



Corporate Governance Compliance Rating Report



Turcas Petrol A.Ş.

26 February 2021

Validity Period: 26.02.2021-26.02.2022

LIMITATIONS

This Corporate Governance Rating Report, issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. for Turcas Petrol A.Ş. is compiled in accordance with the criteria stated in CMB's Corporate Governance Communiqué, no II-17.1, published in the Official Gazette edition 28871 on 03.01.2014; as well as the CMB's board decision taken at the Board meeting on 01.02.2013, no 4 / 105.

The criteria, established for the companies whose shares are traded at BIST, are organized separately as First Group, Second Group and Third Group companies and investment partnerships, taking into consideration the group distinctions stated by CMB's Corporate Governance Principles in Item 2 - Article 5 of communiqué no II-17.1, published in the Official Gazette on 03.01.2014.

The Corporate Governance Compliance Rating Report issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. is based on 70 copies of documents, data and files transmitted by the concerned firm electronically, including data open to general public and examinations made by our rating experts on site.

Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. has formulated its Ethical Rules according to the Banking Act, the CMB and BRSA Directives on the Operations of Rating Companies, generally accepted ethical rules of the IOSCO and OECD including generally accepted ethical customs, which is shared with the public through its Internet website (www.kobirate.com.tr).

Although rating is an assessment based on numerous data, it is consequently the institutional opinion of Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. formed accordingly to the methodology disclosed.

The rating grade does not constitute a recommendation to purchase, to hold or to dispose of any kind of borrowing instrument. KOBIRATE A.Ş. may not be held liable for any losses incurred or investments made to the company referring to this report.

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TURCAS PETROL A.Ş

CMB CORPORATE GOVERNANCE
PRINCIPLES COMPLIANCE GRADE

BIST THIRD GROUP

9.61

Kobirate Uluslararası Kredi Derecelendirme
ve Kurumsal Yönetim Hizmetleri A.Ş

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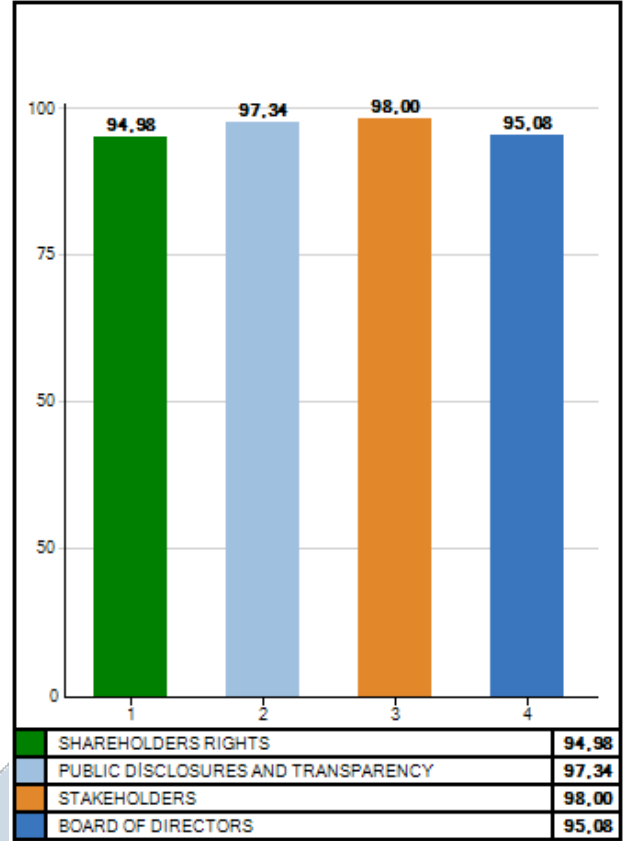
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1. TWELFTH PERIOD REVISED RATING RESULT

The process of rating of compliance of **TURCAS PETROL A.Ş.** with the Corporate Governance Principles has been prepared through onsite examinations of the documents, interviews held with executives and persons involved, examination of information open to public and other reviews. The rating process is based on the Corporate Governance Compliance Rating Methodology developed by Kobirate Uluslararası Kredi Derecelendirme ve Yönetim Hizmetleri A.S. Methodology and the process of rating are based on CMB's Corporate Governance Principles Communiqué no II-17.1 No: 28871, published on 03.01.2014.

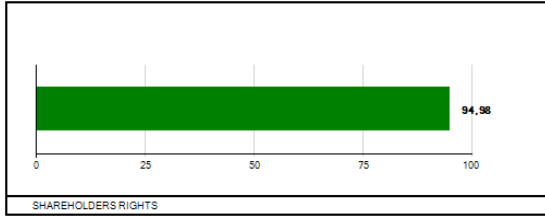
The Company has been examined through 399 criteria, as described in the methodology of Kobirate A.S. for "BIST Third Group Companies". At the end of the examination under the main headings of Shareholders, Public Disclosure and



Transparency, Stakeholders and Board of Directors, the Corporate Governance Compliance Rating Grade of TURCAS PETROL A.Ş. is determined as 9.61.

