



Corporate Governance Rating Report



Tüpraş

8 October 2007

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Rating and Executive Summary

TÜPRAŞ TÜRKİYE PETROL RAFİNERİLERİ A.Ş. (TUPRS)

SAHA
Corporate Governance Rating:

7.91

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MAIN SECTIONS: Avg. 79.12

Shareholders: 77.34



Public Disclosure & Transparency: 88.31



Stakeholders: 88.09



Board of Directors: 62.65



0 10 20 30 40 50 60 70 80 90 100

EXECUTIVE SUMMARY

TÜPRAŞ is rated with **7.91** 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. Our rating methodology (page 5) is based on the Capital Markets Board's (CMB) "Corporate Governance Principles" (the Principles). Ratings of main sections and sub-sections are disclosed separately.

With a view to country specific conditions, we observed that TÜPRAŞ took the necessary steps to determine its Corporate Governance risks and improved in setting up sound internal controls and management systems. However, there is still room for improvements in order to fully comply with the CMB's Corporate Governance Principles.

Under the **Shareholders** heading, TÜPRAŞ scored **7.73**. Having no limitations for voting rights, presence of an investor relations department, conducting general shareholder meetings in compliance with the country's rules and regulations and implementing a well established dividend payment policy are positive aspects, whereas, the privilege of Class C shareholders in nominating board members and the lack of cumulative voting procedures are areas that need further improvement. The proactive approach of the Investor Relations department is a sign of corporate sensitivity in this area and further improvements to come in the near future.

TÜPRAŞ attained **8.83** under the **Public Disclosure and Transparency** caption. There is a well organized, informative, and 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 the CMB and ISE's rules and regulations. As apposed to these positive features, the fact that the company's ultimate controlling individual shareholders are not disclosed to public, as identified after being released from indirect or cross shareholding relationships between co-owners stands out as an area of further progress.

On the topic of **Stakeholders**, TÜPRAŞ has broadly complied with the CMB Principles apropos company policy regarding stakeholders, protection of company assets, human resources policy, social responsibility, and relations with the customers and suppliers and scored a well deserved **8.81**. TÜPRAŞ's obligation to abide by the rules and regulations of the Energy Market Regulatory Authority and International Energy Agency contributes to and encourages the prompt exercise of stakeholder rights. Specifically, the existence of a methodically working law department, the appropriate content and coverage of contracts, the organization of human resources department and its working papers and the scope of social responsibility projects have positively influenced our deductions.

From the perspective of the Principles regarding the **Board of Directors**, TÜPRAŞ's tally is **6.27**. There is a well communicated company mission and vision; a board that consists of broadly experienced, competent, suitably educated individuals of high ethical standards; and no executives in the board. However, lack of independent members in the board and therefore in committees, lack of Risk Management and Corporate Governance committees, and the lack of cumulative voting system procedures remain to be potential risk factors for investors.

DISCLAIMER

This Corporate Governance Rating Report has been prepared by Saha Kurumsal Yönetim ve Kredi Derecelendirme A.Ş. (SAHA Corporate Governance and Credit Rating Services, Inc.) based on information made available by Tüpraş Türkiye Petrol Rafineleri A.Ş. and according to the Corporate Governance Principles by the Turkish Capital Markets Board as amended on 2005.

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.

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

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Corporate Governance in Turkey

From the Turkish Republic's establishment until relatively recently, the state played a dominant role in Turkey's economic development. Although a pro-market philosophy started to develop in the mid-twentieth century, significant state involvement in the economy continued through the 1970s with the state often acting as a significant producer and/or subsidizing private enterprises. Beginning in the 1980s, a trend toward liberalization started to expose Turkish companies to global competition while providing some of them with opportunities to attract foreign investment. Following the establishment of a regulatory framework for the capital markets in the early 1980s, the ISE (Istanbul Stock Exchange) opened in 1985.

Responding to the economic crisis of 2000-01, the Turkish authorities implemented measures to address the causes of financial and fiscal instability, facilitate a quick recovery and establish the conditions for further integration with the EU. After contracting by almost 7.5% in 2001, real GDP has increased every year at an average rate of 7.1%. Consumer price inflation rate fell from 54% in 2001 to approximately 10% in 2006.

From the mid-1980s until after the economic crisis of 2000-01, economic conditions were difficult for companies. Thin markets, relatively few active institutional investors and an unpredictable macro-economic environment limited incentives for companies to adopt good corporate governance practices. More recently, however, the return of foreign investors, greater opportunities for Turkish companies to do business abroad and an increasing competition for foreign capital appear to be encouraging more companies to make good corporate governance practices a competitive advantage.

Turkey is a civil law country. The principal sources of general mandatory corporate governance standards are the joint stock companies' provisions in the TCC (Turkish Commercial Code), the CML (Capital Markets Law) and subordinate instruments published under the CML, generally in the form of CMB communiqués. The term "Capital Markets Law" is used to refer collectively to the CML and all of the compulsory subordinate instruments relating to the CML, including communiqués, regulations and CMB decisions of general application.

In late 2005, draft legislation based on a comprehensive package of reforms to the TCC developed by an expert Commission was tabled in Parliament. The parliament is considering the reforms and the amendments could come into force by mid 2008.

The corporate governance framework rests primarily upon a "public enforcement" model, with the Capital Markets Board (CMB) playing a leading role in setting corporate governance standards for publicly held companies, enforcing the applicable standards and fostering market integrity.

The ambitious, state-of-the-art and comprehensive CMB principles, adopted in 2003, are the principal source of non-binding corporate governance standards for publicly held companies. They were revised in 2005 to take into account revisions made to the OECD Principles in 2004. Listed companies must publish an annual Corporate

Governance Compliance statement, disclosing which CMB principles have not been adopted and the reasons for not doing so.

The corporate governance landscape in Turkey is characterized by concentrated ownership, often in the form of family-controlled, complex financial-industrial company groups such as holding structures and conglomerates, usually comprising both publicly held and privately held companies. State ownership has declined drastically thanks to the unwavering execution of a privatization policy.

Free floats are often low, pyramidal structures are common and there is a high degree of cross-ownership within the groups. Due to the limited free float, takeovers are rare. This obviously weakens the extent of corporate control over the market. Foreign institutional investors, however, are increasingly seen in the market, seeking to increase their share holdings in Turkish companies. Approximately 30% of ISE-listed companies have "floatation ratios" of less than 25% as of the end of 2006. This floatation ratio represents the percentage of a company's stock held by the Central Securities Depository (CSD) in Turkey.

Controlling shareholders often hold shares with nomination privileges and/or multiple voting rights. Family members often serve on the board and play a leading role in the daily management and strategic direction of publicly held companies. Preserving family control is the norm. A small number of families control a large number of the listed companies.

Turkish companies issue ordinary shares, preference shares, and non-voting shares. Golden shares only exist in few state-owned companies. Most of the shares traded at the ISE are bearer shares.

Shareholders who own at least 5% of the company's capital are granted minority rights. They can call an extraordinary General Meetings or propose agenda items. Shareholders must personally attend the General Meeting or they can be represented by a proxy.

