



Corporate Governance Rating Report

AYGАЗ

22 June 2020

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Rating and Executive Summary

AYGAZ A.Ş.



Corporate Governance Rating:

9.42



MAIN SECTIONS: **Avg. 94.17**

Shareholders: 95.36



Public Disclosure & Transparency: 93.87



Stakeholders: 99.16



Board of Directors: 91.39



0 10 20 30 40 50 60 70 80 90 100

EXECUTIVE SUMMARY

Corporate Governance Rating for Aygaz A.Ş. is confirmed as **9.42** as the previous setting of 9.42 dated June 21, 2019. Our rating methodology (page 5) is based on the Capital Markets Board's (CMB) "Corporate Governance Principles".

Aygaz A.Ş.'s corporate governance rating is confirmed as above in consideration with the importance given by Aygaz to corporate governance principles, its willingness to carry out the compliance process continuously and dynamically and improvements which had been initiated in this direction.

SAHA publishes (annually) the World Corporate Governance Index (WCGI) which ranks countries in terms of their level of compliance with corporate governance principles as well as their germane institutions, rules, codes, and regulations together with international standards and indices which evaluate countries in a vast array of areas such as transparency, corruption, ease of doing business, etc.. Aygaz is analyzed as a Turkish company and Turkey takes place at the top classification of the WCGI which is Group 1. Details of the World Corporate Governance Index (WCGI) published by SAHA on October 8, 2019 can be accessed at <http://www.saharating.com>.

Aygaz is rated with **9.54** under the **Shareholders** heading. Exercise of shareholders' rights complies with the legislation, articles of association and other internal rules and regulations, and measures have been taken to ensure the exercise of these rights. Aygaz carries out the investor relations obligations through Investor Relations Department. There are no voting privileges. All procedures prior to the general shareholders' meeting as well as the conduct of the meeting comply with the legislation, rules and regulations. There is a publicly disclosed dividend policy of the Company. There are no restrictions on transfer of shares. On the other hand, there are areas for improvement like adoption as it is, of the rate of minority rights in the Company's articles of association as prescribed for public joint stock companies (%5) and absence of a donations policy.

Aygaz attained **9.39** under the **Public Disclosure and Transparency** chapter. The Company has a comprehensive web site. Public announcements are made via all communications channels and are in accordance with the Capital Markets Board (CMB) and Borsa Istanbul (BIST) rules and regulations. The annual report which is comprehensive and informative, complies with legislation. The Corporate Governance Compliance Report (CRF) and the Corporate Governance Information Form (CGIF) have been disclosed to the public through PDP (Public Disclosure Platform) in accordance with the legislation. The agreement and work conducted with the external auditor also complies with the legislation. Nevertheless, non-disclosure of the benefits provided to board members and senior management individually is an area in need of further refinement.

On the topic of **Stakeholders**, Aygaz scored **9.92**. Aygaz guarantees the rights of stakeholders in line with the legislation and mutual agreements, and in case of violation, enables an effective and speedy compensation. A written compensation policy is established and disclosed to the public on the Company's web site. The Company has a written and advanced human resources policy. Code of ethics is publicly available through the Company's web site. During the rating period, the Company was not held liable by any public authority for any sanctions. The Company complies with environmental laws. Corporate Social Responsibility and Sustainability work is satisfactory.

From the perspective of the principles regarding the **Board of Directors**, Aygaz's tally is **9.14**. There is a well communicated Company mission and vision. The board of directors fulfills all duties regarding Company needs. The board of directors consists of 9 members and 3 of them are independent. A Corporate Governance Committee, an Audit Committee, and a Risk Management Committee are established within the board of directors. The working principles of the Committees are disclosed to the public. Principles of remuneration of board members and senior executives are included on the corporate web site. There is 1 female member on the board of directors. However, inexistence of a 25% female board membership target and lack of policy towards this goal is an area for improvement under this chapter.

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 January 2014.

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

Certain applications of the Principles are based on "comply or explain" approach and others are mandatory. However, the explanation concerning the implementation status of the Principles, if not detailed reasoning thereof, conflicts arising from inadequate implementation of these Principles, and explanation on whether there is a plan for change in the Company's governance practices in

future should be mentioned in the annual report and disclosed to public. The Principles consist of four main sections: shareholders, public disclosure and transparency, stakeholders, and the board of directors.

Based on these Principles, the SAHA Corporate Governance Rating methodology features around 330 sub-criteria. During the rating process, each criterion is evaluated on the basis of information provided by the Company officials and disclosed publicly. Some of these criteria can be evaluated by a simple YES/NO answer; others require more detailed analysis and examination.

SAHA assigns ratings between 1 (weakest) and 10 (strongest). In order to obtain a rating of 10, a company should be in full and perfect compliance with the Principles (see Rating Definitions, p.24).

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

Shareholders: **25%**
Public Disclosure and Transparency: **25%**
Stakeholders: **15%**
Board of Directors: **35%**

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

AYGAZ A.Ş.	
	CHAIRMAN OF THE BOARD M. Rahmi KOÇ GENERAL MANAGER Gökhan TEZEL
Headquarters: Büyükdere Cad. Aygaz Han No:145/1 Zincirlikuyu/Şişli/ İstanbul www.aygaz.com.tr	Manager Responsible of Investor Relations, Assistant General Manager of Financial Affairs Ferda ERGİNÖĞLU Tel: (0212) 3541515 ferda.erginoglu@aygaz.com.tr

Founded in 1961, Aygaz began operating under the name of Gazsan Likit Gaz Tic. ve San. A.Ş. and the title is amended as Aygaz Anonim Şirketi in 1963. Aygaz is involved in all liquified petroleum gas (LPG) processes including domestic and international procurement, storage and filling, distribution of autogas, cylinder gas and bulk gas as well as production and sale of LPG-operated devices. Aygaz is also the first public LPG Company in Turkey and continues to provide service in 81 provinces through nearly 2,400 cylinder gas dealers and over 1,700 auto gas stations. The Company also owns LPG vessels and has Turkey's largest LPG road fleet. Aygaz is one of Turkey's largest industrial enterprises in the private sector with a wide distribution network. The Company has distributed dividend of TL 386 million in 2018 and TL 150 million in 2019.

