



Corporate Governance and Credit Rating Services, Inc.

Corporate Governance Rating Report



4 October 2013

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Rating and Executive Summary

TÜPRAŞ TÜRKİYE PETROL RAFİNERİLERİ A.Ş. (TUPRS)

SAHA
Corporate Governance Rating:

9.34



MAIN SECTIONS: **Avg. 93.43**

Shareholders: 88.63



Public Disclosure & Transparency: 92.52



Stakeholders: 92.67



Board of Directors: 97.82



0 10 20 30 40 50 60 70 80 90 100

EXECUTIVE SUMMARY

This report on rating of Türkiye Petrol Rafinerileri A.Ş.'s (Tüpraş) compliance with Corporate Governance Principles is prepared upon conclusions following detailed analysis of the company. Our rating methodology (page 6) is based on the Capital Markets Board's (CMB) "Corporate Governance Principles". In this rating study SAHA used the new chapter credentials set by the Capital Markets Board (CMB) in April 2013 (page 6). Following the certainty in the draft of the new Corporate Governance Principles Communiqué all companies will be re-rated with the new methodology adapted to the new principles.

Tüpraş is rated with **9.34** as a result of the Corporate Governance study done by SAHA. Details of this study are presented in the following chapters as main sections and sub-sections. We observe that Tüpraş took the necessary steps to determine and manage its governance risks. There is still room, on the other hand, for improvements in order to fully comply with the CMB's Corporate Governance Principles.

Additionally, in accordance with the World Corporate Governance Index (WCGI) published by SAHA on January 30, 2013, Tüpraş takes place in Group 1. Details of the World Corporate Governance Index (WCGI) published by SAHA can be accessed at <http://www.saharating.com/SpotsDetail.aspx?SpotsId=5>

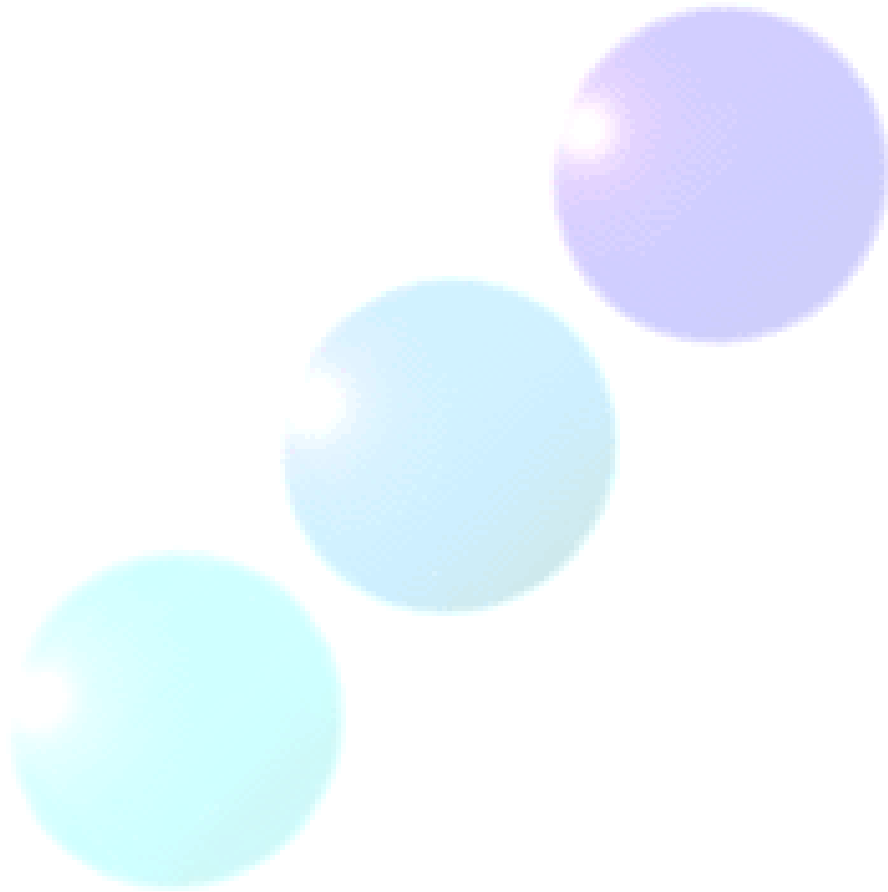
Tüpraş is rated with **8.86** under the **Shareholders** heading. Exercise of shareholders' rights complies with the legislation, articles of association and other internal rules and regulations, and measures have been taken to ensure the exercise of these rights. Tüpraş carries out the investor relations obligations through Shareholder Relations Unit. There is no upper limit or privileges on voting rights. All procedures prior to the general shareholders' meeting as well as the conduct of the meeting comply with the legislation, rules and regulations. There is a consistent dividend policy of the company and it is disclosed to the public. There are no restrictions on transfer of shares. On the other hand, there are areas for improvement like adoption as it is, of the rate of minority rights in the company's articles of association as prescribed for public joint stock companies (%5).

Tüpraş attained **9.25** under the **Public Disclosure and Transparency** chapter. There is a comprehensive website that includes all information listed in the "Corporate Governance Principles" pertinent to public disclosure. Public announcements are made via all communications channels and are in accordance with CMB and Borsa Istanbul (BIST) rules and regulations. However, the names of the company's ultimate controlling individual shareholders as identified after being released from indirect or cross shareholding relationships between co-owners are not disclosed to the public. A web site is also prepared in English for international investors. Declaration of independence of the independent members of the board of directors is not included in the annual report but can be seen on the corporate web site. In addition, the annual report does not include the number of board meetings held during the year.