The corporate environment in Turkey, however, is better positioned than many European countries to tackle corporate governance challenges ahead, because:

- the authorities have already adopted, or are introducing, high quality corporate governance standards (including audit standards);
- transparency has improved significantly, particularly in the area of financial reporting (listed companies are urged to adopt accounting standards which are almost identical to IFRS);
- a positive trend toward widespread implementation of a number of key corporate governance standards can be observed; and
- the authorities are now focusing their attention on monitoring implementation, identifying the remaining gaps and risk areas, focusing their resources on these risk areas and implementing institutional reforms as needed to strengthen supervisory, enforcement and remedial processes.

* Parts of this text uses the Pilot Study (Corporate Governance in Turkey) prepared and published by the OECD on 17 October 2006 as a resource. The full text of the study can be found at <http://www.sourceoecd.org/governance/9264028633>.

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 February 2005.

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, the Istanbul Securities Exchange 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 the Principles is optional. However, the explanation concerning the implementation status of the Principles, if not detailed reasoning thereof, conflicts arising from inadequate implementation of these Principles, and explanation on whether there is a plan for change in the company's governance practices in the future should all be included in the annual report and disclosed to public.

The Principles consist of four main sections: shareholders, public disclosure and transparency, stakeholders and board of directors:

On the foundation of these Principles, SAHA Corporate Governance Rating methodology features over 350 code criteria. During the rating process, each criterion is evaluated on the basis of information provided by the company officials and disclosed publicly. Some of these criteria can be evaluated by a simple YES/NO answer; others require more detailed analysis and examination.

SAHA assigns ratings between 1 (weakest) and 10 (strongest). In order to obtain a rating of 10, a company should be in full and perfect compliance with the Principles (see Rating Definitions, p.19).

In compliance with the CMB's directive and to reach an overall Corporate Governance Rating, SAHA allocates the following weights to the four main sections of the Principles:

Shareholders: **%25**
Disclosure and Transparency: **%35**
Stakeholders: **%15**
Board of Directors: **%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 ve Ziraat Makineleri A.Ş	
	CHAIRMAN Mustafa Vehbi KOÇ GENERAL MANAGER Yavuz ERKUT
41790 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

The Capital of Tüpraş as of 31.12.2006 is YTL 250.4 Million fully paid up and Registered Capital ceiling is YTL 500 Million. No change has occurred in the capital during 2006 in cash or non-cash.

Tüpraş shares have been trading at the Istanbul Stock Exchange (ISE) since 1991 (code: **TUPRS**). Tüpraş is a constituent of ISE National 100 (XU100), ISE National 50 (XU050), ISE National 30 (XU30), ISE National Industrials (XUSIN) and ISE Chemical, Petroleum, Plastic (XKMYA) indices. Tüpraş shares (GDR) are also quoted at the London Stock Exchange.

The auction on September 12, 2005 by the Privatization Administration for the block sale of 51% of state owned Tüpraş's shares was granted to the Koç-Shell Joint Venture Group at a value of US\$ 4.14 billion. Resolution No: 2005/1128 of the Supreme Board of Privatization on November 7, 2005 approved the result of the auction. Accordingly, a Share Purchase Agreement was signed with Koç Holding on January 26, 2006, endorsing the actual transfer of the shares.

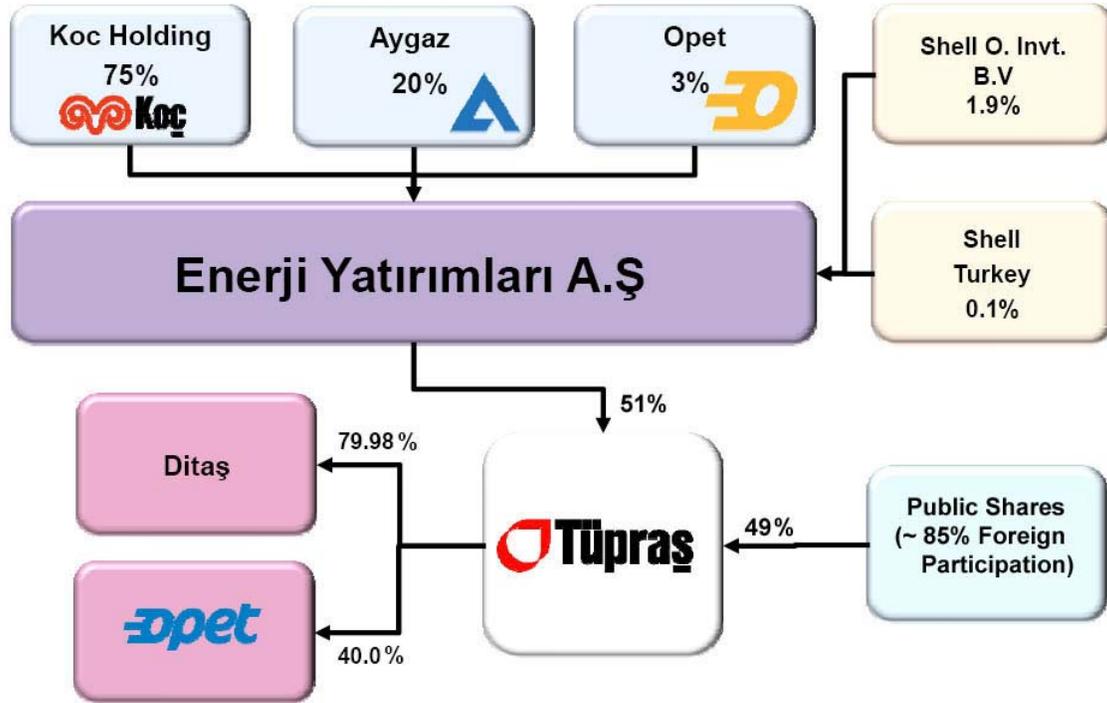
Capital Structure and Shareholding		
Shareholder	Amount (YTL)	Percentage %
Enerji Yatırımları A.Ş.	127,713,792.22	% 51
Privatization Administration	0.01	
Public Shares	122,705,407.77	% 49
	250,419,200.00	% 100

In accordance with the tender specifications from the Privatization Administration, the Joint Venture Group established a joint stock company, Enerji Yatırımları A.Ş., to take delivery of the transferred Tüpraş shares. The company's shares were divided among the shareholders 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

With 27.6 million ton annual crude oil **processing** and a 103,000 ton **petrochemical** production capacity and a turnover and value-added created with its affiliates Opet (40% share ownership) and Ditaş (79.98% ownership), Tüpraş is Turkey's largest industrial enterprise. It controls all of Turkey's refining capacity and enjoys a 70% share of the domestic petroleum market. Tüpraş owns 59% of the total petroleum products **storage** capacity in Turkey, composing of 1.7 thousand tons of crude oil, 1.3 million tons of white product and 0.9 million tons of black product. Acquisitions made in the distribution and transportation fields paved the way towards vertical integration and therefore enhanced the efficiency of the company whilst contributing to the profitability. On the **distribution** front, Tüpraş owns 40% of Opet, the fastest growing company in the distribution sector with 1,256 stations in Turkey and a market share of 14%. On the **transportation** front, Tüpraş owns 79.98% of Ditaş that undertakes domestic and overseas maritime transport of Tüpraş's crude oil and petroleum products as well as providing intermediary and port services to other companies in the industry.