This result signifies that the Company has achieved a considerable compliance with the CMB's Corporate Governance Principles. Possible risks for the Company are determined and controlled. Public disclosure and transparency activities are at the highest level. Rights of shareholders and stakeholders are treated fairly. The structure and working conditions of board of directors is significantly compliant with corporate governance principles. As a result, this grade shows that the Company highly deserves to be on BIST Corporate Governance Index.

- At the section of Shareholders Turcas's grade has been confirmed as **94.98**.



Relations with shareholders are managed by the Investor Relations Department (IRD). IRD activities are conducted by Assistant Manager for Corporate Finance Arif ŞAHİN, under the coordination and supervision of CFO Erkan İLHANTEKİN. Mr. İLHANTEKİN has Capital Market Activities Level-3 and Corporate Governance Rating Licenses. He has been a member of Corporate Governance Committee since 04.06.2012 in compliance with Capital Markets Board's Communiqué II-17.1.

Activities of Investor Relations Department are regularly reported to the Board of Directors and Corporate Governance Committee. The Department presents its detailed analysis of share performance and liquidity once a week and its comprehensive reports on activities and Company's corporate governance policies once in three months to the Board of Directors. 4 (four) reports were presented to the Board in the months of March, June, September and December in 2020.

There is no regulation or practice of cancelling or restricting shareholders' right to obtain and review information imposed by the Articles of Association and/or a decision by any company department. Disclosures for shareholders and public are made in accordance with the "Disclosure Policy" of the Company. The policy is accessible at the Company's corporate website. It has been determined that the Company has taken care to ensure use of basic shareholder rights during the rating period.

Ordinary General Assembly meeting to discuss activities of 2019 took place on

28.05.2020. The announcement of the meeting was made through Turkish Trade Registry Gazette (TTSG) No: 10069 and dated 30.04.2020, on Dünya newspaper dated 06.05.2020, Public Disclosure Platform Statement on 27.04.2020, Central Registration Agency's e – general assembly system (EGKS) and corporate website, 21 days before the meeting, in accordance with regulations.

A briefing document on general assembly meeting's items of agenda was prepared and published on the corporate website and Public Disclosure Platform. The document included additional explanations within the scope of CMB regulations, as well as agenda items and it is found very descriptive.

Banu Aksoy TARAKÇIOĞLU (Deputy Chairperson of Board) and Saffet Batu AKSOY (Member of Board and CEO) physically attended the General Assembly meeting. Erdal AKSOY (Chairman of Board), Mehmet Timuçin TECMEN (Member of Board), Lale ERGİN (Member of Board) attended through digital channels. Erkan İLHANTEKİN (CFO-IRD Manager), Akın ARBAY (COO), Eda YÜKSEL (Legal Director) and representative of independent audit firm have also attended the meeting.

Turcas' compliance with regulations and principles in general assembly practices is at very good level.

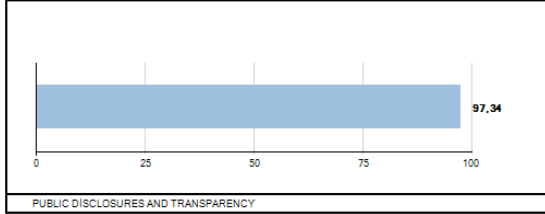
Company's dividend distribution statement shows that according to consolidated financial statements – prepared in accordance with CMB regulations and audited independently - dated 31.12.2019; the Company has made no profits. According to Tax Method Law it made TRY 29,745,973.16 profit.

Utilization of profit is described in the section titled *ii. Dividend Distribution*.

Board's decision on dividend distribution and dividend distribution statement has been published by Public Disclosure Platform on

the same day with invitation to the general assembly meeting.

▪ In the section of Public Disclosure and Transparency, Company's grade has been confirmed as **97.34**.



It has been understood that the Company takes decisions fast in line with national and global economic developments and shares them with public without delay. Company's activities in the field of Public Disclosure and Transparency continue with same sensitivity and improvements.

Finance Director (CFO) Erkan İLHANTEKİN and Accounting Manager Engin ÇAYLAN are responsible and authorized for signing public disclosure statements of the Company. These officials are charged with monitoring and watching all subjects related to public disclosure.

Although it is not obligatory for the Company as it is on the list of BIST 3rd Group Companies, Turcas continues to make material event disclosures and declare financial statements, which should be disclosed to public in accordance with capital market regulations, at Public Disclosure Platform simultaneously in Turkish and English.

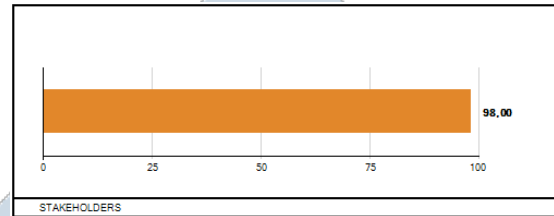
It has been determined that Company's corporate website at www.turcas.com.tr and its annual reports are used efficiently as means of public disclosure.