On the topic of **Stakeholders**, Tüpraş scored **9.27**. Tüpraş guarantees the rights of stakeholders in line with the legislation and mutual agreements, and in case of violation, enables an effective and speedy compensation. A written compensation policy for the employees is effectuated and disclosed to the public on the corporate web site. Models have been partially developed to support the participation of stakeholders in the management of the company, but not mentioned in the articles of association. The company has a written human resources policy and there is a union in the company. Tüpraş comply with quality standards concerning its goods and services and takes measures to ensure these standards. Specific guarantees are provided for this purpose. Code of ethics is publicly available through the company's web site.

From the perspective of the principles regarding the **Board of Directors**, Tüpraş's tally is **9.78**. There is a well communicated company mission and vision, and the board fulfills all duties regarding company needs. Chairman of the board of directors and the chief executive officer is not the same person. The board of directors consists of twelve members, four of whom are independent. There are no executive members on the board. CMB criteria are complied with and the opinion of the Corporate Governance Committee received in designation of the independent members and they have signed a declaration of independence. There is a female member on the board of directors. Necessary changes on the articles of association were made to comply with the CMB regulations on related party transactions of a significant nature. A Corporate Governance Committee, an Audit Committee, and an Early Detection of Risks Committees are established within the board of directors. The working principles of the committees are disclosed to the public. Our observations will continue in order to have a more precise view of the activities and the degree of functionality of the committees. Principles of remuneration of board members and senior executives are available on the company's website. The

company does not provide any loans or extend any credit to the board members or senior executives.



Rating Methodology

SAHA's methodology for rating the degree of compliance with the Principles of Corporate Governance is based upon the CMB's "Corporate Governance Principles" released on July 2003, as revised on December 31, 2011.

The CMB based these principles on the leading work of The World Bank, Organization of Economic Cooperation and Development (OECD) and the Global Corporate Governance Forum (GCGF), which has been established in cooperation with the representatives of these two organizations and private sector. Experts and representatives from the CMB, Borsa Istanbul and the Turkish Corporate Governance Forum have participated in the committee that was established by the CMB for this purpose; additionally many qualified academicians, private sector representatives as well as various professional organizations and NGOs have stated their views and opinions, which were added to the Principles after the required evaluations. Accordingly, these Principles have been established as a product of contributions of all high-level bodies.

Within the Principles, "comply or explain" approach is valid. The implementation of these Principles is advisory and its application is optional. However, the explanation concerning the implementation status of the Principles, if not detailed reasoning thereof, conflicts arising from inadequate implementation of these Principles, and explanation on whether there is a plan for change in the company's governance practices in future should be mentioned in the annual report and disclosed to the public.


The Principles consist of four main sections: shareholders, public disclosure and transparency, stakeholders, and board of directors. Based on these Principles, SAHA Corporate Governance Rating methodology features over 400 sub-criteria. During the rating process, each criterion is evaluated on the basis of information provided by the company officials and disclosed publicly. Some of these criteria can be evaluated by a simple YES/NO answer; others require more detailed analysis and examination. SAHA assigns ratings between 1 (weakest) and 10 (strongest). In order to obtain a rating of 10, a company should be in full and perfect compliance with the Principles (see Rating Definitions, p.26).

To determine the total rating score for each main section parallel to the CMB's Corporate Governance Principles, SAHA allocates the following weights:

Shareholders: **25%** (as previous)
Public Disclosure and Transparency: **25%** (previously 35%)
Stakeholders: **15%** (as previous)
Board of Directors: **35%** (previously 25%)

To determine the final overall rating, SAHA utilizes its proprietary methodology which consists of sub-section weightings and weightings for the criteria there under. A separate rating is assigned to each one of the main sections as well.

Company Overview

Tüpraş A.Ş	
	CHAIRMAN Ömer M. Koç GENERAL MANAGER Yavuz ERKUT
41790 Petrol Cad., Körfez, Kocaeli www.tupras.com.tr	Investor Relations & Strategic Planning Manager T. Tuncay ÖNBİLGİN Tel: (0 262) 316 32 69 Fax: (0 262) 316 30 10 tuncayonbilgin@tupras.com.tr

Tüpraş is the energy segment of Koç Holding A.Ş. (Koç Group of Companies), Turkey's leading group of companies which has been operating since 1930 in energy, automotive, finance, and consumer durables sectors.

Koç Group operates mainly in areas of energy, automotive, finance, durable consumer goods, as well as food industry, retail, tourism, information technology, and the construction sector.

Turkey's only producer in the refining sector and its largest industrial corporation, Tüpraş joined the Koç Group of Companies in 2006. With its production facilities and partnerships Tüpraş provides products and services in refining and distribution to meet approximately 65% of Turkey's fuel demand.

The roots of Tüpraş, an integrated petroleum company with a large market share, corporate reliability, production complexes and affiliates, dates back to İPRAŞ (İstanbul Petrol Rafinerisi A.Ş.) founded by the U.S. Caltex Company. In 1983, İPRAŞ and three other publicly owned refineries were brought under the Tüpraş umbrella by arrangements made for a more effective operation of State Economic Enterprises.

The first step for operational diversification of Tüpraş was the purchase in 2001 of the Petkim Yarımca facilities, putting in place the ready-to-operate infrastructure for enlargement projects that were needed by the refining operations.

The company shares are traded under "TUPRS" code at BIST and Tüpraş is a constituent of BIST 100 (XU100), BIST 50 (XU050), BIST 30 (XU030), BIST Dividend (XTMTU), BIST Dividend 25 (XTM25), BIST All Shares (XUTUM), BIST National (XULUS), BIST Industrials (XUSIN), BIST Chemical, Petroleum, Plastics (XKMYA), BIST Kocaeli (XSKOC) and BIST Corporate Governance (XKURY) indices. Moreover, the company's shares (GDRs) are also traded on the London Stock Exchange.

It was unanimously decided at the general shareholders' meeting held on 01.04.2013, that a total cash dividend of TL 964,113,920.00 to be distributed starting on April 4th, 2013 among the shareholders of the full liability corporations and non-resident institutions which obtained dividends through a permanent establishment or a permanent representative in Turkey. The ratio of this distribution was decided as 385% (TL 3.2725 for each TL 1.00 share).