Consequently, Tüpraş's capital and subsidiary structure has developed as follows:



DİTAŞ's capital structure is as follows:

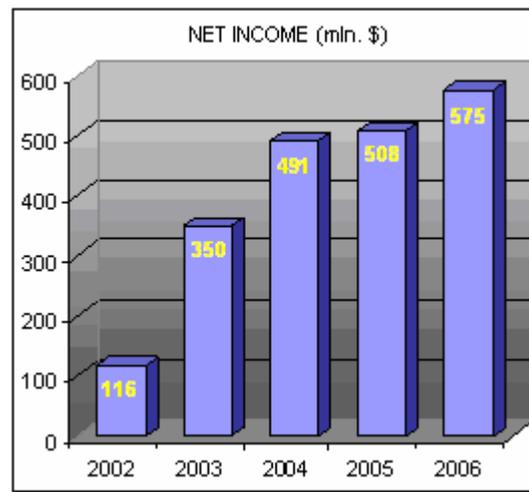
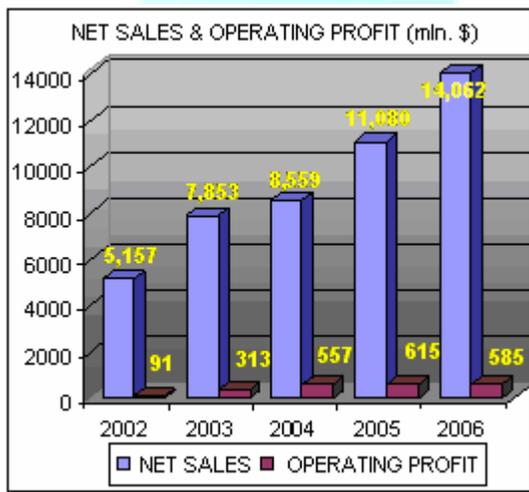
Ditaş's Capital Structure		
Shareholders	Amount YTL	Percentage (%)
Tüpraş	7,998,000	79.98
Turkish Armed Forces Foundation	2,000,000	20.00
Mogaz, Akpa, Demir Export	2,000	0.02
Total	10,000,000	100.00

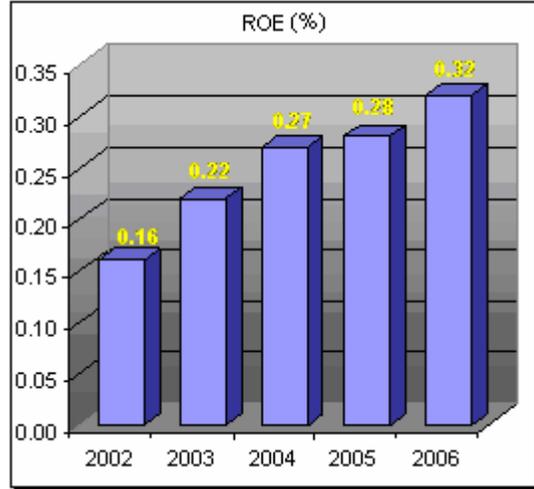
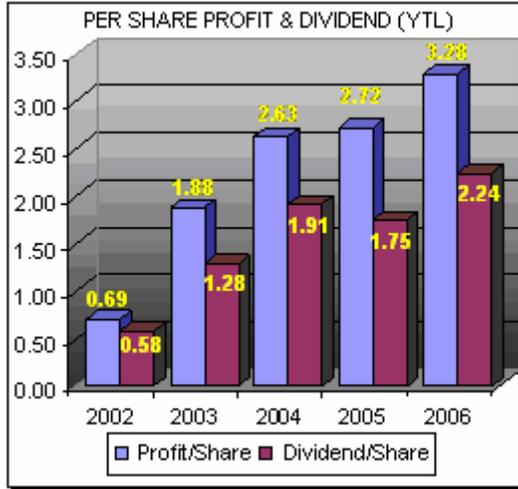
Opet's capital structure as per the Extraordinary General Shareholder Meeting of 25.04.2007 is as follows:

Opet' s Capital Structure		
Shareholders	Amount YTL	Percentage (%)
Tüpraş	60,000,000	40.00
Fikret Öztürk	29,997,797	19.87
Nurten Öztürk	18,431,700	12.29
Mogaz, Akpa, Demir Export	13,005,000	8.67
Ufuk Öztürk	6,918,847	4.61
Filiz Gürgöze	6,918,847	4.61
Güvenok Tzm.Pet.Nak.ve İnş.Taah. San. Dış Tic. A.Ş.	6,767,629	4.51
Ali Şafak Öztürk	6,154,994	4.11
Zer Merkezi Hizmetler ve Ticaret A.Ş.	1,995,000	1.33
Temel Ticaret ve Yatırım A.Ş.	7	0.00
Koç Yapı Malzemeleri Tic. A.Ş.	7	0.00
Total	150,000,028	100.00

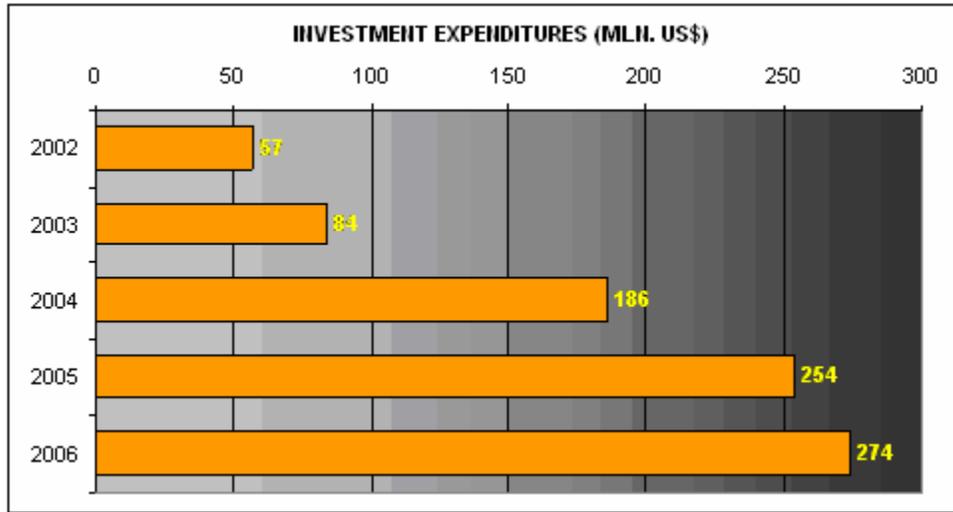
TÜPRAŞ BOARD OF DIRECTORS	
Name	Title
Mustafa Vehbi KOÇ	Chairman
Mehmet Ömer KOÇ	Vice Chairman
Temel Kamil ATAY	Member
Bülent BULGURLU	Member
Erol MEMİOĞLU	Member
Cüneyt AĞCA	Member
Hasan KÖKTAŞ	Privatization Administration Class C Representative

In addition to its high processing and production capacity and robust infrastructure, Tüpraş has an efficient logistical organization in terms of its distribution and transportation capabilities as well as a sound financial foundation. Selected financial highlights are depicted below:



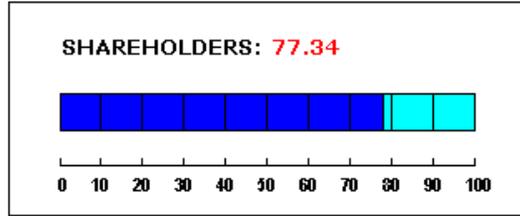


Tüpraş is continuing on its way to complete the US\$2.14 billion Investment Master Plan initiated in year 1989 to reach full compliance with the European Union standards. In this context, Tüpraş investment expenditures in 2006 totaled YTL 392 million (US\$ 274 million). Investment expenditures effected since 2002 are as follows:



As a result of reorganization studies initiated in 2006, 427 young, newly qualified personnel joined the Tüpraş family in place of 1,141 people who were either retired or preferred to remain as state employees. As of 30.06.2007, the number of personnel amounted to 3,652 of whom 4,379 are blue collar and 727 are white collar employees.

