

**TURK TUBORG BREWING AND MALTING, INC.**  
**CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT**

**1- Declaration of Compliance with Corporate Governance Principles**

The Corporate Governance Principles adopted by Turk Tuborg have been applied excluding the parts mentioned below.

Due to the fact that our company is a foreign-invested one, that all the members of the Board of Directors are of foreign nationality and reside abroad and that the number of the members of the Board of Directors is limited, the Corporate Governance Principles have not been complied with in such matters as formation of the Corporate Governance Committee and any other committees, cumulative voting method, independent member, representation of minority shares in the Board of Directors and stakeholders' participation in management. Those issues which have not been complied with are referred to in the text of the report.

We have closely followed the recent developments about Corporate Governance Principles during the year and worked for the compliance of the Articles of Incorporation with such principles.

**PART 1 – SHAREHOLDERS**

**2- Shareholder Relations Unit:**

"Shareholder Relations Unit " was established on 18.03.2009 and Emin Lütfi Pöge, currently performing as Financial Affairs Advisor, is authorized to perform to manage the unit in addition to his current status.

Authorised Person: Financial Affairs Advisor                      0.232.399 21 36

Duties:

- ❖ To ensure that the records of the shareholders are kept in a good, reliable and updated manner;
- ❖ To reply any written information requests of the shareholders, except such information about the company which has not yet been publicly announced and which is confidential and of trade secret in nature;
- ❖ To ensure that the General Assembly meeting is to be held in compliance with the legislation in effect, the articles of incorporation and other in-house regulations;
- ❖ To ensure that any documents of which the shareholders may use in the General Assembly meeting are to be issued, communicating with the other departments within the company;
- ❖ To ensure the records of voting results to be kept and the reports of such results to be sent to the shareholders;
- ❖ To monitor any and all issues regarding the public information, including the legislation and corporate information policy.

Information requests may come in from the shareholders by phone at certain times during the year and any required replies are given.

**3- Utilisation of Shareholders' Rights to Obtain Information:**

The main principle in the utilisation of the shareholders' right to obtain and examine information is not to discriminate between the shareholders. Information about the applications made to obtain information during the year is given in item 2 hereof. Such information requests are usually related with date of the General Assembly meeting, capital increases and free stocks, distribution of profit, etc. Except those in the scope of a trade secret or a company interest worth protecting, all the information requests are replied in accordance with the statements priorly given to the public through announcements without discriminating between shareholders. Any developments which will affect the exercise of shareholding rights as required by the Turkish Commercial Code (TCC) and Capital Market Board (CMB) regulations are made public through announcements, newspaper notices, mail and our web site at [www.turktuborg.com.tr](http://www.turktuborg.com.tr). Though any request for the appointment of a special auditor is not defined as a shareholder right in the article of incorporation, shareholders did not submit such requests during the year.

#### **4- General Assembly Meeting Information:**

The last ordinary General Assembly meeting was held on 26.05.2009. The quorum for resolution is 51% of the current share capital in the annual and extraordinary general assembly meetings pursuant to the articles of incorporation of the company. The quorums of meeting and resolution were 95,7 % of the share capital of the company in the ordinary general assembly meeting. Stakeholders and media did not attend such meeting. Call for the general assembly meeting was given by the board of directors. Authorised persons from the independent auditors are also invited to the meetings in writing as well as shareholders. The notice for the convention of the general assembly meeting of the company was published in the Journal of Turkish Registry of Companies 21 days in advance excluding the dates of notice and meeting. However, the notice for the meeting was also published in a local newspaper and the shareholders were notified of the date, place and agenda of the meeting via mail to those shareholders whose addresses were registered. Prior to the general assembly meeting, the date, place and agenda of the general assembly meeting, proposal of profit distribution by the board of directors and the independent auditors elected by the board of directors are made public through announcements. The annual report of the company is made available to the shareholders in the headquarter of the company prior to the general assembly meeting. Any issues in the agenda are communicated in an impartial and detailed manner by a clear and understandable method and the shareholders are provided with equal opportunity to give their opinion and ask questions, thus creating a good atmosphere of discussion in the general assembly meetings. The articles of incorporation do not contain any provisions as to the fact that such important resolutions as division, purchase, sale and lease of property in substantial amount, etc. shall be made in the general assembly meeting. Such resolutions are made in consideration of the CMB regulations, TCC and taxation legislation by the board of directors so that the activities of the company are ensured to continue in its regular course and made public through announcement once such resolution is made. Several conveniences are provided so that the shareholders are transported to the place where the general assembly meeting shall be held as well as the effective use of aforementioned communication channels in order to facilitate the attendance of the shareholder to the general assembly meeting. The minutes of general assembly meeting are at all times accessible to the shareholders at the headquarter of the company or in our web site at [www.turktuborg.com.tr](http://www.turktuborg.com.tr).

