obligatory to have at least four meetings annually. All operations of the Company are reviewed in these meetings and material issues are resolved. In addition to these regular meetings, the Board of Directors may meet when deemed necessary, with the attendance of the absolute majority of its members, to make decisions on special matters, or may decide without actually convening in accordance with Article 330/2 of the Turkish Commercial Code.

The place of meetings is the Company headquarters. Meetings may be held at another venue with the decision of the Board of Directors. Matters to be discussed at Board Meetings must be pre-determined on an agenda that is communicated to Board Members before the date of the meeting. Invitations to Board meetings must be made at least three days before the actual date of meeting.

The agendas for regular meetings are drawn up by the Secretariat of the Board of Directors in consideration of previous decisions and issues warranting resolution and in consultation with the Members of the Board.

Meanwhile, agendas of other meetings are determined by matters where there is a legal obligation requiring a decision.

The duties of the Secretariat of the Board of Directors are under the supervision of the Chief Financial Officer (CFO).

Articles of Association do not provide Members of the Board of Directors weighted voting rights or the right to veto.

### **5.7. Dealings with the Company and Non-Competition**

Consent can be granted by the General Meeting for cases specified in Articles 334 and 335 of the Turkish Commercial Code.

### **5.8. Ethics Code**

The Code of Ethical Business involves the fundamental principles of conduct. Tüpraş has renewed its code of ethical business towards compliance with the Global Compact signed by Koç Holding. It also adapts to changes in legal, social and economic circumstances.

Employees of the Company are expected to comply with the "Code of Work Ethics" and "Common Values of the Koç Group" in performing their jobs. In recognition that business procedures, standards, laws and regulations cannot provide guidance for all of our conduct and actions, we have the Business Ethics Code built on corporate values and the Ethics Council.

The Code of Work Ethics adopted by the Board of Directors is defined under the topics of Honesty and Reliability, Secrecy and Protection of Commercial Secrets, Conflict of Interest, and Our Responsibilities.

The abovementioned text can be accessed in full on the Company's website under the heading of the Corporate Governance.

### 5.9. Number, Organization and Independence of Board Committees

The Company has a number of committees established to ensure that the Board performs its duties and responsibilities in a robust manner. These committees perform their activities in accordance with certain procedures. Audit Committee and Corporate Governance Committee thus established operate in accordance with the pre-determined principles.

#### Corporate Governance Committee

The committee was established to monitor the harmonization of the Company with Corporate Governance Principles and assess justification for non-compliance with the principles not yet implemented and advise the Board of Directors with proposals for improvement of practices.

Name Surname	Title	Relation with Company	Independence Status	Duties Undertaken in Other Committees
Ali Y. Koç	Member	Board Member (Not Commissioned in Execution)	Dependent	N/A
Dr.Bülent Bulgurlu	Vice Chairman	Vice Chairman of Board (Not Commissioned in Execution)	Dependent	N/A
Seval Kızılcın	Manager	Corporate Communications Manager (Commissioned in Execution)	Dependent	N/A

#### Risk Governance Committee

The committee was established in order to make recommendations to the Board of Directors in regards to issues related to identifying, measuring, analyzing, monitoring and reporting risks that the Company is exposed to and to decrease controllable and uncontrollable risks.

Name Surname	Title	Relation with Company	Independence Status	Duties Undertaken in Other Committees
Mustafa V. Koç	Member	Board Member (Not Commissioned in Execution)	Dependent	N/A
Ömer M. Koç	Chairman	Chairman of Board (Not Commissioned in Execution)	Dependent	N/A
İbrahim Murat Çağlar	Member	Audit Board Member (Not Commissioned in Execution)	Dependent	N/A
Ardan Aksade	Manager	Audit Manager (Commissioned in Execution)	Dependent	N/A

#### Audit Committee

The committee in charge of audits was established to monitor financial affairs, to assess periodical financial charts and endnotes, to take necessary action within the framework of the Corporate Governance Principles and to present its proposals concerning financial results based on existing information and examination of the Independent External Audit and to oversee the internal audit processes.

Name Surname	Title	Relation with Company	Independence Status	Duties Undertaken in Other Committees
Temel Kamil Atay	Member	Board Member (Not Commissioned in Execution)	Dependent	N/A
Erol Memioğlu	Member	Board Member (Not Commissioned in Execution)	Dependent	N/A

**Ethic Committee**

<b>Name Surname</b>	<b>Title</b>	<b>Relation with Company</b>	<b>Independence Status</b>	<b>Duties Undertaken in Other Committees</b>
Rahmi M. Koç	Member	Board Member (Not Commissioned in Execution)	Dependent	N/A
Semahat S. Arsel	Member	Board Member (Not Commissioned in Execution)	Dependent	N/A
Yılmaz Bayraktar	Assistant General Manager	Assistant General Manager (Commissioned in Execution)	Dependent	N/A

**5.10. Remuneration of Board Members**

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

No loans of any form are extended to Board Members or managers directly or indirectly.

At the Ordinary General Meeting concerning activities of 2008, it was voted unanimously to pay the gross monthly salary of TRY 1,765 to the Chairman and Members of the Board of Directors and TRY 1,295 to the Members of the Audit Board.