SECTION 1: SHAREHOLDERS



SYNOPSIS

+	There is a shareholder relations division
+	General shareholder meetings are conducted in compliance with the CMB's rules and regulations
+	Dividend policy is defined
+	Equal treatment of shareholders
+	Preparation and disclosure prior to general shareholder meetings are satisfactory
+	Voting rights are facilitated
=	Transfer of shares of Enerji Yatırımları A.Ş. is prohibited until 26 January 2009
=	The old and new versions of the related provisions of the Articles of Association are announced, but reasons are not listed
-	Shareholders do not have the right to request appointment of special auditors from the general shareholder meeting
-	Minority rights are not defined
-	Existence of voting privileges
-	Lack of cumulative voting procedures

There is a working shareholder relations unit within the Investor Relations & Strategic Planning Department that reports to the Assistant General Manager responsible for Financial Affairs. This unit duly fulfils its responsibilities in conducting relations with shareholders as well as domestic and foreign investors. There

are no ceilings applied on the number of votes that a shareholder may exercise during the general shareholder meeting. The conduct of general shareholder meetings poses no risk upon the rights of shareholders and complies with the relevant rules and regulations.

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. Similarly, the transfer of Class A shares owned by Enerji Yatırımları A.Ş. (%51) is prohibited until 26 January 2009. In addition, the facts that the minority shareholders lack the right to request the appointment of a special auditor from the general shareholder meeting for the examination and clarification of a specific material situation; and only the controlling shareholders have the privilege to nominate Board members are all risky areas with respect to the shareholders' right to obtain and evaluate information.

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.

1.1. Facilitating the Exercise of Shareholders' Statutory Rights:

There is no Corporate Governance committee within the Board. Nonetheless, all governance issues are handled by the "Investor Relations and Strategic Planning" unit. Mr. Tuncay Önbilgin, assisted by three staff reporting to him is in charge of this unit. This unit was set up back in 2000 and its internal procedures and systems are well established. Mr. İbrahim Yelmenoğlu (AGM), Mr. Tuncay Önbilgin and Mr. Cengiz Demirtürk (Accounting Manager) are authorized to send statements to the KAP (Public Disclosure Platform). The unit appears to be sufficient in terms of qualification, experience and number of delegated staff and as a whole, displays a proactive approach, genuine willingness to improve the implementation of the Principles, and employ an ongoing procedure to improve upon them.

Shareholder records are kept appropriately; inquiries and requests are answered promptly; and The General Shareholder Meeting follows principles set out by the Articles of Association and laws. Information on agenda items and other relevant details are well posted on the web site and at the headquarters of the company prior to the General Meeting. Voting results and minutes are well documented, duly disclosed and published on the company web site. All participants of the general meeting have access to this documentation upon request.

1.2. Shareholders' Right to Obtain and Evaluate Information:

With regard to facilitating shareholder rights, all necessary information and documentation are available for and easily accessible by the shareholders. All channels of communications, such as the comprehensive corporate web

site (www.tupras.com.tr), telephone, e-mail and personal visits are open to shareholders and investors. Procedures of investor relations and shareholders' right to obtain and evaluate information are documented in the company's *information policy* document.

In the Articles of Association, there is no provision that allows each shareholder to have the right to request from the general shareholder meeting that a special auditor is appointed for the examination and clarification of a specific material situation.

1.3. Minority Rights:

On the positive front, there are no provisions to apply certain ceilings on the number of votes a shareholder might exercise and no obstacles to the implementation of voting rights of foreign investors are present. Proxy forms are announced for those who will appoint a proxy for the meeting and these forms are also open to use of shareholders in electronic media.

The one C Class share owned by the Privatization Administration has the privilege to nominate a member to the Board. The remaining six members of the Board of Directors are nominated by other shareholders. In addition, the Articles of Association of the company do not allow the execution of cumulative voting procedures.

1.4. The Right to Participate in the General Shareholder Meeting:

The General Meeting announcement is published within the legal time limit and in two high circulation and nation wide newspapers. The Investor Relations & Strategic Planning Department accepts requests for participation in the General Shareholders Meeting in accordance with the existing rules and regulations.

The purpose and content of the information released prior to the General Meeting are clear, informative of and pertinent to the agenda items so as not to lead to any potential misinterpretations.

Prior to the meeting, proxy forms are announced for those who will appoint a proxy for the meeting and open to use of shareholders in compliance with regulations. The board values shareholder views and opinions, endeavors to consider all requests about items to be placed on the agenda, and strives to achieve the highest level of attendance.

In the last General Meeting held in 30 April 2007, as per the 334th and 335th articles of the Turkish Commercial Code, a proposal to allow board members to engage in business with the company and compete with the company was accepted.

The minutes of General Meetings show that the conduct and execution have been appropriate, fair, and efficient. Chairman and others board members have attended in person. Verbal and written information about the candidates for board membership was given to the shareholders during the General Meeting. Minimum requirements for disclosure of information about candidates however are not stated in the Articles of Association either.

The company is subject to external audit by the Capital Markets Law and the external audit firm has made the necessary presentation to the General Meeting. Although the Articles of Association of the company do not include a provision to maintain that decisions regarding the division and allocation of shares which changes the capital and management structure of the company and the composition of the company's assets; the sale, purchase or lease of

tangible/intangible assets or grants in significant amounts; the issuance of guarantees like pledges and mortgages in favor of a third person are adopted in general shareholder meeting, such information was duly provided for the evaluation of shareholders during the general meeting and included in the agenda and minutes.

General Meetings are conducted on time and in compliance with rules and regulations and shareholders are provided with sufficient time and information to make informed decisions. The flow of information before and after the General Meeting is seamless. Annual Reports, financial statements and dividend proposals are at the disposal of shareholders before the General Meeting. Invitation to the General Meeting is done well in advance and the meeting venue (company premises) is easily accessible, comfortable and suitable for maximum attendance.

The General Shareholder Meetings are executed according to the procedures and the chairman conducts the meeting efficiently on fair grounds. Shareholders are provided with equal opportunities to express their opinions, and raise any questions. Each agenda item is voted separately, the votes are counted and results of voting are announced before the end of the meeting.

Information about the organizational changes in the affiliates and the subsidiaries of the company are included in the annual report, however, annual financial statements together with pro forma financial statements for the past three accounting periods for all institutions involved in such organizational structure changes should be made available to the shareholders for inspection at the General Shareholder Meeting. In addition to the affiliates

and subsidiaries, a link to the web site of KOÇ Group, the controlling shareholder, is provided on the company's web site.