Public shares of the Company are traded under "AYGAZ" code at Borsa İstanbul Outright Purchases and Sales (among Qualified Investors) and BIST Stars markets and Aygaz is a constituent of BIST CORPORATE GOVERNANCE / BIST SUSTAINABILITY / BIST 100 / BIST 100-30 / BIST STAR / BIST CHEM. PETROL, PLASTIC / BIST DIVIDEND / BIST DIVIDEND 25 / BIST İstanbul / BIST INDUSTRIALS and BIST ALL SHARES indices.

Annual number of employees is given below:

Number of Employees			
2016	2017	2018	2019
1,423	1,389	1,325	1,316

The capital structure of Aygaz is as follows:

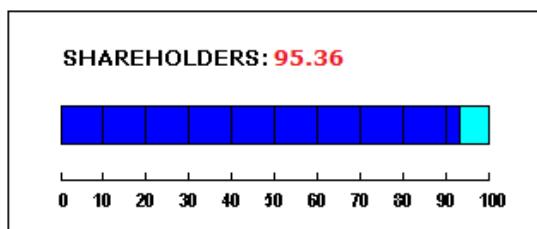
Aygaz A.Ş. Capital Structure		
Shareholder	Share Amt. (TL)	Share %
Koç Holding A.Ş.	122,053,514	40.68
Liquid Petroleum Gas Dev. Cy.	73,545,660	24.52
Temel Ticaret ve Yatırım A.Ş.	17,324,091	5.77
Other	87,076,735	29.03
Total	300,000,000	100.00

The Board of Directors of Aygaz is as follows:

Aygaz A.Ş. Board of Directors		
Name	Title	Executive / Independent
Mustafa Rahmi Koç	Chairman	Non-executive
Mehmet Ömer Koç	Vice-chairman	Non-executive
Alexandre François J. Picciotto	Board Member	Non-executive
Dr. Bülent Bulgurlu	Board Member / Risk Management Committee Member	Non-executive
Levent Çakıroğlu	Board Member	Non-executive
Yağız Eyüboğlu	Board Member / Corporate Governance Committee Member	Non-executive
Kutsan Çelebican	Board Member / Chairman of Audit and Corporate Governance Committees	Independent
Kemal Ege Cansen	Board Member	Independent
Şadan Kaptanoğlu Dikici	Board Member / Risk Management Committee Chairwoman / Audit Committee Member	Independent

At the Ordinary General Shareholders' Meeting held on March 10, 2020 shareholders were presented for the approval of a gross fee of TL 498,000 per annum to each one of the board members, and the proposal was approved by majority vote. The term of office of the members of the board of directors is determined to be until the Ordinary General Shareholders' Meeting at which the year 2020 will be evaluated.

SECTION 1: SHAREHOLDERS



SYNOPSIS	
+	Equal treatment of shareholders.
+	Unrestricted shareholder rights to review and receive information.
+	General shareholders' meetings are conducted in compliance with the legislation.
+	No voting privileges.
+	Preparation and disclosure prior to general shareholders' meetings are satisfactory.
+	Dividend policy exists and disclosed to the public.
+	No restrictions on share transfers.
=	Minority rights are not recognized for shareholders who possess an amount less than one-twentieth of the share capital.
-	No donation policy.

In order to facilitate the exercise of shareholders' rights an "Investor Relations Department" has been established and is working actively.

There is no upper limit on the shareholders' right to vote and each share is entitled to one vote.

In terms of minority rights, Company has adopted as it is the rate foreseen in the legislation for public companies (5%). General shareholders' meetings are held in accordance with the legislation and conducted in a manner

where shareholders' rights are not violated.

Disclosures prior to the general shareholders' meetings are satisfactory. In addition, articles of association of the Company contain a provision that the general shareholders' meetings are conducted open to public including stakeholders and the media without right to vote. Company has a clearly defined and consistent dividend policy. It is disclosed to the public in the annual report and on the corporate web site. There are no restrictions on the transfer of Company shares.

On the other hand, the fact that there is no defined policy on donations and grants is an area in need of further improvement.

1.1. Facilitating the Exercise of Shareholders' Statutory Rights:

The Company carries out the investor relations obligations through Investor Relations Department. Employees of this department are active and willing on exercise of corporate governance principles at the Company.

Along with other units of the Company, the Investor Relations Department plays an active role in protecting and facilitating shareholders' rights and in particular the right to obtain and review information, and its duties are as follows;

- To ensure that the records relating to the written correspondence with the investors and other information are kept in a healthy, safe and updated manner.

- b) To respond to the queries of the shareholders requesting written information on the Company.
- c) To ensure the general shareholders' meeting is held in compliance with the applicable legislation, articles of association and other Company by-laws.
- d) To prepare the documents that might be used by shareholders in the general shareholders' meeting.
- e) To supervise the fulfillment of the obligations arising from capital markets legislation including all corporate governance and public disclosure matters.