#### **5- Voting Rights and Minority Rights:**

The articles of incorporation of the company provide that the shareholders or their proxies who attend any annual and extraordinary general assembly meetings shall have one vote for each share. There is no privilege as to voting rights.

The company does not have any investment in associates.

There is no independent member in the board of directors nor the minority rights represented in the board of directors in our company. The minority rights and their exercise are governed by the article 11 of the Capital Market Act to which all the listed companies are subject. On the other hand, the minority shareholders constitute 4,31% of total shares. Cumulative voting system does not take place.

#### **6- Profit Distribution Policy and Timing of Profit Distribution:**

There is not any privilege in dividends. The general policy of the company in profit distribution is to distribute the profit considering the financial situation of the company, the investments, other fund demands, market conditions, economical situation, Capital Market Legislations and Tax Legislations. The articles of incorporation of the company contain a provision concerning the dividend advance. The exercise of the power of paying advances is evaluated under the current legislation and economic circumstances by the board of directors. The profit distribution methods and processes are identified by the provisions as contained in the Turkish Commercial Code, Capital Board Market regulations and the articles of incorporation of the company. In line with the profit distribution policy, the resolution made public through announcement immediately after such a resolution is made in each year by the board of directors. The resolution of the board of directors concerning profit distribution is submitted to the general assembly meeting for approval, and the amount of dividend approved is distributed to the shareholders under the Communiqué IV-27 of CMB in the general assembly meeting within the period determined.

## 7- Transfer of Shares:

The articles of incorporation of the company do not contain any provisions which restrict the transfer of shares.

## PART II – PUBLIC ENLIGHTENMENT AND TRANSPARENCY

### 8- Information Policy of the Company:

The Corporate Governance Principles have been established as described in the Part II paragraph 1.2 and although the company does not have an information policy which has been made public, it informs all the shareholders and stakeholders pursuant to the Communiqué Concerning the Principles for the Public Announcement VIII-54 of the Capital Market Board. The information process is implemented in a timely, correct, complete, understandable, construable and equally easily accessible manner at lower costs to help the persons and entities who shall make use of such statement may make decisions by the board of directors of the company; Timur Gokmeral, Vice-President (Finance-CFO); Lütfü Pöge, Financial Affairs Advisor, in a co-ordinated manner. The quarterly financial statements of the company and their notes prepared pursuant to the international financial reporting standards are made public once they are audited as per the regulations of the Capital Market Board. Such financial statements are also published in our company's internet site at [www.turktuborg.com.tr](http://www.turktuborg.com.tr).

### 9- Public Announcements:

The number of public announcements made in the period of January– December 2009 by the company is 16. The company has not ever violate its obligation to inform the public.

### 10- Website of the Company and Its Contents:

The company has two brand web sites [www.carlsberg.com.tr](http://www.carlsberg.com.tr) and [www.tuborg.com.tr](http://www.tuborg.com.tr) as well as corporate web site [www.turktuborg.com.tr](http://www.turktuborg.com.tr). A section entitled “investor relations” has been created, which may be accessed via a link in the main page of the internet site [www.turktuborg.com.tr](http://www.turktuborg.com.tr) in accordance with the decisions made in the meeting no. 48/1588 of the Capital Market Board held on 10.12.2004 and the website contains minimum information as required by the regulations. Our efforts to make better web site service will continue.