1.5. Voting Rights:

There are no ceilings applied on the number of votes that a shareholder may exercise during the General Shareholder Meeting. Each shareholder is provided with the opportunity to exercise his/her voting right in the most appropriate and convenient way. The right to vote is automatically granted once the share is acquired. There are no obstacles on the voting of institutional and legal representatives. Procedures of voting are stated in the Articles of Association and announced to shareholders prior to the General Shareholder Meeting. Voting was conducted through open ballot and by raising hands during the general shareholder meeting.

On a weaker note however, the C Class minority shareholder enjoys the privilege of nominating a board member. Although this privilege is simple and allows shareholders to easily understand their rights, it reduces the representation of other shareholders by a ratio of 1/7th. Nevertheless, the fact that this distortion is the result of the company's strategic status and its relevance to national security should not be ignored.

1.6. Dividend Rights:

Tüpraş has a clearly defined and consistent dividend policy which is in compliance with the Turkish Commercial Code. This policy is announced to the shareholders at the general shareholder meeting and also included in the company's annual report. There are no privileges imposed on dividend rights. Tüpraş's dividend policy prescribes that, to the extent permitted by relevant

legislation and the company's investment requirements and financial resources, the Board of Directors shall propose the distribution of the entire distributable profit of the company, subject to approval by the General Shareholder Meeting. The annual profit, amount and sources of distributable profit dividend policy; the criteria according to which the board prepares the dividend distribution proposal; dividend to be paid to each share, while indicating different groups of shares; location, time and terms of payment for dividends; and all other relevant information are announced to the shareholders at the general shareholder meeting and also included in the company's Articles of Association, annual report, prospectus and circulars. Interim and advanced payment policy is included in the Articles of Association; however, there has been no execution up to date. On the other hand, the amount of dividends due to be paid to real persons who own a significant portion of distributable profit, by taking into consideration any indirect shareholder relationship, are not included in these documents.

1.7. Transfer of Shares:

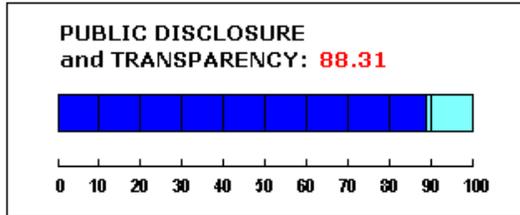
In April 2000, the secondary offering of Tüpraş was completed and the ratio of Class A shares traded on the Istanbul and London Stock Exchanges to total equity reached 34.24%. Tüpraş shares totaling 14.76% were sold to international buyers on the ISE Wholesale Market on March 4, 2005. As a result, 49% of Tüpraş shares are now publicly traded. There are no provisions in the Articles of Association and in any General Shareholder Meeting resolutions to impede the transfer of public Class A shares (%49). However, the Articles of Association of the company imposes certain limitations over the transfer of controlling Class A shares owned by Enerji Yatırımları A.Ş. (%51) and the

one Class C share owned by the Privatization Administration. The transfer of Class A shares owned by Enerji Yatırımları A.Ş. is prohibited until 26 January 2009. The one Class C share owned by the Privatization Administration can only be transferred to another State Owned Enterprise endowed with those authorities listed in the Privatization Law No. 4046 and is not subject to approval by the Board of Directors.

1.8. Equal Treatment of Shareholders:

As a result of our examinations of the conduct, execution and minutes of the General Meetings, the Articles of Association, pending litigations, and interviews with company officials, we have no reason to speak against the equitable treatment of shareholders.

SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY



SİNOPSIS

+	Comprehensive web site, actively used for public disclosure
+	Comprehensive annual report, includes analysis of the sector and forward looking information
+	Dividend policy disclosed in the annual report
+	Ethical rules published
+	List of insiders published
+	Disclosure about developments that may affect the value of the company complies with the legislation
=	Information policy established, but not yet presented to the shareholders at the general shareholder meeting
=	General shareholder meeting minutes posted on the web site, list of participants missing
-	Corporate Governance Compliance Report does not include reasons of lacking implementation
-	List of ultimate controlling individual shareholders after being released from indirect or cross shareholding relationships between co-owners undisclosed
-	Information policy document does not include principles of disclosure about direct and indirect relationships

Tüpraş is performing well above the country averages in terms of public

disclosure and transparency. The existence of a working "Investor Relations and Strategic Planning" unit is an important and positive step towards better governance. The unit has recently published its information policy and ethical rules documents and confirmed its commitment to the issue. Furthermore, the company has a well arranged, easy to access and informative web site and tries to inform the public by any means available. The scope and content of the information disclosed are in compliance with the rules and regulations of the CMB and the ISE.

Both the annual report and the periodical financial statements and reports of the company are comprehensive, factual and accurate and are signed by the responsible board members and executives indicating that the current periodical financial statements completely reflect the true financial status of the company and that the company acts in accordance with the related legislation. The external audit firm chosen by the company is an independent and international audit company accredited by the CMB. There has been no legal conflict between the company and the external audit firm and the company does not receive consultancy services from the audit firm in any form.

The Annual Report and the Corporate Governance Compliance Report does include the acknowledgement by the Board of Directors' that internal financial control and auditing functions are fulfilled by the audit committee.

However, the list of ultimate controlling individual shareholders after being released from indirect or

cross shareholding relationships between co-owners and payments affected including payments in cash such as salary, bonuses, other regular and irregular payments, etc. are not included in the annual report.

2.1. Principles and Means for Public Disclosure:

The task of public disclosure is executed by the "Investor Relations and Strategic Planning" department. Mr. Tuncay Önbilgin is bestowed with the authority to sign official documentation as the manager of the unit. Periodic presentations are performed for investors, financial analysts, the press, and other interested parties and these presentations are well documented and posted on the company's web site. For KAP disclosures, 3 managers are designated as the authorized user and signatories.

Tüpraş has a collective set of written Principles to be used in the public disclosure and information policy of the company, presented these to the shareholders at the general shareholder meeting and disclosed the same to the public. Disclosure is normally done in the general shareholder meeting and via the press and the internet. Additional information is provided to the CMB and the ISE as required. Any developments that may affect the value of the company's capital market instruments are disclosed to the public via the "disclosure of special events" within the time period required by the current legislation and via the above mentioned media. Overall, in terms of public disclosure, we can conclude that Tüpraş fully complies with the current legislation and strives to be as accurate, comprehensive, and factual as possible.

The information policy of the company does not incorporate the type of

information to be discussed at the general shareholder meeting in addition to the requirements of the relevant legislation and other relevant issues.

On the other hand, the company has taken up social and environmental initiatives and these projects are well documented in the annual report.

The Corporate Governance Compliance Report that lists the principles and implementations that are embraced and omitted by the company is incorporated in the annual report. However, the report does not include reasons of lacking implementation. Dividend policy, on the other hand, is included in the annual report of the company and disclosed to public within the framework of the public information policy.

Tüpraş shares are also quoted at the London Stock Exchange as GDRs. "Disclosure of special events" communicated to the ISE and the LSE are executed simultaneously and transmitted to foreign investors and shareholders electronically. These are published in the company's web site in both languages (Turkish and English).

Save for the provisions of the legislation, the preparation or revision of pro forma financial statements are subject to a compliance audit by the external auditor. The audit and public disclosure thereof, and the method to be adopted for disclosing forward looking information are in compliance with the international standards. The Principles applicable to disclose forward looking information are also included in the information policy of the company.