The Investor Relations Department submits a report to the board of directors at least once a year on its conducted activities.

Information and explanations that may affect use of shareholders' rights is available up to date on the corporate web site.

Company Finance Manager Ms. Sebnem Yücel is holder of Capital Market Activities Advance Level and Corporate Governance Rating Specialist Licenses, as stated in the Corporate Governance Principles Communiqué.

1.2. Shareholders' Right to Obtain and Evaluate Information:

There is no evidence of any hindering process or application regarding the appointment of a special auditor at the request of shareholders.

All kinds of information about the Company are provided in a complete, timely, honest, and diligent manner

and there is no fine/warning received in this direction.

The Company has constituted a disclosure policy and submitted to shareholders at the general shareholders' meeting held on April 3, 2013 and disclosed it to the public. The latest update of the disclosure policy was made on February 13, 2018.

1.3 Minority Rights:

Maximum care is given to the usage of minority rights. However, minority rights are not recognized for shareholders who hold an amount less than one-twentieth of the share capital and the Company has adopted as it is the rate foreseen in the legislation for publicly traded companies.

No evidence is found on any conflict of interest between block shareholders and that of the Company.

1.4. General Shareholders' Meeting:

In addition to the methods of invitation in the legislation and in order to ensure attendance of maximum number of shareholders, the invitation to the general shareholders' meeting held on March 10, 2020 is performed through all means of communication available to the Company on February 13, 2020 in accordance with the Corporate Governance Principles.

All announcements prior to the general shareholders' meeting included information such as the date and time of the meeting; without any ambiguity exact location of the meeting; agenda items of the meeting; the body inviting to the general shareholders' meeting; and the exact location where annual report, financial statements and other meeting documents can be examined.

Besides, the Company has prepared a descriptive disclosure document on agenda items.

Commencing from the date of announcement of invitation for the general shareholders' meeting, following documents are made available to all shareholders for examination purposes in convenient locations including the headquarters or branches of the Company, and the electronic media;

- the annual report
- financial statements and reports
- all other related documents pertaining to the agenda items
- dividend distribution proposal

Following issues were informed to the shareholders via the corporate web site;

a. Total number of shares and voting rights reflecting the Company's shareholding structure as of the date of disclosure, number of shares and voting rights reflecting the privileged share group within the Company capital, and the nature of the privileges,

b. Grounds for dismissal and replacement of board members, candidates' backgrounds and tasks carried out in the last decade, the nature and significance level of the relationship of the Company and related parties, whether it has the quality of independence and information on similar issues.

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

Chairman of the meeting made preparations for the execution of the general assembly and obtained necessary information in line with the Turkish Commercial Code, the Law and legislation.

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

Agenda of the general shareholders' meeting included the proposal for the permission to be granted to shareholders who have control of the management, members of the board of directors, managers with administrative responsibility, their spouses and up to second degree blood relatives to execute transactions and compete with the Company and/or its affiliates, to make a commercial business transaction for himself or on behalf of others or to join to another company dealing with the same type of commercial business as a partner with unlimited responsibility. Shareholders are informed that there has been no such process in this direction.

The members of the board of directors related with the issues of a special nature on the agenda, other related personality, authorized persons who are responsible for preparing the financial statements and auditors were present to give necessary information and to answer questions at the general shareholders' meeting.

The fact that the absolute majority of the board of directors attended the

general assembly meeting was deemed positive by us.

In addition, shareholders are informed, with a separate agenda item, on all donations effectuated during the period and the amount of benefits and beneficiaries at this meeting. However, there is no policy on donations and grants.

There is a provision in the articles of association on conduct of the general shareholders' meetings open to public including stakeholders and media without right to vote.

General shareholders' meeting is attended by the representative of the external auditor.

1.5. Voting Rights:

At Aygaz, all shareholders, including those who reside abroad, are given the opportunity to exercise their voting rights conveniently and appropriately and the Company avoids applications that make it difficult to exercise voting rights. There are no voting privileges.

1.6. Dividend Rights:

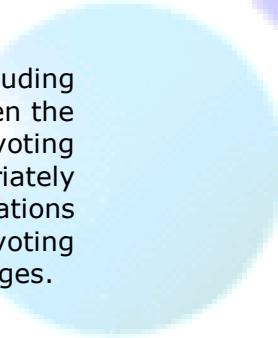
The dividend policy of Aygaz is clearly defined. It is submitted to the shareholders' approval at the general shareholders' meeting and disclosed to the public on the Company's web site. The Company's dividend distribution policy contains minimum information clear enough for investors to predict any future dividend distribution procedures and principles.

A balanced policy is followed between the interests of the shareholders and those of the Company. In addition, articles of association of the Company contain a provision on advance dividend.

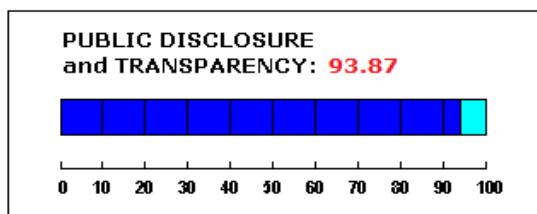
1.7. Transfer of Shares:

No difficulties on free transfer of shares are observed.

There are no provisions in the articles of association that impede transfer of shares.



SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY



SYNOPSIS	
+	Comprehensive web site, actively used for public disclosure.
+	Annual report complies with the legislation, comprehensive and informative.
+	Important events and developments disclosed in accordance with the legislation.
+	The Corporate Governance Compliance Report (CRF) and the Corporate Governance Information Form (CGIF) have been prepared and disclosed to the public in accordance with the relevant legislation provisions.
+	Remuneration policy established and disclosed to public on the corporate web site.
+	Dividend distribution policy disclosed to public via corporate web site.
=	Benefits provided to board members and senior executives are not mentioned on individual basis in the annual report.
-	List of ultimate controlling individual shareholders are not disclosed to the public.

Company's web site is comprehensive and user friendly. The site is also prepared in English for the benefit of international investors.

Public announcements are made in accordance with the CMB and BIST rules and regulations. The annual

report is comprehensive and complies with the legislation.

There has been no legal conflict between the Company and the external audit firm. There has not been a situation during the latest reporting period where the external auditor avoided to express its opinion and not signed the audit report, nor has reported a qualified opinion.

The Corporate Governance Compliance Report (CRF) and the Corporate Governance Information Form (CGIF) have been prepared and disclosed through the Public Disclosure Platform (PDP) at least three weeks prior to the general shareholders' meeting.

Whereas non-disclosure of ultimate controlling individual shareholders to the public, and absence of benefits provided to board members and senior management individually in the annual report stands out as issues to be developed.

2.1. Corporate Web Site:

Company's web site (www.aygaz.com.tr) is actively used for disclosure purposes and the information contained herein is continuously updated.

Along with the information required to be disclosed pursuant to the legislation, the Company's web site includes; trade register information, information about latest shareholder and management structure, the date and the number of the trade registry gazette on which the changes are published along with the final version of the Company's articles of association, publicly disclosed material information, annual reports, periodical

financial statements, prospectuses and circulars and other public disclosure documents, agendas of the general shareholders' meetings and list of participants and minutes of the general shareholders' meeting, form for proxy voting at the general shareholders' meeting, disclosure policy, dividend distribution policy, ethical rules of the Company, frequently asked questions including requests for information, questions and notices, and responses thereof.

In this context, information on at least the last five years can be reached on the web site.

With the exception of material disclosures and footnotes, in accordance with the Capital Markets legislation, the company also discloses financial statements on PDP and simultaneously in English.

The information contained on the web site exists also in English for the benefit of international investors and is similar to the Turkish content.

The Company's web site also includes; investor presentations, working principles of the Committees, the material disclosures, the vision/mission of the Company established by the board, information on capital increases and dividend payments, news, general shareholders' meeting internal guidelines, sustainability reports, information on senior management, financial data, main ratio analysis, timetable on events/developments which considers investments, web site privacy/security policy and the human resources policy.

However, the Company's shareholding structure; the names, amount and number of shares held by the Company's ultimate controlling individual shareholders over 5% as identified after being released from indirect or cross shareholding

relationships between co-owners is not disclosed to the public along with the privileges they hold.

2.2. Annual Report:

Annual report is prepared in detail by the board of directors to provide public access to complete and accurate information on the Company and it covers information such as;

- a. period covered by the report, the title of the Company, trade register number, contact information,
- b. the names and surnames of the chairman, members and executive members involved in the management and supervisory boards during the covered period, their limits of authority, tenure of office (with starting and end dates),
- c. the sector in which the Company operates and information on its position in the sector,
- d. qualifications of the production units, general explanations related to sales volume and price, sales conditions and yearly developments, productivity rates and causes of significant changes compared to previous years,
- e. progress on investments,
- f. Corporate Governance Principles Compliance Report (CGIF and CRF template content),
- g. information on related party transactions,
- h. other issues not included in the financial statements, but are beneficial for users,
- i. the Company's organization, capital and ownership structure and any changes in the related accounting period,
- j. all benefits provided to staff and workers, information on number of personnel, Collective

Bargaining Agreement applications,

- k. research and development activities,
- l. dividend distribution policy,
- m. basic ratios on the financial position, profitability and solvency,
- n. the Company's financing resources and risk management policies,
- o. information on major events occurred between the closing of the accounting period and the date of the general shareholders' meeting where financial statements are evaluated.

In addition to the matters specified in the legislation following issues also took place in the annual report;

- a. external duties of board members and executives, their declarations of independence,
- b. members of the Committees within the board, assessment of their working principles,
- c. number of board meetings held during the year,
- d. major court cases against the Company and possible consequences,
- e. information on conflict of interest between the Company and investment counseling and rating agencies, measures taken to prevent such conflicts,
- f. information on cross shareholding in excess of 5% of the capital,
- g. benefits and vocational training of employees, and other Company activities that give rise to social and environmental results,
- h. rating results.

Benefits provided to board members and senior executives are mentioned

collectively, but best application of Corporate Governance Principles dictate that this information is given on an individual basis.

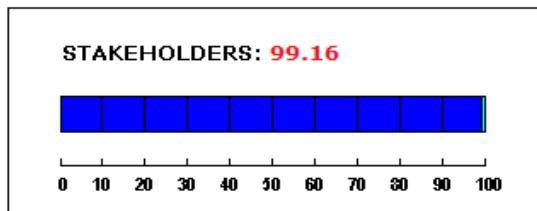
2.3. External Audit:

The external audit of the Company is conducted by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.'.

There has not been a situation where the external auditor avoided to express its opinion and not signed the audit report, nor has reported a qualified opinion. It has been declared by the Company officials that there has been no legal conflict between the Company and the external audit firm.

Independent audit firm and their audit staff did not provide consulting services for a price or free of charge during the audit period. Neither a consulting company in which the external audit firm is in a dominant position either directly or indirectly in management or capital provided any consulting services during the same period.