### 11- Disclosure of Ownership:

The capital structure of the company is as follows as of 31 December 2009:

<u>Shareholders</u>	<u>TL</u>	<u>Share (%)</u>
International Beer Breweries Ltd.	95.659.374	95.69
Other	4.312.186	4.31
<b>Total</b>	<b>99.971.560</b>	<b>100.00</b>

### 12- Public Announcement of Those Persons Who May Be Inside Traders:

Although CMB has been informed of those persons who may be inside traders for several reasons before, they have not been made public. Those persons in this position are the following:

#### Members of the Board of Directors:

Roni Kobrovsky	President of the Board of Directors
Joav Asher Nachshon	Vice President of the Board of Directors
Shlomo Graziani	Member of the Board of Directors
Benjamin Haim Rotenberg	Member of the Board of Directors

**The Auditors:**

Haydar Gökçek

Mustafa Ersun Bayraktarođlu

**CEO and Vice Presidents:**

Damla Birol Chief Executive Officer (CEO)

Timur Gökmeral Vice President – Finance (CFO)

Murat Akgün Vice President – Supply Chain

Ođuzhan Gungördü Vice President – Sales

Nilüfer Reisođlu Vice President – Marketing

Ayşe Keskinel Vice President – Human Resources

**Shareholders Relations Unit:**

E. Lütfü Pöge Financial Affairs Advisor

**Independent Audit:**

DRT Bađımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Deloitte)

**Tax Certification Independent Audit:**

Başaran Nas Yeminli Mali Müşavirlik A.Ş. (PwC)

**PART III – STAKEHOLDERS****13- Informing the Stakeholders:**

The stakeholders are informed through public announcements of CMB pursuant to the CMB regulations, TCC, Competition Act, Taxation Acts and Obligations Act, except any information of the company which is of a trade secret nature.

**14- Stakeholders' Participation in Management:**

No work has been undertaken nor any model established about the stakeholders' participation in management.

**15- Human Resources Policy:**

Our Human Resources policy in Turk Tuborg is to keep the organisational structure dynamic and ensure to be prepared for any changes in accordance with the strategic plans and goals of our company. Our company has adopted as its objective to gradually make firmer its position “to be primarily preferred” by qualified persons. The Human Resources practices based on competence as applied in our company ensure to create a professional working environment for our employees and career improvement opportunities and to provide our company with such persons who have a higher level of education, are exposed to innovations and changes, have enterprising abilities, are energetic, aim at improving their own selves and their business, adopt and keep up the values of the company.

Our Human Resources policy is based upon the equal opportunity principle which do away with any discrimination of races, languages, religions, sexes and ages. A performance management system is applied so that the employees may be rewarded by their contributions and efforts and attention is paid to provide them with equal opportunity in employment and promotions.

In-house and outsourced training programmes are applied under a scheme which is determined at each and every level in order to ensure the improvement of the employees.

Provision of safe working environment and conditions is an issue on which our company places much importance. Any and all legal measures are taken in order to prevent any vocational risks, protect health and safety and do away with any factors of risk and accident under the Labour Safety and Health Regulation. Improvement efforts are continually maintained through regular meetings.

A representative has been assigned to carry out the relations with the employees in our company. Production employee Ahmet Karapınarlı acts as the representative in the 2007-2009 Collective Labour Contract term. Powers and responsibilities of the representative are described in the Collective Labour Contract.

Türk Tuborg management and the Human Resources department have had no complaints from the employees about discrimination up to the date.

#### **16- Information about the Relations with Customers and Suppliers:**

Any and all measures are taken to ensure customer satisfaction in the marketing and sales of goods and services and importance is placed on the training of employees in such matters. Our customers' needs for the finished products purchased are rapidly satisfied.

Our products have TSE quality standards. Our company strictly comply with quality standards and attention is paid to maintain such standards.

Purchasing transactions in our company are carried out as stipulated by the Purchasing Regulation and in accordance with the purchasing decisions. Such criteria as reasonable costs, proper quality, adequate capacity and after-sales service are considered at the time of selection of suppliers.

#### **17- Social responsibility:**

Türk Tuborg, engaged in the activity of malting, brewing, packaging, warehousing and distribution of beer, consider environmental management as an integral part of its business in connection with its social responsibilities and aims the protection of the environment with all its employees.