The company's website is all-inclusive, secure and easily accessible. Significant amount of information such as trade register information; detailed information about the shareholder and

management structure; the final version of the company's Articles of Association; privileges on voting rights; publicly disclosed material information; annual reports, periodical financial statements, prospectuses and circulars; agendas of the general shareholder meetings and minutes of the general shareholder meeting; form for proxy voting at the general shareholder meeting; frequently asked questions including requests for information, queries and notifications and responses thereof are suitably included. The announcement of the planned general shareholder meeting, agenda items and informative documents thereof, other information, documents and reports on the agenda items and information on methods of participation in the general shareholder meeting are appropriately emphasized. The English version of the web site is equally comprehensive. The letterhead includes the address of the web site of the company.

2.2. Public Disclosure of Relations Between the Company and Its Shareholders, The Board of Directors and Executives:

No transactions that involved 5% or more of the total number of shares have been in effect, however company officials formally declare that they will disclose such information immediately upon being informed thereof, except otherwise required under relevant legislation. The company's public disclosure policy is in accordance with current CMB and ISE legislations.

The company's ultimate controlling individual shareholder or shareholders are not disclosed to the public, as identified after being released from indirect or cross shareholding relationships between co-owners. The company's capital structure is not presented in a table format that would include the names of the ultimate controlling individual shareholder/s

(names of the real personalities), amount and proportion of their shares and their share class and such a table is not incorporated into the annual report and notes to the financial statements.

On the other hand, commercial and non-commercial transactions between the company and companies, where board members, executives and shareholders, who either directly or indirectly own at least 5% of the company's capital, possess at least 5% and more of shareholding or having the control of the latter are disclosed to public as per the CMB legislation.

2.3. Periodical Financial Statement and Reports in Public Disclosure:

As part of its listing requirements in the ISE, Tüpraş duly discloses information that is not included in the periodical financial statements or notes to the financial statements, such as significant investment decisions, in the "disclosure of special events" published by the ISE.

Both the annual report and the periodical financial statements and reports of the company are signed by the responsible board members and executives, indicating that the current periodical financial statements completely reflect the true financial status of the company and that the company acts in accordance with the related legislation. The annual report, periodical financial statements and their notes are prepared in accordance with the existing legislation and international accounting standards. The annual report incorporates the scope of activities of the company and information about the sector in which the company operates and the company's status within this sector; however, it does not include the audit firm's opinion about the internal control system.

The fact that financial statements present fairly the financial position of Tüpraş, as of 31.12.2006 and its financial performance for the year ended in accordance with Financial Reporting Standards published by the CMB, is clearly confirmed in the independent auditor report. Periodical financial statements and footnotes are prepared in accordance with the current CMB legislation and international accounting standards and applied accounting policies are included in the notes to the financial statements. The organization, capital, ownership and management structure of the company as well as its dividend distribution policy are clearly incorporated in the company's annual report.

2.4. Functions of External Audit:

The external audit firm chosen by the company (Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a Price Waterhouse Coopers member company) is an independent and international audit company accredited by the CMB. The operations of the audit firm and the contents of the contract signed with them are in compliance with the legislation. The audit firm, auditors and other related staff working for the audit firm are not providing consultancy services to the company. There has been no legal conflict between the company and the external audit firm.

The nomination and election process of the audit firm is normally influenced by the decisions taken at the group companies. The audit firm is suggested by the executives, and the final decision is made by the Board.

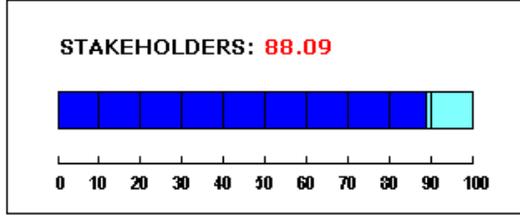
2.5. The Concept of Trade Secret and Insider Trading:

Tüpraş acts in accordance with the rules of accuracy, reliability and good faith and attains a good balance between the protection of trade secrets of the company and the stakeholders' right to obtain information. A list of the names of executives and other persons/institutions who provide services to the company, and who can potentially possess price-sensitive information are prepared and disclosed to public. The concept of trade secret is defined in detail in the personnel code of the company. Physical barriers such as fingerprint checks, magnetic identity cards, and closed circuit cameras are set up to control access to the systems center. Additional security and control is provided by requiring passwords to enter the system and backing up all electronic communication. All systems are equipped with antivirus software.

2.6. Significant Events and Developments That Must Be Disclosed to the Public:

Tüpraş shows first-rate care and sensitivity in the timely and comprehensive disclosure to public of changes in the organization, capital, ownership, management structure and core activities of the company; all important development and events and their possible implications on the financial status and operational results of the company; the rating agency's grade assigned to the company's creditability and issuance of shares, any changes that may take place thereafter. Our analysis of 18 subtitles shows that Tüpraş complies with the rules and regulations of the CMB (also listed in article II.6 of the Principles) and the ISE.

SECTION 3: STAKEHOLDERS



SYNOPSIS

+	All necessary facilities are utilized to preserve stakeholders' rights
+	Active trade union
+	Effective human resources policy
+	Strict quality standards in products and services
=	Ethical rules specified and declared to the public but not yet brought to the shareholders' meeting for approval
-	No provision in the Articles of Association regarding the participation of stakeholders in the management of the company

With regard to relations between the company and all related public and private parties (stakeholders) other than shareholders and the board of directors, over 40 sub-sections have been analyzed under the following headings:

- Company policy,
- Participation in the company management,
- Protection of company assets,
- Human resources policy,
- Relations with customers and suppliers,
- Ethical rules and
- Social responsibility.

Our conclusions are particularly positive with respect to company policy about stakeholders, protection of company assets, human resources

policy, ethical rules and relations with customers and suppliers.

The dominant factors that were effective in reaching our conclusions are: the company acted with goodwill and within the capabilities of the company in cases that are related to the protection of stakeholders' rights when these rights are either regulated or not regulated by the legislation.

Although there is no clause in the Articles of Association of the company regarding the participation of stakeholders in the management of the company, Tüpraş authorized two staff members from the "Quality Systems Management" department to provide coordination between the stakeholders and the management.

We came across to no evidence of any negligent or wrong doing either by the Board or the top management that caused the company assets loose value and led to a deliberate loss for stakeholders.

3.1. Company Policy Regarding Stakeholders:

Tüpraş's management is dominated by the KOÇ group of Turkey. Due to its substantial size and prominent corporate identity, KOÇ group possesses consistent and advanced policies regarding the rights of stakeholders as well as relations with the private sector.

Apropos sales and marketing, the quality standards of each product batch are analyzed and specified in laboratories certified by the Turkish Accreditation Agency (TÜRKAK) and each sample is archived since 6th April 2007.

The activities of Tüpraş are regulated by the Energy Market Regulatory Authority (EPDK) according to the Petroleum Market Law. The purpose of this legislation is the supervision, monitoring and regulation of market activities in a fair, transparent and consistent manner in order to achieve a reliable and competitive supply of petroleum products from domestic or foreign sources to the consumers.

Tüpraş has a refinery license under the auspices of this legislation and can manufacture within or around its plant, can store and transport to nearby plants through pipelines and can distribute fuel via its distribution company's facilities. Tüpraş is obliged to concede to other distribution companies the same conditions it grants to its own distribution company for each category. The same legislation necessitates the safeguard of the production capacity of tactical fuels used by the Turkish Armed Forces and the supply thereof in case of demand.