As of 01.04.2013 the company's capital structure consisted as:

Capital Structure of the Company		
Shareholder	Amount (TL)	Percentage %
Enerji Yatırımları A.Ş.	127,713,792.22	% 51
Privatization Administration	0.01	
Public Shares	122,705,407.77	% 49
	250,419,200.00	% 100

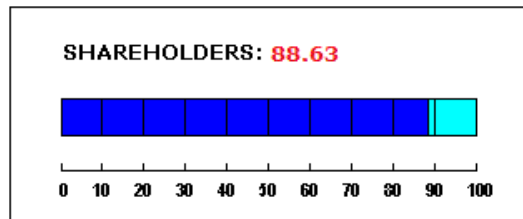
Ownership structure of Enerji Yatırımları A.Ş. (established to take over Tüpraş shares as part of the tender specifications of the Privatization Administration {PA}) is as follows.

Capital Structure of Controlling Shareholder (Enerji Yatırımları A.Ş.)	
Shareholder	Percentage %
Koç Holding A.Ş.	% 75.0
Aygaz A.Ş.	% 20.0
Opet Petrolcülük A.Ş.	% 3.0
Shell Overseas Investment B.V.	% 1.9
The Shell Company of Turkey Ltd.	% 0.1

As of the board meeting held on 05 April 2013, the board of directors shaped up as follows:

TÜPRAŞ BOARD OF DIRECTORS	
Name	Title
Mehmet Ömer KOÇ	Chairman
Mustafa Vehbi KOÇ	Vice Chairman
Rahmi Mustafa KOÇ	Board Member
Semahat Sevim ARSEL	Board Member
Ali Yıldırım KOÇ	Board Member
Osman Turgay DURAK	Board Member
Temel Kamil ATAY	Board Member and Member of the Risk Management Committee
Erol MEMİOĞLU	Board Member and Member of the Corporate Governance Committee
Ahmet AKSU	PA Representative (Group C) and Independent Member of the Board
Kutsan ÇELEBİCAN	Independent Member and Member of the Corporate Governance and Audit Committees
Osman METE ALTAN	Independent Member and Member of the Audit Committee
Gökçe BAYINDIR	Independent Member and Member of the Risk Management Committee

SECTION 1: SHAREHOLDERS



SYNOPSIS

+	Equal treatment of shareholders
+	Unrestricted shareholder rights to review and receive information
+	No upper limits or privileges on voting rights
+	Voting rights are facilitated
+	General shareholders' meetings are conducted in compliance with the legislation
+	No restrictions on transfer of shares
+	Detailed dividend distribution policy
=	Minority rights are not recognized for shareholders who possess an amount less than one-twentieth of the share capital
-	Policy on donations and grants not created and submitted to the approval of the general shareholders' meeting

In order to facilitate the exercise of shareholders' rights a Shareholder Relations Unit has been established and all shareholders are treated equally.

Shareholders' right to obtain and review information is not limited by the articles of association and all information required to exercise shareholders' rights in a sound manner is made available on time.

There is no any upper limit on the shareholders' right to vote and each

share is entitled to one vote. However, minority rights are not recognized for shareholders who possess an amount less than one-twentieth of the share capital.

General shareholders' meetings are held in accordance with the legislation and conducted in a manner where shareholders' rights are not violated. However, the company has not created a policy on donations and grants and submitted to the approval of the general shareholders' meeting.

There are no provisions to impede the transfer of public Class A shares. However, the Privatization Law No. 4046 which established and authorized the Privatization Administration to privatize SOEs (State Owned Enterprises) limits the transfer of SOE shares only to those SOEs endowed with similar authorities. Therefore, the one Class C share cannot be transferred freely. The privilege enjoyed by the Class C share owned by the Privatization Administration contradicts, at first glance, with best practice principles. However, the fact that the primary purpose of this privilege is to give priority to supply requirements of the Turkish Armed Forces and therefore guard national security interests neutralizes our conclusions.

Class C shares, except for the matters mentioned above do not have the privilege of voting rights and all shareholders, including those who reside abroad, are given the opportunity to exercise their voting rights conveniently and appropriately.

Company has a clearly defined and consistent dividend policy and it is

disclosed to the public in the annual report and on the corporate web site.

There are no restrictions on the transfer of company shares.

1.1. Facilitating the Exercise of Shareholders' Statutory Rights:

The company carries out the investor relations obligations through Investor Relations and Strategic Planning Department managed by Mr. Tuncay Önbilgin and seven other staff attached to him and all shareholders are treated equally. In order to protect and facilitate the exercise of shareholders' rights and in particular the right to obtain and review information, this department makes sure that shareholder records are kept up-to-date, secure, and properly; shareholders' written queries for information (excluding the information that is confidential and classified as trade secret) are replied to promptly; appropriate preparation is done to ensure that the general shareholders' meeting is conducted in accordance with the legislation, the corporate statute and other in-house regulations; documents to be used by the shareholders at the meeting are prepared; records of voting results are kept and all reports related to the resolutions of the general shareholders' meeting are sent to the shareholders.

All information and statements which may affect shareholders' rights are made available to the shareholders on time on the company's web site.

1.2. Shareholders' Right to Obtain and Evaluate Information:

The shareholders' right to receive and review information is not removed or restricted by the articles of association or any corporate body. Correspondingly, all kinds of information about the company are

provided in a complete, timely, honest, and diligent manner.

1.3 Minority Rights:

Maximum care is given to the usage of minority rights. There is no upper limit on the shareholders' right to vote and each share is entitled to one vote. Minority rights are not recognized for shareholders who hold an amount less than one-twentieth of the share capital and the company has adopted exactly the rate foreseen in the legislation for publicly traded companies.