Independent audit of the Company for 2019 has been conducted by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst&Young Global Limited). There have been no cases in the report where the independent auditor avoided expressing

opinions, expressed conditional opinions or avoided signing. Company officials told us that there have been no legal conflicts or developments between the Company and independent auditor and its representatives that could harm the independence.

On the suggestion of Audit Committee and by the approval of general assembly, it has been decided that audit for 2020 would be carried out by the same company.

▪ At the section of Stakeholders, Company's grade has been confirmed as **98.00**.



Within the scope of Law on Protection of Personal Data the Company started working in this field in November 2018. Consultancy services have been procured for this purpose. Consultant company interviewed all department managers separately, analyzed the situation and prepared action plans. Then, planned actions have been carried out and processes completed. It has been learned that the consultant company organized a briefing meeting with the participation of all employees.

In order to ensure employees' participation to management, "Strategy Sharing Meeting" was held for the first time in 2015 with the attendance of all employees and it convenes every year. "Strategic Targets Progress Meeting" has also started in 2015. Progress in strategic targets is discussed at this meeting by directors, general manager, managers and team leaders and their opinions and recommendations are taken.

"Synergic Actions Work Group", which was established in 2014, also continues its activities. It comprises five (5) members. In order to convey expectations of employees,

an “Employee Representative”, who is elected by employees, also joins the committee.

“Employee Loyalty and Satisfaction” survey is conducted regularly once in every 2 (two) years. It was last conducted in 2019. “Internal Customer Satisfaction and Organizational Harmony” survey is every year. It was also last conducted in 2019. Due to the global pandemic, it was not Possible to Conduct this survey in 2020.

“Turcas Petrol Quality Policy” was approved and put into implementation on 03.05.2017. Developments in management system standards are monitored and policies are reviewed continuously.

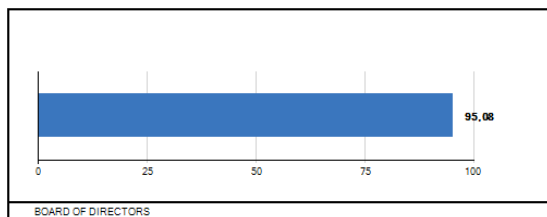
In 2020, ISO 9001:2015 Quality Management System, ISO 14001:2015 Environment Management System and ISO 45001:2018 Work Health and Safety Management Systems were established at Turcas Kuyucak Jeotermal Elektrik A.Ş. and they were certified by an internationally accredited company.

The Company has a rather detailed and modern HR policy. The processes of HR policies contain written procedures, which are based on objective criteria and they give priority to recruiting, productivity, educating and developing careers, protecting rights of both the employees and the Company.

“Compensation Policy” for employees has been prepared and disclosed to public through corporate website.

Turcas continues to improve its policies in this section.

▪ In the section of Board of Directors, Turcas’ grade has been revised as **95.08**.



As a result of interviews with Company officials and examination of Decision Books of Board of Directors it has been determined that the Board continue its activities actively, efficiently and regularly. It is our impression that the Board has internalized Corporate Governance Principles, adopted an approach open to improvement and development and exhibits a proactive attitude in regard to compliance with the principles.

The reasons for grade ,increase in this section are listed below:

- Board of Directors’ policy of Woman Board Member was updated with Board’s decision dated 24.09.2020, No 2020/14 .
- There are 2 (two) women board members and this situation brings ratio of woman board members to over 25% as stated by the principles.
- In the face of global Covid 19 pandemic, which started in 2020, the Company took efficient precautions and its work model was determined in accordance with developments. Also it is our impression that employees and stakeholders have been briefed sufficiently about the pandemic, vaccines and process of normalization.

Interviews with Company officials and examination of Decision Books of Board of Directors and Committees has shown that the Board and Committees continue their activities regularly.

Board of Directors has determined Company’s strategic targets. Chairman of Board of Directors and General Manager are different persons. In line with the principle of clear differentiation of powers between Chairman of Board and CEO / General Manager, 14th and 16th items of Articles of Association clearly describe duties of the Board of Directors and Chairman of Board. Duties of the Chairman of Board, Board Members and General Manager are also described in detail in the Guidelines that set the principles of activity of the Board of Directors. These job descriptions are in line with the Principles to a great extent.

Company's Board of Directors is formed with seven 7 (seven) individuals; 1 (one) Chairman and 6 (six) members. The Board of Directors has four 4 (four) non – executive members and 2 (two) of the non – executive Directors of the Board are independent Members who meet the criteria for independence described by Corporate Governance Principles.