SECTION 3: STAKEHOLDERS



SYNOPSIS	
+	Stakeholders are compensated in case of a violation of their rights which are protected by the legislation and mutual agreements.
+	Efficient Human Resources policy.
+	Strict quality standards for goods and services.
+	Code of ethics disclosed to the public.
+	An employee compensation policy exists and disclosed to the public on the web site.
+	The Company complies with environmental laws. Corporate Social Responsibility and Sustainability efforts are at superior levels.

The Company has high level corporate governance applications and recognizes the rights of stakeholders established by law or through any other mutual agreement.

Aygaz has developed models for stakeholders, particularly employees to participate in management without impeding the operations of the Company.

The Company has a documented and advanced human resources policy.

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

The Company did not encounter any enforcement by the public authorities during the course of last one year.

3.1. Company Policy Regarding Stakeholders:

We have not witnessed a significant or repetitive situation in which the rights of stakeholders established by law or any other mutual agreement are violated. The Company's corporate governance practices are in top level and Aygaz recognizes the rights of stakeholders established by law or through any other mutual agreement.

A compensation policy for the employees of the Company is established and disclosed to the public on the corporate web site.

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

In addition, Aygaz holds yearly general meetings either with regional or all dealers. In these meetings, briefings about Company activities are performed and dealers' requests and suggestions are evaluated. Mutual information sharing is realized during one to one and group meetings with suppliers.

On the other hand, a wide range of information activities are carried out via the corporate web site, e-newsletters, technical publications, and the Company periodical, "World of Aygaz". A Dealer Portal is continued to be used to improve communication with the dealers

The corporate governance structure of the Company ensures that its stakeholders, including its employees and representatives, report their concerns to the management concerning any illegal or unethical transactions. It is declared in the compliance report that notice/complaint lines are available over the corporate web site and intranet, and these channels can be used to notify the internal audit department.

Company officials declared that Aygaz's purchasing policy is carried out by tender procedures.

3.2. Stakeholders' Participation in the Company Management:

In meetings with stakeholders, participants have the opportunity to voice their requests and recommendations, which are then evaluated by managers. Additionally, it is declared in the Corporate Compliance Report that the individual suggestion system and e-mail pools within the Company provide an opportunity for new ideas to be presented, and rewards are given for ideas that are implemented.

According to the HR implementations on Aygaz's web site; The Company encourages its employees for sustainable improvement in line with company targets and motivates them by appreciation and reward systems. For this purpose, highly successful employees are rewarded with Outstanding Achievement Award, Service Award, Outstanding KOÇ'ers Award, Innovation Awards, Stars of Aygaz Award, Invention Award and some other situational awards. By these appreciation and rewarding systems, those projects and attitudes which create a difference and additional value in accordance with company's priorities and strategy are rewarded.

3.3. Company Policy on Human Resources:

Aygaz has a detailed human resources policy.

The Company's human resources management is based on transparency, participation and business processes for the benefits of all stakeholders;

- Equal opportunity
- Right person for the right job
- Equal pay for equal work
- Achievement based competence
- Prompt recognition
- Increasing productivity by providing continuity of peace at work
- Timely and accurate briefing, presentation of projects and organizations.

In cases which management reshuffle could cause disruptions, succession planning for determination of new manager appointments is in place.

All rights provided to employees are exercised fairly, training programs and policies are put in place to enhance employees' knowledge, skills and manners.

Informational meetings are conducted with employees to exchange views on subjects such as the Company's financial status, remuneration, career opportunities, education, and health. Employees' satisfaction and loyalty is measured by the "Employee Engagement Assessment Survey". Required areas are identified and remedial measures are taken.

Decisions and developments concerning employees are reported either to them or to their representatives and their views evaluated. With the exception of trade union representatives determined in accordance with the Collective Bargaining Agreement, HR staff members of all regions are responsible for providing communication between employees and HR Management. No other representative has been appointed from within the Company.

It has been declared in the annual report that there have been no complaints from employees about discrimination.

The Company officials declared that process of determining employee remuneration and other benefits is focused on productivity.

It has been declared that measures are taken against race, religion, language and gender discrimination among employees and protection against any physical, spiritual and emotional ill-treatment within the Company, and a finding in the opposite direction is not encountered.

A Collective Group Labor Agreement has been signed between the Turkish Employers Association of Metal Industries (MESS), the employers union in the metal industries of which the company is a member, and the Turkish Metal Union on January 29, 2020 to be valid for the period from September 1, 2019 to August 31, 2021 covering the workers at the Gebze plant. A Collective Labor Agreement was signed on March 11, 2019 with the Turkish Seamen's Union to be valid for the period from January 1, 2019 to December 31, 2020 covering the seafaring employees.

3.4. Relations with Customers and Suppliers:

We have come to conclusion that the Company has taken measure to ensure customer satisfaction on sales and marketing of its goods and services.

Care is taken on the confidentiality of all trade secret data and information on customers and suppliers.

We have witnessed no evidence on non-market pricing of goods and services that the company offers.

In addition, the Aygaz Hotline, 444 4 999, offers 24/7 call center service.

3.5. Ethical Rules & Social Responsibility:

The Company has prepared a set of code of ethics and disclosed it to the public on its web site.

The Company has not been subject to any significant sanctions during the course of last year by the public administrations.

Aygaz keeps good relations with non-governmental organizations and public social institutions.