1.4. The Right to Attend the General Shareholders' Meetings:

In addition to the methods of invitation in the legislation and in order to ensure attendance of maximum number of shareholders, the invitation to the general shareholders' meeting is performed through all means of communication available to the company at least three weeks in advance.

All announcements prior to the general shareholders' meeting included information such as the date and time of the meeting; without any ambiguity exact location of the meeting; agenda items of the meeting together with all necessary informative documents; the old and new versions of the related provisions of the articles of association as approved by the relevant authorities; the body inviting to the general shareholders' meeting; and the exact location where annual report, financial statements and other meeting documents can be examined.

Commencing from the date of announcement of invitation for the general shareholders' meeting, financial statements and reports including the annual report; dividend distribution proposal and all other related documents pertaining to the agenda items were made available to

all shareholders for examination purposes in the most convenient locations including the headquarters or branches of the company and also in electronic media.

Shareholders were informed via the corporate web site on proclamation of the general shareholders' meeting along with all declaration and statements required by the legislation of the company, and the total number of shares and voting rights reflecting the company's shareholding structure as of the date of disclosure.

Agenda items were put under a separate heading and expressed clearly in a manner not to result in any misinterpretations. Expressions like "other" and "various" were not used. Information submitted to the shareholders prior to the conduct of the general shareholders' meeting was related to the agenda items.

Proxy forms were posted on the web site promptly and appropriately for those who would appoint a proxy for the general shareholders' meeting, and all items presented to the Shareholder Relations Unit to be included on the agenda are taken into account by the board of directors.

Items on the agenda were conveyed in detail and in a clear and understandable way by the chairman of the meeting and shareholders were given equal opportunity to voice their opinions and ask questions. The chairman made sure that each question is answered directly at the meeting provided that they do not constitute a trade secret.

Prior approval was given by the general shareholders' meeting for the permission to be granted pursuant to the articles 395 and 396 of the Turkish Commercial Code and within the frame work of the CMB regulations, to shareholders who have control of the

management, members of the board of directors, top executives, their spouses and up to second degree blood relatives to execute transactions and compete with the company or its affiliates in such nature that may cause conflict of interest and shareholders were informed of transactions carried out in this regard.

The members of the board of directors related with the issues of a special nature on the agenda, other related personality, authorized persons who are responsible for preparing the financial statements and auditors were present to give necessary information and to answer questions at the general shareholders' meeting. In addition, shareholders had the opportunity to discuss the annual report and the company's performance indicators at this meeting.

The articles of association included CMB provisions on significant transactions. However, the company's policy on donations and grants was not provided for the approval of the general shareholders' meeting. At each meeting shareholders are informed of all donations effectuated during the period and the amount of benefits and beneficiaries and policy changes.

The general shareholders' meetings are conducted open to public including stakeholders and the media without right of voting. Articles of association contain a provision on this matter.

The minutes of the general shareholders' meetings are made available to the shareholders in writing and in electronic media at all times.

Principles of remuneration of board members and senior executives were documented in writing and submitted to the shareholders in the general shareholders' meeting as a separate item.

1.5. Voting Rights:

According to the company's articles of association, board resolutions on below mentioned topics are subject to the affirmative vote of the member selected among Class C shareholders:

- a) All kinds of amendments in the articles of association which may directly or indirectly effect the meeting and the resolution quorum of the Board of Directors, and the rights that belong to the "Privileged Share", and the obligation of accommodating the needs of the Turkish Armed Forces, and the rights of the privileged Share that relate to this obligation.
- b) Accommodation of the petroleum products demand of Turkish Armed Forces outside the required quality, timing and quantity and with higher prices than suitable market prices in line with similar products since it is essential that petroleum products demand of the Turkish Armed Forces - including the procurement and protection of production capability and all systems related to transportation of such petroleum products- shall be accommodated with priority in accordance with the required quality, timing and quantity and with suitable market prices that are in line with similar products.
- c) 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 of the company

- d) Decisions on 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 shareholders' meeting for discussion and resolution.

In addition, one Class "C" registered share belonging to the Republic of Turkey Prime Ministry Privatization Administration has the privilege to nominate a member to the board of directors.

Class C shares do not hold any other privileges concerning voting rights, apart from those indicated above. Except for the matters listed in, the company shows maximum care to ensure the exercise of minority rights. Each share is entitled to one vote. Minority rights are not recognized for shareholders who possess an amount less than one-twentieth of the share capital and the company adopted as it is the rate foreseen in the legislation.

At Tüpraş, all shareholders, including those who reside abroad, are given the opportunity to exercise their voting rights conveniently and appropriately and there are no voting privileges on issues other than listed above.

1.6. Dividend Rights:

The dividend policy of Tüpraş is clearly defined and disclosed to the public on the company's web site. It is submitted to the shareholders at the general shareholders' meeting and is incorporated in the annual report.

The company's dividend distribution policy contains minimum information

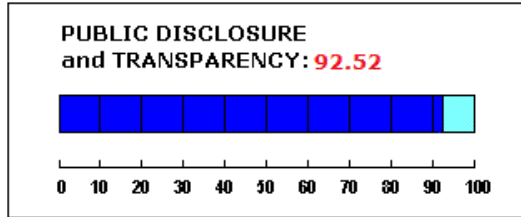
clear enough for investors to predict any future dividend distribution procedures and principles. A balanced policy is followed between the interests of the shareholders and that of the company.

The dividend distribution proposal to be submitted to the upcoming general shareholders' meeting specifies the source and amount of the profit to be distributed for the period, dividends per share by specifying the group distinctions, and timing and terms of dividend payments.

1.7. Transfer of Shares:

Neither the articles of association of the company nor any decisions adopted at the general shareholders' meeting contain any provisions that impede the transfer of shares which are publicly traded.

SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY



SYNOPSIS	
+	There is a Shareholder Relations Unit
+	Sufficient disclosure policy
+	Comprehensive web site, actively used for public disclosure
+	Annual report complies with the legislation, comprehensive and informative
+	List of insiders disclosed to the public
+	Important events and developments disclosed in accordance with the legislation
+	English version of the web site for international investors
+	Employee compensation policy established and announced to the public through the web site
+	Dividend distribution policy disclosed to public via corporate web site
-	List of ultimate controlling individual shareholders are not disclosed to the public
-	Declaration of independence of the independent board members is not included in the annual report

Tüpraş's task of public disclosure and shareholder relations are carried out by the Shareholder Relations Unit. The disclosure policy of the company is comprehensive and covers which information to be disclosed and means of disclosure.

List of insiders is defined and disclosed to the public. Principles not complied with are disclosed to the public via the Corporate Governance Compliance Report along with pertinent justifications.

Company's web site is comprehensive, user friendly and also prepared in English for international investors. In addition, public announcements are made in accordance with the CMB and BIST rules and regulations.

The company's ultimate controlling individual shareholder or shareholders, as identified after being released from indirect or cross shareholding relationships between co-owners are not disclosed to the public. However, the annual report prepared is highly comprehensive and informative.

There has been no legal conflict between the company and the selected external audit firm. Besides, there has not been a situation where the external auditor avoided to express its opinion and not signed the audit report, nor has reported a qualified opinion.

2.1. Principles and Means for Public Disclosure:

Tüpraş's task of public disclosure and shareholder relations is carried out by the Shareholder Relations Unit. Investors, financial analysts, journalists and other interested parties are referred to this unit for information.

The disclosure policy covers the type of information to be disclosed (excluding those within the scope of

the legislation), form and methods of disclosure.

The public disclosure of Tüpraş is conducted in a timely manner, is accurate, complete, understandable, interpretable, allowing easy access with low cost, and available on equal basis to help the interested parties and organizations to come to a decision. These disclosures are disseminated through the "Public Disclosure Platform" (www.kap.gov.tr) and the corporate web site.

In the event of disclosure of forward looking information, the company, endeavors to describe the assumptions and the data which assumptions are based on. Company officials declared that the information disclosed is not without basis, do not contain exaggerated predictions, and in case the predictions on forward looking information are not realized, the reasons will be disclosed to the public immediately. The principles for disclosure of forward looking information to the public are described in the disclosure policy.

Within the scope of the communiqué on disclosure of important events and developments, the company did not receive any fines or warnings from the CMB or BIST.

The company has prepared a list of natural or legal persons acting on behalf or account of partnership, employees either under contract with the company or otherwise affiliated with the company with regular access to inside information, and it is updated when there are changes.

In accordance with the CMB communiqué, principles not complied with are disclosed to the public via the Corporate Governance Compliance Report along with the justifications.

2.2. Web Site:

Company's website is actively used for disclosure purposes and the information contained herein is continuously updated. In addition, the company's letterhead includes the website address.

Along with the information required to be disclosed pursuant to the legislation, the company's website includes; trade register information, information about latest shareholder and management structure, information that there are no privileged shares, the final version of the company's articles of association, publicly disclosed material information, annual reports, periodical financial statements, prospectuses and circulars, agendas of the general shareholders' meetings and list of participants and minutes of the general shareholders' meeting, form for proxy voting at the general shareholders' meeting, disclosure policy, information on transactions with related parties, ethical rules, frequently asked questions including requests for information, and responses thereof, the working principles of the committees, and the remuneration policy.

In addition to these, the disclosure of employee compensation, remuneration and profit distribution policies on the company's web site is a plus for compliance to corporate governance principles.

The information contained on the website exists also in English for the benefit of international investors.

Shareholding structure of the company, the names, amount and the proportion of the shares held by ultimate controlling individual shareholder or shareholders, as identified after being released from indirect or cross shareholding

relationships between co-owners are not disclosed to the public.

2.3. Annual Report:

Annual report prepared by the board of directors covers information such as; the period covered by the report, the title of the company, the names of the chairmen and members involved in the management and supervisory boards during the covered period, their biographies, limits of authority, tenure of office, information on committees, the main factors affecting the performance of the company, changes in the operational environment of the company, company's policies applied to these changes, sources of investment financing, risk management policies applied to strengthen the performance of the company, major events that occurred until the date of the general shareholders' meeting at which the financial statements are discussed, Corporate Governance Principles Compliance Report, changes and its justifications on the articles of association, the company's production, sales and financial data, related party transactions, the dividend distribution proposal, and information on the activities of corporate social responsibility. However, the annual report does not include the number of board meetings held during the year, participation rate of the board members to these meetings, their declarations of independence and information on their external duties.

All benefits provided to senior management is also included in the annual report.

2.4. External Audit:

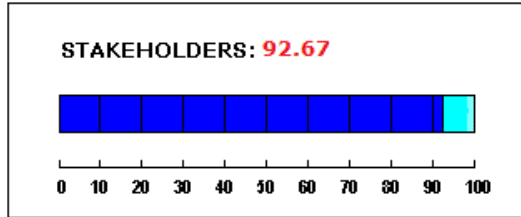
The external audit of the company is conducted by Güney Bağımsız Denetim

ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi.

The nomination and election process of the external audit firm, taking into account its competence and independence, starts with a proposal from the audit committee to the board and ends with the board's choice being presented and approved at the general shareholders' meeting.

There has not been a situation where the external auditor avoided to express its opinion and not signed the audit report, nor has reported a qualified opinion.

SECTION 3: STAKEHOLDERS



SYNOPSIS

+	Measures to safeguard stakeholders' rights are facilitated
+	Efficient human resources policy
+	Strict quality standards for goods and services
+	Stakeholders' views are taken on important decisions that give rise to the results which considers them
+	Code of ethics disclosed to the public
+	Measures are taken to ensure customer satisfaction on sale of goods / services
+	Socially and environmentally sensitive and respectful
+	Existence of a trade union
+	A written employee compensation policy is disclosed to the public on the web site
=	No provision in the articles of association regarding the participation of stakeholders in the management of the company despite the existence of certain incentive models

Tüpraş recognizes the rights of stakeholders established by law or through any other mutual agreement. Effective and expeditious compensation is enabled in case of violation of rights. Additionally, a written employee compensation policy is composed and disclosed to the public on the corporate web site.