Audit, Corporate Governance and Early Detection of Risk Committees, which are referred by the Principles are established. Mandates, working principles and membership composition for all three committees have been determined by the Board of Directors, approved as written documents, disclosed to the public and published on the corporate website. All members of the Audit Committee are Independent Members of Board of Directors. Chairmen of Corporate Governance and Early Detection of Risk are also Independent Members of Board of Directors. CEO / General Manager has no assignment in committees. Board of Directors convened 4 (four) times and took 17 (seventeen) decisions in 2020.

Audit Committee held 4 (four) meetings in 2020 and reported meeting results to the Board of Directors. Corporate Governance Committee held 4 (four) meetings in 2020 and reported meeting results to the Board of Directors. It is also learned that Committee briefs Board of Directors at every Board meeting.

Separate Nomination Committee and Remuneration Committee haven't been established because of the Board of Directors' structure. Duties of these committees are carried out by the Corporate Governance Committee.

During the rating period 1 (one) independent member of Board has been changed. Applications of 4 (four) candidates were assessed at the Corporate Governance Committee meeting (as Nomination Committee) on 05.05.2020 and a recommendation was made to the Board of

Directors. At the Board meeting dated 06.05.2020, No 2020/08, it was decided to appoint Lale ERGİN as independent member of Board as of 29.05.2020 until the convention of ordinary general assembly meeting for 2022 and to present the appointment for the approval of shareholders at the general assembly meeting which would be held on 28.05.2020. Examination of documents has revealed that the Company acted in accordance with the method proposed by corporate governance principles in determining candidate for Board membership.

Corporate Governance Committee (as Remuneration Committee) has prepared "Guidelines of Compensation" for Board members and executive managers in writing and it was disclosed on the corporate website.

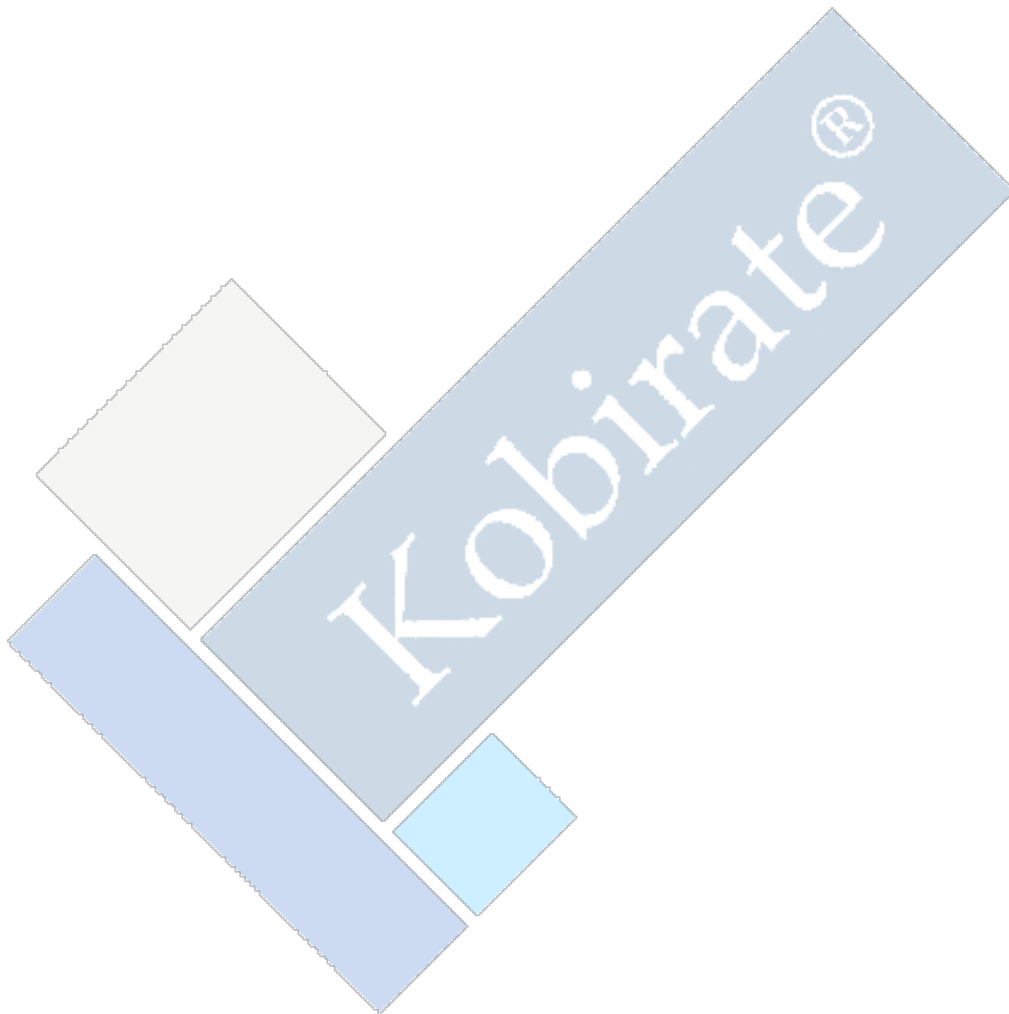
Early Detection of Risk Committee held 4 (four) meetings in the same period and reported meeting results to the Board of Directors.