Aygaz Library is a project that Aygaz brought to life with the aim of putting together the cultural and historic heritage of its geography with writing and imparting them onto future generations, and has become a wealth of reference in the culture and arts world for arts enthusiasts, scholars and university students. Since its launch in 1996, Aygaz Library has continued to grow, currently including 16 books on various topics including Nemrut, The Mountain of the Gods, The Photographers of Constantinople, The Treasures of Troia, The Beginning of the Second Constitutional Era, Dynasty and Camera - Portraits from the Ottoman Court, and Kat'i - Cut Paper Works and Artists in the Ottoman World among others. In 2019, The God-Kings by the

Euphrates, a book featuring 22 articles based on the new excavations and findings that reveal valuable insights into the Anatolian Civilizations and the Kingdom of Commagene that ruled the region to the west of the Euphrates, was added to the Aygaz Library.

Since 2005, Aygaz has supported the excavations at the Sagalassos Ancient City, located at the foothills of the Taurus Mountains, with traces of the first settlement dating back to 4200 BC. The archaeological work in the Upper Agora, which Aygaz supported since 2017, has been fully completed. This important center, equipped with new information systems, was opened to visitors as a new phase began in the ancient city. As of 2019, three key objectives in line with the main goal have been determined for the works: holistic architectural documentation and conservation, recording and analysis of architectural fragments, and digital data management. Aygaz organized a press tour to Sagalassos in 2019 with representatives from the arts & culture and archeology publications. Twelve journalists, accompanied by Aygaz Management, observed the excavations going on in the ancient city and visited Burdur Archeology Museum to see the artifacts unearthed in Sagalassos.

In conjunction with the Ministry of Culture and Tourism and Istanbul University, Aygaz has been supporting mound excavations at Van Castle since 2010.

Aygaz pays close attention to public health issues and supports the Diabetic Children's Camp, organized by the Child and Adolescent Diabetics Association since 2004. The 27th camp was organized at the DSI Iznik Recreational Facilities with the participation of 102 diabetic children. As one of Turkey's first health camps dedicated solely to children, the camp aims to teach diabetic children to

become self-sufficient while having fun and making new friends. Having hosted 2,300 children and adolescents in 27 years, the Diabetic Children's Camp sets a great example for other health camps.

The project titled "What will the weather be like tomorrow?" launched in 2010 by Aygaz in collaboration with the Regional Environmental Center (REC), is ongoing with support from the Ministry of Environment and Forestry. Meanwhile, educational programs are offered at the Rahmi M. Koç Museum since 2012. The Climate Change Awareness Workshop hosted in the museum's Discovery Globe was attended by 11,624 students from 285 schools in 2019. To date, 96,955 students from 2,233 schools have attended these workshops.

One of the social areas supported by Aygaz is sports. Since 2013, Aygaz with its Mogaz brand has sponsored the Beşiktaş Handball Team. With this sponsorship by a private sector company as a first in the handball discipline, the team has come to be known as Beşiktaş Mogaz. Starting in the 2019 season, the title sponsorship continues with the Aygaz brand. Beşiktaş Aygaz Handball Team carries on to successfully represent Turkey in the European Handball Federation (EHF) Champions League. With the support extended to other sports disciplines, Aygaz became a sponsor of the Fenerbahçe Sports Club Professional Football A Team.

Aygaz contributes to the "For My Country" projects, which the Koç Group launched in 2006 to work on topics such as environment, health and gender equality. As part of the "I Design the Future for My Country" project, which focused on digital transformation and technology in 2019, trainings on the subject were provided to all plant, terminal and office employees to help them prepare

for the future. The process is also supported by in-house entrepreneurship and innovation projects.

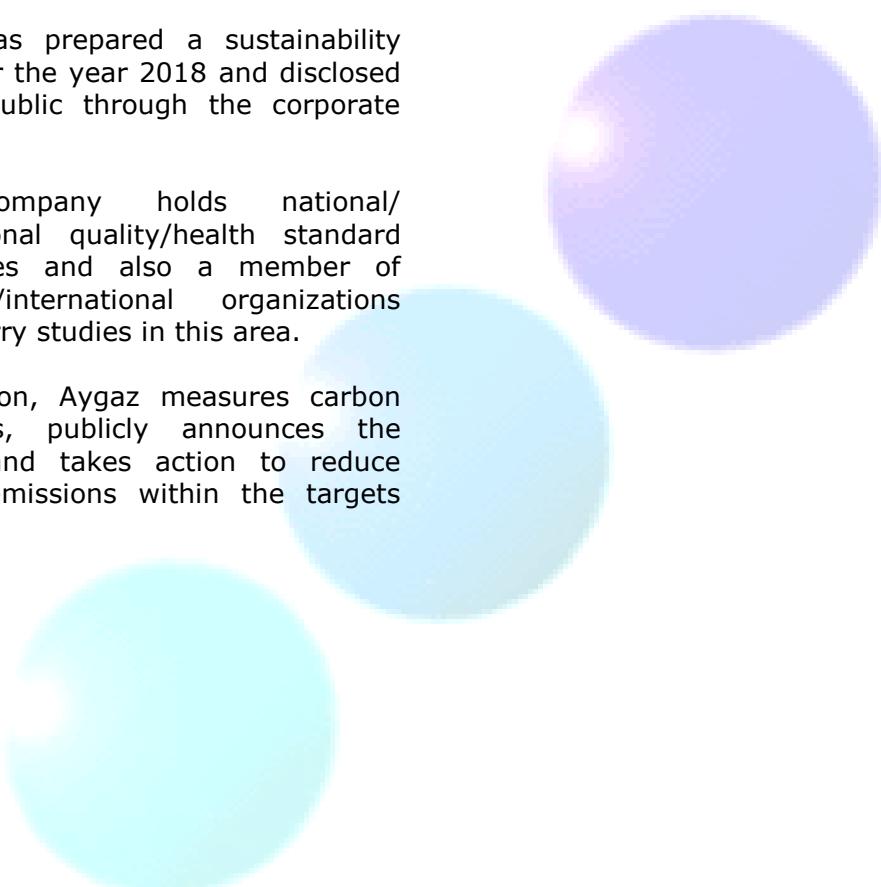
3.6. Sustainability:

The Company has a policy, internal regulations, objectives, initiatives and campaigns on environment, nature, energy saving, recycling and education issues.