Models have been developed to support the participation of stakeholders in the management of the company and they are described in the company's Corporate Governance Compliance Report, however, these mechanisms are not included in the articles of association.

Tüpraş have a documented and advanced human resources policy. Objectives of the company are disseminated via "intranet" on electronic media open to all employees and performance towards the achievement of these objectives is evaluated. There is a trade union at the company.

Tüpraş comply with quality standards concerning its goods and services and takes measures to ensure these standards. Specific guarantees are provided for this purpose.

Ethical rules are disclosed to the public through the company's web site.

3.1. Company Policy Regarding Stakeholders:

Ownership of Tüpraş is dominated by one of the leading enterprises of Turkey; the Koç Group of Companies. Due to its prominent corporate identity, the company has consistent and advanced policies in effect regarding the rights of its stakeholders as well as relations with the private sector.

Tüpraş recognizes the rights of stakeholders established by law or through any other mutual agreement. In case the rights of the stakeholders are not regulated by the relevant legislation and protected by contracts,

the company protects the interest of stakeholders under good faith principles and within the capabilities of the company. Effective and expeditious compensation is provided in case of violation of the rights. In addition, a written employee compensation policy is composed and disclosed to the public on the corporate web site.

The web site of the company (www.tupras.com.tr) is actively used to provide adequate information on policies and procedures towards the protection of stakeholders' rights.

The corporate governance structure of the company ensures that its stakeholders, including its employees and representatives, report their concerns to the management concerning any illegal or unethical transactions.

3.2. Stakeholders' Participation in the Company Management:

Tüpraş has developed models for stakeholders, particularly employees to participate in management without impeding the operations of the company, and they are described in the Corporate Governance Compliance Report. However, these models and mechanisms are not included in the articles of association.

3.3. Company Policy on Human Resources:

The primary function of the company's human resources policy is based on training and improvement perspective focusing on supporting employees' and company's performance with the principle of continuous development in parallel with corporate vision and business goals. While planning current and future development needs of the employees, internal resources are used efficiently and productively in line with the business requirements.

Company has a documented human resources policy. The principles of the human resources policy of Tüpraş which had been determined in accordance with the strategies of the company, common values and business ethics 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 the staff.
- A safe work environment and work conditions are provided for the staff and efforts are constantly made to improve them.
- Events relating to or decisions concerning the employees are communicated to them.
- 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. There have been no complaints brought by Tüpraş employees to senior management concerning discrimination.
- There is no practice of assigning representatives for liaising with the employees.

One of the biggest indicators of the importance of the human resources policy of Tüpraş is that it is within the context and subject to company goals and values. Issues such as recruitment policies, career planning, improvement and training policies for the employees established within this framework are dealt with under Human Resources Policies. Giving priority to skilled workforce during the recruitment process and benefiting in a most efficient and productive manner in the working environment is the basis of the human resources policy of Tüpraş. All stakeholders, including employees and representatives are allowed to deliver their concerns on legally improper and unethical transactions to the management.

In accordance with human resources policies the rights and working conditions of both white collar and blue collar employees have been guaranteed so as to ensure that no employee is subject to any discrimination or ill treatment. No complaint has been received in this regard during the period.

The purpose of the performance management system implemented on a regular basis each year is to achieve excellent performance and to manage the performance of employees in an objective manner within the framework of common principles. Expected targets of the employees during the year are determined. Realization of these targets is monitored during the year on monthly / quarterly / semi-annual periods and corrective measures are taken.

Union representatives carry out relationship with the employees included in collective bargaining. Turkish Petroleum Chemical Rubber Workers' Union is active in the company.

3.4. Relations with Customers and Suppliers:

Tüpraş is taking all necessary precautions to attain customer satisfaction in the sales and marketing of its products and services. Tüpraş evaluates and selects suppliers on the basis of capacity and quality. The company has established criteria for evaluating, selecting and re-evaluating the suppliers.

Tüpraş collects yearly demand estimates from the customers and plans its production accordingly. Demand estimates are revised on a monthly basis to ensure uninterrupted flow of supply and formation of necessary mechanisms in order to meet customer demand.

Within the framework of the modern management philosophy of Total Quality Management, the company signed a goodwill statement with Turkish Society for Quality (KALDER) 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.

Primary and essential goal of the company is the satisfaction of customers and suppliers. Customer satisfaction is monitored and reported on a regular basis. Care is taken on the confidentiality of all trade secret data and information on customers and suppliers.

3.5. Ethical Rules & Social Responsibility:

The Code of Ethical Business involves Tüpraş's fundamental principles of conduct. The company has renewed its Code of Ethical Business toward compliance with the Global Compact signed by Koç Holding, in addition to

the changes in legal, social and economic circumstances. This Code of Ethical Business is also disclosed to the public on the Tüpraş web site.

In applying the principles of social responsibility, Tüpraş refers to the "United Nations Global Compact" signed between Mr. Mustafa V. Koç and the UN Secretary-General Mr. Kofi Annan. Within this context, Tüpraş participates in almost all the projects of social responsibility carried out by Koç Holding and supports education and health initiatives mainly in cities where refineries are located.

The primary objective of Tüpraş's corporate social responsibility management is to ensure the company's sustainable development. Cognizant that sustainable development passes through profitability and operational continuity, as well as safeguarding and enhancing social trust, the company strives to respond to the expectations of its stakeholders in the most efficient fashion while planning its investments, by taking into consideration the developmental priorities of these regions and the results of Corporate Reputation Perception surveys.