In order to accomplish this aim, Türk Tuborg Brewing and Malting Inc. intends to

- Optimize the use of natural resources and raw materials,
- Reduce the environmental impacts resulting from our activities to the possible minimum level by taking necessary precautions and protect environment by prevention of pollution,
- Comply with the applicable legal requirements and other requirements determined by ourselves relating to our environmental aspects,
- Encourage our suppliers and subcontractors to operate in a more sensitive manner regarding environmental issues,
- Measure, monitor and review the performance of our environmental management system which has been established in compliance with the requirements of the "ISO 14001 Environmental Management System" standard by setting targets and continuously improve our system which is in practice.

Türk Tuborg, which is a member of CEVKO (Foundation for Preservation of Environment and Recycling of Waste Packagings), is fulfilling its its legal requirements for collection of recyclable packaging wastes through its cooperation with CEVKO.

### **PART IV – BOARD OF DIRECTORS**

#### **18- Structure, Formation and Independent Members of the Board of Directors:**

The Board of Directors exercises its powers and responsibilities and represents the company under the relevant legislation, articles of incorporation, company regulations and policies in accordance with the authority conferred upon it by the shareholders in the General Assembly meeting.

The members of the Board of Directors of Turk Tuborg are as follows:

Roni Kobrovsky	President of the Board of Directors
Joav Asher Nachshon	Vice President of the Board of Directors
Shlomo Graziani	Member of the Board of Directors
Benjamin Haim Rotenberg	Member of the Board of Directors

All of the members of the Board of Directors act as the members of the Board of Directors and/or top executives in the IBBL group companies and reside abroad.

There is no independent member in the Board of Directors.

Performance of the activities as stipulated in the articles 334 and 335 of the TCC by the members of the Board of Directors is depended upon the approval by the general assembly meeting. There is not any restrictions on the activities of the members of the Board of Directors except for the said activities.

#### **19- Qualifications of the Members of the Board of Directors:**

Utmost attention is paid to the structuring of the board to provide effect and effectiveness at the topmost level in the selection of the members of the Board of Directors. For this purpose, in principle, attention is paid to elect such members who comply with the criteria as prescribed in the subparagraphs 3.1.1, 3.1.2 and 3.1.5 of Part IV of the CMB Corporate Governance Principles although general conditions to that effect are not contained in the articles of incorporation of the company.

A Corporate Governance Committee has not yet been formed within the company.

#### **20- Company's Goals:**

The fundamental goal of Turk Tuborg as a beer-focused company is to create a partnership value continuously. Placing importance on its marketing activities, the company sets goals in accordance with the needs and expectations of its consumers to be its priority objective. As the product quality bears much importance in terms of consumer satisfaction and pleasure, it shall at all times take place in the foremost front in the market.

The Company shall be sensitive to the environmental concerns due to its social responsibility.

#### **21- Risk Management and Internal Control Mechanism:**

The board of directors essentially observe the activities concerning risk management through the audit committee. The committee responsible for auditing makes use of the finds of the unit of the Vice-President (Finance) and the corporations performing the procedures of independent auditing and tax certification while fulfilling its function.

#### **22- Powers & Responsibilities of the Members of the Board of Directors and the Managers:**

The members of the board of directors and the managers perform their duties in a fair, transparent, accountable and responsible manner. In order to be able to ensure it, although the imperative provisions of the TCC are valid, the principles of the powers and responsibilities of the board of directors are regulated in the articles 10 and 11 of the articles of incorporation of the company as follows:

Article 10: The company is managed and represented and bound by the board of directors. The Board of Directors may appoint Delegate Member(s) from among the Members of the Board of Directors. The Board of Directors may assign such delegate Member(s) or Managers who are not necessarily shareholders with its power of management and representation. In case the power of representation is assigned to delegate members who are not members of the Board of Directors pursuant to the article 319 of the Turkish Commercial Code, then at least one of the members of the Board of Directors must also have the power to represent.

The signatories of the company are designated by a resolution of the Board of Directors.