Possible damages to the company due to defects of Board Members and Top Executives while performing their duties are insured. A Material Event Disclosure on the subject was published on Public Disclosure Platform on 24.09.2020.

Self criticism and performance assessments for the Board of Directors on the basis of Board, members and executives with administrative responsibility are conducted. First self criticism and performance assessment for the Board of Directors took place in 2014 and the data were evaluated. Performance review for 2020 was carried out in December 2020. We have been informed that results of this review would be evaluated at the first board meeting in 2021.

1 (one) Independent Member of Board was elected at the general assembly meeting on 28.05.2020. One more woman Member of Board was appointed. Thus the number of women Board members increased to two and

the Company has achieved compliance with CMB's recommendation of "having 25 % woman membership in the Board".



2. COMPANY PROFILE AND CHANGES WITHIN LAST YEAR

A. Company Profile:



Company Name	: Turcas Petrol Anonim Şirketi
Company Address	: Ahi Evran Caddesi No: 6 Aksoy Plaza Kat:7 34398 Maslak-Sarıyer / İstanbul
Company Phone	: (0212) 2590000 / 17 Hat
Company Facsimile	: (0212) 2590018
Company's Web Address	: www.turcas.com.tr
Company's E-Mail Address	: IR@turcas.com.tr
Date of Incorporation	: 07/03/1980
Registered Number	: 171118
Paid in Capital	: 255.600.000.-TL
Line of Business	: Energy sector and activities like fuel distribution, search, production, transportation, distribution, storage, import, export, national and international commercial operations and investments in sub segments such as electricity and natural gas.
Company's Sector	: Energy

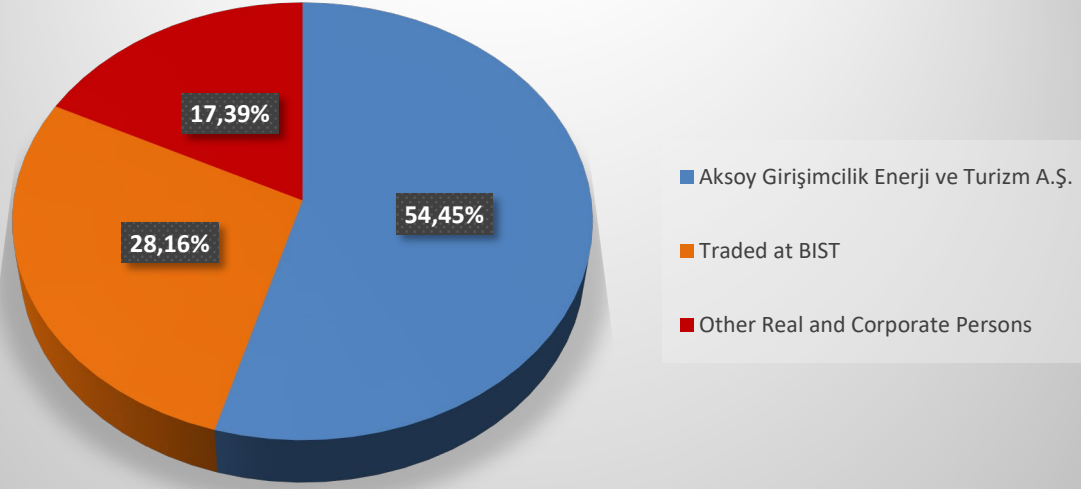
Company's Representative in Charge of Rating:

Erkan İLHANTEKİN
Finance Director (CFO)

erkan.ilhantekin@turcas.com.tr

0212 259 0000/1270

Turcas Petrol A.Ş. Shareholder Structure



TURCAS Petrol A.Ş Shareholder Structure (31.12.2020)

Shareholder's Name	Share (TL)	Share (%)
Aksoy Girişimcilik Enerji ve Turizm A.Ş.	139.175.891,75	54,45
Traded at BIST	71.985.706,54	28,16
Other Real and Corporate Persons	44.438.401,72	17,39
Total	255.600.000,00	100,00

Source: www.turcas.com.tr

Indirect Individual and Corporate Shareholders

Shareholder's Name	Share (TL)	Share (%)
Erdal AKSOY	73.710.314,08	28,84
Saffet Batu AKSOY	31.941.570,43	12,50
Banu Aksoy TARAKÇIOĞLU	31.941.566,83	12,50
Ayşe Belkis AKSOY	1.071.331,63	0,42
Aksoy Enternasyonal Ticaret A.Ş.	1.274.152,23	0,50
Aksoy Holding A.Ş.	509.660,89	0,20