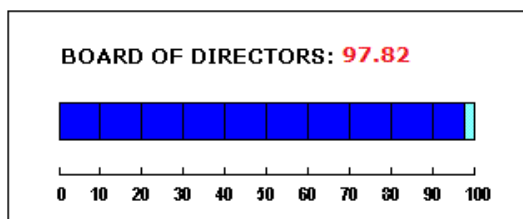
Tüpraş has further developed its corporate and ethical management philosophy and standards by issuing its first Corporate Social Responsibility Report in 2008 and the second report was completed in 2011. In its Corporate Social Responsibility Report, Tüpraş adopted the Global Reporting Initiative's (GRI) G3 Reporting Principles.

The second book in the Anatolian Civilizations Series launched jointly by Tüpraş and Yapı Kredi Arts and Culture Publications, Phrygians: In the Land of Midas, In the Shadow of Monuments was published in 2012. In addition, Along with Koç Group companies Aygaz and Opet, Tüpraş became a co-

sponsor of the 18th Istanbul Theater Festival organized by the Istanbul Foundation for Culture and Arts.

Tüpraş encouraged its employees and their families to view corporate social responsibility as an integral part of their lives and professions. A festival was launched as part of the 100 Smiling Faces Umbrella Movement, initiated in 2008 by volunteers from the Batman Refinery. In five years it reached out to a total of 13,000 young children with the support of 450 volunteers.

SECTION 4: BOARD OF DIRECTORS



SYNOPSIS

+	The company's vision, mission and strategic goals are defined
+	The board works efficiently and staffed with qualified members
+	Board of directors meeting and decision quorum is defined in the articles of association
+	4 independent members on the board
+	Audit, Corporate Governance and Early Detection of Risks Committees established
+	Principles of remuneration of board members and senior executives are established and disclosed to the public
+	Conduct of the board meetings is specified by the company's internal regulations and indicated in the articles of association
+	Female member on the board
+	Existence of a regulation on compensation for losses incurred by the company, and third parties, as a result of not performing the executives' duties duly.
+	Remuneration policy established and disclosed on the web site
=	The level of functionality and effectiveness of the committees will be monitored further

The board of directors has defined the vision and mission of the company and is overseeing that company activities

are managed in compliance with the legislation, articles of association, internal procedures and established policies.

Distribution of tasks between the members of the board of directors is described in the annual report. In addition, power of the chairman of the board of directors and the chief executive officer / general manager is separated.

The company's board of directors is composed of twelve members. All of the members are non-executive. Among the non-executive board members there are four independent members who have the ability to execute their duties without being influenced under any circumstances.

The Corporate Governance Committee have prepared a report on the candidates for independent membership prior to the election process and submitted to the approval of the board of directors. CMB criteria are complied with in determining independent candidates. Independent candidates for the board of directors have signed a declaration of independence within the framework of the legislation, articles of association, and the CMB criteria.

The board of directors fulfills its tasks and meetings take place with sufficient intervals. Each member has a right to one vote. The conduct of the board meetings is documented in internal regulations and its meeting and decision quorum takes place in the articles of association.

Necessary amendments were made in the articles of association to comply

with the CMB regulations on related party transactions of important nature.

A Corporate Governance Committee, an Audit Committee, and an Early Detection of Risks Committees are established from within the board of directors. The working procedures of the committees are disclosed to the public. Chairmen of all three committees are elected among the independent board members. The Corporate Governance Committee advises on reformative practices of corporate governance principles in the company. We will continue our observations on the efficiency of the Remuneration and Nomination Committees where their tasks are undertaken by the Corporate Governance Committee.

Principles of remuneration of board members and senior executives are described on the corporate web site. The company does not provide any loan or extend any credit to the board members or senior executives.

There is a regulation on compensation for losses incurred by the company, and third parties, as a result of not performing the executives' duties duly.

4.1. Functions of the Board of Directors:

Strategic decisions of the board of directors aims to manage the company's risk, growth, and return balance at an appropriate level, and with a view to the long-term interests of the company, conduct a rational and cautious risk management approach. The board administers and represents the company within these parameters.

The board of directors has defined the company's strategic goals and identified the needs in human and financial resources, and controls management's performance.

The board also oversees that company activities are managed in compliance with the legislation, articles of association, internal procedures, and established policies.

4.2. Principles of Activity of the Board of Directors:

Board of directors performs its activities in a transparent, accountable, fair and responsible manner.

Distribution of tasks between the members of the board of directors is explained in the annual report. The board of directors established various internal control systems which are inclusive of risk management, information systems, and processes by also taking into consideration the views of the committees. In this context, the board reviews the effectiveness of risk management and internal control systems at least once a year.

The presence, functioning, and effectiveness of internal controls and internal audit, is explained in the annual report. Chairman of the board and chief executive officer's executive powers are separated.

The board of directors plays a leading role in maintaining effective communication between the company and the shareholders and settling any disputes which may arise, and work in close cooperation with the Corporate Governance Committee and Shareholder Relations Unit.

4.3. Structure of the Board of Directors:

The company's board of directors is composed of twelve members. All of the members are non-executive. Among the non-executive board members there are four independent members who have the ability to

execute their duties without being influenced under any circumstances.

The Corporate Governance Committee have prepared a report on the candidates including the ones made by the board and shareholders, by taking into consideration of whether or not the candidate meets the independency criteria and submitted this assessment as a report to the board for its approval. CMB criteria are complied with in determining independent candidates. Independent candidates for the board of directors have signed a declaration of independence within the framework of the legislation, articles of association, and the CMB criteria.

There are no female members on the board.

4.4. Conduct of the Meetings of the Board of Directors:

The board of directors fulfills its tasks and meetings take place with sufficient intervals. Ordinary board meetings take place with sufficient frequency and board members also convene upon any extraordinary situation and negotiate and render resolutions on critical agenda issues.