Article 11: The Board of Directors perform such duties as representing the company with any governmental offices, courts and third parties; performing on behalf of the company any proceedings and legal actions as contained in the subject matters and purposes of the company; purchasing and selling properties as contained in the subject matters of the company and creating and revoking mortgages and other real rights on such property; making peace and appointing arbitrators; issuing the annual report and annual accounts which shall be submitted to the General Assembly meeting and proposing to the General Assembly meeting the amount of dividend to be distributed and any other duties imposed upon it by the code and the articles of incorporation.

### **23- Principles of Activity of the Board of Directors:**

The working principles of the Board of Directors are regulated in their form in the article 9 of the articles of incorporation of the company as follows:

“The Board of Directors regularly meets quarterly, making a total of four times a year. President of the Board of Directors and his Vice-President prepare the schedule of meeting for the following year with the assistance of the Director General. The agenda of meeting must be sent to the members no later than five days prior to the date of meeting. Each of the members may add items to the agenda by three days before the notice to the Director General and the President of the Board of Directors. Any reports and other issues discussed in the meetings of the Board of Directors must be sent together with the agenda or, if any, amended agenda.

The meetings of the Board of Directors are held in English. Official minutes of meeting and resolutions are kept in Turkish. English translations of the minutes of meeting and resolutions will also be entered in the book of resolutions.

Pursuant to the article 330/II of the Turkish Commercial Code, resolutions of the Board of Directors on any issues may be made without holding a meeting by communicating a written proposal of any of the members to the other members unless any member claims discussions.”

Working principles of the Board of Directors and details related with the works of the activity term are as follows:

The agenda of the meeting of the Board of Directors is determined by the President of the Board of Directors, discussing with the other members of the Board of Directors and the Chief Executive Officer (CEO), and sent to the members no later than five days prior to the date of meeting. The Board of Directors was met 10 times during the activity term. There is no secretariat for the Board of Directors. All the members usually attend the meetings. There was no issue which was objected during the period of January – December 2009. All the members of the Board of Directors made actual attendance to the meetings held in such issues as contained in the provision IV.2.17.4 of the Corporate Governance Principles. The questions asked during the meeting are not entered in the minutes. The members of the Board of Directors are not granted weighted vote and/or right of veto.

**24- Transaction and Competition Ban with the Company:**

None of the members of the Board of Directors of the company did not carry out any activities of commercial transaction nature as contained in the subject matters of the company in the territory where the company operates (Turkey) on his own or any other party’s behalf during the year.

**25- Codes of Conduct:**

Basic competencies adopted and established for the employees of the company by our company which considers a principle to conduct in compliance with the laws and codes of conduct are very efficient in the evaluation of the performance of the employees as well.

Basic competencies are:

- o Connect With Others through Team Spirit
- o Go for Results By Creating Solutions
- o Resilience / Firmness
- o Take Accountability With Commitment and Passion

The issues as listed above have been made public by inserting the same in the contents of the Annual Reports.

**26- Number, Structure and Independence of the Committees Established in the Board of Directors:**

An Audit Committee has been established in the Board of Directors. The committee supervises the accounting system of the company, public announcement of the financial information, independent audit and functioning and efficiency of the internal audit system; selection of the independent audit company, start of the independent audit process and the operations of the independent audit company are all accomplished under the supervision of the Audit Committee; it provides the Board of Directors with information about the annual and interim financial statements which shall be made public. Shlomo Graziani and Benjamin Haim Rotenberg are the members of the Audit Committee. Due to the fact that there are no independent members in the Board of Directors, the Audit Committee is consisted of non-executive members. None of the members of the Board of Directors has a place in more than one committee.

**27- Financial Rights Granted to the Board of Directors:**

The remuneration for the members of the Board of Directors is regulated in the article 12 of the articles of incorporation of the company as follows:

“The members of the Board of Directors are paid a remuneration for each meeting day or on monthly basis other than the amount to be allocated to them from the net profit pursuant to the articles of incorporation. The amount of such remuneration is fixed by the resolution of the General Assembly meeting.”

The remuneration for the members of the Board of Directors constitutes an item of the agenda in the annual General Assembly meetings held every year. It was resolved in the General Assembly meeting held in 2008 that the members of the Board of Directors should not be paid any remuneration.

The company did not lend any amounts to any members of the Board of Directors and managers during the period nor made loans available to them nor deliver any guarantees in their favour such as sureties, etc.

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