Source: www.kap.gov.tr

Aksoy Holding A.Ş. Shareholder Structure

Shareholder's Name	Share (TL)	Share (%)
Erdal AKSOY	204.587.996	52,46
S. Batu AKSOY	89.506.971	22,95
Banu Aksoy TARAKÇIOĞLU	89.506.961	22,95
Ayşe Belkis AKSOY	2.827.631	0,73
Aksoy Enternasyonal Ticaret A.Ş.	3.570.441	0,92
TOPLAM	390.000.000	100,00

Source: www.turcas.com.tr

Board of Directors

Name/Surname	Title	Executive / Non - Executive
Erdal AKSOY	Chairman of the Board	Executive
Banu Aksoy TARAKÇIOĞLU	Deputy Chairperson of the Board	Executive
S.Batu AKSOY	Board Member and CEO	Executive
Matthew J. BRYZA	Board Member	Non – executive
M. Timuçin TECMEN	Board Member	Non – executive
Lale ERGİN	Independent Board Member	Independent / Non – executive
Emre DERMAN	Independent Board Member	Independent / Non – executive

Source: www.kap.gov.tr

Executive Board

Name/Surname	Title
S. Batu AKSOY	Board Member and CEO
Erdal AKSOY	Chairman of the Board
Banu Aksoy TARAKÇIOĞLU	Deputy Chairperson of the Board
Arkin AKBAY	Operational Director
Erkan İLHANTEKİN	Finance Director(CFO)
Eda YÜKSEL	Legal Director
Tuğçe GÜNDÜZ	Corporate Communications and Public Relations Manager

Source:www.turcas.com.tr

Committees Formed Within the Board of Directors

Audit Committee

Name/Surname	Title
Emre DERMAN	Independent Board Member / Committee Chairman
Lale ERGİN	Independent Board Member / Committee Member

Source: www.kap.gov.tr

Corporate Governance Committee

Name/Surname	Title
Lale ERGİN	Independent Board Member / Committee Chairman
M. Timuçin TECMEN	Board Member / Committee Member
Matthew J. BRYZA	Board Member / Committee Member
Erkan İLHANTEKİN	Finance Director (CFO)- Committee Member
Eda YÜKSEL	Legal Director
Tuğçe GÜNDÜZ	Corporate Communications and Marketing Manager-Member

Source:www.turcas.com.tr

Early Detection of Risk Committee

Name/Surname	Title
Emre DERMAN	Independent Board Member / Committee Chairman
Banu Aksoy TARAKÇIOĞLU	Deputy Chairperson of the Board
Erkan İLHANTEKİN	Finance Director (CFO)
Eda YÜKSEL	Legal Director

Source: www.turcas.com.tr

Investor Relations Department

Name/Surname	Title	Contact
Erkan İLHANTEKİN	Finance Director (CFO)/Investor Relations Dep. Manager	0(212) 259 0000 (Internal: 1287) erkan.ilhantekin@turcas.com.tr

Source: www.kap.gov.tr

Comparison of Company's Certain Selected Items for Summary Consolidated Balance-Sheet belonging to 9th Months of last two years (TL)

	2019/09	2020/09	Change 09/2019- 09/2020 (%)	2019/12
Current Assets	239.750.952	215.012.657	-10,32	171.195.431
Fixed Assets	1.130.864.134	1.125.492.605	-0,47	1.146.025.237
Total Assets	1.370.615.086	1.340.505.262	-2,20	1.317.220.668
Short Term Liabilities	140.777.451	211.563.819	50,28	154.905.003
Long Term Liabilities	648.681.006	830.638.813	28,05	641.904.865
Equity	581.156.629	298.302.630	-48,67	520.410.880

Source: www.kap.gov.tr

Comparison of Company's Certain Selected Items for Summary Consolidated Income Statements belonging to 9th Months of last two years (TL)

	2019/09	2020/09	Change 09/2019- 09/2020 (%)	2019/12
Sales Income	33.382.113	39.824.906	19,30	44.939.742
Sales Cost (-)	(15.632.320)	(16.394.605)	4,88	(20.600.201)
Operational Profit or Loss	15.663.375	14.826.457	-5,34	14.546.331
Profit / Loss Before Tax	28.708.175	(197.875.482)	-789,27	(32.768.456)
Net Periodical Profit / Loss	29.098.072	(183.676.414)	-731,23	(28.679.337)

Source: www.kap.gov.tr

The Market Where the Capital Market Instrument is Traded and the Indexes that the Company is Included

BIST Code: TRCAS

Market where it is Traded: MAIN MARKET

Indexes it is Included: BIST MAIN / BIST HOLDİNG AND INVESTMENT / BIST FINANCIAL / BIST ISTANBUL / BIST CORPORATE GOVERNANCE / BIST ALL / BIST ALL-100

Source www.kap.org.tr

The Bottom and Peak Closing Values of Company's Shares traded on the BIST for last one year (22.02.2020-22.02.2021)

Bottom (TL)	Peak (TL)
1,51.- (18.03.2020)	6,38.- (12.02.2021)