In addition, Tüpraş is also bound with the regulations imposed by the International Energy Agency (IEA). Accordingly, Tüpraş has to keep a minimum inventory, the level of which is determined as a certain fraction of total annual oil imports.

Company officials stated that all customer feedback records are tracked and evaluated in-house. Customer satisfaction questionnaires are distributed and processed; targets and performance criteria are reassessed based on these results.

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 intranet portal, accessed by individual staff account's username and

passwords provides reach to announcements and documentation.

In addition, the Corporate Communications Department issues press releases, attains press coverage, engages in social responsibility projects, and issues a four monthly corporate magazine, *Rafine*, to enhance the quality of communication among staff members located in geographically dispersed units.

3.2. Stakeholders' Participation in the Company Management:

Even though there are no provisions in the Articles of Association of the company promoting the participation of stakeholders in the management of the company, in order to encourage and reward staff contributions and efforts towards company goals and values, the "Tüpraş Appreciation, Acknowledgement and Rewarding System" has been implemented alongside the "Refined Suggestions" system which aims to encourage original ideas in process enhancements, resource savings, production efficiency, environment protection and safety.

The Petrol-İş trade union is observed to be actively participating in in-house interactions and management.

3.3. Protection of Company Assets:

The company pays due attention to the protection of company assets as its ISE (Istanbul Stock Exchange) membership and shareholder structure dictate stringent care and adherence to rules and regulations. The presence of the veto power of Class C shares, which belongs to the Privatization Administration of the Prime Ministry of Turkey, provides a balance in the shareholder structure. The Class C shares have the veto right on issues like capacity reductions, sale of refinery, spin-outs and spin-offs,

mergers, and liquidation of the company.

3.4. Company Policy on Human Resources:

As we have mentioned before, the controlling group, namely KOÇ Holding, has an eminent corporate culture. With respect to country specific standards, the company has a well established Human Resources policy that ensures equal opportunities, social rights and sound career planning. On the job training and personnel promotion schemes as well as relations with the trade union are of high standards.

The company applies performance and reward criteria parallel to the KOÇ group's "HAY" Job Evaluation System. This system enables the company to determine long-term goals, which in turn become individual goals for the employees under topics like finance, client relations and technology.

During the take-over process of Tüpraş by the KOÇ group from the Privatization Administration of the Prime Ministry of Turkey, a large number of employees who have been working outside the Collective Labor Agreement moved to other state-owned companies. Those, who had the right to retire, did retire. In order to recruit new employees for the vacancies, some personnel were transferred from other KOÇ companies. These employees were chosen among those who were on the KOÇ Career Portal. To fulfill the requirements of recruitment process, the existing HR personnel of Tüpraş was trained. The recruitment process consisted of language and ability tests and personal interviews. Company officials stated that, as a consequence of the above procedures, more than 200 employees, mostly under 30 years of age, were recruited.

Moreover, Tüpraş participates in "Career days" activities of several universities nation-wide and selected top managers of the company give lectures at the same universities. Tüpraş is also an active contributor to the youth festival activities of nearly all Turkish Universities.

3.5. Relations with Customers and Suppliers:

Tüpraş keeps records of customers and suppliers meticulously and within the scope of trade-secret concept, confidentiality of information is duly respected. 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. Evaluation results and necessary actions to be taken as a result of evaluation are recorded.

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.

Tüpraş, as a first step to vertical organization, has acquired 40% of OPET Petrolcülük A.Ş., a leading distribution company of Turkey, with 1,256 gas stations nation-wide. This acquisition enhanced the sales organization of Tüpraş by providing access and use of the terminals and storage facilities of OPET in areas far from refineries.

Company officials emphasize Tüpraş's sensitivity to its environment, the community, employee health, and quality. The following certificates, which were obtained simultaneously by all the refineries, endorse this sensitivity:

- i) ISO 9001:2000 Quality Certificate
- ii) ISO 14001:2004 Environment Certificate
- iii) OHSAS 18001:1999 Employee Health and Safety Management Systems Certificate.

Having satisfied the standards of TS EN ISO/TEC 17025, Kırıkkale Refinery Experimental Lab passed the tests of 17 gas analyses on 03/11/2006 and Izmit Refinery Experimental Lab passed the tests of 24 gas analyses on 06/04/2007. Both refineries are accredited by the Turkish Accreditation Agency (TÜRKAK). Izmir Refinery Labs are working towards an international accreditation certificate.

Company officials state that modern management philosophy leads them to apply "Total Quality Management" and that the company is working towards developing mechanisms to ensure "Sustainable Growth". For this purpose and as a first step for participating in the "National Quality Movement and Path to Excellence" program of the Turkish Quality Association (KALDER), the company signed a declaration of goodwill in 04/04/2006. Since then, the EFQM Excellence Model, which is a continuous improvement tool in Total Quality Management, has been in application.

3.6. Ethical Rules:

A written document of Ethical Rules can be found both on the internet site and in the Corporate Governance Compliance report of Tüpraş. The same document is a part of the Personnel Code of the company. However, this document has not yet been presented to the General Shareholder Meeting for approval by the Board of Directors.

3.7. Social Responsibility:

Company officials confirmed that there were no major conflicts with the tax office in recent years and no serious sanctions imposed. Each refinery employs an in-house lawyer and there is a "Central Law Office" unit at the headquarters of the company. Although not a substantial item in the balance sheet of the company, we notice that there is a sum of YTL 47,778,000 in the Notes to the Consolidated Financial Statements for the year 2006 reserved as a provision for pending claims and lawsuits.

Tüpraş is a substantial source of funding to the state, as indirect taxes such as VAT (Value Added Tax) and SCT (Special Consumption Tax) collections are done by the company. According to a survey done by TIM (Turkish Exporters Council), Tüpraş is the largest exporter in Turkey with 3 billion 44 Million USD/year worth of exports. Tüpraş also received a "Star of Exporters" award from the IMMIB (The General Secretariat of Istanbul Mineral and Metals Exporters' Association), for being the sector leader.

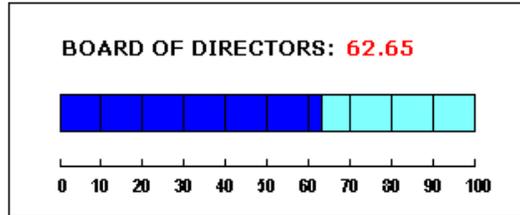
In applying the principles of Social Responsibility, Tüpraş refers to the "United Nations Global Compact" signed between Mr. Mustafa V. Koç (Chairman) and the UN Secretary-General Mr. Kofi Annan. Within this context, Tüpraş participates in almost all the projects of social responsibility carried out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

In the year 2006, a total sum of YTL 8,231,976 has been donated. YTL 7,500,000 of this total went to foundations, YTL 360,800 to museums, and YTL 371,376 to others. Since its inception, within the

boundaries of related legislation, Tüpraş has supported social projects of health, education and culture. The company sponsored numerous arts and culture publications and enabled tens of thousands of trade-school interns obtain training in Izmit, Izmir, Kırıkkale, and Batman facilities. Mahmut Esat Bozkurt Elementary School in Izmir, Tüpraş Elementary School in Kırıkkale, Tüpraş Multi-program Highschool in Izmit and Tüpraş Elementary School in Batman are other initiatives sponsored by Tüpraş.