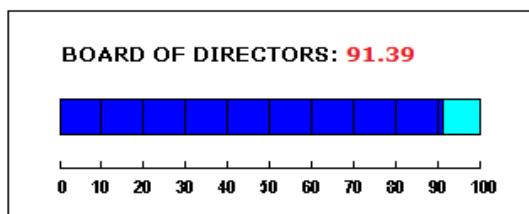
Aygaz has prepared a sustainability report for the year 2018 and disclosed to the public through the corporate web site.

The Company holds national/international quality/health standard certificates and also a member of domestic/international organizations which carry studies in this area.

In addition, Aygaz measures carbon emissions, publicly announces the results and takes action to reduce carbon emissions within the targets set.



SECTION 4: BOARD OF DIRECTORS



SYNOPSIS	
+	The board is staffed with effective and highly qualified members.
+	Board of directors meeting and decision quorum is defined in the articles of association.
+	Each board member is entitled to a single vote.
+	3 independent members on the board.
+	Audit, Corporate Governance and Risk Management Committees established.
+	Principles of remuneration of board members and senior executives are established and disclosed to the public.
=	1 female member on the board.
-	No target or policy established yet for 25% female board membership rate.

The board of directors has defined the vision and mission of the Company and is overseeing that Company activities are managed in compliance with the legislation, articles of association, internal procedures and established policies.

Distribution of tasks between the members of the board of directors is described in the annual report.

The Company's board of directors is composed of 9 members and 3 of them are independent members. All members are non-executive. Capital Markets Board (CMB) criteria are complied with in determining

independent candidates. Independent candidates for the board of directors have each signed a declaration of independence within the framework of the legislation, articles of association, and the CMB criteria.

There is 1 female member on the board of directors.

A Corporate Governance Committee, an Audit Committee, and a Risk Management Committees are established from within the board of directors. The working procedures of the Committees are disclosed to the public.

The Chairman of the Board of Directors is not on Corporate Governance, Audit and Risk Management Committees.

The board of directors has taken a decision regarding the acceptance of the financial statement and the annual report, and the Corporate Governance Compliance Report (CRF) and the Corporate Governance Information Form (CGIF) are included in the content of this statement.

Principles of remuneration of board members and senior executives are included on the corporate web site.

Nevertheless, neither a target, nor a policy is established for a 25% female board membership rate.

4.1. Functions of the Board of Directors:

Strategic decisions of the board of directors aim to manage Aygaz's risk, growth, and return balance at an appropriate level and conduct a rational and cautious risk management

approach with a view to the long-term interests of the Company. The board administers and represents the Company within these parameters.

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

4.2. Principles of Activity of the Board of Directors:

We have come to a conviction that the board of directors performs its activities in a transparent, accountable, fair and responsible manner.

Distribution of tasks between the members of the board of directors is explained in the annual report.

The board of directors established various internal control systems which are inclusive of risk management, information systems, and processes by also taking into consideration the views of the Committees.

The presence, functioning, and effectiveness of internal controls and internal audit are explained in the annual report.

Chairman of the board and chief executive officer/general manager's executive powers are clearly separated.

The board of directors plays a leading role in maintaining effective communication between the Company and the shareholders and settling any disputes which may arise.

Defects and damages that may be caused by the board members during the execution of their duties have been insured by 'Officers' Liability' policy and this matter is disclosed on PDP via the annual report.

Analyzing the Company's organization, it is seen that there is no person at Ayaz who has unlimited authority to make decisions alone and this is considered as positive by us.

4.3. Structure of the Board of Directors:

The Company's board of directors is composed of 9 members and all of them are non-executive. Among the non-executive board members there are 3 independent members who have the ability to execute their duties without being influenced under any circumstances.

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

There is 1 female member on the board. On the other hand it has been declared that there is no defined internal policy and a timetable, nor a study has been concluded yet to reach the Corporate Governance Principles' advisory target of minimum 25% female membership rate on the board of directors.

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

The board of directors of the Company held 3 physical meetings in the operating period of 2019 and passed 29 resolutions.

Chairman of the board of directors sets the agenda for board meetings in consultation with other members and the chief executive officer/general manager.

Information on the agenda items of the board of directors is made available to the members in sufficient time prior to the meeting date by a coordinated flow of information. Each member of the board has a right to one vote.

The meeting and decision quorums have been included in the articles of association of the Company. In addition, board meetings can also be held in a remote access system.

There are no limitations introduced for the members taking on additional duties outside the Company. However, only the independent members carry on external duties. The external duties and grounds of the board members are presented to the general shareholders' meeting where their nomination is discussed, with a distinction between intra-group and out-group activities.

Although the conduct of board meetings is not determined in writing with internal regulations, there are processes that have been maintained consistently for many years.

4.5. Committees Established Within the Board of Directors:

Corporate Governance, Audit and Risk Management Committees are established from within the board of directors in order to fulfill its duties and responsibilities.