Source: Turcas Petrol A.Ş

Information about Subsidiaries, Affiliated Companies, Financial Fixed Assets and Financial Investments

Commercial Title	Line of Business	Paid/Extracted Capital	Company's Share in Capital	Currency	Company's Share in Capital (%)	Nature of Relationship with the Company
TURCAS KUYUCAK JEOTERMAL ELEKTRİK ÜR. A.Ş.	Electricity Production	58.100.000	58.100.000	TRY	100,00	SUBSIDIARY (Direct)
SHELL&TURCAS PETROL. A.Ş.	Oil Products	528.117.660	158.435.298	TRY	30,00	AFFILIATED COMPANY (Direct)
RWE & TURCAS GÜNEY ELEKTRİK ÜRETİM A.Ş.	Electricity Production	1.874.681.920	562.404.576	TRY	30,00	AFFILIATED COMPANY (Direct)
ATAŞ ANADOLU TASFIYEHANESİ A.Ş.	Fuel Storage	8.400.000	420.000	TRY	5,00	FINANCIAL INVESTMENT
ENERJİ PİYASALARI İŞLETME A.Ş. (EPİAŞ)	Energy Markets Man.	61.572.770	50.000	TRY	0,08	FINANCIAL INVESTMENT

Source: www.kap.gov.tr

B. Changes within Last One Year:

i. Changes of Capital, Shareholder Structure and Articles of Association:

There have been no changes in Company's capital and shareholder structures, as well as its Articles of Association during the rating period.

ii. Dividend Distribution:

Company's dividend distribution statement shows that according to consolidated financial statements – prepared in accordance with CMB regulations and audited independently - dated 31.12.2019 the Company has made no profits from its activities in 2019. According to Tax Method Law it made TRY 29,745,973.16 profit. Board decision dated 27.04.2020 and No 2020/07 stated that; taking Covid-19 pandemic's economic impact into account and as part of saving measures, net distributable profit produced according to 2019 Divident Distribution statement would be allocated as extraordinary reserves. Board decision was discussed and approved at the general assembly meeting.

Board decision on dividend distribution and dividend distribution statement were disclosed to public on 27.04.2020 with a material event disclosure, same day with the invitation for general assembly meeting.

iii. Policies:

Company's "Woman Member of Board Policy" has been revised and approved with the Board decision dated 24.09.2020, No 2020/14. This policy is published on Company's corporate website in the section titled "Policies".

There have been no changes in policies recommended by CMB during the rating period.

iv. Company Mergers, Relations with Subsidiaries and Affiliated Companies:

There has been no change during the rating period that may affect Company's activities at its subsidiaries and affiliated companies.

3. RATING METHODOLOGY

The Corporate Governance Compliance Rating is a system which audits whether or not the firm's management structures and management styles, the arrangements for shareholders and stakeholders and the process of informing in transparency and accuracy are performed in accordance with the modern corporate governance principles and which assigns a grade corresponding to the existing situation.

Organization for Economic Co-operation and Development (OECD) established a working group in 1998 in order to assess member countries' opinions on corporate governance and to prepare some non – binding principles.

The fact that principles are open to change in time was also accepted at this work. Although at first these principles were focused on the companies whose shares were quoted in stock exchange, it was emphasized by OECD that it would be also useful to implement these principles in public enterprises and companies whose shares were not quoted in stock exchange.

In 1999, OECD Corporate Governance Principles were approved at the OECD Meeting of Ministers and published. Since then, these principles have been regarded as international references for the decision – makers, investors, shareholders, companies and stakeholders throughout the world.

Onaylandığı Since their approval, these principles kept the concept of corporate governance on the agenda and became guidelines for the laws and regulations in OECD members, as well as other countries.

There are four basic principles of corporate governance in OECD Corporate Governance Principles. These are: fairness, transparency, accountability and responsibility.

Turkey has been closely monitoring these developments. A working group, established within TUSIAD in 2001, prepared the guide, titled, "Corporate governance: The best implementation code". Then CMB issued "Capital Market Board Corporate Governance Principles" in 2003 and updated it in 2005, 2010, 2012, 2013 and 2014, according to international developments in this field.

Obligation to comply with CMB's Corporate Governance Principles, based on the principle of "implement or disclose", and to declare it became part of companies' lives in 2004. Putting the Declaration of Compliance to Corporate Governance in the annual reports became obligatory the following year.

The principles are grouped under four main headings, namely: the Shareholders, Public Disclosure and Transparency, Stakeholders and the Board of Directors.

The Corporate Governance Compliance Rating Methodology has been prepared by Kobirate A.Ş. for companies whose shares are traded on BIST, banks, investment partnerships and non – quoted companies.

The methodology takes into consideration the criteria stated in CMB's Corporate Governance Communiqué, no II-17.1, published in the Official Gazette edition 28871 on 03.01.2014; as well as CMB's board decisions taken at Board meeting dated 01.02.2013, no 4 / 105.