Tüpraş donates to and finances various NGO (Chambers, Disabled Children's Organizations, Parent-Teacher associations, Veterans of War, etc.) operations in areas of education, health, culture and sports. The company has also donated 1,000 tons of asphalt to the Municipality of Batman after the flood in November 2006.

SECTION 4: BOARD OF DIRECTORS



SYNOPSIS

+	The Company's vision, mission and strategic goals are clearly defined
+	The board is staffed with effective and highly qualified members
+	There are no executive members in the Board
+	CEO and Chairman positions are separately chaired
=	The representative of the Privatization Administration holds veto rights in certain issues
-	No independent members
-	No Corporate Governance and Risk Committees
-	Cumulative voting rights not in effect
-	No signed compliance and liability statement by board members
-	No provisions in the Articles of Association defining procedures for shareholders or stakeholders to invite the board to convene
-	No regulation for compensation of company or stakeholder loss in case of negligence by executives

It is our observation that the Board of Directors has clearly defined the vision and mission of the company and is staffed by highly qualified, experienced members maintaining high moral standards.

The Board is overseeing that company activities are managed in compliance

with the legislation, Articles of Association, internal procedures and established policies. It has been stated that none of the board members is indulged in any transaction or is engaged in any form of competition with the company.

Notwithstanding, the lack of independent members, non-existence of corporate governance and risk committees, unavailability of cumulative voting rights and the existence of veto rights for the Class C shareholder on mergers, divisions and liquidation reflect important areas for improvement under this topic.

Similarly, upon commencing work, a written compliance and joint liability declaration by the board members endorsing losses incurred to shareholders and stakeholders due to deliberate incompliance and misconduct is not in effect.

The remuneration of the board of directors is observed to be fair, adequate and in par with general standards.

4.1. Fundamental Functions of the Board of Directors:

The Board of Directors of Tüpraş has stated and publicly declared that the target of the company is to become an effective and dependable global player in the petroleum industry with its exemplary performance and human resources; towards a goal of becoming an effective leader in sector development, meeting domestic demand for petroleum products and add value to shareholders' equity, business partners and the society alike. The Board is overseeing that

the company activities comply with legislation, Articles of Association, internal procedures and established policies and monitors company financials to assure their validity.

Even though corporate governance and risk committees are not yet established within the Board, relations and potential problems with shareholders are managed and settled through the "Investors Relations and Strategic Planning" department.

The Board of Directors is ensuring that executive positions are staffed by appropriately qualified personnel, taking measures to support their long term commitment, is promptly dismissing unqualified personnel when necessary and duly replacing positions with qualified and competent staff.

4.2. Principles of Activity and Duties and Responsibilities of the Board of Directors:

The Board of Directors approves annual business plans and budgets, inspects and approves periodic financial reports, prepares annual reports and declares them to the public. In addition, it facilitates and ensures shareholders meetings to be held in compliance with regulations and Articles of Association, approves career plans and incentive policies for executives. The Board of Directors has also approved and publicly declared company ethical rules and information policy documents.

The Articles of Association clearly identifies the rights and responsibilities of the board as distinguished from the legally defined rights of the general shareholder meeting. No evidence has been encountered as to any misuse of confidential and undisclosed information to the illegal benefit of board members or other parties. Board meetings have been observed to be held at appropriate intervals.

Although each member has an equal vote in the board, the representative of the Class C shareholder has a veto right in the following issues: capacity reduction, sale of refinery plant, division, merger and liquidation, with the aim to safeguard national security and public benefit.

The Ethical Rules document lacks a clause stating that members of the board cannot disclose confidential information and trade secrets to the public. Similarly, a statement that members of the board should not indulge in pressures that would serve against the interests of the shareholders and not accept any material gains is also missing. A written declaration by members of the board before commencing work, that they will comply with the legislation, Articles of Association, in-house regulations and policies, and in case of non-compliance, that they would be jointly liable to compensate the loss accrued to the shareholders and stakeholders, is not practiced.

Although a well established and efficient mechanism exists, written internal procedures regarding communication and circulation of meeting documentation to board members are missing. Provisions regarding the procedures for inviting the members of the board for a meeting by shareholders and stakeholders are not incorporated in the Articles of Association.

A secretariat under the responsibility of the chairman, with the aim to serve the board of directors and to keep documents related to the board meetings is not established. However, the tasks of preparing the agenda, the necessary documentation and presentations for the board members, recording and following up the minutes and decisions, are endorsed by the Deputy General Manager in Charge of Finance.

4.3. Formation and Election of The Board Of Directors:

None of the Board members have been convicted or sentenced of non-conformity with the capital markets legislation or the Turkish penal code. All members are qualified and experienced persons maintaining high moral standards and fully capable of endorsing the required tasks to direct the company.

None of the board members are executive members. As a result, the chairman and the CEO positions are not occupied by the same person.

Nevertheless, the required qualifications of the board members have not been specified in the Articles of Association. It has been observed that there are as yet no steps taken towards incorporating independent members capable of impartially performing their duty, into the board. In addition, cumulative voting rights are not practiced. The lack of independent members in the board and hence at the head of present and future committees, and the lack of cumulative voting rights are important shortcomings with respect to full compliance to the "Corporate Governance Principles" of the Capital Markets Board.

4.4. Remuneration of the Board of Directors:

It has been stated that there is no debit on board members and no credits or loans have been extended to any board member. The remuneration of board members is fair and adequate and has been specified by the shareholder's assembly.

Nevertheless, there exists no incentive policy for board members and no written performance criteria.

4.5. Number, Structure and Independence of Committees Established by the Board Of Directors:

The Board of Directors incorporates solely the Audit Committee. As yet, corporate governance and risk committees are not established. In lack of independent members, the head of the Audit Committee is not chaired by an independent member. Still, the fact that the committee members are non-executive has been noted as a positive aspect. The Audit Committee has taken all necessary measures to make sure that internal audit mechanisms are carried out adequately and transparently. The Audit Committee is also supervising the activities of the external auditors and the compliance with accounting standards. The Audit Committee's activities are well documented and hence also used as committee meeting reports.

However, it is observed that the appointment of the external auditors and the services to be provided thereby is not subject to a preliminary approval of the Audit Committee. Likely, before the appointment of the external auditor, the Committee did not issue a report to evaluate the existence of issues that may jeopardize the independence of the audit company.

4.6. Executives:

It has been observed that the company executives are operating in accordance with the company's vision, mission and strategic goals and in compliance with the financial and operational plans approved by the board. It is also our observation that company executives are delegated with adequate authority and equipped with the professional qualifications required. None of the executives have been reported to have gained

illegitimate or dishonest benefits at the expense of the company. There are no executives that had ever been sentenced for crimes against the capital markets legislation or the Turkish penal code. However, in the employment agreements with the executives; there is no clause that protects the interests of the company and describes the sanctions to be implemented in case of a violation. In case an executive leaves his/her job, whether he/she will be permitted to work for a competitor of the company for a certain period of time is not specified.

On the other hand, it has been stated that the executives are issuing periodic reports regarding the conformity of in-house procedures to the Articles of Association and internal procedures to the board of directors. However, the human resources procedures do not include provisions for the executives to compensate the losses incurred by the company and third persons as a result of not performing their duties duly.

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.
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.
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. 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.