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

All members of the Audit Committee and the chairmen of the Corporate Governance and Risk Management Committees are elected among the independent board members. The Chairman of the Board of Directors are not on the Committees. Care has been taken that a non-independent board member cannot be on more than one Committee. There are no members with executive duties on the Committees.

All necessary resource and support needed to fulfill the tasks of the Committees are provided by the board of directors.

Committee meeting frequency has been found sufficient by us. Since our previous rating report (June 21, 2019); Corporate Governance Committee held 4 meetings, while The Audit Committee held 9 and the Risk Management Committee held 8 meetings.

The Corporate Governance Committee is established in order to determine whether or not corporate governance principles are being fully implemented by the Company, if implementation of some of the principles are not possible, the reason thereof, and assess any conflict of interests arising as a result of imperfect implementation of these principles, and present remedial advices to the board of directors. In addition, it oversees the work of the investor relations unit. The Investor Relations Department manager is also on the Corporate Governance Committee.

Audit Committee supervises the operation and efficiency of the Company's accounting system, public disclosure, external audit and internal audit systems, reviews complaints that are received by the Company regarding Company accounting, internal and external independent

audit systems, within the framework of the principle of confidentiality and finalizes them, immediately notifies the board in writing on findings related to their duties and responsibilities and the related assessment and recommendations, following taking the opinion of responsible managers of the Company and the external auditor notifies the board in writing on whether the annual and interim statements disclosed to the public is in accordance with the Company's accounting principles, true and accurate.

In addition, Audit Committee members possess the qualifications mentioned in the Communiqué.

The annual report contains information on working principles of the Audit Committee and number of written notices given to the board of directors during the fiscal year.

As of 2020, the external audit of the Company is conducted by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

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

The Risk Management Committee carries out its tasks towards early detection of risks which may jeopardize the Company's assets, its development and progression, and measures taken to mitigate and manage those risks.

The tasks of Nomination and Remuneration Committees are performed by the Corporate Governance Committee. In this context the Corporate Governance

Committee works on determination of independent candidates and the remuneration policy.

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

The principles of remuneration of board members and senior executives has been documented in writing and submitted to the shareholders as a separate item in the general shareholders' meeting.

A remuneration policy prepared for this purpose can be found on Company's web site. Stock options or performance based payments are not included in the remuneration package of the independent board members.

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

We have come to conclusion that the executives have the required professional qualifications in order to perform the assigned duties.

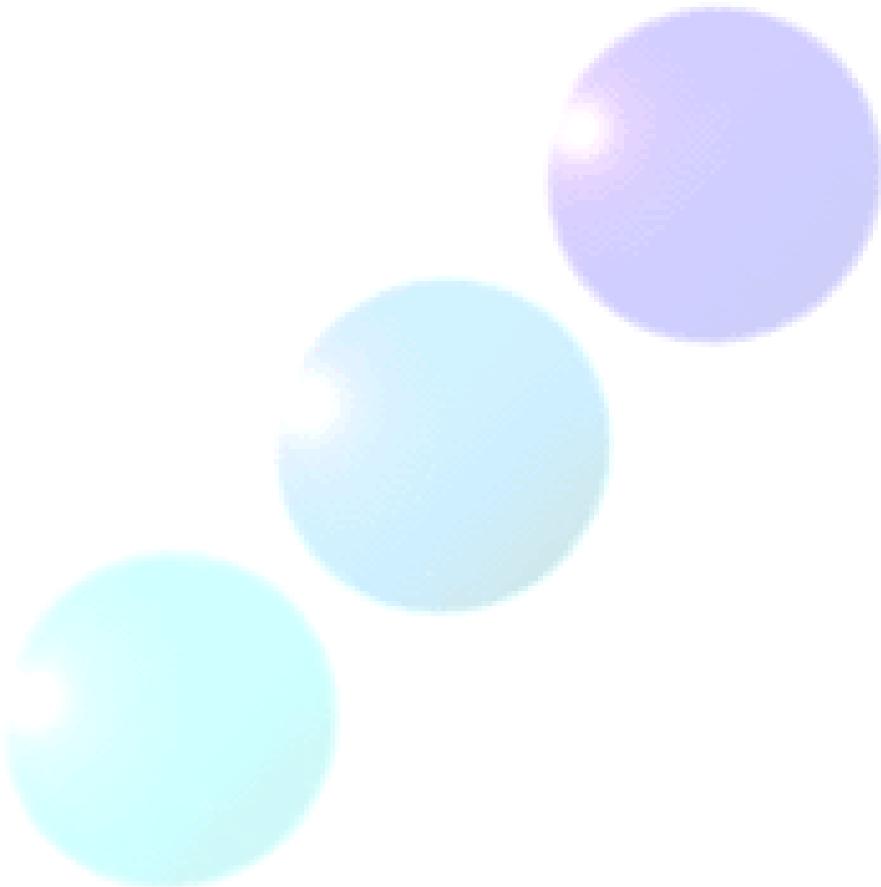
The executives comply with the legislation, articles of association, and in-house regulations and policies in fulfilling their duties.

There has been no cases where the executives used confidential and non-public Company information in favor of themselves or others. There are no executives who accepted a gift or favor directly or indirectly related to the Company's affairs, and provided unfair advantage.

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

Company officials declared that any potential losses incurred by the Company and third parties as a result of misconduct by executives is insured.

In addition, orientation process for newly appointed managers is determined in writing in the Company's staff regulations.



Rating Definitions

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

DISCLAIMER

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

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