Chairman of the board of directors sets the agenda for board meetings in consultation with the chief executive officer / general manager. During the last year six meetings were held of which four was attended by entire board members.

There is a secretariat established under the chairman of the board to inform the board members and provide communication between them, to ensure retention of meeting documents, and to serve all members of the board. Each member has a right to one vote.

Dates of the board meetings are determined at the beginning of the year and accordingly the board members are notified of the meeting dates. Furthermore, board members are also notified by means of a formal memorandum and report at least one week prior to any meeting. A secretariat is established for the meetings and all questions raised during the meetings and all issues negotiated are recorded into meeting minutes.

The articles of association of the company contains a clause where board decisions on significant related party transactions and guarantees, pledges and mortgages given to third parties, requires the approval of a majority of independent members.

Board members allocate necessary time for the company's business and there are no limitations taking on additional duties outside the company. Such a limitation is not deemed necessary due to the important contribution of the independent members to the board with their professional and sector experience. Curriculum vitae of the board members, along with the tasks carried out outside the company are presented to the shareholders prior to the general shareholders' meeting.

4.5. Committees Established Within the Board of Directors:

A Corporate Governance Committee, an Audit Committee, and an Early Detection of Risks Committees are established from within the board of directors in order to fulfill its duties and responsibilities.

Functions of the committees, their working principles, and its members are designated by the board of directors and disclosed to the public on the company's web site.

All members of the Audit Committee are elected among the independent board members. Also the chairmen of all three committees are elected among the independent board members. The chief executive officer / general manager is not on the committees. There are no executive members on the committees. Utmost care has been taken that a board member cannot be on more than one committee.

All necessary resource and support needed to fulfill the tasks of the committees are provided by the board of directors. Committees can invite any manager as they deem necessary to their meetings and obtain their views.

Committees meeting frequency is sufficient. The Corporate Governance Committee is established in order to determine whether or not corporate governance principles are being fully implemented by the company, if implementation of some of the principles are not possible, the reason thereof, and assess any conflict of interests arising as a result of imperfect implementation of these principles, and present remedial advices to the board of directors. In addition, it oversees the work of the Shareholder Relations Unit. The Early Detection of Risks Committee reviews the risk management systems at least once a year. However we need further monitoring to have a solid vision and to assess the degree of efficiency whether the Early Detection of Risks Committee is established for early detection of risks that might endanger the existence, development and perpetuation of the company and to implement measures required against the risks determined as well as the management of risks.

The Corporate Governance Committee carries out the duties of the Nomination Committee and

Remuneration Committee, since they are not established yet. It has made its proposal on suitable candidates for the board of directors, on creation of a transparent system of evaluation and training, on determination of the relevant policies and strategies, and their remuneration principles. We need further observation to assess the degree of efficiency of the committees and reach to a firm opinion on whether the Corporate Governance Committee effected regular reviews on the structure and efficiency of the board of directors, whether it submitted its recommendations to the board members on changes that can be done on these matters, and by taking into account the degree of achievement of the criteria, whether it has made its proposal to the board on remuneration of the board members and senior executives.

4.6. Remuneration of the Board of Directors and Senior Management:

The principles of remuneration of board members and senior executives has been documented in writing and submitted to the shareholders as a separate item in the general shareholders' meeting. A remuneration policy prepared for this purpose can be found on company's web site. Stock options or performance based payments are not included in the remuneration package of the independent board members.

The company does not lend any funds or extend any credits to a member of the board or to senior executives, or grant any personal loans through a third party, or extend any guarantees.

The executives have the required professional qualifications in order to perform the assigned duties. The person appointed as chief executive officer / general manager has an adequate management experience. The chief executive officer / general

manager does not undertake any tasks outside the company.

The executives comply with the legislation, articles of association, and in-house regulations and policies in fulfilling their duties.

There has been no cases where the executives used confidential and non-public company information in favor of themselves or others. There are no executives who accepted a gift or favor directly or indirectly related to the company's affairs, and provided unfair advantage. In addition, there is a regulation on compensation for losses incurred by the company, and third parties, as a result of not performing the executives' duties duly.

Remuneration of the executives is based on market conditions and determined according to their qualifications, and proportional to their contributions to the performance of the company.

Rating Definitions

Rating	Definition
9 - 10	The company performs very good in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified and actively managed all significant corporate governance risks through comprehensive internal controls and management systems. The company's performance is considered to represent best practice, and it had almost no deficiencies in any of the areas rated. Deserved to be included in the BIST Corporate Governance Index on the highest level.
7 - 8	The company performs good in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified all its material corporate governance risks and is actively managing the majority of them through internal controls and management systems. During the rating process, minor deficiencies were found in one or two of the areas rated. Deserved to be included in the BIST Corporate Governance Index on the highest level.
6	The company performs fair in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified the majority of its material corporate governance risks and is beginning to actively manage them. Deserved to be included in the BIST Corporate Governance Index and management accountability is considered in accordance with national standards but may be lagging behind international best practice. During the ratings process, minor deficiencies were identified in more than two of the areas rated.
4 - 5	The company performs weakly as a result of poor corporate governance policies and practices. The company has, to varying degrees, identified its minimum obligations but does not demonstrate an effective, integrated system of controls for managing related risks. Assurance mechanisms are weak. The rating has identified significant deficiencies in a number (but not the majority) of areas rated.
<4	The company performs very weakly and its corporate governance policies and practices are overall very poor. The company shows limited awareness of corporate governance risks, and internal controls are almost non-existent. Significant deficiencies are apparent in the majority of areas rated and have led to significant material loss and investor concern.

DISCLAIMER

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This report, conducted by SAHA A.Ş. analysts and based on their best intentions, knowledge base and experience, is the product of an in depth study of the available information which is believed to be correct as of this date. It is a final opinion about the degree of sensitivity of a company to its shareholders' and stakeholders' rights, its commitment to public disclosure and transparency, and conduct and credibility of its board of directors.

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