In this analysis, the full compliance of work flow and analysis technique with Kobirate A.Ş.'s Ethical Rules is considered.

399 criteria are used in the rating process for BIST Third Group companies in order to measure the compliance of firms with corporate governance principles. These criteria are translated into Corporate Governance Rating Question Sets through Kobirate A.S.'s unique software.

The weighting scheme for the four main sections in the new Corporate Governance Compliance Rating, determined by CMB's memorandum dated 12.04.2013 and numbered 36231672-410.99 (KBRT)-267/3854, is applied completely by Kobirate A.Ş. The weightings are as below:

Shareholders 25 %

Public Disclosure and Transparency 25 %

Stakeholders 15 %

Board of Directors 35 %

CMB decision dated 01.02.2013 and numbered 4/105 states that in case the minimum requirements of corporate governance principles are met, 85 % of full points can be given at most for that principle and it is required to add new questions / methods into the methodology in order to ensure that good corporate governance principles, which go beyond meeting the minimum requirements are included in the rating grade. Our company has been informed about this requirement by CMB notification dated 19.07.2013 and numbered 36231672-410.99 (KBRT) 452.

In the 2014/2 revised corporate governance compliance rating methodology, created by our company, the grade that can be given to a related criterion in that subsection for meeting minimum requirements of corporate governance principles, stated by CMB Communiqué of Corporate Governance published on 03.01.2014, numbered II-17.1, is restricted to 85 % of the full points. Remaining 15 % is reached by measuring company's efficiency in applying CMB's Corporate Governance Principles, degree to which the company is internalized these practices and the value that these internalized practices create for the company. The existence of those practices that are not included in CMB's Corporate Governance Principles, but determined as good corporate practices by Kobirate A.Ş. Corporate Governance Compliance Rating Methodology are also

considered as part of the remaining 15 % and affect the company's grade.

The grade to be assigned by the Corporate Governance Rating Committee to the firm ranges between 0-10. In this scale of grade, "10" points mean excellent, full compliance with CMB's Corporate Governance Principles while grade "0" means that there is no compliance with CMB's Corporate Governance Principles, in any sense, in the existing weak structure.

**4. KOBİRATE ULUSLARARASI KREDİ DERECELENDİRME VE KURUMSAL YÖNETİM HİZMETLERİ
A. Ş. CORPORATE GOVERNANCE RATING GRADES AND DESCRIPTIONS**

GRADE	DEFINITIONS
9–10	<p>The Company achieved a substantial compliance with to the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are established and are operational. Any risks to which the Company might be exposed are recognized and controlled effectively. The rights of the shareholders are impartially taken care of. The level of public disclosure and transparency are high. Interests of the stakeholders are fairly considered. The structure and the working conditions of the Board of Directors are in full compliance with the Corporate Governance Principles. The Company is eligible for inclusion in the BIST corporate governance index.</p>
7–8,9	<p>The Company complied considerably with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are in place, and operational, although some improvements are required. Potential risks, which the Company may be exposed are identified and can be managed. Benefits of the shareholders are fairly taken care of. Public Disclosure and transparency are at high levels. Interests of the stakeholders are equitably considered. Composition and operational conditions of the Board comply with the Corporate Governance Principles. Some improvements are needed in compliance with the Corporate Governance Principles even though they do not constitute serious risks. The company is eligible for inclusion in the BIST Corporate Governance Index.</p>
6–6,9	<p>The Company has moderately complied with the Corporate Governance Principles issued by the Capital Market Board. Internal Control systems at moderate level have been established and operated, however, improvement is required. Potential risks that the Company may be exposed are identified and can be managed. The interests of the shareholders are taken care of although improvement is needed. Although public disclosure and transparency are taken care of, there is need for improvement. Benefits of the stakeholders are taken care of but improvement is needed. Some improvement is required in the structure and working conditions of the Board. Under these conditions, the Company is not eligible for inclusion in the BIST Corporate Governance Index.</p>

GRADE	DEFINITIONS
4-5,9	<p>The Company has minimum compliance with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are in place at a minimum level, but are not full and efficient. Potential risks that the company is exposed to are not properly identified and are not under control. Substantial improvements are required to comply with the Corporate Governance Principles in terms of the benefits of both the shareholders and stakeholders, public disclosure, transparency, the structure and working conditions of the Board. Under the current conditions, the Company is not eligible to be listed in the BIST Corporate Governance Index.</p>
< 4	<p>The Company has failed to comply with the Corporate Governance Principles issued by the Capital Market Board. It also failed to establish its internal control systems. Potential risks that the company might be exposed are not identified and cannot be managed. The company is not responsive to the Corporate Governance Principles at all levels. There are major weaknesses in the interest of the shareholders and the stakeholders, public disclosure, transparency. Structure and working conditions of the Board appear to be at a level that might cause the investor to incur material losses.</p>

